

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 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 26, 2022**

**OR**

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

**Commission file number: 001-39898**

***Driven*Brands<sup>®</sup>**

**Driven Brands Holdings Inc.**  
**(Exact name of Registrant as specified in its charter)**

**Delaware**

(State or other jurisdiction of incorporation or organization)

**47-3595252**

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

**440 South Church Street, Suite 700**

**Charlotte, North Carolina**

(Address of principal executive offices)

**28202**

(Zip Code)

**Registrant's telephone number, including area code: (704) 377-8855**

**Title of each class**

Common Stock, \$0.01 par value

**Trading Symbol**

DRVN

**Name of each exchange on which registered**

The Nasdaq Global Select Market

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, a smaller reporting company or an emerging growth company. See 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

Non-accelerated filer

Accelerated filer

Small reporting company

Emerging growth company

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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 Act). Yes  No

As of May 2, 2022, the Registrant had 167,507,521 shares of Common Stock outstanding.

Driven Brands Holdings Inc.

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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. These forward-looking statements are generally identified by the use of forward-looking terminology, including the terms “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “likely,” “may,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “target,” “will,” “would” and, in each case, their negative or other various or comparable terminology. All statements other than statements of historical facts contained in this Quarterly Report, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management, and expected market growth are forward-looking statements. In particular, forward-looking statements include, among other things, statements relating to: (i) our strategy, outlook and growth prospects; (ii) our operational and financial targets and dividend policy; (iii) general economic trends and trends in the industry and markets; and (iv) the competitive environment in which we operate. Forward-looking statements are not based on historical facts, but instead represent our current expectations and assumptions regarding our business, the economy and other future conditions, and involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. It is not possible to predict or identify all such risks. These risks include, but are not limited to, the risk factors that are described under the section titled “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 25, 2021, and in this Quarterly Report as well as in our other filings with the Securities and Exchange Commission, which are available on its website at [www.sec.gov](http://www.sec.gov). Given these uncertainties, you should not place undue reliance on these forward-looking statements.

Forward-looking statements represent our estimates and assumptions only as of the date on which they are made, and we undertake no obligation to update or review publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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**Part I - Financial Information**

**Item 1. Financial Statements (Unaudited)**

**DRIVEN BRANDS HOLDINGS INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

<i>(in thousands, except per share amounts)</i>	<b>Three months ended</b>	
	<b>March 26, 2022</b>	<b>March 27, 2021</b>
<b>Revenue:</b>		
Franchise royalties and fees	\$ 37,888	\$ 30,414
Company-operated store sales	292,391	183,855
Independently-operated store sales	63,089	56,163
Advertising fund contributions	19,698	17,255
Supply and other revenue	55,257	41,733
<b>Total revenue</b>	<b>468,323</b>	<b>329,420</b>
<b>Operating expenses:</b>		
Company-operated store expenses	177,867	112,756
Independently-operated store expenses	33,299	31,108
Advertising fund expenses	19,698	17,255
Supply and other expenses	32,774	22,489
Selling, general and administrative expenses	92,220	69,050
Acquisition costs	4,318	1,646
Store opening costs	506	289
Depreciation and amortization	33,023	23,852
Asset impairment charges and lease terminations	898	1,253
<b>Total operating expenses</b>	<b>394,603</b>	<b>279,698</b>
<b>Operating income</b>	<b>73,720</b>	<b>49,722</b>
<b>Other expenses, net:</b>		
Interest expense, net	25,353	18,091
Net loss on foreign currency transactions	971	10,511
Loss on debt extinguishment	—	45,498
<b>Total other expenses, net</b>	<b>26,324</b>	<b>74,100</b>
Net income (loss) before taxes	47,396	(24,378)
Income tax expense (benefit)	12,968	(4,446)
<b>Net income (loss)</b>	<b>34,428</b>	<b>(19,932)</b>
Net (loss) income attributable to non-controlling interests	(15)	7
<b>Net income (loss) attributable to Driven Brands Holdings Inc.</b>	<b>\$ 34,443</b>	<b>\$ (19,939)</b>
<b>Earnings per share:</b>		
Basic	\$ 0.21	\$ (0.13)
Diluted	\$ 0.20	\$ (0.13)
<b>Weighted average shares outstanding:</b>		
Basic	162,762	154,827
Diluted	166,748	154,827

The accompanying notes are an integral part of these consolidated financial statements.

**DRIVEN BRANDS HOLDINGS INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)**

<i>(in thousands)</i>	<b>Three months ended</b>	
	<b>March 26, 2022</b>	<b>March 27, 2021</b>
<b>Net income (loss)</b>	\$ 34,428	\$ (19,932)
Other comprehensive income (loss):		
Foreign currency translation adjustment	(5,574)	(9,243)
Unrealized gain from cash flow hedges, net of tax	132	30
Defined benefit pension plan actuarial gain, net of tax	—	128
Other comprehensive loss, net	(5,442)	(9,085)
Total comprehensive income (loss)	28,986	(29,017)
Comprehensive income (loss) attributable to non-controlling interests	(2)	41
<b>Comprehensive income (loss) attributable to Driven Brands Holdings Inc.</b>	\$ 28,988	\$ (29,058)

The accompanying notes are an integral part of these consolidated financial statements.

