**Car Wash Partners**

**Type of Deal (the method for making money)**

- “**Roll up**” vs “**Start up**”
  - Differences and similarities (“low risk, high return”?)
  - Nature of risk in roll ups (operational scale/execution capacity)

- Build company quickly by leveraged acquisitions (at low P/EBITDAs)

- Economies of scale/cost reductions

- Go public at higher multiple

**Car Wash Industry Suitable for Roll up?**

- Low risk

- High margins, **“barriers to entry”**, simplicity

- Highly fragmented, unorganized

- **“Leveragable”**?

- **“Improvable”**? (by applying advanced management techniques)

- **“Upgradable”** into more (related) services

- **“First mover”** advantages?

- Does value of improvements affect consumer?

**Projections**

- Systematic? Credible? How do you know?

- Sensitivities?

- What happened to the gross margins?

- Willing to use these projections for valuation?
Car Wash Partners

Management

- Tom Curtis – successful entrepreneur from the past. Credible?
- Curtis capable of leading major change in this industry?
- No further management team as yet

Investors

- Cabot Brown (Brown & McMillan)
  - Start up-VCs?
  - First deal
  - Who are their investors?

- Bill Burgin (Bessemer Partners)
  - Experienced VC
  - Investing with a friend?

- Does the investment fit their needs?
Car Wash Partners

Valuation

■ Who puts up the money? (BMC, Bessemer; total of $6.6)

■ How much is Curtis’ contribution worth at this stage?

■ The “pre-money” value ($1.1; “post-money” value ($7.7, see Exh 9). VCs had 86% of capital)

■ P/EBITDA 1997 (Exh 6); assuming 50% leverage
  \[ P = \$7,700 \]
  \[ EDITDA = \$629 \]
  \[ Ratio = 12.2x \]

■ In 2001:
  \[ EBITDA = \$50,192 \]
  (Increase due to 45x growth in revenues; 1.8x growth in CF margins)
  \[ ROI = \$18.8/\$142 = 13.2\% \] (after \$135 of new equity financing)

■ In 2001, at Exit via IPO at
  \[
  \begin{align*}
  \text{EBITDA x 12} & = \$600 \text{ million} \\
  \text{EBITDA x 10} & = 500 \\
  \text{P/E of 25} & = 470 \\
  \text{P/E of 15} & = 282 \\
  \text{X 15\%} & = 90 \\
  \text{75} & = 77 \\
  \text{70} & = 74 \\
  \text{42} & = 53\%
  \end{align*}
  \]
  \[ 4\text{yr ROI} = 85\% \]