

Investing in the Car Wash Business

Section # 1 – State of the Industry

Source: notes taken during a 09.27.07 Business Seminar conducted by Fred Grauer, Executive Vice President – Investor Market, Conveyors, Ryko Manufacturing Company*

Current State of the Car Wash Industry

- 9,000 Full Service Carwashes
- 10,500 Exterior Conveyor Washes
- 36,000 Self-Serve Car Washes
- 58,000 In-Bay Automatics
- 113,500 Total

Estimated Revenue: \$48+ Billion (includes gas)

Estimated Washes Annually: 2.3 Billion Vehicles

Estimated Washes per Day: 8 Million Vehicles

Interesting Facts

- Big Box Stores are going into the car wash business (Costco ~ Wal-Mart ~ Albertson's ~ Home Depot ~ Others)
- 7-10% of all C-Stores currently have car washes
- Most all petroleum companies say they will not build a new store without a car wash
- Approximately 25% of petroleum sites have car washes

Greatest Growth & Industry Trends

- EXPRESS Exterior Tunnels
- Multiple Automatics with self-serve bays
- Short Exterior Tunnels
- Free Vacuuming
- Flex Service for existing full service tunnels

Big Box Comments (CSP March 2006)

- Costco's Bob Nelson says his chain is siding with conveyor – the lengthy, high-quality clean mechanism wherein cars are stacked up and run through a friction wash
- A June 2005 Wal-Mart Shareholder's Souvenir newsletter notes that car-wash facilities are at the forefront of Sam's expansion efforts
- Sam's will initially favor the simpler in-bay automatics, which are a safer investment, but potentially diversify to include conveyor washes

Countering Big Box Rivals

To counter Big Box rivals, small shops soup up services; more horsepower for drying

By Jennifer Saranow, Wall street Journal 06.15.06

Carwashes around the country are launching new services:

- Shortening cleaning times (higher hp dryers)
- Plusher waiting rooms
- Wi-Fi service
- Discount programs
- Dog Washes
- Automated payment
- Wash guarantees.

Definitions – Types of Carwashes

- **Self-Serve** – commonly referred to as “wand wash”, “25 cents wash”...i.e. “Do it Yourself” (called “Jet Wash” in Europe)
- **In-bay Automatic** – commonly found at gasoline stations and self-serve car washes (also known as a “Rollover Automatic”); vehicle remains stationary, machine moves over / around vehicle
- **Tunnel** – vehicle placed on conveyor and moved through a building; several variations are deployed
- **Home Driveway Carwash Person**

Benchmark Statistics obtained from annual reports collected / published by industry magazines

In-Bay Automatic Statistics		
2003 Avg # of Cars Washed	19,965	\$6.43 sale per vehicle
2004 Avg # Cars Washed	23,614	\$6.11 sale per vehicle
2005 Avg # Cars Washed	21,689	\$6.11 sale per vehicle
	Annual Profit \$65,826	\$3.03 profit / vehicle
2006 Avg # Cars Washed	19,947	\$6.34 sale per vehicle
	Annual Profit \$86,531	\$4.34 profit / vehicle
Self-Serve Statistics (Wand or Coin-op Style)		
2003 Avg Monthly Revenue per Bay	\$1,243	\$0.41 per minute
2004 Avg Monthly Revenue per Bay	\$1,489	\$0.44 per minute
Average Usage is just 6-10%	10%*	
* $24 \text{ hr} \times 60 \text{ min} \times 30 \text{ days} = \text{“usage”}$ 10%		

Professional Car Washing and Detailing

Average Traffic Count (*average # of cars passing per day)

13,828 pass In-Bays Overall
 13,139 pass SS Bays, no gas
 14,393 pass facilities w/o SS Bays and sell gas

On average, in-bay facilities have about 14,000 cars pass by their facilities daily

*Source: 2000 Cost of Doing Business Study – PC&D

Car Counts & Tunnel Car Washes (per Auto Laundry News – 2005 Study)

Tunnel Car Washes	Per Year	Average Price
Wash volume for full service operators	58,914	\$15.52 (20% at \$18.00+)
Exterior tunnel car washes	65,720	\$6.92 (7% at \$12.00)
Car Counts	Per Day	Capture Rate (see examples below)
Full Service Car Wash	35,786 cpd	0.5-1.0%*
Exterior Tunnels	25,930 cpd	1.0-1.5%**
Capture Rate for Automatic Carwashes		*Expect lower capture rate at full service facilities ** Expect higher capture rate at exterior tunnels

Capture Rate examples:		
<i>Full Service Tunnel w/ average car count</i>	35,786 <i>cpd</i>	<i>x 0.5% = 179 cars washed per day</i>
<i>Full Service Tunnel w/ higher car count</i>	50,000 <i>cpd</i>	<i>x 0.5% = 250 cars washed per day</i>
<i>Exterior Tunnel w/ average car count</i>	25,930 <i>cpd</i>	<i>x 1.0% = 259 cars washed per day</i>
<i>Exterior Tunnel w/ higher car count</i>	50,000 <i>cpd</i>	<i>x 1.0% = 500 cars washed per day</i>
<i>Exterior Tunnel w/ higher car count & higher capture rate</i>	50,000 <i>cpd</i>	<i>x 1.5% = 750 cars washed per day</i>
NOTE: The El Segundo 5 Min EXPRESS Exterior Tunnel documented on this web page...actual results	60,000 cpd	Washes 990 cpd so its "Capture Rate" is 1.65%

Tunnel Car Washes – More Industry Averages

Average # of employees:

- 14 Full Service
- 4 Exterior

How far customers travel:

- 84% less than 10 miles
- 61% less than 5 miles

Busiest days of the week:

- 20% Friday
- 25% Saturday
- 12% as marketed, usually Sunday or Monday

Strongest season of the year:

- 32% Winter
- 25% Spring
- 25% Summer
- 18% Fall

** Fred Grauer is a car Wash Industry veteran with 50 years experience. He is a second generation industry participant. He and his family have owned more than 100 bays of self-serve and over 70 tunnel carwashes in several states. Further, Fred owned Sherman Industries which supplied 23,000+ carwashes; and for ten years, owned Mark VII which supplied 4,000+ locations. Hundreds of investors have participated in his seminars, became very excited about the opportunity and have gone on to build successful car wash businesses. Having retired several times, Fred accepted the current position with Ryko because it gave him the chance to work with so many investors around the world who are establishing or expanding their car wash businesses. Fred currently resides in the Rocky Mountains where he and his adult son continue to operate carwashes. The web site for his Fort Collins, CO full service car wash may be visited at <http://www.whistlecleanwash.com/washes.aspx>.*