**DRIVEN BRANDS HOLDINGS INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share amounts)

	March 26, 2022	December 25, 2021
	(Unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 270,681	\$ 523,414
Restricted cash	792	792
Accounts and notes receivable, net	133,809	117,903
Inventory	48,883	46,990
Prepaid and other assets	24,640	24,326
Income tax receivable	5,070	6,867
Advertising fund assets, restricted	51,281	45,360
Assets held for sale	3,275	3,275
<b>Total current assets</b>	<b>538,431</b>	<b>768,927</b>
Notes receivable, net	8,918	3,182
Property and equipment, net	1,384,770	1,350,984
Operating lease right-of-use assets	1,026,537	995,625
Deferred commissions	10,623	10,567
Intangibles, net	862,761	816,183
Goodwill	2,044,594	1,910,392
Deferred tax assets	1,477	1,509
<b>Total assets</b>	<b>\$ 5,878,111</b>	<b>\$ 5,857,369</b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 85,468	\$ 83,033
Accrued expenses and other liabilities	241,730	297,620
Income tax payable	20,642	11,054
Current portion of long term debt	22,969	26,044
Income tax receivable liability	24,255	24,255
Advertising fund liabilities	29,022	26,441
<b>Total current liabilities</b>	<b>424,086</b>	<b>468,447</b>
Long-term debt	2,358,379	2,356,320
Deferred tax liabilities	256,535	257,067
Operating lease liabilities	961,182	931,604
Income tax receivable liability	131,715	131,715
Deferred revenue	39,541	37,576
Long-term accrued expenses and other liabilities	28,181	29,398
<b>Total liabilities</b>	<b>4,199,619</b>	<b>4,212,127</b>
Common stock, \$0.01 par value, 900 million shares authorized and 167 million shares issued at March 26, 2022 and December 25, 2021.	1,675	1,674
Additional paid-in capital	1,610,585	1,605,890
Retained earnings	76,050	41,607
Accumulated other comprehensive loss	(10,483)	(5,028)
<b>Total shareholders' equity attributable to Driven Brands Holdings Inc.</b>	<b>1,677,827</b>	<b>1,644,143</b>
<b>Non-controlling interests</b>	<b>665</b>	<b>1,099</b>
<b>Total shareholders' equity</b>	<b>1,678,492</b>	<b>1,645,242</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 5,878,111</b>	<b>\$ 5,857,369</b>

The accompanying notes are an integral part of these consolidated financial statements.

DRIVEN BRANDS HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS'/MEMBERS' EQUITY (Unaudited)

<i>in thousands</i>	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non-controlling interests	Total shareholders'/members' equity
<b>Balance as of December 28, 2020</b>	\$ 565	\$ 1,055,172	\$ 31,975	\$ 16,528	\$ 2,120	\$ 1,106,360
Net income (loss)	—	—	(19,939)	—	7	(19,932)
Other comprehensive loss	—	—	—	(9,085)	—	(9,085)
Equity-based compensation expense	—	983	—	—	—	983
Issuance of common stock upon initial public offering, net of underwriting discounts and commissions	1,082	660,418	—	—	—	661,500
Common stock issued upon underwriter's exercise of over-allotment	48	99,177	—	—	—	99,225
Repurchase of common stock	(21)	(42,956)	—	—	—	(42,977)
Exercise of stock options	—	25	—	—	—	25
Establishment of income tax receivable liability	—	(155,970)	—	—	—	(155,970)
IPO fees	—	(14,757)	—	—	—	(14,757)
Other	—	—	—	—	(63)	(63)
<b>Balance as of March 27, 2021</b>	<u>\$ 1,674</u>	<u>\$ 1,602,092</u>	<u>\$ 12,036</u>	<u>\$ 7,443</u>	<u>\$ 2,064</u>	<u>\$ 1,625,309</u>
<b>Balance as of December 25, 2021</b>	\$ 1,674	\$ 1,605,890	\$ 41,607	\$ (5,028)	\$ 1,099	\$ 1,645,242
Net income (loss)	—	—	34,443	—	\$ (15)	34,428
Other comprehensive income (loss)	—	—	—	(5,455)	13	(5,442)
Equity-based compensation expense	—	2,618	—	—	—	2,618
Stock issued related to Employee Stock Purchase Plan	1	2,091	—	—	—	2,092
Tax withholding on stock option exercises	—	(14)	—	—	—	(14)
Divestiture of Denmark car wash operations	—	—	—	—	(432)	(432)
<b>Balance as of March 26, 2022</b>	<u>\$ 1,675</u>	<u>\$ 1,610,585</u>	<u>\$ 76,050</u>	<u>\$ (10,483)</u>	<u>\$ 665</u>	<u>\$ 1,678,492</u>

The accompanying notes are an integral part of these consolidated financial statements.

**DRIVEN BRANDS HOLDINGS INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

<i>(in thousands)</i>	<b>Three months ended</b>	
	<b>March 26, 2022</b>	<b>March 27, 2021</b>
<b>Net income (loss)</b>	\$ 34,428	\$ (19,932)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	33,023	23,852
Non-cash lease cost	17,002	20,028
Loss on foreign denominated transactions	970	13,000
Gain on foreign currency derivative	—	(2,489)
Bad debt expense	372	657
Asset impairment costs	898	1,253
Amortization of deferred financing costs and bond discounts	2,224	2,139
Benefit (provision) for deferred income taxes	132	(8,018)
Loss on extinguishment of debt	—	45,498
Other, net	1,597	(749)
<b>Changes in assets and liabilities, net of acquisitions:</b>		
Accounts and notes receivable, net	(21,123)	(19,693)
Inventory	(1,787)	135
Prepaid and other assets	397	(8,184)
Advertising fund assets and liabilities, restricted	(1,204)	2,621
Deferred commissions	(39)	(573)
Deferred revenue	455	1,551
Accounts payable	509	638
Accrued expenses and other liabilities	(61,624)	(6,451)
Income tax receivable	11,476	3,061
Operating lease liabilities	(8,666)	(15,758)
<b>Cash provided by operating activities</b>	<b>9,040</b>	<b>32,586</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(68,967)	(23,280)
Cash used in business acquisitions, net of cash acquired	(224,526)	(26,732)
Proceeds from sale-leaseback transactions	37,781	41,023
Proceeds from sale of company-operated stores	—	4,481
Proceeds from disposition of car wash operations	1,577	—
Proceeds from disposal of property and equipment	803	—
<b>Cash used in investing activities</b>	<b>(253,332)</b>	<b>(4,508)</b>
<b>Cash flows from financing activities:</b>		
Repayment of long-term debt	(4,820)	(707,384)
Proceeds from revolving lines of credit and short-term debt	—	114,800
Repayments of revolving lines of credit and short-term debt	—	(132,800)
Repayment of principal portion of finance lease liability	(879)	(409)
Proceeds from initial public offering, net of underwriting discounts	—	661,500
Net proceeds from underwriters' exercise of over-allotment option	—	99,225
Repurchases of common stock	—	(42,977)
Payment for termination of interest rate swaps	—	(21,826)
Other, net	(20)	—
<b>Cash provided by financing activities</b>	<b>(5,719)</b>	<b>(29,871)</b>
Effect of exchange rate changes on cash	(592)	650



