

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2023

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-40542

**Mister Car Wash, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**222 E. 5<sup>th</sup> Street**

**Tucson, Arizona**

(Address of principal executive offices)

**47-1393909**

(I.R.S. Employer  
Identification No.)

**85705**

(Zip Code)

Registrant's telephone number, including area code: (520) 615-4000

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class                      | Trading<br>Symbol(s) | Name of each exchange on which registered |
|--|----------------------|---|
| Common stock, par value \$0.01 per share | MCW                  | New York Stock Exchange                   |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |
| Emerging growth company | <input type="checkbox"/>            |                           |                          |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of April 28, 2023, the registrant had 308,519,147 shares of common stock, \$0.01 par value per share, outstanding.

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## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of present and historical facts contained in this Quarterly Report on Form 10-Q, including without limitation, statements regarding our future results of operations and financial position, business strategy and approach are forward-looking. You can generally identify forward-looking statements by our use of forward-looking terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "potential," "predict," "seek," "vision," or "should," or the negative thereof or other variations thereon or comparable terminology.

Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to us. Such beliefs and assumptions may or may not prove to be correct. Additionally, such forward-looking statements are subject to a number of known and unknown risks, uncertainties and assumptions, and actual results may differ materially from those expressed or implied in the forward-looking statements in this Quarterly Report on Form 10-Q due to various factors, including, but not limited to, those identified in Part I. Item 1A. "Risk Factors" and in Part II. Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "2022 10-K") and in Part I. Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report on Form 10-Q. These risks and uncertainties include, but are not limited to:

- An overall decline in the health of the economy and other factors impacting consumer spending, such as natural disasters, the occurrence of a recession, growing inflation and worsening in economic conditions may affect consumer purchases and reduce demand for our services.
- Our ability to attract new customers, retain existing customers and maintain or grow the number of Unlimited Wash Club® ("UWC") Members.
- If we fail to acquire, open and operate new locations in a timely and cost-effective manner and enter into new markets our financial performance could be materially and adversely affected.
- We may not be able to successfully implement our growth strategies on a timely basis or at all.
- We are subject to a number of risks and regulations related to credit card and debit card payments we accept.
- Supply chain disruption and other increased operating costs could materially and adversely affect our results of operations.
- Our locations may experience difficulty hiring and retaining key or sufficient qualified personnel or increases in labor costs.
- We lease or sublease the land and buildings where a number of our locations are situated, which could expose us to possible liabilities and losses.
- Our indebtedness could adversely affect our financial health and competitive position.
- Our business is subject to various laws and regulations and changes in such laws and regulations, or failure to comply with existing or future laws and regulations, could adversely affect our business.
- Our locations are subject to certain environmental laws and regulations.
- We are subject to data security and privacy risks that could negatively impact our results of operations or reputation.
- We may be unable to adequately protect, and we may incur significant costs in enforcing or defending, our intellectual property and other proprietary rights.
- Our stock price may be volatile or may decline regardless of our operating performance, resulting in substantial losses for investors purchasing shares of our common stock.

Given these and other risks and uncertainties applicable to us, you are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included elsewhere in this Quarterly Report on Form 10-Q are not guarantees of future performance and our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate, may differ materially from the forward-looking statements included elsewhere in this Quarterly Report on Form 10-Q. In addition, even if our results of operations, financial condition and liquidity, and events in the industry in which we operate, are consistent with the forward-looking statements included elsewhere in this Quarterly Report on Form 10-Q, they may not be predictive of results or developments in future periods.

Any forward-looking statement that we make in this Quarterly Report on Form 10-Q speaks only as of the date of such statement. Except as required by law, we do not undertake any obligation to update or revise, or to publicly announce any update or revision to, any of the forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Quarterly Report on Form 10-Q.

As used in this Quarterly Report on Form 10-Q, unless otherwise stated or the context requires otherwise, references to "Mister Car Wash," "Mister," the "Company," "we," "us," and "our," refer to Mister Car Wash, Inc. and its subsidiaries on a consolidated basis.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

**Mister Car Wash, Inc.**  
**Condensed Consolidated Balance Sheets**  
(Amounts in thousands, except share and per share data)  
(Unaudited)

| <i>(Amounts in thousands, except share and per share data)</i>   | As of               |                     |
|--|---------------------|---------------------|
|  | March 31, 2023      | December 31, 2022   |
| <b>Assets</b>  |                     |                     |
| Current assets:  |                     |                     |
| Cash and cash equivalents  | \$ 69,903           | \$ 65,152           |
| Restricted cash  | 70                  | 70                  |
| Accounts receivable, net   | 933                 | 3,941               |
| Other receivables  | 14,116              | 15,182              |
| Inventory, net   | 8,228               | 9,174               |
| Prepaid expenses and other current assets  | 10,767              | 12,618              |
| Total current assets   | 104,017             | 106,137             |
| Property and equipment, net  | 596,695             | 560,874             |
| Operating lease right of use assets, net   | 776,496             | 776,689             |
| Other intangible assets, net   | 122,122             | 123,615             |
| Goodwill   | 1,109,815           | 1,109,815           |
| Other assets   | 8,190               | 9,102               |
| Total assets   | <u>\$ 2,717,335</u> | <u>\$ 2,686,232</u> |
| <b>Liabilities and stockholders' equity</b>  |                     |                     |
| Current liabilities:   |                     |                     |
| Accounts payable   | \$ 30,379           | \$ 25,649           |
| Accrued payroll and related expenses   | 20,036              | 17,218              |
| Other accrued expenses   | 30,730              | 41,196              |
| Current maturities of operating lease liability  | 41,279              | 40,367              |
| Current maturities of finance lease liability  | 687                 | 668                 |
| Deferred revenue   | 30,509              | 29,395              |
| Total current liabilities  | 153,620             | 154,493             |
| Long-term portion of debt, net   | 896,223             | 895,830             |
| Operating lease liability  | 758,752             | 759,775             |
| Financing lease liability  | 14,599              | 14,779              |
| Deferred tax liability   | 58,823              | 53,395              |
| Other long-term liabilities  | 6,577               | 6,832               |
| Total liabilities  | 1,888,594           | 1,885,104           |
| Stockholders' equity:  |                     |                     |
| Common stock, \$0.01 par value, 1,000,000,000 shares authorized,<br>308,101,847 and 306,626,530 shares outstanding as of<br>March 31, 2023 and December 31, 2022, respectively | 3,087               | 3,072               |
| Additional paid-in capital   | 790,041             | 783,579             |
| Retained earnings (Accumulated Deficit)  | 35,613              | 14,477              |
| Total stockholders' equity   | 828,741             | 801,128             |
| Total liabilities and stockholders' equity   | <u>\$ 2,717,335</u> | <u>\$ 2,686,232</u> |

*See accompanying notes to unaudited condensed consolidated financial statements.*

**Mister Car Wash, Inc.**  
**Condensed Consolidated Statements of Operations and Comprehensive Income**  
(Amounts in thousands, except share and per share data)  
(Unaudited)

|   | <b>Three Months Ended March 31,</b> |                  |
|---|-------------------------------------|------------------|
|   | <b>2023</b>                         | <b>2022</b>      |
| Net revenues                                | \$ 225,960                          | \$ 219,419       |
| Cost of labor and chemicals                 | 66,792                              | 65,538           |
| Other store operating expenses              | 89,466                              | 77,801           |
| General and administrative                  | 24,183                              | 23,687           |
| (Gain) loss on sale of assets               | (63)                                | 459              |
| Total costs and expenses                    | 180,378                             | 167,485          |
| Operating income                            | 45,582                              | 51,934           |
| Other expense:                              |                                     |                  |
| Interest expense, net                       | 17,748                              | 8,166            |
| Total other expense                         | 17,748                              | 8,166            |
| Income before taxes                         | 27,834                              | 43,768           |
| Income tax provision                        | 6,698                               | 8,280            |
| Net income                                  | \$ 21,136                           | \$ 35,488        |
| Other comprehensive income, net of tax:     |                                     |                  |
| Gain on interest rate swap                  | -                                   | 1,869            |
| Total comprehensive income                  | <u>\$ 21,136</u>                    | <u>\$ 37,357</u> |
| Net income per share:                       |                                     |                  |
| Basic                                       | <u>\$ 0.07</u>                      | <u>\$ 0.12</u>   |
| Diluted                                     | <u>\$ 0.06</u>                      | <u>\$ 0.11</u>   |
| Weighted-average common shares outstanding: |                                     |                  |
| Basic                                       | 307,291,909                         | 300,931,453      |
| Diluted                                     | 327,608,266                         | 329,172,437      |

*See accompanying notes to unaudited condensed consolidated financial statements.*

**Mister Car Wash, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Amounts in thousands)**  
**(Unaudited)**

|   | <b>Three Months Ended March 31,</b> |                  |
|---|-------------------------------------|------------------|
|   | <b>2023</b>                         | <b>2022</b>      |
| <b>Cash flows from operating activities:</b>                                      |                                     |                  |
| Net income  | \$ 21,136                           | \$ 35,488        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                     |                  |
| Depreciation and amortization expense   | 17,307                              | 14,945           |
| Stock-based compensation expense  | 5,361                               | 5,519            |
| (Gain) loss on sale of assets, net  | (63)                                | 459              |
| Amortization of debt issuance costs   | 419                                 | 419              |
| Non-cash lease expense  | 10,739                              | 9,606            |
| Deferred income tax   | 5,428                               | 5,018            |
| Changes in assets and liabilities:  |                                     |                  |
| Accounts receivable, net  | 3,009                               | 146              |
| Other receivables   | 1,128                               | 10,108           |
| Inventory, net  | 946                                 | (665)            |
| Prepaid expenses and other current assets   | 1,850                               | 901              |
| Accounts payable  | 2,553                               | 5,679            |
| Accrued expenses  | 5,155                               | 3,635            |
| Deferred revenue  | 1,114                               | 648              |
| Operating lease liability   | (9,696)                             | (9,094)          |
| Other noncurrent assets and liabilities   | 631                                 | (1,268)          |
| Net cash provided by operating activities   | \$ 67,017                           | \$ 81,544        |
| <b>Cash flows from investing activities:</b>                                      |                                     |                  |
| Purchases of property and equipment   | (72,059)                            | (30,015)         |
| Proceeds from sale of property and equipment                                      | 8,899                               | 1                |
| Net cash used in investing activities   | \$ (63,160)                         | \$ (30,014)      |
| <b>Cash flows from financing activities:</b>                                      |                                     |                  |
| Proceeds from issuance of common stock under employee plans                       | 1,055                               | 1,281            |
| Payments on debt borrowings   | -                                   | (2,100)          |
| Principal payments on finance lease obligations                                   | (161)                               | (134)            |
| Net cash provided (used) by financing activities                                  | \$ 894                              | \$ (953)         |
| Net change in cash and cash equivalents and restricted cash during period         | 4,751                               | 50,577           |
| Cash and cash equivalents and restricted cash at beginning of period              | 65,222                              | 19,858           |
| Cash and cash equivalents and restricted cash at end of period                    | <u>\$ 69,973</u>                    | <u>\$ 70,435</u> |
| <b>Supplemental disclosure of cash flow information:</b>                          |                                     |                  |
| Cash paid for interest  | \$ 11,697                           | \$ 7,821         |
| Cash paid for income taxes  | \$ 151                              | \$ -             |
| <b>Supplemental disclosure of non-cash investing and financing activities:</b>    |                                     |                  |
| Property and equipment in accounts payable  | \$ 11,993                           | \$ 18,123        |
| Property and equipment in other accrued expenses                                  | \$ 5,969                            | \$ -             |
| Stock option exercise proceeds in other receivables                               | \$ 61                               | \$ 45            |

*See accompanying notes to unaudited condensed consolidated financial statements.*

**Mister Car Wash, Inc.**  
**Condensed Consolidated Statements of Stockholders' Equity**  
(Amounts in thousands, except share and per share data)  
(Unaudited)

**Three Months Ended March 31, 2023**

|  | Common Stock       |                 | Additional<br>Paid-in<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income | Retained<br>Earnings<br>(Accumulated<br>Deficit) | Stockholders'<br>Equity |
|--|--------------------|-----------------|----------------------------------|---|--|-------------------------|
|  | Shares             | Amount          |                                  |   |  |                         |
| <b>Balance as of December 31, 2022</b> | 306,626,530        | \$ 3,072        | \$ 783,579                       | \$ —  | \$ 14,477  | \$ 801,128              |
| Stock-based compensation expense       | —                  | —               | 5,361                            | —   | —  | 5,361                   |
| Vesting of restricted stock units      | 4,296              | —               | —                                | —   | —  | —                       |
| Exercise of stock options              | 1,471,021          | 15              | 1,101                            | —   | —  | 1,116                   |
| Net income                             | —                  | —               | —                                | —   | 21,136   | 21,136                  |
| <b>Balance as of March 31, 2023</b>    | <u>308,101,847</u> | <u>\$ 3,087</u> | <u>\$ 790,041</u>                | <u>\$ -</u>                                     | <u>\$ 35,613</u>                                 | <u>\$ 828,741</u>       |

**Three Months Ended March 31, 2022**

|  | Common Stock       |                 | Additional<br>Paid-in<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income | Retained<br>Earnings<br>(Accumulated<br>Deficit) | Stockholders'<br>Equity |
|--|--------------------|-----------------|----------------------------------|---|--|-------------------------|
|  | Shares             | Amount          |                                  |   |  |                         |
| <b>Balance as of December 31, 2021</b> | 300,120,451        | \$ 3,007        | \$ 752,343                       | \$ 225  | \$ (98,423 )                                     | \$ 657,152              |
| Stock-based compensation expense       | —                  | —               | 5,519                            | —   | —  | 5,519                   |
| Exercise of stock options              | 1,486,727          | 15              | 1,311                            | —   | —  | 1,326                   |
| Gain on interest rate swap             | —                  | —               | —                                | 1,869   | —  | 1,869                   |
| Net income                             | —                  | —               | —                                | —   | 35,488   | 35,488                  |
| <b>Balance as of March 31, 2022</b>    | <u>301,607,178</u> | <u>\$ 3,022</u> | <u>\$ 759,173</u>                | <u>\$ 2,094</u>                                 | <u>\$ (62,935 )</u>                              | <u>\$ 701,354</u>       |

*See accompanying notes to unaudited condensed consolidated financial statements.*

**Mister Car Wash, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Dollar amounts in thousands, except per share data)**  
**(Unaudited)**

**1. Nature of Business**

Mister Car Wash, Inc., a Delaware corporation, together with its subsidiaries (collectively, the “Company”), is based in Tucson, Arizona and provider of conveyORIZED car wash services. We primarily operate Express Exterior Locations, which offers express exterior cleaning services along with free vacuum services, and interior cleaning services at select locations. As of March 31, 2023, we operated 439 car washes in 21 states.

**2. Summary of Significant Accounting Policies**

The accompanying unaudited condensed consolidated financial statements as of March 31, 2023 and for the three months ended March 31, 2023 and 2022 have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial statements. Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto for the year ended December 31, 2022 included in the 2022 Form 10-K.

The unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements. In the opinion of management, the included disclosures are adequate, and the accompanying unaudited condensed consolidated financial statements contain all adjustments which are necessary for a fair presentation of our consolidated financial position as of March 31, 2023, consolidated results of operations and comprehensive income for the three months ended March 31, 2023 and 2022, and consolidated cash flows for the three months ended March 31, 2023 and 2022. Such adjustments are of a normal and recurring nature. The consolidated results of operations for the three months ended March 31, 2023 are not necessarily indicative of the consolidated results of operations that may be expected for the year ending December 31, 2023.

**Principles of Consolidation**

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company. All material intercompany balances and transactions have been eliminated in consolidation.

**Use of Estimates**

The preparation of the unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the periods reported. Some of the significant estimates that we have made pertain to the determination of deferred tax assets and liabilities; estimates utilized to determine the fair value of assets acquired and liabilities assumed in business combinations and the related goodwill and intangibles; and certain assumptions used related to the evaluation of goodwill, intangibles, and property and equipment asset impairment. Actual results could differ from those estimates.

**Accounts Receivable, Net**

Accounts receivable are presented net of an allowance for doubtful accounts of \$47 and \$76 as of March 31, 2023 and December 31, 2022, respectively. The activity in the allowance for doubtful accounts was immaterial for the three months ended March 31, 2023 and 2022.