<b>Net change in cash, cash equivalents, restricted cash, and cash included in advertising fund assets, restricted</b>	(250,603)	(1,143)
Cash and cash equivalents, beginning of period	523,414	172,611
Cash included in advertising fund assets, restricted, beginning of period	38,586	19,369
Restricted cash, beginning of period	792	15,827
<b>Cash, cash equivalents, restricted cash, and cash included in advertising fund assets, restricted, beginning of period</b>	<b>562,792</b>	<b>207,807</b>
Cash and cash equivalents, end of period	270,681	175,371
Cash included in advertising fund assets, restricted, end of period	40,716	21,160
Restricted cash, end of period	792	10,133
<b>Cash, cash equivalents, restricted cash, and cash included in advertising fund assets, restricted, end of period</b>	<b>\$ 312,189</b>	<b>\$ 206,664</b>

**Supplemental cash flow disclosures - non-cash items:**

Accrued capital expenditures, end of period	\$ 2,940	\$ 3,804
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**Supplemental cash flow disclosures - cash paid for:**

Interest	\$ 24,238	\$ 16,424
Income taxes	\$ 321	\$ 1,373

The accompanying notes are an integral part of these consolidated financial statements.

**DRIVEN BRANDS HOLDINGS INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**Note 1—Description of Business**

***Description of Business***

Driven Brands Holdings Inc., together with its subsidiaries (collectively, the “Company”), is a Delaware corporation and is the parent holding company of Driven Brands, Inc. and Shine Holdco (UK) Limited (collectively, “Driven Brands”). Driven Brands is the largest automotive services company in North America with a growing and highly-franchised base of more than 4,500 franchised, independently-operated, and company-operated locations across 49 U.S. states and 14 other countries. The Company has a portfolio of highly recognized brands, including Take 5 Oil Change®, Meineke Car Care Centers®, MAACO®, CARSTAR®, and 1-800-Radiator & A/C® that compete in the automotive services industry. Approximately 78% of the Company’s locations are franchised or independently-operated.

***Initial Public Offering and Secondary Offering in 2021***

On January 14, 2021, the Company completed an initial public offering (the “IPO”) of approximately 32 million shares of common stock at \$22 per share. On February 10, 2021, the Company’s underwriters exercised their over-allotment option to purchase approximately 5 million additional shares of common stock. The Company received total proceeds of \$761 million from these transactions, net of the underwriting discounts and commissions.

The Company used the proceeds from the IPO, along with cash on hand, to fully repay the term loans and revolving credit facility assumed as part of the acquisition of International Car Wash Group (“ICWG”) in 2020 (collectively, the “Car Wash Senior Credit Facilities”), which totaled \$725 million with interest and fees. The Company recognized a \$45 million loss on debt extinguishment for three months ended March 27, 2021 related to this settlement, primarily related to the write-off of the unamortized discount. The Company cancelled the interest rate and cross currency swaps associated with these debt agreements as part of the settlement. The Company also used \$43 million in proceeds to purchase approximately 2 million shares of common stock from certain of our existing shareholders.

On August 2, 2021, the Company filed a Registration Statement on Form S-1 for a secondary offering of approximately 12 million shares of common stock at \$29.50 per share by certain of the Company’s stockholders, Driven Equity LLC and RC IV Cayman ICW Holdings LLC, each of which is a related party of Roark Capital Management, LLC. The Company did not sell any common stock in the offering and did not receive any proceeds from the offering. On September 8, 2021, the underwriters for the secondary offering exercised a portion of their over-allotment option and purchased 881,393 additional shares of common stock. The Company did not receive any proceeds from the exercise of the over-allotment option.

***Income Tax Receivable Agreement***

The Company expects to be able to utilize certain tax benefits which are related to periods prior to the effective date of the Company’s IPO and are attributed to current and former shareholders. The Company previously entered into an income tax receivable agreement which provides our pre-IPO shareholders with the right to receive payment of 85% of the amount of cash savings, if any, in U.S. and Canadian federal, state, local and provincial income tax that the Company will actually realize. The income tax receivable agreement is effective as of the date of the Company’s IPO. The Company has recorded a total liability of \$156 million as of March 26, 2022 and December 25, 2021, of which \$24 million and \$132 million are recorded under current and non-current liabilities, respectively.

***Stock Split***

On January 14, 2021, the Company’s shareholders approved an amendment to the Company’s certificate of incorporation (the “Amendment”) to effect an implied 88,990-for-one stock split of shares of the Company’s outstanding common stock. In addition, the Amendment increased the number of authorized shares of the Company’s stock from 10,000 shares to 1 billion shares (900 million shares of common stock and 100 million shares of preferred stock). All share and per-share data in the consolidated financial statements and footnotes has been retroactively adjusted to reflect the stock split for all periods presented. The Company does not have any shares of preferred stock outstanding.

## **Note 2— Summary of Significant Accounting Policies**

### ***Fiscal Year***

The Company operates and reports financial information on a 52- or 53-week year with the fiscal year ending on the last Saturday in December and fiscal quarters ending on the 13th Saturday of each quarter (or 14th Saturday when applicable with respect to the fourth fiscal quarter). The three months ended March 26, 2022 and March 27, 2021, each consist of 13 weeks. The Car Wash segment is currently consolidated based on a calendar month end.

### ***Basis of Presentation***

The unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the unaudited interim financial data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results of operations, balance sheet, cash flows and shareholders' equity for the interim periods presented. The adjustments include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

These interim consolidated financial statements should be read in conjunction with the consolidated financial statements as of and for the year ended December 25, 2021. Certain information and note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. The results of operations for the three months ended March 26, 2022 may not be indicative of the results to be expected for any other interim period or the year ending December 31, 2022.

### ***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the related notes to the consolidated financial statements. Estimates are based upon historical factors, current circumstances and the experience and judgment of the Company's management. Management evaluates its estimates and assumptions on an ongoing basis and may employ outside experts to assist in its evaluations. Changes in such estimates, based on more accurate future information, or different assumptions or conditions, may affect amounts reported in future periods.