**Other Receivables**

Other receivables consisted of the following for the periods presented:

|  | As of            |                   |
|--|------------------|-------------------|
|  | March 31, 2023   | December 31, 2022 |
| Payroll tax withholding and exercise proceeds receivable | \$ 85            | \$ 273            |
| Construction receivable                                  | 6,462            | 6,199             |
| Income tax receivable                                    | 3,353            | 4,387             |
| Insurance receivable                                     | 1,759            | 2,627             |
| Other  | 2,457            | 1,696             |
| Total other receivables                                  | <u>\$ 14,116</u> | <u>\$ 15,182</u>  |

**Inventory, Net**



Inventory consisted of the following for the periods presented:

|                            | As of           |                   |
|----------------------------|-----------------|-------------------|
|                            | March 31, 2023  | December 31, 2022 |
| Chemical washing solutions | \$ 8,391        | \$ 9,357          |
| Reserve for obsolescence   | (163 )          | (183 )            |
| Total inventory, net       | <u>\$ 8,228</u> | <u>\$ 9,174</u>   |

The activity in the reserve for obsolescence was immaterial for the three months ended March 31, 2023 and 2022.

#### Revenue Recognition

The following table summarizes the composition of our net revenues for the periods presented:

|                               | Three Months Ended March 31, |                   |
|-------------------------------|------------------------------|-------------------|
|                               | 2023                         | 2022              |
| Recognized over time          | \$ 156,891                   | \$ 140,874        |
| Recognized at a point in time | 68,970                       | 78,008            |
| Other revenue                 | 99                           | 537               |
| Net revenues                  | <u>\$ 225,960</u>            | <u>\$ 219,419</u> |

#### Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted net income per share is computed by dividing net income by the weighted-average shares outstanding for the period and includes the dilutive impact of potential new shares issuable upon vesting and exercise of stock options, vesting of restricted stock units, and stock purchase rights granted under an employee stock purchase plan. Potentially dilutive securities are excluded from the computation of diluted net income per share if their effect is antidilutive. Reconciliations of the numerators and denominators of the basic and diluted net income per share calculations for the periods presented are as follows:

|  | Three Months Ended March 31, |                    |
|--|------------------------------|--------------------|
|  | 2023                         | 2022               |
| <b>Numerator:</b>                                    |                              |                    |
| Net income   | <u>\$ 21,136</u>             | <u>\$ 35,488</u>   |
| <b>Denominator:</b>                                  |                              |                    |
| Weighted-average common shares outstanding - basic   | 307,291,909                  | 300,931,453        |
| Effect of potentially dilutive securities:           |                              |                    |
| Stock options  | 19,798,577                   | 27,010,017         |
| Restricted stock units                               | 498,213                      | 1,230,967          |
| Employee stock purchase plan                         | 19,567                       | -                  |
| Weighted-average common shares outstanding - diluted | <u>327,608,266</u>           | <u>329,172,437</u> |
| Net income per share - basic                         | <u>\$ 0.07</u>               | <u>\$ 0.12</u>     |
| Net income per share - diluted                       | <u>\$ 0.06</u>               | <u>\$ 0.11</u>     |

The following potentially dilutive shares were excluded from the computation of diluted net income per share for the periods presented because including them would have been antidilutive:

|                              | Three Months Ended March 31, |           |
|------------------------------|------------------------------|-----------|
|                              | 2023                         | 2022      |
| Stock options                | 2,677,756                    | 2,041,141 |
| Restricted stock units       | 356,400                      | -         |
| Employee stock purchase plan | <u>3,619</u>                 | <u>-</u>  |

#### Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU No. 2016-13"), which replaces the existing incurred loss impairment model with an expected credit loss model and requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected. We adopted the new standard on January 1, 2023 and was

applied prospectively. We reviewed our business processes and controls to support the recognition and disclosure as required under the new standard. The adoption of this new standard did not have a material impact on our unaudited condensed consolidated financial statements.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805) – Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* (“ASU No. 2021-08”). The guidance improves the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and certain inconsistencies in application. This update requires that an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC Topic 606 as if it had originated the contracts. This update was effective for us as of January 1, 2023, and the adoption of this new standard did not have a material impact on our condensed consolidated financial statements and related disclosures.

### 3. Property and Equipment, Net

Property and equipment, net consisted of the following for the periods presented:

|   | As of             |                   |
|---|-------------------|-------------------|
|   | March 31, 2023    | December 31, 2022 |
| Land  | \$ 100,090        | \$ 94,594         |
| Buildings and improvements                      | 204,617           | 189,998           |
| Finance leases                                  | 16,604            | 16,604            |
| Leasehold improvements                          | 118,952           | 115,811           |
| Vehicles and equipment                          | 236,175           | 229,453           |
| Furniture, fixtures and equipment               | 90,567            | 86,613            |
| Construction in progress                        | 68,061            | 53,373            |
| Property and equipment, gross                   | 835,066           | 786,446           |
| Less: accumulated depreciation                  | (235,836 )        | (223,288 )        |
| Less: accumulated amortization - finance leases | (2,535 )          | (2,284 )          |
| Property and equipment, net                     | <u>\$ 596,695</u> | <u>\$ 560,874</u> |

For the three months ended March 31, 2023 and 2022, depreciation expense was \$15,379 and \$12,934, respectively.

For the three months ended March 31, 2023 and 2022, amortization expense on finance leases was \$251 and \$242, respectively.

### 4. Other Intangible Assets, Net

Other intangible assets, net consisted of the following as of the periods presented:

|                              | March 31, 2023        |                          | December 31, 2022     |                          |
|------------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
|                              | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Trade names and Trademarks   | \$ 107,200            | \$ 200                   | \$ 107,200            | 200                      |
| CPC Unity System             | 42,900                | 36,823                   | 42,900                | 35,750                   |
| Customer relationships       | 9,700                 | 6,048                    | 11,800                | 8,240                    |
| Covenants not to compete     | 12,590                | 7,197                    | 12,590                | 6,685                    |
| Other intangible assets, net | <u>\$ 172,390</u>     | <u>\$ 50,268</u>         | <u>\$ 174,490</u>     | <u>\$ 50,875</u>         |

For the three months ended March 31, 2023 and 2022, amortization expense associated with our finite-lived intangible assets was \$1,677 and \$1,769, respectively.

As of March 31, 2023, estimated future amortization expense was as follows:

#### Fiscal Year Ending:

|   |                  |
|---|------------------|
| 2023 (remaining nine months)                | \$ 5,051         |
| 2024  | 4,920            |
| 2025  | 1,699            |
| 2026  | 1,457            |
| 2027  | 629              |
| Thereafter                                  | 1,366            |
| Total estimated future amortization expense | <u>\$ 15,122</u> |

## 5. Goodwill

Goodwill consisted of the following for the periods presented:

|                                | As of               |                     |
|--------------------------------|---------------------|---------------------|
|                                | March 31, 2023      | December 31, 2022   |
| Balance at beginning of period | \$ 1,109,815        | \$ 1,060,221        |
| Current period acquisitions    | -                   | 57,856              |
| Other provisional adjustments  | -                   | (8,262)             |
| Balance at end of period       | <u>\$ 1,109,815</u> | <u>\$ 1,109,815</u> |

Goodwill is generally deductible for tax purposes, except for the portion related to purchase accounting step-up goodwill.

## 6. Other Accrued Expenses

Other accrued expenses consisted of the following for the periods presented:

|                                 | As of            |                   |
|---------------------------------|------------------|-------------------|
|                                 | March 31, 2023   | December 31, 2022 |
| Utilities                       | \$ 5,806         | \$ 5,439          |
| Accrued other tax expense       | 7,168            | 8,863             |
| Insurance expense               | 2,105            | 3,275             |
| Greenfield development accruals | 5,969            | 18,772            |
| Other                           | 9,682            | 4,847             |
| Total other accrued expenses    | <u>\$ 30,730</u> | <u>\$ 41,196</u>  |

Greenfield development accruals represent property and equipment costs, primarily related to land and buildings and improvements not yet invoiced as of March 31, 2023 and December 31, 2022.

## 7. Income Taxes

The effective income tax rates on continuing operations for the three months ended March 31, 2023 and 2022 were 24.1% and 18.9%, respectively. In general, the effective tax rates differed from the U.S. federal statutory income tax rate primarily due to state income taxes, non-deductible expenses such as those related to certain executive compensation, and other discrete tax benefits recorded during the period.

The year-to-date provision for income taxes for the three months ended March 31, 2023 included taxes on earnings at an anticipated annual effective tax rate of 25.3% and a net, favorable tax impact of \$340 related primarily to discrete tax benefits originating from stock options exercised during the three months ended March 31, 2023.

The year-to-date provision for income taxes for the three months ended March 31, 2022 included taxes on earnings at an anticipated annual effective tax rate of 27.0% and a net, favorable tax impact of \$3,537 related primarily to discrete tax benefits originating from stock options exercised during the three months ended March 31, 2022.

The 1.7% decrease in the annual effective tax rate relates primarily to an anticipated reduction in state income tax liabilities.

In 2022, the Creating Helpful Incentives to Produce Semiconductors (“CHIPS”) Act of 2022 was signed into law. The CHIPS Act is designed to boost domestic semiconductor manufacturing and encourage US research activities. Also in 2022, the Inflation Reduction Act (“IRA”) of 2022 was signed into law. The IRA created a new book-minimum tax on certain large corporations and an excise tax on stock buybacks while also providing incentives to address climate change mitigation and clean energy, among other items. Similar to the prior quarter, we do not currently expect these laws to have a material effect on our consolidated financial statements.

For the three months ended March 31, 2023 and 2022, we did not record any unrecognized tax benefits or interest and penalties related to any uncertain tax positions.

## 8. Debt

Long-term debt consisted of the following as of the periods presented:

|  | As of             |                   |
|--|-------------------|-------------------|
|  | March 31, 2023    | December 31, 2022 |
| <i>Credit agreement</i>                            |                   |                   |
| First lien term loan                               | \$ 901,201        | \$ 901,201        |
| Less: unamortized discount and debt issuance costs | (4,978 )          | (5,371 )          |
| First lien term loan, net                          | 896,223           | 895,830           |
| <b>Total long-term portion of debt, net</b>        | <b>\$ 896,223</b> | <b>\$ 895,830</b> |

As of March 31, 2023, annual maturities of debt were as follows:

### Fiscal Year Ending:

|                                 |                   |
|---------------------------------|-------------------|
| 2023 (remaining nine months)    | \$ -              |
| 2024                            | -                 |
| 2025                            | -                 |
| 2026                            | 901,201           |
| 2027                            | -                 |
| Thereafter                      | -                 |
| <b>Total maturities of debt</b> | <b>\$ 901,201</b> |

As of March 31, 2023 and December 31, 2022, unamortized discount and debt issuance costs were \$5,310 and \$5,729, respectively, and accumulated amortization of discount and debt issuance costs was \$4,865 and \$4,446, respectively.

For the three months ended March 31, 2023 and 2022, the amortization of debt issuance costs in interest expense, net in the unaudited condensed consolidated statements of operations and comprehensive income was approximately \$419.

### Credit Agreement

On August 21, 2014, we entered into a Credit Agreement (“Credit Agreement”) which was originally comprised of a term loan (“First Lien Term Loan”) and a revolving commitment (“Revolving Commitment”). The Credit Agreement was collateralized by substantially all personal property (including cash, inventory, property and equipment, and intangible assets), real property, and equity interests owned by us.

Under the Credit Agreement and with respect to the First Lien Term Loan, we had the option of selecting either (i) a Base Rate interest rate plus fixed margin of 2.25% or (ii) a Eurodollar (LIBOR) interest rate for one, two, three or six months plus a fixed margin of 3.25%.

Under the Credit Agreement and with respect to the Revolving Commitment, we had the option of selecting either (i) a Base Rate interest rate plus a variable margin of 2.50% to 3.00%, based on our First Lien Net Debt Leverage Ratio, or (ii) a Eurodollar (LIBOR) interest rate for one, two, three or six months plus a variable margin of 3.50% to 4.00%, based on our First Lien Net Leverage Ratio.

### First Lien Term Loan

In February 2020, we entered into Amendment No. 1 to Amended and Restated First Lien Credit Agreement (“Amended First Lien Credit Agreement”) which amended and restated the Amended and Restated First Lien Credit Agreement entered into in May 2019 (the “First Lien Credit Agreement”). The Amended First Lien Credit Agreement changed the interest rate spreads associated with the First Lien Credit Agreement where (i) the variable margin associated with the Base Rate interest rate plus a variable margin based on our First Lien Net Leverage Ratio changed from 2.25% to 2.50% to 2.00% to 2.25% and (ii) the variable margin associated with the Eurodollar Rate interest rate for one, two, three or six months plus a variable margin based on our First Lien Net Leverage Ratio changed from 3.25% to 3.50% to 3.00% to 3.25%.

In December 2021, in connection with the Clean Streak Ventures acquisition, we entered into Amendment No. 3 to the Amended and Restated First Lien Credit Agreement (“Amended First Lien Credit Agreement”) which amended and restated the Amended and Restated First Lien Credit Agreement entered into in May 2019 (“First Lien Credit Agreement”). Under the terms of the Amended First Lien Credit Agreement, the previous First Lien Term Loan was increased by \$290,000 to \$903,301 with the balance due on May 14, 2026. The incremental increase in aggregate principal of \$290,000 resulted in \$285,962 of proceeds net of discount and debt issuance costs.

In December 2022, we entered into Amendment No. 4 to its Amended and Restated First Lien Credit Agreement with the lenders party thereto, and Jeffries Finance LLC, as administrative agent, to transition from LIBOR to Eurocurrency rate SOFR spread, whereas all revolver borrowings and term loan borrowings under the existing credit agreement will be SOFR based. All other terms governing this term loan facility remained substantially the same.

As of March 31, 2023 and December 31, 2022, the amount outstanding under the First Lien Term Loan was \$901,201. As of March 31, 2023 and December 31, 2022, the interest rate on the First Lien Term Loan was 7.99% and 7.42%, respectively.

The Amended and Restated First Lien Credit Agreement requires us to maintain compliance with a First Lien Net Leverage Ratio. As of March 31, 2023, we were in compliance with the First Lien Net Leverage Ratio financial covenant of the Amended and Restated First Lien Credit Agreement.

#### **Revolving Commitment**

In May 2019, as a part of the Amended and Restated First Lien Credit Agreement, the Revolving Commitment was increased from \$50,000 to \$75,000 and the expiration date was changed from August 21, 2019 to May 14, 2024. We had the option of selecting either a Base Rate interest rate plus a variable margin based on our First Lien Net Leverage Ratio (ranging from 2.0% to 2.5%) or a Eurodollar Rate interest rate for one, two, three or six months plus a variable margin based on our First Lien Net Leverage Ratio (ranging from 3.0% to 3.5%).

In June 2021, we entered into Amendment No. 2 to Amended and Restated First Lien Credit Agreement that (i) increased the maximum available borrowing capacity under the Revolving Commitment from \$75,000 to \$150,000 and (ii) extended the maturity date of the Revolving Commitment to the earliest to occur of (a) June 4, 2026, (b) the date that is six months prior to the maturity date of the First Lien Term Loan (provided that clause (b) shall not apply if the maturity date for the First Lien Term Loan is extended to a date that is at least six months after June 4, 2026, the First Lien Term Loan is refinanced having a maturity date at least six months after June 4, 2026, or the First Lien Term Loan is paid in full), (c) the date that commitments under the Revolving Commitment are permanently reduced to zero, and (d) the date of the termination of the commitments under the Revolving Commitment. The increase to the maximum available borrowing capacity was effected on the close of our initial public offering in June 2021.

As of March 31, 2023 and December 31, 2022, there were no amounts outstanding under the Revolving Commitment.

The maximum available borrowing capacity under the Revolving Commitment is reduced by outstanding letters of credit under the Revolving Commitment. As of March 31, 2023 and December 31, 2022, the available borrowing capacity under the Revolving Commitment was \$148,808 and \$148,581, respectively.

In addition, an unused commitment fee based on our First Lien Net Leverage Ratio is payable on the average of the unused borrowing capacity under the Revolving Commitment. As of March 31, 2023 and December 31, 2022, the unused commitment fee was 0.25%.