### ***Deferred IPO costs***

Costs incurred that are directly related to the IPO, such as legal and accounting fees, registration fees, printing expenses, and other similar fees and expenses, totaling \$9 million were capitalized and included within prepaid and other assets as of December 26, 2020. Upon completion of the IPO, the Company reclassified these costs, as well as an additional \$6 million of IPO costs incurred during the three months ended March 27, 2021 to Additional paid-in capital within the statement of Shareholders'/members' equity.

### ***Fair Value of Financial Instruments***

Financial assets and liabilities are categorized, based on the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to the quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. Observable market data, when available, is required to be used in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

The Company classifies and discloses assets and liabilities carried at fair value in one of the following three categories:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;
- Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or
- Level 3: Inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

Financial assets and liabilities measured at fair value on a recurring basis as of March 26, 2022 and December 25, 2021 are summarized as follows:

Items Measured at Fair Value at March 26, 2022			
<i>(in thousands)</i>	Level 1	Level 2	Total
Mutual fund investments held in rabbi trust	\$ 918	\$ —	\$ 918
Foreign currency derivative liabilities not designated as hedging instruments	\$ —	\$ 372	\$ 372
Foreign currency derivative liabilities designated as hedging instruments	\$ —	\$ 1,756	\$ 1,756

Items Measured at Fair Value at December 25, 2021			
<i>(in thousands)</i>	Level 1	Level 2	Total
Mutual fund investments held in rabbi trust	\$ 976	\$ —	\$ 976
Foreign Currency derivative liabilities designated as hedging instruments	\$ —	\$ 536	\$ 536

The fair value of the Company's foreign currency derivative instruments are derived from valuation models, which use Level 2 observable inputs such as quoted market prices, interest rates and forward yield curves. Derivative liabilities are included in long-term accrued expenses and other liabilities in the Consolidated Balance Sheet.

The carrying values of cash, restricted cash, and receivables included in the Consolidated Balance Sheet approximate their fair value. The fair value of long-term debt is estimated based on Level 2 inputs using discounted cash flows and market-based expectations for interest rates, credit risk and contractual terms of the debt agreements.

The carrying value and estimated fair value of total long-term debt were as follows:

<i>(in thousands)</i>	March 26, 2022		December 25, 2021	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Long-term debt	\$ 2,381,348	\$ 2,378,479	\$ 2,382,364	\$ 2,411,987

#### **Accumulated Other Comprehensive Income (Loss)**

The following tables present changes in each component of accumulated other comprehensive income (loss), net of tax.

<i>(in thousands)</i>	Three months ended March 26, 2022			
	Foreign currency translation adjustment	Cash flow hedges	Defined benefit pension plan	Accumulated other comprehensive loss
Balance at December 25, 2021	\$ (4,183)	\$ (758)	\$ (87)	\$ (5,028)
Net change	(5,587)	132	—	(5,455)
Balance at March 26, 2022	\$ (9,770)	\$ (626)	\$ (87)	\$ (10,483)

(in thousands)	Three months ended March 27, 2021			
	Foreign currency translation adjustment	Cash flow hedges	Defined benefit pension plan	Accumulated other comprehensive income
Balance at December 28, 2020	\$ 16,834	\$ (87)	\$ (219)	\$ 16,528
Net change	(9,243)	30	128	(9,085)
Balance at March 27, 2021	\$ 7,591	\$ (57)	\$ (91)	\$ 7,443

### Recently Issued Accounting Standards

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. In response to the concerns about structural risks of interbank offered rates and, particularly, the risk of cessation of LIBOR, regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction based and less susceptible to manipulation. The ASU provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. This guidance is effective immediately and the amendments may be applied prospectively through December 31, 2022. The Company is evaluating the impact of adopting this new accounting guidance and does not believe it will have a material impact on the Company's consolidated financial statements.

### Note 3—Acquisitions and Dispositions

The Company strategically acquires companies and assets in order to increase its footprint and offer products and services that diversify its existing offerings. These acquisitions are accounted for as either business combinations or asset acquisitions, whereby the purchase price is allocated to the assets acquired and liabilities assumed, based on their fair values as of the date of the acquisition.

#### 2022 Acquisitions

The Company completed 4 acquisitions in the Car Wash segment during the three months ended March 26, 2022, representing 6 sites, each individually immaterial, which were deemed to be business combinations. The aggregate cash consideration for these acquisitions, net of cash acquired and liabilities assumed, was approximately \$43.5 million.

Also, the Company completed one acquisition in the Maintenance segment during the three months ended March 26, 2022, representing one site, which was deemed to be a business combination. The aggregate cash consideration for this acquisition, net of cash acquired and liabilities assumed, was \$1.5 million.

In addition, on December 30, 2021 the Company acquired Auto Glass Now® (“AGN”) which was deemed to be a business combination. AGN had 79 sites at the time of the Company's acquisition. and is included within the Company's Paint, Collision & Glass (“PC&G”) segment. AGN has over 20 years of experience in auto glass repair, replacement, and calibration and expands the Company's auto glass offering into the U.S. The aggregate cash consideration for this acquisition, net of cash acquired and liabilities assumed, was \$170.6 million.

The provisional amounts for assets acquired and liabilities assumed for the 2022 acquisitions are as follows:

<i>(in thousands)</i>	Cash Wash Segment	Maintenance Segment	Paint Collision & Glass Segment (AGN)	Total
<b>Assets:</b>				
Cash	\$ 13	\$ —	\$ 7	\$ 20
Prepaid assets	—	—	327	327
Land and building	28,290	1,025	23	29,338
Equipment	4,350	50	921	5,321
Operating lease right of use asset	—	—	10,693	10,693
Intangibles, net	—	—	49,000	49,000
Deferred tax asset	252	43	—	295
<b>Assets acquired</b>	<b>32,905</b>	<b>1,118</b>	<b>60,971</b>	<b>94,994</b>
<b>Liabilities:</b>				
Accrued liabilities	30	—	—	30
Operating lease liabilities	—	—	10,003	10,003
<b>Total liabilities assumed</b>	<b>30</b>	<b>—</b>	<b>10,003</b>	<b>10,033</b>
Net assets acquired	32,875	1,118	50,968	84,961
<b>Total consideration</b>	<b>43,483</b>	<b>1,548</b>	<b>170,636</b>	<b>215,667</b>
Goodwill	\$ 10,608	\$ 430	\$ 119,668	\$ 130,706

Goodwill represents the excess of the consideration paid over the fair value of net assets acquired and includes the expected benefit of synergies within the existing segments and intangible assets that do not qualify for separate recognition. Goodwill, which was allocated to the Car wash, Maintenance and Paint Collision & Glass segments, is substantially all deductible for income tax purposes.

The following table presents financial information regarding the AGN acquisition included in our consolidated statements of operations from the date of acquisition through March 26, 2022 under the column “AGN actual from acquisition date.” The following table presents supplemental unaudited pro-forma information as if the AGN acquisition had occurred at the beginning of 2021. The pro-forma information does not necessarily reflect the results of operations that would have occurred had the AGN acquisition occurred at the beginning of 2021. Cost savings are also not reflected in the unaudited pro-forma amounts for the three months ended March 27, 2021.

<i>(in thousands)</i>	Three months ended March 26, 2022	Three months ended March 27, 2021
	AGN actual from acquisition date	Driven Brands Holdings Consolidated Proforma
Revenue	\$ 20,081	\$ 349,808
Net income attributable to Driven Brands Holdings Inc.	\$ 2,049	\$ (14,575)

#### Deferred Consideration and Transaction Costs

Included in the total consideration amounts above for the Car Wash and Maintenance acquisitions in 2022 was \$1 million of consideration not paid on the closing date. The Company had \$14 million of deferred consideration related to 2022 and 2021 acquisitions at March 26, 2022. The Company had \$23 million of deferred consideration related to 2021 acquisitions at December 25, 2021. The Company paid \$10 million of deferred consideration related to 2022 and 2021 acquisitions during the three months ended March 26, 2022. Deferred consideration is typically paid six months to one-year after the acquisition closing date once all conditions related to representations, warranties and indemnification under the purchase agreement have been satisfied.

The Company incurred approximately \$2 million of transaction costs during the three months ended March 26, 2022 related to 2022 acquisitions.

## 2022 Disposition

On March 16, 2022, the Company disposed of its 75% owned subsidiary, IMO Denmark ApS, for consideration of \$2 million. As a result of the sale, a \$1 million loss was recognized within selling, general, and administrative expenses during the three months ended March 26, 2022. Also, a noncontrolling interest of less than \$1 million was derecognized.

## 2021 Acquisitions

### 2021 Car Wash Segment

The Company completed 38 acquisitions in the Car Wash segment, representing 110 car wash sites, (the “2021 Car Wash Acquisitions”), which were deemed to be business combinations, during the year ended December 25, 2021. The aggregate cash consideration for these acquisitions, net of cash acquired and liabilities assumed, was \$732 million.

On October 27, 2021, the Car Wash segment acquired Magic Tunnel Car Wash, which was comprised of 16 sites for total consideration of \$88 million. On July 14, 2021, the Car Wash segment acquired Frank’s Car Wash, which was comprised of 18 sites for total consideration of \$107 million. On May 20, 2021, the Car Wash segment acquired Racer Classic Car Wash, which was comprised of 10 sites for total consideration of \$65 million.

The provisional amounts for assets acquired and liabilities assumed for the 2021 Car Wash Acquisitions are as follows:

(in thousands)	Magic Tunnel Car Wash	Franks Car Wash Express	Racer Classic Car Wash	All Other	Total Car Wash
<b>Assets:</b>					
Cash	\$ 26	\$ 38	\$ 18	\$ 165	\$ 247
Right of use assets	—	—	2,587	12,277	14,864
Land and improvements	13,020	10,790	6,920	45,455	76,185
Building	48,380	48,570	31,490	270,155	398,595
Equipment	13,800	7,377	5,698	59,578	86,453
Inventory	—	—	311	—	311
Intangibles, net	700	800	550	—	2,050
Deferred tax assets	—	94	—	1,596	1,690
Assets held for sale	—	—	—	996	996
Assets acquired	75,926	67,669	47,574	390,222	581,391
<b>Liabilities:</b>					
Accrued liability	—	50	155	304	509
Lease liability	—	—	2,687	12,277	14,964
Deferred tax liabilities	—	—	758	—	758
Liabilities assumed	—	50	3,600	12,581	16,231
Net assets acquired	75,926	67,619	43,974	377,641	565,160
Total consideration	88,026	106,558	64,843	472,721	732,148
Goodwill	\$ 12,100	\$ 38,939	\$ 20,869	\$ 95,080	\$ 166,988

Goodwill which was allocated to the Car Wash segment is substantially all deductible for income tax purposes.

The following table presents financial information regarding the 2021 Cash Wash Acquisitions operations included in our consolidated statements of operations from the date of acquisition through December 25, 2021 under the column “Actual from acquisition date in 2021.” The following table presents supplemental unaudited pro-forma information as if the 2021 Car Wash Acquisitions had occurred at the beginning of 2020. The pro-forma information does not necessarily reflect the results of operations that would have occurred had the 2021 Car Wash Acquisitions occurred at the beginning of 2020. Cost savings are also not reflected in the unaudited pro-forma amounts for the year ended December 25, 2021 and December 26, 2020, respectively.

<i>(in thousands)</i>	Actual from acquisition date in 2021	Pro-forma for year ended	
		December 25, 2021	December 26, 2020
Revenue	\$ 48,648	\$ 1,613,479	\$ 1,026,012
Net income attributable to Driven Brands Holdings Inc.	\$ 11,693	\$ 47,272	\$ 20,558

### **2021 Maintenance Segment**

During the year ended December 25, 2021, the Company also completed 8 acquisitions in the Maintenance segment representing 13 maintenance sites, each individually immaterial (the “2021 Maintenance Acquisitions”), which were deemed to be business combinations. The aggregate cash consideration for these acquisitions, net of cash acquired and liabilities assumed, was \$37 million.