#### **Standby Letters of Credit**

As of March 31, 2023, we have a letter of credit sublimit of \$10,000 under the Revolving Commitment, provided that the total utilization of revolving commitments under the Revolving Commitment does not exceed \$150,000 subsequent to the First Lien Credit Agreement. Any letter of credit issued under the Credit Agreement has an expiration date which is the earlier of (i) no later than 12 months from the date of issuance or (ii) five business days prior to the maturity date of the Revolving Commitment, as amended under Amendment No. 2 to Amended and Restated First Lien Credit Agreement. Letters of credit under the Revolving Commitment reduce the maximum available borrowing capacity under the Revolving Commitment. As of March 31, 2023 and December 31, 2022, the amounts associated with outstanding letters of credit were \$1,192 and \$1,419, respectively, and unused letters of credit under the Revolving Commitment were \$8,808 and \$8,581, respectively.

## **9. Fair Value Measurements**

The following table presents financial liabilities which are measured at fair value on a recurring basis as of March 31, 2023:

|                          | Total    | Fair Value Measurements |         |          |
|--------------------------|----------|-------------------------|---------|----------|
|                          |          | Level 1                 | Level 2 | Level 3  |
| <b>Liabilities:</b>      |          |                         |         |          |
| Contingent Consideration | \$ 4,750 | \$ -                    | \$ -    | \$ 4,750 |

The following table presents financial liabilities which are measured at fair value on a recurring basis as of December 31, 2022:

|                          | Total    | Fair Value Measurements |         |          |
|--------------------------|----------|-------------------------|---------|----------|
|                          |          | Level 1                 | Level 2 | Level 3  |
| <b>Liabilities:</b>      |          |                         |         |          |
| Contingent Consideration | \$ 5,250 | \$ -                    | \$ -    | \$ 5,250 |

We measure the fair value of our financial assets and liabilities using the highest level of inputs that are available as of the measurement date. The carrying amounts of cash, accounts receivable, and accounts payable approximate their fair value due to the immediate or short-term maturity of these financial instruments. See Note 10 Interest Rate Swap for additional information on the interest rate swap.

As of March 31, 2023 and December 31, 2022, the fair value of our First Lien Term Loan approximated its carrying value due to the debt's variable interest rate terms.

As of March 31, 2023 we held no assets in cash investments. As of December 31, 2022, the Company also recognized assets in cash investments of \$5,032, of which \$4,992 are held in commercial paper and categorized as Level 2 assets and \$40 held in money market funds, which are categorized as Level 1 assets. These investments have maturities of less than 90 days and are recorded within Cash and cash equivalents on the consolidated balance sheet. During the three months ended March 31, 2023, all cash investments matured and \$57 of interest income is included in Interest expense, net, in the accompanying unaudited condensed consolidated statements of operations and comprehensive income.

We recognized a Level 3 contingent consideration liability in connection with the Downtowner Car Wash acquisition in December 2021. We measured its contingent consideration liability using Level 3 unobservable inputs. The contingent consideration liability is associated with the achievement of certain targets and is estimated at each balance sheet date by considering among other factors, results of completed periods and our most recent financial projection for future periods subject to earn-out payments. There are two components to the contingent consideration: a payment when we obtain the certificate of occupancy for the car wash and opens to the public in 2023 and an annual payment based on certain financial metrics of the acquired business. A change in the forecasted revenue or projected opening dates could result in a significantly lower or higher fair value measurement. We determined that there were no significant changes to the unobservable inputs that would have resulted in a change in fair value of this contingent consideration liability at March 31, 2023. During the three months ended March 31, 2023, a payment of \$500 was made upon receipt of certificate of occupancy.

During the three months ended March 31, 2023 and 2022, there were no transfers between fair value measurement levels.

#### 10. Interest Rate Swap

In May 2020, we entered into a pay-fixed, receive-floating interest rate swap (the "Swap") to mitigate variability in forecasted interest payments on an amortizing notional of \$550,000 of our variable-rate First Lien Term Loan. We designated the Swap as a cash flow hedge. In October 2022, the interest rate swap expired and was not replaced by a new interest rate swap.

For the three months ended March 31, 2023 and 2022, amounts reported in other comprehensive income in the accompanying unaudited condensed consolidated statements of operations and comprehensive income are net of tax of \$0 and \$625, respectively.

#### 11. Leases

Balance sheet information related to leases consisted of the following for the periods presented:

|                         |   | Classification | March 31, 2023    | As of<br>December 31, 2022 |
|-------------------------|---|----------------|-------------------|----------------------------|
| <b>Assets</b>           |   |                |                   |                            |
| Operating               | Operating right of use assets, net              |                | \$ 776,496        | \$ 776,689                 |
| Finance                 | Property and equipment, net                     |                | 14,069            | 14,320                     |
| Total lease assets      |   |                | <u>\$ 790,565</u> | <u>\$ 791,009</u>          |
| <b>Liabilities</b>      |   |                |                   |                            |
| Current                 |   |                |                   |                            |
| Operating               | Current maturities of operating lease liability |                | \$ 41,279         | \$ 40,367                  |
| Finance                 | Current maturities of finance lease liability   |                | 687               | 668                        |
| Long-term               |   |                |                   |                            |
| Operating               | Operating lease liability                       |                | 758,752           | 759,775                    |
| Finance                 | Financing lease liability                       |                | 14,599            | 14,779                     |
| Total lease liabilities |   |                | <u>\$ 815,317</u> | <u>\$ 815,589</u>          |

Components of total lease cost, net, consisted of the following for the periods presented:

|  | <b>Three Months Ended March 31,</b> |                  |
|--|-------------------------------------|------------------|
|  | <b>2023</b>                         | <b>2022</b>      |
| Operating lease expense <sup>(1)</sup> | \$ 24,011                           | \$ 21,204        |
| Finance lease expense                  |                                     |                  |
| Amortization of lease assets           | 251                                 | 242              |
| Interest on lease liabilities          | 276                                 | 285              |
| Short-term lease expense               | 14                                  | 8                |
| Variable lease expense <sup>(2)</sup>  | 6,703                               | 5,141            |
| <b>Total</b>                           | <b>\$ 31,255</b>                    | <b>\$ 26,880</b> |

(1) Operating lease expense includes an immaterial amount of sublease income and is included in other store operating expenses and general and administrative expenses in the accompanying unaudited condensed consolidated statements of operations and comprehensive income.

(2) Variable lease costs consist of property taxes, property insurance, and common area or other maintenance costs for our leases of land and buildings and is included in other store operating expenses in the accompanying unaudited condensed consolidated statements of operations and comprehensive income.

The following includes supplemental information for the periods presented:

|   | <b>Three Months Ended March 31,</b> |             |
|---|-------------------------------------|-------------|
|   | <b>2023</b>                         | <b>2022</b> |
| Operating cash flows from operating leases                            | \$ 23,766                           | \$ 21,461   |
| Operating cash flows from finance leases                              | 276                                 | 285         |
| Financing cash flows from finance leases                              | 161                                 | 134         |
| Operating lease ROU assets obtained in exchange for lease liabilities | \$ 10,527                           | \$ 7,818    |
| Finance lease ROU assets obtained in exchange for lease liabilities   | -                                   | -           |
| Weighted-average remaining operating lease term                       | 13.95                               | 14.27       |
| Weighted-average remaining finance lease term                         | 16.17                               | 17.08       |
| Weighted-average operating lease discount rate                        | 7.43 %                              | 6.66 %      |
| Weighted-average finance lease discount rate                          | 7.33 %                              | 7.33 %      |

As of March 31, 2023, lease obligation maturities were as follows:

| <b>Fiscal Year Ending:</b>                            | <b>Operating Leases</b> |                | <b>Finance Leases</b> |               |
|---|-------------------------|----------------|-----------------------|---------------|
| 2022 (remaining nine months)                          | \$                      | 72,396         | \$                    | 1,318         |
| 2023  |                         | 96,632         |                       | 1,780         |
| 2024  |                         | 96,438         |                       | 1,786         |
| 2025  |                         | 95,295         |                       | 1,792         |
| 2026  |                         | 91,681         |                       | 1,819         |
| Thereafter  |                         | 861,091        |                       | 20,271        |
| Total future minimum obligations                      | \$                      | 1,313,533      | \$                    | 28,766        |
| Less: Present value discount                          |                         | (513,502)      |                       | (13,480)      |
| Present value of net future minimum lease obligations | \$                      | 800,031        | \$                    | 15,286        |
| Less: current portion                                 |                         | (41,279)       |                       | (687)         |
| Long-term obligations                                 | \$                      | <u>758,752</u> | \$                    | <u>14,599</u> |

#### **Forward-Starting Leases**

As of March 31, 2023, we entered into nine leases that had not yet commenced related to build-to-suit arrangements for car wash locations. These leases will commence in years 2023 through 2025 with initial lease terms of 15 to 20 years.

As of December 31, 2022, we entered into seven leases that had not yet commenced related to build-to-suit arrangements for car wash locations. These leases will commence in the remainder of 2023, or 2024 or 2025 with initial lease terms of 15 to 20 years.

#### **Sale-Leaseback Transactions**

During the three months ended March 31, 2023, we completed two sale-leaseback transactions related to car wash locations with aggregate consideration of \$9,213, resulting in a net gain of \$370, which are included in (Gain) loss on sale of assets in the accompanying unaudited condensed consolidated statements of operations and comprehensive income. Contemporaneously with the closing of the sales, we entered into lease agreements for the properties for initial 20-year terms. For the sale-leaseback transactions

consummated in the three months ended March 31, 2023, the cumulative initial annual rent for the properties was approximately \$559, subject to annual escalations. These leases are accounted for as operating leases.

During the three months ended March 31, 2022, we did not complete any sale-leaseback transactions.

## **12. Stockholders' Equity**

As of March 31, 2023, there were 1,000,000,000 shares of common stock authorized, 311,276,074 shares of common stock issued, and 308,101,847 shares of common stock outstanding.

As of December 31, 2022, there were 1,000,000,000 shares of common stock authorized, 309,800,757 shares of common stock issued, and 306,626,530 shares of common stock outstanding.

As of March 31, 2023 and December 31, 2022, there were 5,000,000 shares of preferred stock authorized and none were issued or outstanding.

We use the cost method to account for treasury stock. As of March 31, 2023, and December 31, 2022, we had 3,174,227 shares of treasury stock. As of March 31, 2023 and December 31, 2022, the cost of treasury stock included in additional paid-in capital in the accompanying unaudited condensed consolidated balance sheets was \$6,091.

## **13. Stock-Based Compensation**

### ***The 2014 Plan***

Under the 2014 Stock Option Plan of Hotshine Holdings, Inc. (the "2014 Plan"), we may grant incentive stock options or nonqualified stock options to purchase shares of our common stock to our employees, directors, officers, outside advisors and non-employee consultants.

All stock options granted under the 2014 Plan are equity-classified and have a contractual life of ten years. Under the 2014 Plan, 60% of the shares in a grant contain service-based vesting conditions and vest ratably over a five-year period and 40% of the shares in a grant contain performance-based vesting conditions ("Performance Vesting Options"). The condition for the Performance Vesting Options is a change in control or an initial public offering, where (i) 50% of the Performance Vesting Options vest and become exercisable if the Principal Stockholders receive the Target Proceeds at the Measurement Date and (ii) the remaining 50% of the Performance Vesting Options vest and become exercisable if the Principal Stockholders receive the Maximum Amount at the Measurement Date. In June 2021, we modified all outstanding shares of Performance Vesting Options to remove, subject to the successful completion of the IPO, the requirement that the Principal Stockholders receive the Target Proceeds and the Maximum Amount as conditions for the Performance Vesting Options to vest. The exercise prices for stock options granted under the 2014 Plan were not less than the fair market value of the common stock of the Company on the date of grant. For the avoidance of doubt, the IPO constituted a performance measurement date under the applicable option agreements for the Performance Vesting Options and the Performance Vesting Options vested in full in connection with the IPO.

### ***The 2021 Plan***

In June 2021, the Board adopted the 2021 Incentive Award Plan (the "2021 Plan"), which was subsequently approved by our stockholders and became effective on June 25, 2021. Under the 2021 Plan, we may grant incentive stock options, nonqualified stock options, restricted stock units ("RSUs"), restricted stock, and other stock- or cash-based awards to its employees, directors, officers, and non-employee consultants. Initially, the maximum number of shares of our common stock that may be issued under the 2021 Plan is 29,800,000 new shares of common stock, which includes 256,431 shares of common stock that remained available for issuance under the 2014 Plan at June 25, 2021. In connection with the IPO, stock option and RSU awards were granted with respect to 3,726,305 shares. Any shares of common stock subject to outstanding stock awards granted under the 2014 Plan and, following June 25, 2021, terminate, expire or are otherwise forfeited, reacquired or withheld will become available for issuance under the 2021 Plan.

All stock options granted under the 2021 Plan are equity-classified and have a contractual life of ten years. Under the 2021 Plan, the stock options contain service-based vesting conditions and generally vest ratably over a three- or five-year period (collectively with stock options under the 2014 Plan, the "Time Vesting Options"). The exercise prices for stock options granted under the 2021 Plan were not less than the fair market value of the common stock of the Company on the date of grant.

RSUs granted under the 2021 Plan are equity-classified and contain service-based conditions and generally vest ratably over one- to five-year periods. Each RSU represents the right to receive one share of our common stock upon vesting. The fair value is calculated based upon our closing stock price on the date of grant, and the stock-based compensation expense is recognized over the requisite service period, which is generally the vesting period.

The 2014 Plan and 2021 Plan are administered by the Board or, at the discretion of the Board, by a committee thereof. The exercise prices for stock options, the vesting of awards, and other restrictions are determined at the discretion of the Board, or its committee if so delegated.

### ***The 2021 ESPP***



In June 2021, the Board adopted the 2021 Employee Stock Purchase Plan (“2021 ESPP”), which was subsequently approved by our stockholders and became effective in June 2021. The 2021 ESPP authorizes the initial issuance of up to 5,000,000 shares of our common stock to eligible employees of the Company or, as designated by the Board, employees of a related company. The 2021 ESPP provides for offering periods not to exceed 27 months, and each offering period will include purchase periods. We determined that offering periods would commence at approximately the six-month period beginning with an enrollment date and ending with the next exercise date, except that the first offering period commenced on the effective date of our registration statement and ended on November 9, 2021.

The 2021 ESPP provides that the number of shares reserved and available for issuance under the 2021 ESPP will automatically increase on January 1 of each calendar year from January 1, 2022 through January 1, 2031 by an amount equal to the lesser of (i) 0.5% of the outstanding number of shares of common stock on the immediately preceding December 31 and (ii) such lesser number of shares of common stock as determined by the Board. The number of shares reserved and available for issuance under the 2021 ESPP as of January 1, 2023 is 7,322,350.

#### *Share-Based Payment Valuation*

The grant date fair value of Time Vesting Options granted is determined using the Black-Scholes option-pricing model. The grant date fair value of Performance Vesting Options is determined using a Monte Carlo simulation model and a barrier-adjusted Black-Scholes option-pricing model. The grant date fair value of stock purchase rights granted under the 2021 ESPP is determined using the Black-Scholes option-pricing model.