The provisional amounts for assets acquired and liabilities assumed for the 2021 Maintenance Acquisitions are as follows:

<i>(in thousands)</i>	
<b>Assets:</b>	
Cash	\$ 2
Land and improvements	4,425
Building	13,220
Equipment	1,450
Inventory	200
Deferred tax assets	90
Asset held for sale	3,275
	<u>22,662</u>
<b>Liabilities:</b>	
Prepaid liability	52
Liabilities assumed	52
Net assets acquired	<u>22,610</u>
Total consideration	<u>37,271</u>
Goodwill	<u>\$ 14,661</u>

### **2021 Paint Collision & Glass Segment**

During the year ended December 25, 2021, the Company completed two acquisitions in its Paint, Collision & Glass segment (the “2021 PC&G Acquisitions”) representing 12 collision sites, each individually immaterial, which were deemed to be business combinations. The aggregate cash consideration for these acquisitions, net of cash acquired and liabilities assumed, was \$33 million.



The provisional amounts for assets acquired and liabilities assumed for the 2021 PC&G Acquisitions are as follows:

(in thousands)

<b>Assets:</b>	
Right of use asset	\$ 7,672
Equipment	1,512
Inventory	107
Intangibles, net	6,707
Assets acquired	<u>15,998</u>
<b>Liabilities:</b>	
Accrued liability	5
Lease liability	7,664
Off-market lease component	99
Liabilities assumed	<u>7,768</u>
Net assets acquired	8,230
Total consideration	<u>32,972</u>
Goodwill	<u>\$ 24,742</u>

In addition, during the twelve months ended December 25, 2021, the Company completed 11 acquisitions composed of one site each, each individually immaterial, each of which were deemed to be asset acquisitions as the fair value of assets acquired is substantially all land and buildings. Two of these acquisitions were included in the Car Wash segment and nine were included in the Maintenance segment. The aggregate consideration paid for the Car Wash acquisitions and Maintenance assets acquisitions was \$9 million and \$7 million, respectively.

#### Deferred Consideration and Transaction Costs

Included in the total consideration amounts above for the Car Wash and Maintenance acquisitions in 2021 was \$24 million of consideration not paid on the closing date. The Company had \$23 million of deferred consideration related to 2021 and 2020 acquisitions at December 25, 2021. The Company had \$5 million of deferred consideration related to 2020 acquisitions at December 26, 2020. The Company paid \$6 million of deferred consideration related to 2021 and 2020 and prior acquisitions during the year ended December 25, 2021. Deferred consideration is typically paid six months to one-year after the acquisition closing date once all conditions under the purchase agreement have been satisfied.

The Company incurred approximately \$3 million of transaction costs during the year ended December 25, 2021 related to 2021 acquisitions.

#### 2021 Disposition

On April 27, 2021, the Company disposed of its 70% owned subsidiary, At-Pac Auto Parts Inc., for consideration of \$2 million. As a result of the sale, a loss of less than \$1 million was recognized within selling, general, and administrative expenses during the year ended December 25, 2021. Also, a noncontrolling interest of \$1 million was derecognized.

#### Note 4— Revenue from Contracts with Customers

The Company records contract assets for the incremental costs of obtaining a contract with a customer if it expects the benefit of those costs to be longer than one year and if such costs are material. Commission expenses, a primary cost associated with the sale of franchise licenses, are amortized to selling, general and administrative expenses in the consolidated statements of operations ratably over the life of the associated franchise agreement.

Capitalized costs to obtain a contract were \$11 million as of both March 26, 2022 and December 25, 2021, and are presented within deferred commissions on the consolidated balance sheets. The Company recognized an immaterial amount of costs during the three months ended March 26, 2022 and March 27, 2021 that were recorded as a contract asset at the beginning of the periods.

The Company had Deferred Revenue of \$40 million and \$38 million as of March 26, 2022 and December 25, 2021, respectively, which includes contract liabilities consisting primarily of deferred franchise fees and deferred development fees, of \$38 million and \$27 million as of March 26, 2022 and December 25, 2021, respectively. The Company recorded less than \$1 million of revenue during both the three months ended March 26, 2022 and March 27, 2021, that was recorded as a contract liability as of the beginning of the period.

#### Note 5—Segment Information

The Company’s worldwide operations are comprised of the following reportable segments: Maintenance; Car Wash; Paint, Collision & Glass; and Platform Services.

In addition to the reportable segments, the Company’s consolidated financial results include “Corporate and Other” activity. Corporate and Other incurs costs related to advertising fund revenues and expenses and shared service costs, which are related to finance, information technology, human resources, legal, supply chain and other support services. Corporate and Other activity includes the adjustments necessary to eliminate intercompany transactions, namely sales by the Platform Services segment to the Paint, Collision & Glass and Maintenance segments.

Segment results for the three months ended March 26, 2022 and March 27, 2021 are as follows:

<b>Three months ended March 26, 2022</b>						
<i>(in thousands)</i>	<b>Maintenance</b>	<b>Car Wash</b>	<b>Paint, Collision &amp; Glass</b>	<b>Platform Services</b>	<b>Corporate and Other</b>	<b>Total</b>
Franchise royalties and fees	\$ 9,635	\$ —	\$ 21,365	\$ 6,888	\$ —	\$ 37,888
Company-operated store sales	156,828	94,495	39,998	1,152	(82)	292,391
Independently-operated store sales	—	63,089	—	—	—	63,089
Advertising fund contributions	—	—	—	—	19,698	19,698
Supply and other revenue	12,279	1,691	18,080	35,126	(11,919)	55,257
<b>Total revenue</b>	<b>\$ 178,742</b>	<b>\$ 159,275</b>	<b>\$ 79,443</b>	<b>\$ 43,166</b>	<b>\$ 7,697</b>	<b>\$ 468,323</b>
<b>Segment Adjusted EBITDA</b>	<b>\$ 52,485</b>	<b>\$ 55,720</b>	<b>\$ 29,012</b>	<b>\$ 14,165</b>	<b>\$ (32,362)</b>	<b>\$ 119,020</b>

  

<b>Three months ended March 27, 2021</b>						
<i>(in thousands)</i>	<b>Maintenance</b>	<b>Car Wash</b>	<b>Paint, Collision &amp; Glass</b>	<b>Platform Services</b>	<b>Corporate and Other</b>	<b>Total</b>
Franchise royalties and fees	\$ 7,927	\$ —	\$ 17,309	\$ 5,178	\$ —	\$ 30,414
Company-operated store sales	114,067	57,048	11,930	983	(173)	183,855
Independently-operated store sales	—	56,163	—	—	—	56,163
Advertising fund contributions	—	—	—	—	17,255	17,255
Supply and other revenue	6,157	1,453	14,652	28,435	(8,964)	41,733
<b>Total revenue</b>	<b>\$ 128,151</b>	<b>\$ 114,664</b>	<b>\$ 43,891</b>	<b>\$ 34,596</b>	<b>\$ 8,118</b>	<b>\$ 329,420</b>
<b>Segment Adjusted EBITDA</b>	<b>\$ 40,440</b>	<b>\$ 34,155</b>	<b>\$ 17,639</b>	<b>\$ 11,008</b>	<b>\$ (25,019)</b>	<b>\$ 78,223</b>

The reconciliations of Income before taxes to Segment Adjusted EBITDA for the three months ended March 26, 2022 and March 27, 2021 are as follows:

<i>(in thousands)</i>	<b>Three months ended</b>	
	<b>March 26, 2022</b>	<b>March 27, 2021</b>
Income (loss) before taxes	\$ 47,396	\$ (24,378)
Depreciation and amortization	33,023	23,852
Interest expense, net	25,353	18,091
Acquisition related costs <sup>(a)</sup>	4,318	1,646
Non-core items and project costs, net <sup>(b)</sup>	866	32
Store opening costs	506	289
Straight-line rent adjustment <sup>(c)</sup>	4,093	2,485
Equity-based compensation expense <sup>(d)</sup>	2,618	983
Foreign currency transaction (gain) / loss, net <sup>(e)</sup>	971	10,511
Asset sale leaseback (gain) loss, impairment and closed store expenses <sup>(f)</sup>	(124)	(786)
Loss on debt extinguishment <sup>(g)</sup>	—	45,498
<b>Segment Adjusted EBITDA</b>	<b>\$ 119,020</b>	<b>\$ 78,223</b>

<sup>(a)</sup> Consists of acquisition costs as reflected within the consolidated statements of operations, including legal, consulting and other fees and expenses incurred in connection with acquisitions completed during the applicable period, as well as inventory rationalization expenses incurred in connection with acquisitions. We expect to incur similar costs in connection with other acquisitions in the future and, under GAAP, such costs relating to acquisitions are expensed as incurred and not capitalized.

<sup>(b)</sup> Consists of discrete items and project costs, including (i) third party consulting and professional fees associated with strategic transformation initiatives and (ii) other miscellaneous expenses, including non-capitalizable expenses relating to the Company's initial public offering and other strategic transactions.

<sup>(c)</sup> Consists of the non-cash portion of rent expense, which reflects the extent to which our straight-line rent expense recognized under GAAP exceeds or is less than our cash rent payments.

<sup>(d)</sup> Represents non-cash equity-based compensation expense.

<sup>(e)</sup> Represents foreign currency transaction net gains and losses primarily related to the remeasurement of our intercompany loans which are partially offset by unrealized gains and losses on remeasurement of cross currency swaps and forward contracts.

<sup>(f)</sup> Relates to (gain) loss on sale leasebacks, impairment of certain fixed assets and operating lease right-of-use assets related to closed locations. Also, represents lease exit costs and other costs associated with stores that were closed prior to the respective lease termination dates.

<sup>(g)</sup> Represents the write-off of unamortized discount associated with the repayment of the Car Wash Senior Credit Facilities.

## Note 6—Long-Term Debt

Our long-term debt obligations consist of the following:

<i>(in thousands)</i>	<b>March 26, 2022</b>	<b>December 25, 2021</b>
Series 2018-1 Securitization Senior Notes, Class A-2	\$ 264,000	\$ 264,688
Series 2019-1 Securitization Senior Notes, Class A-2	290,250	291,000
Series 2019-2 Securitization Senior Notes, Class A-2	268,125	268,813
Series 2019-3 Variable Funding Securitization Senior Notes, Class A-1	—	—
Series 2020-1 Securitization Senior Notes, Class A-2	171,938	172,375
Series 2020-2 Securitization Senior Notes, Class A-2	444,375	445,500
Series 2021-1 Securitization Senior Notes, Class A-2	447,750	448,875
Term Loan Facility	500,000	500,000
Revolving Credit Facility	—	—
Other debt <sup>(a)</sup>	40,873	39,082
<b>Total debt</b>	<b>2,427,311</b>	<b>2,430,333</b>
Less: unamortized debt issuance costs	(45,963)	(47,969)
Less: current portion of long-term debt	(22,969)	(26,044)
<b>Total long-term debt, net</b>	<b>\$ 2,358,379</b>	<b>\$ 2,356,320</b>

<sup>(a)</sup> Consists primarily of finance lease obligations. See [Note 7](#).

### *Series 2019-3 Variable Funding Securitization Senior Notes*

In December 2019, the Company issued Series 2019-3 Variable Funding Senior Notes, Class A-1 (the “2019 VFN”) in the revolving amount of \$115 million. The 2019 VFN have a final legal maturity date of January 20, 2050. The commitment under the 2019 VFN expires on July 20, 2022, and is subject to three one-year extensions at the election of the Company. The 2019 VFN is secured by substantially all assets of the Issuer and are guaranteed by the Securitization Entities. The Issuer may elect interest at the Base Rate plus an applicable margin or LIBOR plus an applicable margin (the LIBOR rate as the applicable interest rate). No amounts were outstanding under the 2019 VFN as of March 26, 2022 and no borrowings or repayments were made during the quarter ended March 26, 2022. As of March 26, 2022, there were \$18 million of outstanding letters of credit which reduced the borrowing availability under the 2019 VFN.

### *Driven Holdings Revolving Credit Facility*

In May 2021, the Company entered into a credit agreement to secure a revolving line of credit with a group of financial institutions (“Driven Holdings Revolving Credit Facility”), which provides for an aggregate principal amount of up to \$300 million, and has a maturity date of May 27, 2026. Eurocurrency borrowings incur interest at an adjusted London Interbank Offered Rate (“LIBOR”) plus an applicable margin of 1.50%, which may increase to 1.75% based on the Net First Lien Leverage Ratio under the Driven Holdings Revolving Credit Facility. The Driven Holdings Revolving Credit Facility also includes periodic commitment fees based on the available unused balance and a quarterly administrative fee.