#### *2021 ESPP Valuation*

The following table presents, on a weighted-average basis, the assumptions used in the Black-Scholes option-pricing model to determine the grant date fair value of stock purchase rights granted under the 2021 ESPP during the periods presented:

|                          | <b>Three Months Ended March 31,<br/>2023</b> | <b>Three Months Ended March 31,<br/>2022</b> |
|--------------------------|--|--|
| Expected volatility      | 53.90%                                       | 34.33%                                       |
| Risk-free interest rate  | 4.53%  | 0.07%  |
| Expected term (in years) | 0.49   | 0.49   |
| Expected dividend yield  | None   | None   |

#### *Time Vesting Options*

The following table presents, on a weighted-average basis, the assumptions used in the Black-Scholes option-pricing model to determine the grant date fair value of Time Vesting Options granted under the 2014 Plan and 2021 Plan during the periods presented:

|                          | <b>Three Months Ended March 31,</b> |             |
|--------------------------|-------------------------------------|-------------|
|                          | <b>2023</b>                         | <b>2022</b> |
| Expected volatility      | 43.74%                              | -           |
| Risk-free interest rate  | 4.21%                               | -           |
| Expected term (in years) | 6.26                                | -           |
| Expected dividend yield  | None                                | -           |

#### *Stock Options*

A summary of our stock option activity during the period presented is as follows:

|   | <b>Time Vesting Options</b> | <b>Performance Vesting Options</b> | <b>Total Number of Stock Options</b> | <b>Weighted-Average Exercise Price</b> |
|---|-----------------------------|------------------------------------|--------------------------------------|--|
| Outstanding as of December 31, 2022                     | 15,651,622                  | 9,882,278                          | 25,533,900                           | \$ 2.31                                |
| Granted   | 1,167,755                   | -                                  | 1,167,755                            | \$ 9.25                                |
| Exercised   | (735,682)                   | (698,822)                          | (1,434,504)                          | \$ 0.77                                |
| Forfeited   | (102,398)                   | -                                  | (102,398)                            | \$ 11.48                               |
| Outstanding as of March 31, 2023                        | <u>15,981,297</u>           | <u>9,183,456</u>                   | <u>25,164,753</u>                    | \$ 2.68                                |
| Options vested or expected to vest as of March 31, 2023 | <u>15,461,613</u>           | <u>9,183,456</u>                   | <u>24,645,069</u>                    | \$ 3.40                                |
| Options exercisable as of March 31, 2023                | <u>11,562,966</u>           | <u>9,183,456</u>                   | <u>20,746,422</u>                    | \$ 1.26                                |

The number and weighted-average grant date fair value of stock options during the period presented are as follows:

|                                      | Number of Stock Options |                             | Weighted-Average Grant Date Fair Value |                             |
|--------------------------------------|-------------------------|-----------------------------|--|-----------------------------|
|                                      | Time Vesting Options    | Performance Vesting Options | Time Vesting Options                   | Performance Vesting Options |
| Non-vested as of December 31, 2022   | 3,704,919               | -                           | \$ 3.90                                | \$ -                        |
| Non-vested as of March 31, 2023      | 4,396,028               | -                           | \$ 4.25                                | \$ -                        |
| Granted during the period            | 1,167,755               | -                           | \$ 4.56                                | \$ -                        |
| Vested during the period             | 377,684                 | -                           | \$ 1.58                                | \$ -                        |
| Forfeited/canceled during the period | 98,962                  | -                           | \$ 5.03                                | \$ -                        |

We granted 1,167,755 Time Vesting Options with a grant date fair value of \$5,325 during the three months ended March 31, 2023. There were no Performance Vesting Options granted during the three months ended March 31, 2023.

The fair value of shares attributable to stock options that vested during the three months ended March 31, 2023 was \$3,460.

As of March 31, 2023, the weighted-average remaining contractual life of outstanding stock options was approximately 3.99 years.

#### Restricted Stock Units

The following table summarizes our RSU activity since December 31, 2022:

|                                  | Restricted Stock Units | Weighted-Average Grant Date Fair Value |
|----------------------------------|------------------------|--|
| Unvested as of December 31, 2022 | 2,075,859              | \$ 13.55                               |
| Granted                          | 575,672                | \$ 9.25                                |
| Vested                           | (4,296)                | \$ 11.64                               |
| Forfeited                        | (104,288)              | \$ 13.27                               |
| Unvested as of March 31, 2023    | <u>2,542,947</u>       | <u>\$ 12.59</u>                        |

We granted 575,672 RSUs with a grant date fair value of \$5,325 during the three months ended March 31, 2023.

The fair value of shares attributable to RSUs that vested during the three months ended March 31, 2023 was \$45.

As of March 31, 2023, the weighted-average remaining contractual life of outstanding RSUs was approximately 9.02 years.

#### Stock-Based Compensation Expense

We estimated a forfeiture rate of 6.96% for awards with service-based vesting conditions based on historical experience and future expectations of the vesting of these share-based payments. We used this rate as an assumption in calculating stock-based compensation expense for Time Vesting Options, RSUs, and stock purchase rights granted under the 2021 ESPP.

Total stock-based compensation expense, by caption, recorded in the unaudited condensed consolidated statements of operations and comprehensive income for the periods presented is as follows:

|  | Three Months Ended March 31, |                 |
|--|------------------------------|-----------------|
|  | 2023                         | 2022            |
| Cost of labor and chemicals            | \$ 2,050                     | \$ 1,871        |
| General and administrative             | 3,311                        | 3,648           |
| Total stock-based compensation expense | <u>\$ 5,361</u>              | <u>\$ 5,519</u> |

Total stock-based compensation expense, by award type, recorded in the unaudited condensed consolidated statements of operations and comprehensive income for the periods presented is as follows:

|  | Three Months Ended March 31, |                 |
|--|------------------------------|-----------------|
|  | 2023                         | 2022            |
| Time Vesting Options                   | \$ 1,596                     | \$ 1,920        |
| RSUs                                   | 3,479                        | 3,226           |
| 2021 ESPP                              | 286                          | 373             |
| Total stock-based compensation expense | <u>\$ 5,361</u>              | <u>\$ 5,519</u> |

As of March 31, 2023, total unrecognized compensation expense related to unvested Time Vesting Options was \$10,928, which is expected to be recognized over a weighted-average period of 4.02 years.

As of March 31, 2023, there was no unrecognized compensation expense related to unvested Performance Vesting Options as the completion of the IPO satisfied the performance condition and as a result, all outstanding Performance Vesting Options vested.

As of March 31, 2023, total unrecognized compensation expense related to unvested RSUs was \$17,507, which is expected to be recognized over a weighted-average period of 2.42 years.

As of March 31, 2023, total unrecognized compensation expense related to unvested stock purchase rights under the 2021 ESPP was \$143, which is expected to be recognized over a weighted-average period of 0.12 years.

#### 14. Business Combinations

From time to time, we may pursue acquisitions of conveyORIZED car washes that either strategically fit with the business or expand our presence in new and attractive markets.

We account for business combinations under the acquisition method of accounting. The assets acquired and liabilities assumed in connection with business acquisitions are recorded at the date of acquisition at their estimated fair values, with any excess of the purchase price over the estimated fair values of the net assets acquired and intangible assets assigned, recorded as goodwill. Significant judgment is required in estimating the fair value of assets acquired and liabilities assumed and in assigning their respective useful lives. Accordingly, we may engage third-party valuation specialists to assist in these determinations. The fair value estimates are based on available historical information and on future expectations and assumptions deemed reasonable by management; but are inherently uncertain.

The unaudited condensed consolidated financial statements reflect the operations of an acquired business starting from the effective date of the acquisition. No acquisition-related costs were expensed during the three months ended March 31, 2023 and \$129 of acquisition-related costs were expensed for the three months ended March 31, 2022, respectively. These acquisition-related costs are expensed as incurred and are included in general and administrative expenses in the accompanying unaudited condensed consolidated statements of operations and comprehensive income.

For the three months ended March 31, 2022, the amount of acquired goodwill not deductible for income tax purposes was not material.

##### 2023 Acquisitions

We did not consummate any acquisitions during the three months ended March 31, 2023.

##### 2022 Acquisitions

For the year ended December 31, 2022, we acquired the assets and liabilities of 11 conveyORIZED car washes in four acquisitions for total consideration of approximately \$98,548, which was paid in cash. These acquisitions resulted in the preliminary recognition of \$57,856 of goodwill, \$37,174 of property and equipment, \$1,540 of intangible assets related to covenant not to compete, \$1,978 of other assets and liabilities. There were no adjustments related to 2022 acquisitions in the current year.

The weighted-average amortization period for the acquired covenants not to compete is 5.0 years.

The acquisitions were located in the following markets:

| Location (Seller)         | Number of Washes | Month Acquired |
|---------------------------|------------------|----------------|
| Georgia (Bamboo Carwash)  | 1                | April          |
| California (Speedwash)    | 4                | April          |
| Minnesota (Top Wash)      | 3                | August         |
| California (Rapid Xpress) | 3                | December       |

#### 15. Commitments and Contingencies

##### Litigation

From time to time, we are party to pending or threatened lawsuits arising out of or incident to the ordinary course of business. We carry professional and general liability insurance coverage and other insurance coverages. In the opinion of management and upon consultation with legal counsel, none of the pending or threatened lawsuits will have a material effect upon the consolidated financial position, operations, or cash flows of the Company.

##### Insurance

We carry a broad range of insurance coverage, including general and business auto liability, commercial property, workers' compensation, cyber risk, and general umbrella policies. As of March 31, 2023 and December 31, 2022, we accrued \$2,033 and \$3,230, respectively, for assessments on insurance claims filed, which are included in other accrued expenses in the accompanying unaudited condensed consolidated balance sheets. As of March 31, 2023 and December 31, 2022, we recorded \$1,759 and \$2,627, respectively, in receivables from its non-healthcare insurance carriers related to these insurance claims, which are included in other

receivables in the accompanying unaudited condensed consolidated balance sheets. The receivables are paid when the claim is finalized and the reserved amounts on these claims are expected to be paid within one year.

#### **Environmental Matters**

Operations at certain facilities currently or previously owned or leased by us utilize, or in the past have utilized, hazardous substances generally in compliance with applicable law. Periodically, we have had minor claims asserted against it by regulatory agencies or private parties for environmental matters relating to the handling of hazardous substances by us, and it has incurred obligations for investigations or remedial actions with respect to certain of these matters. There can be no assurances that activities at these facilities, or future facilities owned or operated by us, may not result in additional environmental claims being asserted against us or additional investigations or remedial actions being required. We are not aware of any significant remediation matters as of March 31, 2023. Because of various factors including the difficulty of identifying the responsible parties for any particular site, the complexity of determining the relative liability among them, the uncertainty as to the most desirable remediation techniques and the amount of damages and clean-up costs and the time period during which such costs may be incurred, we are unable to reasonably estimate the ultimate cost of claims asserted against us related to environmental matters; however, we do not believe such costs will be material to its unaudited condensed consolidated financial statements.

In addition to potential claims asserted against us, there are certain regulatory obligations associated with these facilities. We also have a third-party specialist to review the sites subject to these regulations annually, for the purpose of assigning future cost. A third party has conducted a preliminary assessment of site restoration provisions arising from these regulations and we have recognized a provisional amount. As of March 31, 2023 and December 31, 2022, we recorded an environmental remediation accrual of \$10 and \$12, which is included in other accrued expenses in the accompanying unaudited condensed consolidated balance sheets.

#### **16. Subsequent Events**

Subsequent to March 31, 2023, we completed five sale-leaseback transactions related to our car wash locations with aggregate consideration of \$59.2 million.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

*You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and related notes included in our 2022 Form 10-K. This discussion contains forward-looking statements based upon current plans, expectations and beliefs involving risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in other parts of this Quarterly Report on Form 10-Q and in Part I, Item 1A. "Risk Factors" and in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2022 Form 10-K.*

### Who We Are

Mister Car Wash, Inc. is the largest national car wash brand, primarily offering express exterior cleaning services, with interior cleaning services at select locations, across 439 car washes in 21 states as of March 31, 2023. Founded in 1996, we employ an efficient, repeatable, and scalable process, which we call the "Mister Experience," to deliver a clean, dry, and shiny car every time. The core pillars of the "Mister Experience" are greeting every customer with a wave and smile, providing the highest quality car wash, and delivering the experience quickly and conveniently. We offer a monthly subscription program, which we call the Unlimited Wash Club® ("UWC"), as a flexible, quick, and convenient option for customers to keep their cars clean. Our scale and over 25 years of innovation allow us to drive operating efficiencies and invest in training, infrastructure, and technology that improve speed of service, quality, and sustainability and realize strong financial performance.

### Factors Affecting Our Business and Trends

We believe that our business and growth depend on a number of factors that present significant opportunities for us and may pose risks and challenges, including those discussed below and in Part I, Item 1A. "Risk Factors" of our 2022 Form 10-K.

- *Growth in comparable store sales.* Comparable store sales have been a driver of our net revenue growth and we expect it to continue to play a key role in our future growth and profitability. We will seek to continue to grow our comparable store sales by increasing the number of UWC Members, maximizing efficiency and throughput of our car wash locations, optimizing marketing spend to add new customers, and increasing customer visitation frequency.
- *Number and loyalty of UWC Members.* The UWC program is a critical element of our business. UWC Members contribute a significant portion of our net revenue and provide recurring revenue through their monthly membership fees.
- *Labor management.* Hiring and retaining skilled team members and experienced management represents one of our largest costs. We believe people are the key to our success and we have been able to successfully attract and retain engaged, high-quality team members by paying competitive wages, offering attractive benefit packages, and providing robust training and development opportunities. While the competition for skilled labor is intense and subject to high turnover, we believe our approach to wages and benefits will continue to allow us to attract suitable team members and management to support our growth.

### Factors Affecting the Comparability of Our Results of Operations

Our results have been affected by, and may in the future be affected by, the following factors, which must be understood in order to assess the comparability of our period-to-period financial performance and condition.

#### *Greenfield Location Development*

More recently, a component of our growth strategy has been to grow through greenfield development of Mister Car Wash locations, with particular focus on Express Exterior Locations, and anticipate further pursuit of this strategy in the future. In the three months ended March 31, 2023, we successfully opened four greenfield locations, with the expectation of driving the majority of our future location growth through greenfield development. We believe such a strategy will drive a more controllable pipeline of unit growth for future locations in existing and adjacent markets.

The comparability of our results may be impacted by the inclusion of financial performance of greenfield locations that have not delivered a full fiscal year of financial results nor matured to average unit volumes, which we typically expect after approximately three full years of operation.

#### *Acquisitions*

In the three months ended March 31, 2023, we did not consummate any acquisitions.

Following an acquisition, we implement a variety of operational improvements to unify branding and enhance profitability. As soon as feasible, we fully integrate and transition acquired locations to the “Mister” brand and make investments to improve site flow, upgrade tunnel equipment and technology, and install our proprietary Unity Chemical system, which is a unique blend of our signature products utilizing the newest technology and services to make a better car wash experience for our customers. We also establish member-only lanes, optimize service offerings and implement training initiatives that we have successfully utilized to improve team member engagement and drive UWC growth post-acquisition. The costs associated with these onboarding initiatives, which vary by site, can impact the comparability of our results.

The comparability of our results may also be impacted by the inclusion of financial performance of our acquisitions that have not delivered a full fiscal year of financial results under Mister Car Wash’s ownership.

See Note 14 Business Combinations to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional discussion.

### Key Performance Indicators

We prepare and analyze various operating and financial data to assess the performance of our business and to help in the allocation of our resources. The key operating performance and financial metrics and indicators we use are set forth below, as of and for the three months ended March 31, 2023 and 2022.

| (Dollars in thousands)                        | Three Months Ended March 31, |           |
|---|------------------------------|-----------|
|   | 2023                         | 2022      |
| <b>Financial and Operating Data</b>           |                              |           |
| Location count (end of period)                | 439                          | 399       |
| Comparable store sales growth                 | (2)%                         | 11%       |
| UWC Members (in thousands, end of period)     | 2,006                        | 1,781     |
| UWC sales as a percentage of total wash sales | 69%                          | 64%       |
| Net income                                    | \$ 21,136                    | \$ 35,488 |
| Net income margin                             | 9.4%                         | 16.2%     |
| Adjusted EBITDA                               | \$ 70,976                    | \$ 74,849 |
| Adjusted EBITDA margin                        | 31.4%                        | 34.1%     |

### Location Count (end of period)

Our location count refers to the total number of car wash locations at the end of a period, inclusive of new greenfield locations, acquired locations and offset by closed locations. The total number of locations that we operate, as well as the timing of location openings, acquisitions, and closings, have, and will continue to have, an impact on our performance. In the three months ended March 31, 2023, we increased our location count by the four greenfield locations noted above, offset by one location that was closed.

Our Express Exterior Locations, which offer express exterior cleaning services, comprise 365 of our current locations and our Interior Cleaning Locations, which offer both express exterior cleaning services and interior cleaning services, comprise 74 of our current locations.

### Comparable Store Sales Growth

We consider a location a comparable store on the first day of the 13th full calendar month following a location’s first day of operations. A location converted from an Interior Cleaning Location format to an Express Exterior Location format is excluded when the location did not offer interior cleaning services in the current period but did offer interior cleaning services in the prior year period. Comparable store sales growth is the percentage change in total wash sales of all comparable store car washes.

Opening new locations is a component of our growth strategy and as we continue to execute on our growth strategy, we expect that a significant portion of our sales growth will be attributable to non-comparable store sales. Accordingly, comparable store sales are only one measure we use to assess the success of our growth strategy. For the three months ended March 31, 2023, comparable store sales decreased to (2)% compared to an increase of 11% in the three months ended March 31, 2022.

### UWC Members (end of period)

Members of our monthly subscription service are known as Unlimited Wash Club Members, or UWC Members. We view the number of UWC Members and the growth in the number of UWC Members on a net basis from period to period as key indicators of our revenue growth. The number of UWC Members has grown over time as we have acquired new customers and retained previously

acquired customers. There were approximately 2.0 million and approximately 1.8 million UWC Members as of March 31, 2023 and March 31, 2022, respectively. There were approximately 1.9 million UWC Members as of December 31, 2022.

Our UWC Members grew by approximately 13% from March 31, 2022 through March 31, 2023 and approximately 6% from December 31, 2022 through March 31, 2023.

#### *UWC Sales as a Percentage of Total Wash Sales*

UWC sales as a percentage of total wash sales represents the penetration of our subscription membership program as a percentage of our overall wash sales. Total wash sales are defined as the net revenue generated from express exterior cleaning services and interior cleaning services for both UWC Members and retail customers. UWC sales as a percentage of total wash sales is calculated as sales generated from UWC Members as a percentage of total wash sales. We have consistently grown this measure over time as we educate customers as to the value of our subscription offering. UWC sales were 69% and 64% of our total wash sales for the three months ended March 31, 2023 and 2022, respectively.

#### *Adjusted EBITDA and Adjusted EBITDA Margin*

Adjusted EBITDA is a non-GAAP measure of our operating performance and should not be considered as an alternative to net income as a measure of financial performance or any other performance measure derived in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). Adjusted EBITDA is defined as net income before interest expense, net, income tax provision, depreciation and amortization expense, (gain) loss on sale of assets, stock-based compensation expense, acquisition expenses, non-cash rent expense, expenses associated with the completion of our initial public offering in June 2021 ("the IPO"), and other nonrecurring charges. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by net revenues for a given period.

We present Adjusted EBITDA because we believe it assists investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our ongoing operating performance. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in our presentation of Adjusted EBITDA. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. There can be no assurance that we will not modify the presentation of Adjusted EBITDA in future periods, and any such modification may be material. In addition, Adjusted EBITDA may not be comparable to similarly titled measures used by other companies in our industry or across different industries.

Our management believes Adjusted EBITDA is helpful in highlighting trends in our core operating performance compared to other measures, which can differ significantly depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments. We also use Adjusted EBITDA in connection with establishing discretionary annual incentive compensation; to supplement U.S. GAAP measures of performance in the evaluation of the effectiveness of our business strategies; to make budgeting decisions; and because our Amended First Lien Credit Agreement uses measures similar to Adjusted EBITDA to measure our compliance with certain covenants.

Adjusted EBITDA has its limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations include:

- Adjusted EBITDA does not reflect our cash expenditure or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in our cash requirements for our working capital needs;
- Adjusted EBITDA does not reflect the interest expense and the cash requirements necessary to service interest or principal payments on our debt;
- Adjusted EBITDA does not reflect cash requirements for replacement of assets that are being depreciated and amortized;
- Adjusted EBITDA does not reflect non-cash compensation, which is a key element of our overall long-term compensation;
- Adjusted EBITDA does not reflect the impact of certain cash charges or cash receipts resulting from matters we do not find indicative of our ongoing operations; and
- other companies in our industry may calculate Adjusted EBITDA differently than we do.

Adjusted EBITDA was approximately \$71.0 million and \$74.8 million in the three months ended March 31, 2023 and 2022, respectively. Our Adjusted EBITDA margin was 31.4% and 34.1% in the three months ended March 31, 2023 and 2022, respectively. The Adjusted EBITDA and Adjusted EBITDA margin results in the three months ended March 31, 2023 compared to the prior year

period are primarily attributable to the increase in Other store operating expenses during three months ended March 31, 2023. The following is a reconciliation of our net income to Adjusted EBITDA for the periods presented.

| (Dollars in thousands)                               | Three Months Ended March 31, |            |
|--|------------------------------|------------|
|  | 2023                         | 2022       |
| Reconciliation of net income to Adjusted EBITDA:     |                              |            |
| Net income   | \$ 21,136                    | \$ 35,488  |
| Interest expense, net                                | 17,748                       | 8,166      |
| Income tax provision                                 | 6,698                        | 8,280      |
| Depreciation and amortization expense                | 17,307                       | 14,945     |
| (Gain) loss on sale of assets (a)                    | (63)                         | 459        |
| Stock-based compensation expense (b)                 | 5,361                        | 5,519      |
| Acquisition expenses (c)                             | 459                          | 534        |
| Non-cash rent expense (d)                            | 1,030                        | 520        |
| Expenses associated with initial public offering (e) | -                            | 286        |
| Other (f)  | 1,300                        | 652        |
| Adjusted EBITDA                                      | \$ 70,976                    | \$ 74,849  |
| Net Revenues   | \$ 225,960                   | \$ 219,419 |
| Adjusted EBITDA margin                               | 31.4 %                       | 34.1 %     |

(a) Consists of (gains) and losses on the disposition of assets associated with sale-leaseback transactions, store closures or the sale of property and equipment.

(b) Represents non-cash expense associated with our share-based payments.

(c) Represents expenses incurred in strategic acquisitions, including professional fees for accounting and auditing services, appraisals, legal fees and financial services, one-time costs associated with supplies for rebranding the acquired stores, and distinct travel expenses for related, distinct integration efforts by team members who are not part of our dedicated integration team.

(d) Represents the difference between cash paid for rent expense and U.S. GAAP rent expense.

(e) Represents nonrecurring expenses associated with the consummation of our IPO in June 2021.

(f) Consists of other items as determined by management not to be reflective of our ongoing operating performance, such as costs associated with severance pay, non-deferred legal fees and other expenses related to credit agreement amendments, legal settlements and legal fees related to contract terminations, and nonrecurring strategic project costs.

#### Results of Operations for the Three Months Ended March 31, 2023 and 2022 (Unaudited)

The unaudited results of operations data for the three months ended March 31, 2023 and 2022 have been derived from the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

| (Dollars in thousands)         | Three Months Ended March 31, |              |            |              |
|--------------------------------|------------------------------|--------------|------------|--------------|
|                                | 2023                         |              | 2022       |              |
|                                | Amount                       | % of Revenue | Amount     | % of Revenue |
| Net revenues                   | \$ 225,960                   | 100 %        | \$ 219,419 | 100 %        |
| Store operating costs:         |                              |              |            |              |
| Cost of labor and chemicals    | 66,792                       | 30 %         | 65,538     | 30 %         |
| Other store operating expenses | 89,466                       | 40 %         | 77,801     | 35 %         |
| General and administrative     | 24,183                       | 11 %         | 23,687     | 11 %         |
| (Gain) loss on sale of assets  | (63)                         | (0) %        | 459        | 0 %          |
| Total costs and expenses       | 180,378                      | 80 %         | 167,485    | 76 %         |
| Operating income               | 45,582                       | 20 %         | 51,934     | 24 %         |
| Other expense:                 |                              |              |            |              |
| Interest expense, net          | 17,748                       | 8 %          | 8,166      | 4 %          |
| Total other expense            | 17,748                       | 8 %          | 8,166      | 4 %          |
| Income before taxes            | 27,834                       | 12 %         | 43,768     | 20 %         |
| Income tax provision           | 6,698                        | 3 %          | 8,280      | 4 %          |
| Net income                     | 21,136                       | 9 %          | 35,488     | 16 %         |



### Net Revenues

| (Dollars in thousands) | Three Months Ended March 31, |            | \$ Change | % Change |
|------------------------|------------------------------|------------|-----------|----------|
|                        | 2023                         | 2022       |           |          |
| Net revenues           | \$ 225,960                   | \$ 219,419 | \$ 6,541  | 3 %      |

The increase in net revenues was primarily attributable to the increase in car wash sales due to growth in UWC Members and the year-over-year addition of 40 locations.

### Store Operating Costs

#### Cost of Labor and Chemicals

| (Dollars in thousands)      | Three Months Ended March 31, |           | \$ Change | % Change |
|-----------------------------|------------------------------|-----------|-----------|----------|
|                             | 2023                         | 2022      |           |          |
| Cost of labor and chemicals | \$ 66,792                    | \$ 65,538 | \$ 1,254  | 2 %      |
| Percentage of net revenues  | 30 %                         | 30 %      |           |          |

The increase in the cost of labor and chemicals is primarily attributable to the year-over-year addition of 40 locations and some inflationary pressures on our wash chemicals and supplies. The increase from additional stores and inflationary pressures were partially offset by a decrease of approximately \$2.9 million in store labor costs from optimized scheduling guidelines implemented in the second half of fiscal year 2022.

#### Other Store Operating Expenses

| (Dollars in thousands)         | Three Months Ended March 31, |           | \$ Change | % Change |
|--------------------------------|------------------------------|-----------|-----------|----------|
|                                | 2023                         | 2022      |           |          |
| Other store operating expenses | \$ 89,466                    | \$ 77,801 | \$ 11,665 | 15 %     |
| Percentage of net revenues     | 40 %                         | 35 %      |           |          |

The increase in other store operating expenses was attributable to the year-over-year addition of 40 locations and some inflationary pressures on our utilities and maintenance expenses. Rent expense increased approximately \$3.2 million with the addition of 45 new land and building leases.

#### General and Administrative

| (Dollars in thousands)     | Three Months Ended March 31, |           | \$ Change | % Change |
|----------------------------|------------------------------|-----------|-----------|----------|
|                            | 2023                         | 2022      |           |          |
| General and administrative | \$ 24,183                    | \$ 23,687 | \$ 496    | 2 %      |
| Percentage of net revenues | 11 %                         | 11 %      |           |          |

The increase in general and administrative expenses was primarily driven by an increase of approximately \$0.9 million in salaries and benefits, offset by a decrease of approximately \$0.3 million in stock-based compensation costs. As a percentage of net revenues, general and administrative expenses for the three months ended March 31, 2023 remained consistent to the prior year period.

#### (Gain) Loss on Sale of Assets

| (Dollars in thousands)        | Three Months Ended March 31, |        | \$ Change | % Change |
|-------------------------------|------------------------------|--------|-----------|----------|
|                               | 2023                         | 2022   |           |          |
| (Gain) loss on sale of assets | \$ (63 )                     | \$ 459 | \$ (522 ) | (114 )%  |
| Percentage of net revenues    | (0 )%                        | 0 %    |           |          |

The change in (gain) loss on sale of assets was primarily driven by gains associated with our sale-leaseback transactions in the current year.

## Other Expense

| (Dollars in thousands)     | Three Months Ended March 31, |          | \$ Change | % Change |
|----------------------------|------------------------------|----------|-----------|----------|
|                            | 2023                         | 2022     |           |          |
| Other expense              | \$ 17,748                    | \$ 8,166 | \$ 9,582  | 117 %    |
| Percentage of net revenues | 8 %                          | 4 %      |           |          |

The increase in other expense was primarily driven by an increase in interest expense due to higher average interest rates as compared to the prior year period and the expiration of our interest rate hedge in October 2022.

## Income Tax Provision

| (Dollars in thousands)     | Three Months Ended March 31, |          | \$ Change   | % Change |
|----------------------------|------------------------------|----------|-------------|----------|
|                            | 2023                         | 2022     |             |          |
| Income tax provision       | \$ 6,698                     | \$ 8,280 | \$ (1,582 ) | (19 )%   |
| Percentage of net revenues | 3 %                          | 4 %      |             |          |

The decrease in income tax provision was primarily driven by reduced pre-tax income, net of the reduced impact of income tax benefits from equity awards in the current quarter.

## Liquidity and Capital Resources

### Funding Requirements

Our primary requirements for liquidity and capital are to fund our investments in our core business, which includes lease payments, pursue greenfield expansion, acquisitions of new locations and to service our indebtedness. Historically, these cash requirements have been met through funds raised by the sale of our common stock, utilization of our Revolving Commitment, First Lien Term Loan, Second Lien Term Loan, sale-leaseback transactions, and cash provided by operations.

As of March 31, 2023 and December 31, 2022, we had cash and cash equivalents of \$69.9 million and \$65.2 million, respectively, and \$148.8 million and \$148.6 million, respectively, of available borrowing capacity under our Revolving Commitment.

For a description of our Credit Facilities, please see Note 8 Debt in the consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. As of March 31, 2023, we were in compliance with the covenants under the Amended and Restated First Lien Credit Agreement.

We believe that our sources of liquidity and capital will be sufficient to finance our growth strategy and resulting operations, as well as planned capital expenditures, for at least the next 12 months. However, we cannot assure you that cash provided by operating activities or cash and cash equivalents will be sufficient to meet our future needs. If we are unable to generate sufficient cash flows from operations in the future, we may have to obtain additional financing. If we obtain additional capital by issuing equity, the interests of our existing stockholders will be diluted. If we incur additional indebtedness, that indebtedness may contain significant financial and other covenants that may significantly restrict our operations. We cannot assure you that we could obtain additional financing on favorable terms or at all.

### Cash Flows for the Three Months Ended March 31, 2023 and 2022 (Unaudited)

The following table shows summary cash flow information for the three months ended March 31, 2023 and 2022:

| (Dollars in thousands)   | Three Months Ended March 31, |                  |
|--|------------------------------|------------------|
|  | 2023                         | 2022             |
| Net cash provided by operating activities                      | \$ 67,017                    | \$ 81,544        |
| Net cash used in investing activities                          | (63,160 )                    | (30,014 )        |
| Net cash provided (used) by financing activities               | 894                          | (953 )           |
| Net increase in cash and cash equivalents, and restricted cash | <u>\$ 4,751</u>              | <u>\$ 50,577</u> |

*Operating Activities.* Net cash used in operating activities consists of net income adjusted for certain non-cash items, including stock-based compensation expense, depreciation of property and equipment, gains on disposal of property and equipment, amortization of leased assets and deferred income taxes, as well as the effect of changes in other working capital amounts.

For the three months ended March 31, 2023, net cash provided by operating activities was \$67.0 million and was comprised of net income of \$21.1 million, increased by \$39.2 million as a result of non-cash adjustments comprised primarily of depreciation and amortization expense, stock-based compensation expense, non-cash lease expense, deferred income taxes, a gain on disposal of property and equipment, and amortization of debt issuance costs. Changes in working capital balances increased cash provided by operating activities by \$6.7 million and were primarily driven by decreases in current assets and increases in current liabilities, partially offset by the decrease in operating lease liability.

For the three months ended March 31, 2022, net cash provided by operating activities was \$81.5 million and was comprised of net income of \$35.5 million, increased by \$36.0 million as a result of non-cash adjustments comprised primarily of stock-based compensation expense, depreciation and amortization expense, non-cash lease expense, and a gain on disposal of property and equipment. Changes in working capital balances decreased cash provided by operating activities by \$10.1 million and were primarily driven by increases in the operating lease liability, other noncurrent assets and liabilities and accounts payable, offset by a decrease in other receivables, prepaid expenses and other accrued expenses.

*Investing Activities.* Our net cash used in investing activities primarily consists of purchases and sale of property and equipment.

For the three months ended March 31, 2023, net cash used in investing activities was \$63.2 million and was primarily comprised of investments in property and equipment to support our greenfield development and other initiatives, offset by the sale of property and equipment.

For the three months ended March 31, 2022, net cash used in investing activities was \$30.0 million and was primarily comprised of investment in property and equipment primarily to support our greenfield and other initiatives, partially offset by the sale of property and equipment.

*Financing Activities.* Our net cash provided by financing activities primarily consists of proceeds and payments on our First Lien Term Loan and Revolving Commitment, payments on finance lease obligations, as well as issuance of common stock under employee plans.

For the three months ended March 31, 2023, net cash provided by financing activities was \$0.9 million and was primarily comprised of proceeds from exercise of stock options, partially offset by payments on finance lease obligations.

For the three months ended March 31, 2022, net cash used by financing activities was \$1.0 million and was primarily comprised of repayments of our First Lien Term Loan and principal payments on finance lease obligations, partially offset by proceeds from exercise of stock options.

#### **Critical Accounting Policies and Estimates**

Our unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities.

On an ongoing basis, we evaluate our estimates and assumptions, including those related to revenue recognition, goodwill and other intangible assets, income taxes and stock-based compensation. We base our estimates on historical experience, current developments and on various other assumptions that we believe to be reasonable under these circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that cannot readily be determined from other sources. There can be no assurance that actual results will not differ from those estimates.

The significant accounting policies and estimates used in preparation of the unaudited condensed consolidated financial statements are described in our 2022 Form 10-K. There have been no material changes to our significant accounting policies during the three months ended March 31, 2023.

#### **Recent Accounting Pronouncements**

See the section titled “Summary of Significant Accounting Policies—Recently Adopted Accounting Pronouncements” in Note 2 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for a discussion of recent accounting pronouncements.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We are exposed to market risk from changes in interest rates and inflation. All these market risks arise in the normal course of business, as we do not engage in speculative trading activities. The following analysis provides quantitative information regarding these risks.

**Interest Rate Risk**

Our First Lien Term Loan bears interest at variable rates, which exposes us to market risks relating to changes in interest rates. Interest rate risk is highly sensitive due to many factors, including U.S. monetary and tax policies, U.S. and international economic factors, and other factors beyond our control. As of March 31, 2023 and December 31, 2022, we had \$901.2 million of variable rate debt outstanding under our First Lien Term Loan. Based on the balance outstanding under our First Lien Term Loan as of March 31, 2023, an increase or decrease of 100 basis points in the effective interest rate on the First Lien Term Loan would cause an increase or decrease in interest expense of approximately \$9 million over the next 12 months.

**Impact of Inflation**

Our results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we have recently experienced the effects of inflation on our results of operations and financial condition. In light of the current inflationary market conditions, we cannot assure you that our results of operations and financial condition will not be materially impacted by inflation in the future.

**Item 4. Controls and Procedures.**

In order to ensure that the information we must disclose in our filings with the Securities and Exchange Commission (the "SEC") is recorded, processed, summarized and reported on a timely basis, we have developed and implemented disclosure controls and procedures. Our management, with the participation of our President and Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of March 31, 2023. Based on that evaluation, our management, including the President and Chief Executive Officer and Chief Financial Officer, has concluded that our disclosure controls and procedures were effective as of March 31, 2023 in ensuring that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to our management, including the President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings.

We are subjected from time-to-time to various claims, lawsuits and other legal proceedings, including intellectual property claims. Some of these claims, lawsuits and other legal proceedings involve highly complex issues, and often these issues are subject to substantial uncertainties. Accordingly, our potential liability with respect to a large portion of such claims, lawsuits and other legal proceedings cannot be estimated with certainty. Management, with the assistance of legal counsel, periodically reviews the status of each significant matter and assesses potential financial exposure. We recognize provisions for claims or pending litigation when we determine that an unfavorable outcome is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of settlement may materially vary from estimates. If management's estimates prove incorrect, we could incur a charge to earnings which could have a material and adverse effect on our business, results of operations, and financial condition. We are not party to any material legal proceedings.

### Item 1A. Risk Factors.

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors disclosed in Part I. Item 1A. "Risk Factors" and in Part II. Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2022 Form 10-K, before making an investment decision. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks or uncertainties. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. There have been no material changes to the risk factors described in Part I. Item 1A. "Risk Factors" of our 2022 Form 10-K.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information.

None.

**Item 6. Exhibits.**

| Exhibit Number | Description  | Form | File. No  | Exhibit | Filing Date | Filed/Furnished Herewith |
|----------------|--|------|-----------|---------|-------------|--------------------------|
| 2.1+ ^         | <a href="#">Equity Purchase Agreement, dated December 8, 2021, by and among Sunshine Acquisition Sub Corp., Clean Streak Ventures, LLC, MDKMH Partners, Inc., Clean Streak Ventures Intermediate Holdco, LLC (the "CSV Seller"), MKH Capital Partners Offshore Fund I, LP (the "CSV Blocker Seller" and together with the CSV Seller, each a "Seller" and together the "Sellers"), and Clean Streak Ventures Holdco, LLC, as the representative of the Sellers</a> | 10-Q | 001-40542 | 2.1     | 05/13/2022  |                          |
| 3.1            | <a href="#">Amended and Restated Certificate of Incorporation of the Company</a>   | 8-K  | 001-40542 | 3.2     | 06/01/2022  |                          |
| 3.2            | <a href="#">Amended and Restated Bylaws of the Company</a>   | 8-K  | 001-40542 | 3.2     | 07/02/2021  |                          |
| 10.1           | <a href="#">Employment Agreement with Markus Hartmann</a>  |      |           |         |             | *                        |
| 10.2           | <a href="#">Amended and Restated Car Wash Partners, Inc. Nonqualified Deferred Compensation Plan</a>   |      |           |         |             | *                        |
| 31.1           | <a href="#">Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>  |      |           |         |             | *                        |
| 31.2           | <a href="#">Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>  |      |           |         |             | *                        |
| 32.1           | <a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>   |      |           |         |             | **                       |
| 32.2           | <a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>   |      |           |         |             | **                       |
| 101.INS        | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.   |      |           |         |             | *                        |
| 101.SCH        | Inline XBRL Taxonomy Extension Schema Document   |      |           |         |             | *                        |
| 101.CAL        | Inline XBRL Taxonomy Extension Calculation Linkbase Document   |      |           |         |             | *                        |
| 101.DEF        | Inline XBRL Taxonomy Extension Definition Linkbase Document  |      |           |         |             | *                        |
| 101.LAB        | Inline XBRL Taxonomy Extension Label Linkbase Document   |      |           |         |             | *                        |
| 101.PRE        | Inline XBRL Taxonomy Extension Presentation Linkbase Document  |      |           |         |             | *                        |
| 104            | Cover Page Interactive Data File (embedded within the Inline XBRL document)  |      |           |         |             | *                        |

\* Filed herewith.

\*\* Furnished herewith.

+ Schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company undertakes to furnish supplemental copies of any of the omitted schedules upon request by the SEC.

^ Portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Mister Car Wash, Inc.

Date: May 3, 2023

By:

/s/ John Lai

John Lai

Chairperson, President and Chief Executive Officer  
(Principal Executive Officer)

Date: May 3, 2023

By:

/s/ Jedidiah Gold

Jedidiah Gold

Chief Financial Officer  
(Principal Financial Officer)







September 28, 2022

Dear Markus Hartmann,

We are pleased to offer you employment as **General Counsel** at Mister Car Wash! We look forward to a tentative start date of October 28, 2022.

Your position is classified as full-time exempt. Your annual salary will be **\$350,000**, payable biweekly at a gross rate of \$13,461. Your compensation package will also include the following:

•**Bonus** – You will be eligible for a target bonus of **forty percent (40%)** of your annual salary, payable after the annual earnings release. Bonus payment is contingent upon the company's attainment to our financial plan and your continued employment as of the payment date.

•**Long-Term Incentive** – Subject to approval by the Compensation Committee of the Board of Directors, you will be eligible on an annual basis for a grant of nonqualified stock options (NQSO) and restricted stock units (RSU) with a value of **\$250,000** (subject to proration based on the date of grant) and a three-year vesting period. We anticipate the grant will be split 50/50 between NQSO and RSU. *The grant notice will include further details, including eighteen-month noncompetition and non-solicitation provisions (meaning that once your employment ends you will be restricted from working in the car wash industry and prohibited from soliciting customers or employees). The eligibility, valuation, vesting, and other details are subject to the 2021 Incentive Award Plan and may be modified by the Board of Directors.*

•**Relocation Assistance** – You will receive an Executive tier relocation package, which includes a \$15,000 lump-sum payment and a household goods move with NEI, our relocation partner. See attached for further details.

•**Phone Reimbursement** – You will be eligible for a \$100 monthly phone reimbursement, payable on the first paycheck of each month.

•**Benefits** – We offer a broad program of employee benefits, including the following. Full descriptions are available at [benefits.mistercarwash.com](http://benefits.mistercarwash.com).

✓ **Paid Time Off (PTO)**–You will be eligible for the company's open PTO program and are encouraged to take the time needed to operate at peak performance subject to your supervisor's approval and your department's business needs.

✓ **Health Benefits**–You will be eligible to participate in the company's medical, dental, vision, life, AD&D, and short-term disability plans on the first day of the calendar month following your first 30 days of service.

✓ **Paid Leave**–Mister Car Wash provides paid parental leave (up to six weeks) upon the birth of a child to eligible employees after twelve months of service.

✓ **Retirement Benefits** – Mister Car Wash provides a 401(k) retirement plan with a discretionary company match to eligible employees after six months of service.

This offer is contingent upon:

- Satisfactory completion of a background investigation prior to the start of your employment;

222 E. 5th St. Tucson, AZ 85705 - [www.mistercarwash.com](http://www.mistercarwash.com) - 520-615-4000

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•Verification of your right to work in the United States as demonstrated by your completion of the Form I-9 upon hire and your submission of acceptable documentation (as noted on the Form I-9) verifying your identity and work authorization within three days of the start of your employment; and

•Your written acknowledgement within one week of your start date of the Confidential Information and Invention Assignment Agreement.

**Congratulations on behalf of the entire company!** We trust that your knowledge, skills, and experience will provide significant value to the organization, and we look forward to seeing all that you will accomplish.

Sincerely,



John Lai  
CEO

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*In this position, your employment is "at-will", meaning that either Mister Car Wash or you can end the employment relationship at any time, with or without cause, and for any reason not prohibited by law except as otherwise mutually agreed to in writing. You, at-will employment relationship cannot be changed or modified except by written instrument signed by an executive officer of the company.*

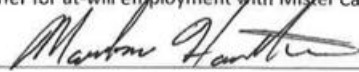
To accept this offer:

- Sign and date where indicated below.
- Email this signed letter to [kgonzalez@mistercarwash.com](mailto:kgonzalez@mistercarwash.com).

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accept this offer for at-will employment with Mister Car Wash as set forth above.

Signature:



Date:

9/30/2022

Email:

markus.hartmann.jd@outlook.com

222 E. 5th St. Tucson, AZ [85705](http://www.mistercarwash.com) - [www.mistercarwash.com](http://www.mistercarwash.com) - 520-615-4000

222 E. 5th St. Tucson, AZ 85705 - [www.mistercarwash.com](http://www.mistercarwash.com) - 520-615-4000

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**CAR WASH PARTNERS, INC.**

**NONQUALIFIED DEFERRED COMPENSATION PLAN**

**AMENDED AND RESTATED EFFECTIVE JANUARY 1,  
2022**

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**CAR WASH PARTNERS, INC. NONQUALIFIED DEFERRED  
COMPENSATION PLAN**

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**CAR WASH PARTNERS, INC. NONQUALIFIED DEFERRED  
COMPENSATION PLAN**

**PURPOSE**

Car Wash Partners, Inc. (the "Company") hereby amends and restates the Master Car Wash Deferred Compensation Plan (the "Plan") effective as of January 1, 2022, to retain and reward a select group of management or highly compensated employees of the Company. The Plan is an unfunded plan established and maintained for the primary purpose of providing certain key employees who contribute or who are expected to contribute substantially to the success of the Company with the opportunity to defer the receipt of compensation. The Plan is intended to comply in all respects with Code § 409A and those provisions of ERISA applicable to an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of "management or highly compensated employees."

WHEREAS The Company has maintained its existing plan in the form of an adoption agreement noting chosen alternatives for provisions outlined in a generic deferred compensation agreement since the inception of the Plan; and

WHEREAS The Company is authorized to amend provisions of the Plan under Article 11.8 of the original Plan Document; and

WHEREAS The Company wishes to update and clarify certain provisions of the Plan; and

WHEREAS The Company wishes to incorporate the details contained in the Adoption Agreement directly into the language of a Restated Plan Document;

WHEREFORE The Company hereby amends and restates as follows, effective on January 1, 2022.

## ARTICLE I

### Definitions

**"Account" or "Accounts"** means, with respect to any Participant, a bookkeeping entry used as a measurement and determination of the amounts to be paid to a Participant, or his or her designated Beneficiary, pursuant to this Plan and subject to such limits, rules and procedures as the Committee from time to time may adopt under this Plan. The Committee and the Record Keeper may establish and use sub-accounts and other record keeping entries with respect to any Participant's Account including without limitation any Deferral Account, Participant, Company Contribution Account and Company Discretionary Account applicable to such Participant and accordance with Article V.

**"Account Balance"** means, with respect to any Participant at any particular time, the sum at such time of such Participant's (i) Deferral Account balance, (ii) Company Matching Account balance and (iii) Company Discretionary Account balance. The Account Balance shall be a bookkeeping entry only and shall be utilized solely as a measurement and determination of the amounts to be paid to a Participant, or his or her designated Beneficiary, pursuant to this Plan.

**"Affiliate"** means a corporation, partnership, limited liability company or other entity that is required to be considered, together with the Company, as a single employer under §414(b) of the Code (employees of controlled group of Companies) or §414(c) of the Code (employees of partnerships or limited liability companies under common control). For purposes of determining a controlled group of Companies under §414(b) of the Code, the language "at least 50 percent" shall be used instead of "at least 80 percent" each place it appears in §1563(a) (1), (2), and (3) of the Code. For purposes of determining trades or businesses that are under common control for purposes of §414(c) of the Code, "at least 50 percent" shall be used instead of "at least 80 percent" each place it appears in Treasury Regulation §1.414(c)-2. An entity shall not be considered an "Affiliate" for any period of time prior to satisfying the controlled group or common control tests described above.

**"Annual Company Discretionary Amount"** means the benefit amount, if any, for any one Plan Year that is determined for a Participant in accordance with Article IV (c)(1).

**"Annual Company Matching Amount"** means the benefit amount, if any, for any one Plan Year that is determined for a Participant in accordance with Article IV (c)(2).

**"Base Salary"** means base salary earned with respect to services performed and payable in cash, exclusive of any of the following: bonuses, overtime, incentive payments and other performance-based forms of compensation, director and other special fees, expense allowances and reimbursements, severance, and any other forms

of compensation, earnings or payments that are not regular in frequency and form (before reductions for, contributions to or deferrals under this Plan or any other profit sharing, 401(k), pension, deferred compensation or benefit plan sponsored by the Company or any Affiliate).

**"Beneficiary"** means one or more persons, trusts, estates, or other entities, designated in accordance with Article VI(g) that are entitled to receive benefits under this Plan upon the death of a Participant.

**"Beneficiary Designation Form"** means the form established from time to time by the Committee that a Participant completes, signs and returns to the Company to designate one or more Beneficiaries. Beneficiary Designation Forms may be completed and/or signed using such online systems and other electronic means as the Committee or Record Keeper from time to time may designate for such purpose.

**"Board" or "Board of Directors"** shall mean the board of directors of the Company.

**"Bonus"** means any compensation relating to services performed that is granted or awarded apart from Base Salary and that is identified by the applicable Company or Affiliate as a "bonus" or "incentive compensation" (before reductions for, contributions to or deferrals under this Plan or any other profit sharing, 401(k), pension, deferred compensation or benefit plan sponsored by the Company or any Affiliate).

**"Calendar Year"** means the annual period measured from January 1 to December 31.

**"Cause"**, means: (a) with respect to each Participant who has an employment agreement containing a definition of "cause" or "for cause", said definition as set forth in his or her employment agreement, and (b) with respect to all other Participants, and as determined in good faith by the Committee, willfully engaging in misconduct which is demonstrably and materially injurious to the Company or any Affiliate, unless the act or omission giving rise to such misconduct is done, or omitted to be done, by a Participant in good faith and with a sound reason to believe that such action or omission was in the best interest of the Company and its Affiliates.

**"Change in Control"** shall mean, provided that such definition shall be interpreted in a manner that is consistent with Code § 409A and regulations thereunder, the first to occur of any of the following:

(1) the date that any one person or persons acting as a group acquires ownership of Company, together with stock held by such person or group, stock constituting more than fifty percent (50%) of the total fair market value or total voting power of the Company;

(2) the date that any one person or persons acting as a group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of the stock of the Company



possessing thirty percent (30%) or more of the total voting power of the stock of the Company;

(3) the date that any one person or persons acting as a group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or greater than forty percent (40%) of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition; or

(4) The date that a majority of members of the Company's Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or elections.

**"Change in Control Distribution"** shall have the meaning set forth in Article VI (e).

**"Claimant"** shall have the same meaning set forth in Article II (c).

**"Code"** shall mean the Internal Revenue Code of 1986, as it may be amended from time to time, or any successor statute. Reference to a specific section of the Code shall include a reference to any successor provision.

**"Committee"** means the person(s) designated as Committee members or such other persons as the Company's Board of Directors from time to time may designate to serve as members of the Committee hereunder. In the absence of any Committee, or should the Committee be unable or unwilling to serve, the Company shall perform the duties of the Committee under this Plan.

**"Company"** shall mean **CAR WASH PARTNERS, INC.** and its successors.

**"Company Discretionary Account"** means, with respect to any Participant (but subject in the case of each Participant to Article IV (c)(1), an Account consisting of the sum of (i) all of the Participant's Annual Company Discretionary Amounts, plus (ii) Notional Investment Adjustments in value credited or debited thereon in accordance with Article 4 of this Plan, less (iii) all distributions from such account.

**"Company Matching Account"** means, with respect to any Participant (but subject in the case of each Participant to Article IV (c)(2), an Account consisting of the sum of (i) all of the Participant's Annual Company Matching Amounts, plus (ii) Notional Investment Adjustments in value credited or debited thereon in accordance with Article V (c) of this Plan, less (iii) all distributions from such account.

(b) **"Day"** means a calendar day or any part thereof.

(c) **"Deferral Account"** means an Account consisting of the sum of (i) all of a Participant's Annual Deferral Amounts, plus (ii) Notional Investment Adjustments in

value credited or debited thereon in accordance with Article 4 of this Plan, less (iii) all distributions from such account.

**"Deferral Election Form"** means notice filed by a Participant with the Record Keeper specifying the amount of the Participant's Pay Type(s) to be deferred, and the time and form of distribution payments. Deferral Election Forms may be completed and/or signed using such online systems and other electronic means as the Committee or Record Keeper from time to time may designate for such purpose.

**"Disability or Disabled"** shall mean that a Participant, by reason of any medically determinable physical or mental impairment which can be expected to result in death or expected to last for a continuous period of not less than 12 months, and (1) has received income replacement benefits for a period of not less than three months under an accident or health plan covering employees of the Company, or (2) is determined to be totally disabled by the Social Security Administration.

**"Disability Benefit"** means the benefit set forth in Article VI (b)(6). **"Effective Date"** shall mean January 1, 2022.

**"Eligible Employee"** means any employee of the Company or other Participating Employer who is selected to participate herein in accordance with the provisions of Article III hereof, and is one of a select group of management or highly compensated employees. Eligible Employee may also include selected Independent Contractors as determined in the complete and sole discretion of the Committee.

**"Employee"** means any individual who is employed by or providing services to the Employer. Employee means "service provider" as used in Treasury Regulation §1.409A-1(l).

**"Employer" or "Participating Employer"** means the Company or Affiliate who is the legal employer of the Employee or service recipient in the case of an Independent Contractor.

**"ERISA"** means the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.

**"Hardship Distribution"** means any distribution or waiver of deferral granted by the Committee pursuant to Article VI (d).

**"Identification Date"** for the purpose of identifying Specified Employees means each December 31.

**"Independent Contractor"** means a non-employee director or an independent contractor for whom deferred amounts will be subject to Section 409A as provided in Treasury Regulation §1.409A-1(f)(2).

**"Matching Contribution Limit"** means the Maximum Contribution Limit set forth to be used and calculated as a limit on Annual Company Matching Amounts pursuant to Article IV (c). Such Limit shall be communicated to Participants on an annual basis.

**"Matching Contribution Rate"** means the respective percentage rate, which rate shall be used to calculate Annual Company Matching Amounts pursuant to Article IV (c), subject to the Matching Contribution Limit, and communicated to Participants on an annual basis.

**"Notional Investment"** means any security, fund, account, sub-account, index, formula or other instrument, asset, measure or method from time to time designated by the Committee as a means to calculate the amount of any Notional Investment Adjustment.

**"Notional Investment Adjustment"** means earnings, gains, losses and any other adjustments made with respect to any Annual Deferral Amount, Annual Company Matching Amount or Annual Company Discretionary Amount, which adjustments are made based on the performance of a Notional Investment pursuant to Article V.

**"Notional Investment Election Form"** means notice filed with the Record Keeper by or on behalf of a Participant (or his or her Beneficiaries, as provided below) specifying the allocation of the Participant's Annual Deferral Amount and how the Participant's Annual Deferral Amount, Annual Company Matching Amount and Annual Company Discretionary Amount, if any, are to be allocated under the Plan among the Notional Investments provided under the Plan. Notional Investment Election Forms may be completed and/or signed using such online systems and other electronic means as the Committee or Record Keeper from time to time may designate for such purpose. Upon the death of a Participant, for so long as such Participant's Beneficiaries retain an interest in such Participant's Account hereunder, such Beneficiaries may file Notional Investment Election Forms with respect to such Account in accordance with such policies and procedures as the Committee from time to time may specify for such purpose.

**"Participant"** means any Eligible Employee (i) who is selected to participate in the Plan, (ii) who elects to participate in the Plan, (iii) who signs a Participation Agreement, a Deferral Election Form, a Notional Investment Election Form, (iv) whose signed Participation Agreement, Deferral Election Form, and Notional Investment Election Form are accepted by the Committee, and (v) who commences participation in the Plan. A spouse or former spouse (or beneficiary) of a Participant shall not be treated as a Participant in the Plan, even if he or she has an interest in the Participant's benefits under the Plan as a result of applicable law or property settlements resulting from legal separation or divorce.

**"Participation Agreement"** means the form established from time to time by the Committee that a Participant completes, signs and returns to the Company to become a Participant in this Plan. Participation Agreements may be completed and/or signed using such online systems and other electronic means as the Committee or Record Keeper from time to time may designate for such purpose.

**"Plan"** shall mean the Mister Car Wash Nonqualified Deferred Compensation Plan hereby created and as it may be amended from time to time.

**"Plan Administrator"** shall mean the Company or its designees or designated Committee.

**"Plan Year"** shall mean the period beginning December 28, 2015 and ending December 31, 2015 and thereafter, the 12-month period ending on December 31.

**"Record Keeper"** means the party designated as the Record Keeper, as such designation may be amended from time to time in the discretion of the Committee. In the absence of any such designation, or should the Record Keeper be unable or unwilling to serve, the Company shall perform the duties of the Record Keeper under this Plan.

**"Refund of 401(k) Contribution"** means a corrective distribution from Company's 401(k) Plan.

**"Retirement"** means the Termination of Employment of a Participant on or after such Participant's Retirement Eligibility Date.

**"Retirement Eligibility Date"** means the date when the Participant achieves age 65 or older, or at age 55 with five (5) years of service.

**"Section 409A"** means Section 409A of the Code, as the same may be amended from time to time, and any successor statute thereto. References to Section 409A or any requirement under Section 409A, as the same may be interpreted, construed or applied to this Plan at any particular time, shall be deemed to mean and include, to the extent then applicable and then in force and effect (but not to the extent overruled, limited or superseded), published guidance, regulations, notices, rulings and similar announcements issued by the Internal Revenue Service or by the Secretary of the Treasury under or interpreting Section 409A, decisions by any court of competent jurisdiction involving a Participant or a beneficiary and any closing agreement made under §7121 of the Code that is approved by the Internal Revenue Service and involves a Participant, all as determined by the Committee in good faith, which determination may (but shall not be required to) be made in reliance on the advice of such tax counsel or other tax professional(s) with whom the Committee from time to time may elect to consult with respect to any such matter.

**"Separation from Service"** shall mean termination of employment (as defined in Treasury Regulations § 1.409A-1(h)) and generally encompasses the circumstances when a Participant voluntarily or involuntarily terminates employment with the Company and all Affiliates, for any reason other than death. A termination of employment occurs if the facts and circumstances indicate that the Plan Administrator and the Participant reasonably anticipate that no further services will be performed after a certain date, or that the level of bona fide services the Participant will perform after such date (whether as an employee or an independent contractor) will decrease to no more than 20 percent of the average level of bona fide services performed (whether as an employee or an

independent contractor) over the immediately preceding 36-month period (or the full period of services if the Participant has been providing services for less than 36 months). Notwithstanding the foregoing, the employment relationship is treated as continuing while the Participant is on military leave, sick leave or other bona fide leave of absence if the period of leave does not exceed six (6) months, or if longer, so long as the Participant retains the right to reemployment with the Company or an Affiliate under an applicable statute or contract. When a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or to last for a period of at least six (6) months and such impairment causes the Participant to be unable to perform the duties of his or her position or any substantially similar position, a 29-month period of absence may be substituted for the 6-month period above.

**"Specified Employee"** shall mean a key employee (as defined in Code § 416(i) without regard to paragraph (5) thereof) of a Company or its Affiliates, any stock of which is publicly traded on an established securities market or otherwise. A Participant is a key employee if the Participant meets the requirements of Code §416(i)(1)(A)(i), (ii) or (iii) (applied in accordance with the regulations thereunder and disregarding Code §416(i)(5)) at any time during the 12-month period ending each December 31. If a Participant is a key employee at any time during the 12-month period ending on such December 31, the Participant is treated as a Specified Employee for the 12-month period beginning on the following April 1. Whether any stock of Company or its successors is publicly traded on an established securities market or otherwise must be determined as of the date of the Participant's Separation from Service. Any Participant who is at the level of Vice President or above, shall automatically be considered to be a Specified Employee, and any distribution to them shall be subject to a payment delay of six months.

**"Unforeseeable Emergency"** shall mean a severe financial hardship resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Code § 152(a)) of the Participant, loss of the Participant's property due to casualty or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

**"Year of Participation"** shall mean each consecutive 12-month period beginning on the effective date of the Participant's first deferral election made in accordance with Article IV and each anniversary date thereafter.

## ARTICLE II

### Administration

#### (a) Plan Administrator.

(1) The Plan Administrator shall have complete control and discretion to manage the operation and administration of the Plan. Not in limitation, but in amplification of the foregoing, the Plan Administrator shall have the following powers:

- (A) To determine all questions relating to the eligibility of employees to participate or continue to participate;
- (B) To maintain all records and books of account necessary for the administration of the Plan;
- (C) To interpret the provisions of the Plan and to make and to publish such interpretive or procedural rules as are not inconsistent with the Plan and applicable law;
- (D) To compute, certify and arrange for the payment of benefits to which any Participant or beneficiary is entitled;
- (E) To process claims for benefits under the Plan by Participants or beneficiaries;
- (F) To engage consultants and professionals, including Record Keeper, to assist the Plan Administrator in carrying out its duties under this Plan; and
- (G) To develop and maintain such instruments as may be deemed necessary from time to time by the Plan Administrator to facilitate payment of benefits under the Plan.

(2) The Plan Administrator may designate a committee to assist the Plan Administrator in the administration of the Plan and perform the duties required of the Plan Administrator hereunder.

(b) Plan Administrator's Authority. The Plan Administrator may consult with Company officers, legal and financial advisers to the Company and others, but nevertheless the Plan Administrator shall have the full authority and discretion to act, and the Plan Administrator's actions shall be final and conclusive on all parties.

(c) Claims and Appeal Procedure for Denial of Benefits. A Participant or a beneficiary ("Claimant") may file with the Plan Administrator a written claim for benefits if the Participant or beneficiary determines the distribution procedures of the Plan have

not provided him/her proper interest in the Plan. The Plan Administrator must render a decision on the claim within a reasonable period of time of the Claimant's written claim for benefits, which is within ninety (90) days of Plan Administrator's receipt of initial claim. The Plan Administrator must provide adequate notice in writing to the Claimant whose claim for benefits under the Plan the Plan Administrator has denied. The Plan Administrator's notice to the Claimant must set forth:

(1)The specific reason for the denial;

(2)Specific references to pertinent Plan provisions on which the Plan Administrator based its denial;

(3)A description of any additional material and information needed for the Claimant to perfect his/her claim and an explanation of why the material or information is needed; and

(4)That any appeal the Claimant wishes to make of the adverse determination must be made in writing to the Plan Administrator within sixty (60) days after receipt of the Plan Administrator's notice of denial of benefits. If the sixtieth (60<sup>th</sup>) day falls on a weekend, the immediately following business day is the deadline. The Plan Administrator's notice must further advise the Claimant that his/her failure to appeal the action to the Plan Administrator in writing will render the Plan Administrator's determination final, binding and conclusive. The Plan Administrator's notice of denial of benefits must identify the name and address of the Plan Administrator to whom the Claimant may forward his/her appeal.

If the Claimant should appeal to the Plan Administrator, he/she, or his/her duly authorized representative, must submit, in writing, whatever issues and comments he/she, or his/her duly authorized representative, believes are pertinent. The Claimant, or his/her duly authorized representative, may review pertinent Plan documents. The Plan Administrator will re-examine all facts related to the appeal and make a final determination as to whether the denial of benefits is justified under the circumstances. After receipt of the Claimant's written request for review, the Plan Administrator must advise the Claimant of its decision within sixty (60) days after receipt of Claimant's appeal.

## ARTICLE III

### Eligibility and Participation

(a)**Eligibility.** The Company, in its sole discretion, shall determine those key management and highly compensated employees eligible to participate in the Plan. Accordingly, an employee of the Company who, in the opinion of the Company based upon its then current guidelines, has contributed or is expected to contribute to the growth and successful operations of the Company and who meets any additional criteria for eligibility that the Company, in its sole discretion, may adopt from time to time, will be eligible to become a Participant.

(b)**Rehired Employees.** Except as otherwise required under Section 409A Requirements (or as otherwise approved by the Committee if permitted under Section 409A Requirements), a Participant who is rehired following a Termination of Employment, will be treated as a new employee, without affecting or suspending any benefit payment resulting from any previous participation in this Plan or previous Termination of Employment, and without implying any right to participate further in this Plan as a result of his or her re-employment. If such former Participant is selected to become an Eligible Employee under the Plan following his or her rehiring, such Participant may not commence participation in the Plan until the first day of the Plan Year following his or her submission of all required enrollment documents to the Record Keeper, and for purposes of any applicable vesting, he or she shall be treated as a new employee and new enrollee based on his or her most recent date of hire and participation as a new Participant in this Plan.

(c)**Participation.** An eligible employee shall become a Participant upon receiving notification from the Plan Administrator and, if required, the timely filing of elections pursuant to Article IV.



## ARTICLE IV

### **Deferral Elections and Company Contributions**

#### **(a) Deferral Procedures.**

(1) Any Participant may elect to defer, for any calendar year, up to ninety percent (90%) of his/her base salary and/or ninety percent (90%) of any bonuses and incentive compensation paid during such calendar year as may be permitted by the Plan Administrator in its discretion. Deferral elections shall be in whole percentages or a stated dollar amount, not to exceed the maximum percentage as stated in this paragraph.

(2) At the same time as the election of Base Salary, bonuses and incentive compensation, any Participant may elect to defer any Refund of 401K Contribution. If so elected, no less than one-hundred percent (100%) of such refund must be elected.

(3) Any election to defer a portion of Base Salary or all or a portion of any bonus and incentive compensation under this paragraph (a) must be delivered to the Plan Administrator prior to the January 1 of the calendar year in which the Base Salary, bonus or incentive compensation to be deferred are otherwise earned.

(4) Notwithstanding the foregoing, an election may be made by a Participant to defer Base Salary, bonuses, and incentive compensation earned subsequent to his/her deferral election within the 30-day period following a Participant's initial eligibility to participate in the Plan. Further, any performance-based compensation shall be prorated based on the number of completed months remaining in the Plan Year.

(5) A Participant must submit a new deferral election for each Plan Year. If a Participant fails to submit the appropriate election for any Plan Year, the Participant will be deemed to have elected not to defer under the Plan for the Plan Year to which such election would apply.

**(b) Elections.** Any election by a Participant under this Article IV shall be made in a manner prescribed by the Plan Administrator (the terms of which are incorporated herein by reference), and shall specify the amount of compensation to be deferred.

**(c) Company Contributions.** The Company may credit a Participant with a discretionary matching or non-matching contribution as determined by the Company.

(1)Discretionary Contributions. As of each Plan Year, the Company may credit a Participant with a discretionary Company Contribution.

(2)Matching Contributions. As of each Plan Year, the Company may credit a Participant with a matching contribution.

(3)Except as otherwise determined by the Plan Administrator, all Company Contributions are distributed at separation of service.

## ARTICLE V

### **Participant Accounts and Investment of Deferred Amounts**

#### **(a)In General.**

(1) Any compensation deferred or Company Contributions which are made pursuant to this Plan shall be recorded by the Plan Administrator in a bookkeeping account maintained in the name of the Participant.

(2) All amounts that are credited to Participant Accounts shall be credited solely for purposes of accounting and computation. A Participant shall not have any interest in or right to such Accounts at any time.

**(b)Subject to Claims.** The Plan constitutes an unsecured promise by the Company to pay benefits in the future. Participants shall have the status of general unsecured creditors of the Company. The Plan is unfunded for Federal tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974. All amounts credited to a Participant's Accounts will remain the general assets of the Company and shall remain subject to the claims of the Company's creditors until such amounts are distributed to the Participants.

#### **(c)Crediting of Earnings.**

(1) The Plan Administrator shall allow a Participant to make a hypothetical allocation of the amounts credited to his/her Accounts among investment options/indices that the Plan Administrator shall make available from time to time. The Plan Administrator shall establish procedures regarding Participant investment allocations as are necessary, which procedures shall be communicated to the Participants. If a Participant fails to make an investment election under this section for a particular Account, such Account shall be hypothetically allocated to receive a return tied to a money market fund option.

(2) In the event a Participant has elected no deferrals but is credited with a discretionary Company Contribution, the Committee shall determine the hypothetical investment crediting at its discretion.

(3) A Participant's Accounts shall be credited at least annually with notional earnings equal to the aggregate/weighted average return on the investment options/indices selected by the Participant, less expenses.

**(d)Valuation; Annual Statement.** The value of Participant Accounts shall be determined by the Plan Administrator and the Plan Administrator may establish such accounting procedures as are necessary to account for the Participant's interest in the Plan. Each Participant Account shall be valued as of the last day of each Plan Year or more frequently as determined by the Plan Administrator. The Plan Administrator shall furnish each Participant with an annual statement of his/her Accounts.



**(e) Establishment of Trust**

(1)The Company may establish one or more trusts substantially in conformance with the terms of the model trust described in Revenue Procedure 92-64 to assist in meeting its obligations to Participants under this Plan (“rabbi trust”). Except as provided in paragraph (b) above and the terms of the trust agreement, any such trust or trusts shall be established in such manner as to permit the use of assets transferred to the trust and the earnings thereon to be used by the trustee solely to satisfy the liability of the Company in accordance with the Plan.

(2)The Company, in its sole discretion, and from time to time, may make contributions to the Trust. Unless otherwise paid by the Company, all benefits under the Plan and expenses chargeable to the Plan shall be paid from the trust.

(3)The powers, duties and responsibilities of the trustee shall be as set forth in the trust agreement and nothing contained in the Plan, either expressly or by implication, shall impose any additional powers, duties or responsibilities upon the trustee.

**(f) Alternative Funding Vehicles**. In addition to, or in place of, creating and maintaining a rabbi trust, the Company may implement other financing arrangements for the purpose of paying some or all of the benefits provided under this Plan.

## ARTICLE VI

### Plan Benefits and Distributions

(a)**Plan Benefits.** Upon a Separation from Service for any reason, a Participant will be entitled to a benefit equal to his/her vested Account balance as determined in accordance with this Article.

(b)**Timing of Payment.** In the event that a Participant experiences a Separation from Service for any reason other than death, payment will commence in the form elected (see Article VI (d)(1)) as soon as practicable following the Participant's Separation from Service but no later than 30 days following the separation date. Provided, however, if a payment is due at any time after the stock of the Company or its Affiliates is publicly traded on an established securities market or otherwise, any payment which is to be made upon a Separation from Service shall not be made earlier than the day following the six (6) month anniversary of the Separation from Service, or any earlier time upon which payment could be made to Specified Employees in accordance with the rules promulgated under Section 409A. Payment valuation will be calculated based upon the vested account balance as of the last business day of the month that the Separation from Service occurred.

(1)In the event that a Participant experiences a Separation from Service as a result of death, the Account will be paid as a lump sum to the Participant's beneficiary as soon as practicable as designated by the Plan Administrator up to and including December 31 of the calendar year following the calendar year in which death occurs. Payment valuation will be calculated based upon vested account balance as of the last business day of the month that the death of the participant occurred.

(2)Payment valuation will be calculated based upon the account balance as of the last business day of the month immediately preceding the January of the chosen year. In the event that a Participant experiences a Separation from Service prior to receipt of the scheduled in-service distribution, the benefit will be paid as a lump sum as soon as practicable following the Separation from Service, but no longer than 60 days following the date of Separation from Service event, so long as the Participant is not a Specified Employee.

(c)In the event of an Unforeseeable Emergency, the Plan Administrator may permit an early Hardship Distribution of part or all of any deferred amounts; provided, however, that such distribution shall be made only if the Plan Administrator, in its sole discretion, determines that the Participant, or the Participant's beneficiary, has experienced an Unforeseeable Emergency. If an Unforeseeable Emergency is determined to exist, a distribution may not exceed the amounts necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the

Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).

**(d) Vesting of Amounts Credited to Participants.**

(1) A Participant shall be at all times fully vested in his/her deferrals of his/her compensation.

(2) A Participant shall be fully vested immediately in Company Contributions classified as matching contributions.

(3) A Participant shall be vested in discretionary Company Contributions according to a schedule made at the time of the grant.

(4) A Participant, however, shall become fully vested in any Company Contributions upon attainment of Retirement Eligibility Date or in the event of a Change in Control. Further, a Participant shall become fully vested in amounts credited to his/her Company Contributions upon the Participant's Separation from Service resulting from death or his/her becoming Disabled. Upon a Participant's termination of employment with the Company, prior to attaining Retirement Eligibility Date, for reasons other than death or becoming Disabled, the nonvested interest in his/her Accounts, if any, shall be forfeited.

(5) The Plan Administrator may establish such accounting procedures as are necessary to accurately reflect each Participant's vested interest in contributions and earnings thereon that are credited to his/her Accounts.

**(e) Form of Benefit Payment.**

(1) Payment at Separation from Service (Termination) shall be in the form of a lump sum payment or installments of up to five (5) years.

(2) Payment at Retirement: Upon commencing participation in the Plan, and at each open enrollment, a Participant shall elect to have his/her Plan Year contribution to the Plan paid upon Separation from Service at or after attainment of Retirement Eligibility in one or more of the following forms of payment:

(A) Lump sum, or

(B) Any number of years up to and including fifteen (15)

Such election shall be made in accordance with a manner prescribed by the Plan Administrator.

(3) In the event a Participant elects to receive all or a portion of his/her benefit in installment payments, each such payment shall be equal to the balance in the Participant's Account(s) as of the end of the month immediately preceding the anniversary date of the initial installment payment, divided by the number of payment years remaining (the "Factor"). For example, if a Participant elected 5 annual installments, as shown below:

**5 Year Installment**

| <b>Payment</b> | <b>Factor</b> |
|----------------|---------------|
| 1              | 5             |
| 2              | 4             |
| 3              | 3             |
| 4              | 2             |
| 5              | 1             |

(4) A Participant will be permitted to elect to change the form or timing of the distribution of the balance of his/her Accounts to the extent permitted and in accordance with the requirements of Code § 409A, including the requirement that

(i) a re-deferral election may not take effect until at least twelve (12) months after such election is filed with the Company, (ii) an election to further defer a distribution (other than a distribution upon death, Disability or an unforeseeable emergency) must result in the first distribution subject to the election being made at least five (5) years after the previously elected date of distribution, and (iii) any re-deferral election affecting a distribution at a fixed date must be filed with the Company at least twelve (12) months before the first scheduled payment under the previous fixed date distribution election. Once a sub-account begins distribution, no such changes to distributions shall be permitted. Only one change election will be permitted for Separation from Service elections for each Plan Year contributions.

(5) If the Participant fails to make an election as to the form of benefit payment at the time of each Plan year deferral election, the Participants' vested amount shall be paid in the form of a lump sum for the corresponding Plan year.

(6) If the Participant experiences a Separation from Service prior to the Retirement Eligibility Date as a result of becoming Disabled, all vested amounts credited to his or her Accounts shall be paid to the Participant in a lump-sum, within sixty (60) days following Participant's Separation from Service.

(7) In the event of a Change in Control, the Plan Participant shall receive his or her vested amount in a lump sum. However, at the time a Plan Participant makes an initial election to defer, he or she may submit a one-time, irrevocable



election for any and all deferrals under the Plan to continue to defer and receive no such distribution upon a Change in Control event.

**(f) Payment to Beneficiary.**

(1) If the Participant dies before or after payments have commenced, the unpaid amounts shall be paid to his/her beneficiary or beneficiaries designated in a lump sum.

(2) A designation of beneficiaries shall be made in a manner prescribed by and filed with the Plan Administrator, and may be changed at any time by filing a new form with the Plan Administrator. If the Participant has designated no beneficiary, or if no beneficiary that he has designated survives him, then such unpaid amounts shall be paid to his/her estate. In the event of any dispute as to the entitlement of any beneficiary, the Plan Administrator's determination shall be final, and the Plan Administrator may withhold any payment until such dispute has been resolved.

**(g) Limited Cash Out** The Company may exercise its sole discretion under Treas. Reg. Section 1.409A-3 (j)(4)(v) to cash out the company's obligations to a participant under this plan so long as the amounts distributed are no greater than the applicable dollar amount under IRC Sect. 402 (g)(1)(B). Such limited cash out under these rules shall constitute the termination and liquidation of the entirety of the Participant's interest under the plan, including all agreements, methods, programs, or other arrangements with respect to which deferrals of compensation are treated as having been deferred under a single nonqualified deferred compensation plan under Treas. Reg. Section 1.409A-1(c)(2). Once a Participant's entire interest has been liquidated, such Participant shall no longer be an Eligible Participant.

**(h) Accounting Procedures.** The Plan Administrator shall establish such accounting procedures as are necessary to implement the provisions of this Article.

## ARTICLE VII

### Amendment

(a)**In General.** The Plan may be amended at any time, or from time to time, by the Company. Any such amendment shall be ratified and approved by the Company's Board of Directors.

(b)**Effect of Amendment.** No such amendment shall affect the rights of any Participant with respect to any amounts credited to the Accounts of a Participant prior to such amendment.

(c)**Plan Termination.** The Company further reserves the right to terminate the Plan in whole or in part, in the following manner, except that no such termination shall have any retroactive effect to reduce any amounts allocated to a Participant's Accounts, and provided that such termination complies with Codes § 409A and related regulations thereunder:

(1)The Company, in its sole discretion, may terminate the Plan and distribute all vested Participants' Accounts no earlier than twelve (12) calendar months from the date of the Plan termination and no later than twenty-four (24) calendar months from the date of the Plan termination, provided however that all other similar arrangements are also terminated by the Company and no other similar arrangements are adopted by the Company within a three year period from the date of termination; or

(2)The Company may decide, in its sole discretion, to terminate the Plan in the event of a corporate dissolution taxed under Code § 331, or with the approval of a bankruptcy court, provided that the Participants vested Account balances are distributed to Participants and are included in the Participants' gross income in the latest of: (i) the calendar year in which the termination occurs; (ii) the calendar year in which the amounts deferred are no longer subject to a substantial risk of forfeiture; or (iii) the first calendar year in which payment is administratively practicable.

(d)**Plan Termination due to a Change-in-Control.** The Company may decide, in its discretion, to terminate the Plan in the event of a Change-in-Control and distribute all vested Participants Account balances no earlier than thirty (30) days prior to the Change-in-Control and no later than twelve (12) months after the effective date of the Change-in-Control, provided however that the Company terminates all other similar arrangements. Any corporation or other business organization that is a successor to the Company by reason of a Change-in-Control shall have the right to become a party to the Plan by appropriate entity action.

## ARTICLE VIII

### Miscellaneous

(a)**Payments to Minors and Incompetents.** If the Plan Administrator receives satisfactory evidence that a person who is entitled to receive any benefit under the Plan, at the time such benefit becomes available, is a minor or is physically unable or mentally incompetent to receive such benefit and to give a valid release therefore, and that another person or an institution is then maintaining or has custody of such person, and that no guardian committee, or other representative of the estate of such person shall have been duly appointed, the Plan Administrator may authorize payment of such benefit otherwise payable to such person to such other person or institution; and the release of such other person or institution shall be a valid and complete discharge for the payment of such benefit.

(b)**Plan Not a Contract of Employment.** The Plan shall not be deemed to constitute a contract between the Company and any Participant, or to be consideration for the employment of any Participant. Nothing in the Plan shall give a Participant the right to be retained in the employ of the Company; all Participants shall remain subject to discharge or discipline as employees to the same extent as if the Plan had not been adopted.

(c)**No Interest in Assets.** Nothing contained in the Plan shall be deemed to give any Participant any equity or other interest in the assets, business or affairs of the Company. No Participant in the Plan shall have a security interest in assets of the Company used to make contributions or pay benefits.

(d)**Recordkeeping.** Appropriate records shall be maintained for the Plan, subject to the supervision and control of the Plan Administrator.

(e)**Non-Alienation of Benefits.** No benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void. No benefit under the Plan shall in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any person. If any person entitled to benefits under the Plan shall become bankrupt or shall attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any benefit under the Plan, or if any attempt shall be made to subject any such benefit to the debts, contracts, liabilities, engagements or torts of the person entitled to any such benefit, except as specifically provided in the Plan, then such benefits shall cease and terminate at the discretion of the Plan Administrator. The Plan Administrator may then hold or apply the same or any part thereof to or for the benefit of such person or any dependent or beneficiary of such person in such manner and proportions as it shall deem proper.

(f)**Indemnification.** The Company shall supply full and timely information to the Committee and the Record Keeper on all matters as may be required properly to administer the Plan. The Committee and the Record Keeper and their respective

employees, officers, directors, partners, agents, affiliates and representatives, from and against any and all claims, losses, liabilities, costs, damages and expenses (including without limitation reasonable attorneys' fees) arising from any action or failure to act with respect to this Plan on account of such party's services hereunder, excepting the case of gross negligence or willful misconduct.

(g)**State Law.** This Plan shall be construed in accordance with the laws of Arizona.

(h)**Compliance with Code § 409A** Notwithstanding any provision of the Plan to the contrary, all provisions of the Plan will be interpreted and applied to comply with the requirements of Code §409A and any regulations and applicable binding guidance so as to avoid adverse tax consequences. The provisions of this Plan shall be interpreted in a manner consistent with such intent. In furtherance thereof, to the extent that any provision hereof would otherwise result in the Participant being subject to payment of tax, interest and tax penalty under Code § 409A, the Company and Participant agree to amend this Plan in a manner that brings this Plan into compliance with Code § 409A and preserves to the maximum extent possible the economic value of the relevant payment or benefit under this Plan to the Participant. No provision of the Plan, however, is intended or shall be interpreted to create any right with respect to the tax treatment of the amounts paid or payable hereunder, and neither the Company nor its successors shall under any circumstances have any liability to a Participant or Beneficiary for any taxes, penalties or interest due on amounts paid or payable under the Plan, including taxes, penalties or interest imposed under Code § 409A.

(i)**Liability Limited.** In administering the Plan, neither the Plan Administrator nor any officer, director or employee thereof, shall be liable for any act or omission performed or omitted, as the case may be, by such person with respect to the Plan. The Plan Administrator, its officers, directors and employees shall be entitled to rely conclusively on all tables, valuations, certificates, opinions and reports that shall be furnished by any actuary, accountant, trustee, insurance company, consultant, counsel or other expert who shall be employed or engaged by the Plan Administrator in good faith.

(j)**Protective Provisions.** Each Participant shall cooperate with the Plan Administrator by furnishing any and all information requested by the Plan Administrator in order to facilitate the payment of benefits hereunder, taking such physical examinations as the Plan Administrator may deem necessary and taking such other relevant action as may be requested by the Plan Administrator. If a Participant refuses so to cooperate or makes any material misstatement of information or nondisclosure of medical history, then no benefits will be payable hereunder to such Participant or his/her beneficiary, provided that, in the Plan Administrator's sole discretion, benefits may be payable in an amount reduced to compensate the Company for any loss, cost, damage or expense suffered or incurred by the Company as a result in any way of such action, misstatement or nondisclosure.

**IN WITNESS WHEREOF**, the Company has caused this Plan to be executed by its duly authorized officer on this 22 day of November, 2021.

**CAR WASH PARTNERS, INC.**

By: *Jan Myers*

Title: Sr. Director, Total Rewards



**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John Lai, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 of Mister Car Wash, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) [omitted];
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2023

By:

/s/ John Lai  
John Lai  
Chairperson, President and Chief Executive Officer  
(Principal Executive Officer)





**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jedidiah Gold, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 of Mister Car Wash, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) [omitted];
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2023

By:

/s/ Jedidiah Gold  
Jedidiah Gold  
Chief Financial Officer  
(Principal Financial Officer)



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Mister Car Wash, Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 3, 2023

By:

/s/ John Lai  
John Lai  
Chairperson, President and Chief Executive Officer  
(Principal Executive Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Mister Car Wash, Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 3, 2023

By:

*/s/* Jedidiah Gold  
Jedidiah Gold  
Chief Financial Officer  
(Principal Financial Officer)

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