No amounts were outstanding on the Driven Holdings Revolving Credit Facility as of March 26, 2022 and no borrowings or repayments were made during the quarter ended March 26, 2022.

The Company’s debt agreements are subject to certain quantitative and qualitative covenants. As of March 26, 2022, the Company and its subsidiaries were in compliance with all covenants.

**Note 7—Leases**

The following table details our total investment in operating and finance leases where the Company is the lessee:

<i>(in thousands)</i>	<b>March 26, 2022</b>	<b>December 25, 2021</b>
<b>Right-of-use assets</b>		
Finance leases <sup>(a)</sup>	\$ 33,032	\$ 29,766
Operating leases	1,026,537	995,625
Total right-of-use assets	<u>\$ 1,059,569</u>	<u>\$ 1,025,391</u>
<b>Current lease liabilities</b>		
Finance leases <sup>(b)</sup>	\$ 3,226	\$ 3,101
Operating leases <sup>(c)</sup>	66,686	57,588
Total current lease liabilities	<u>\$ 69,912</u>	<u>\$ 60,689</u>
<b>Long-term lease liabilities</b>		
Finance leases <sup>(d)</sup>	\$ 31,322	\$ 27,957
Operating leases	961,182	931,604
Total long-term lease liabilities	<u>\$ 992,504</u>	<u>\$ 959,561</u>

<sup>(a)</sup> Finance lease right-of-use assets are included in property and equipment, net on the consolidated balance sheet.

<sup>(b)</sup> Current finance lease liabilities are included in current portion of long-term debt on the consolidated balance sheet.

<sup>(c)</sup> Current operating lease liabilities are included in accrued expenses and other liabilities on the consolidated balance sheet.

<sup>(d)</sup> Long-term finance lease liabilities are included in long-term debt on the consolidated balance sheet.

The lease cost for operating and finance leases recognized in the consolidated statement of operations for the three months ended March 26, 2022 and March 27, 2021 were as follows:

<i>(in thousands)</i>	<b>Three months ended</b>	
	<b>March 26, 2022</b>	<b>March 27, 2021</b>
<b>Finance lease expense:</b>		
Amortization of right-of-use assets	\$ 734	\$ 614
Interest on lease liabilities	377	237
Operating lease expense	30,992	27,748
Short-term lease expense	490	1,314
Variable lease expense	353	246
<b>Total lease expense</b>	<u>\$ 32,946</u>	<u>\$ 30,159</u>

The Company also subleases certain facilities to franchisees as a component of supply and other revenue on the consolidated statements of operations. The Company recognized \$2 million in sublease revenue in both the three months ended March 26, 2022 and March 27, 2021.

During the three months ended March 26, 2022, the Company sold seven car wash and two maintenance properties in various locations throughout the United States for a total of \$38 million, resulting in a net gain of \$2 million. Concurrent with the closing of these sales, the Company entered into various operating lease agreements pursuant to which the Company leased back the properties. These lease agreements have terms ranging from 15 to 20 years and provide the Company with the option to extend the lease for up to an additional 20 to 25 years. The Company does not include option periods in its determination of the lease term unless renewals are deemed reasonably certain to be exercised. The Company recorded an operating lease right-of-use asset and operating lease liability of \$33 million and \$33 million, respectively, related to these lease arrangements.

Supplemental cash flow information related to the Company's lease arrangements for the three months ended March 26, 2022 and March 27, 2021, respectively, was as follows:

<i>(in thousands)</i>	<b>Three months ended</b>	
	<b>March 26, 2022</b>	<b>March 27, 2021</b>
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows used in operating leases	\$ 28,073	\$ 25,794
Operating cash flows used in finance leases	370	216
Financing cash flows used in finance leases	414	317
<b>Right-of-use assets obtained in exchange for lease obligations:</b>		
Operating leases	\$ 46,763	\$ 6,849
Finance leases	1,741	630

#### **Note 8 — Equity-based Compensation**

The Company granted new awards during the three months ended March 26, 2022, including 239,804 restricted stock units ("RSUs") and 446,348 performance stock units ("PSUs"). Awards are eligible to vest provided that the employee remains in continuous service on each vesting date. The RSUs vest ratably in three installments on each of the first three anniversaries of the grant date. The PSUs vest after a three-year performance period. The number of PSUs that vest is contingent on achieving certain performance goals, one being a market condition and the other being a performance condition. The number of PSU shares that vest may range from zero to 200% of the original grant, based upon the level of performance. The awards are considered probable of meeting vesting requirements, and therefore, the Company has started recognizing expense.

The fair value of the RSUs, performance based PSUs and market based PSUs granted were \$7 million each. The Company based the fair value of the RSUs and performance based PSUs on the Company's stock price on the grant date. The Company determined the fair value of the market based PSUs by using a Monte Carlo simulation, using the following assumptions: (i) an expected term of 3 years, (ii) an expected volatility of 40.90%, (iii) a correlation of the S&P Mid-cap Index peer group of 50.70%, and (iv) no expected dividend.

The Company recorded \$3 million and \$1 million of share-based compensation expense during the three months ended March 26, 2022 and March 27, 2021, respectively, within selling, general and administrative expenses on the consolidated statements of operations.

#### **Note 9—Earnings per share**

The Company calculates basic and diluted earnings per share using the two-class method. The following table sets forth the computation of basic and diluted earnings per share attributable to common shareholders:

<i>(in thousands, except per share amounts)</i>	<b>Three months ended</b>	
	<b>March 26, 2022</b>	<b>March 27, 2021</b>
<b>Basic earnings per share:</b>		
Net income (loss) attributable to Driven Brands Holdings Inc.	\$ 34,443	(19,939)
Less: Net income attributable to participating securities, basic	735	—
Net income after participating securities, basic	33,708	(19,939)
Weighted-average common shares outstanding	162,762	154,827
<b>Basic earnings (loss) per share</b>	<b>\$ 0.21</b>	<b>\$ (0.13)</b>

<i>thousands, except per share amounts</i>	Three months ended	
	March 26, 2022	March 27, 2021
<b>Diluted earnings per share:</b>		
Net income (loss) attributable to Driven Brands Holdings Inc.	\$ 34,443	(19,939)
Adjustments: Net income attributable to participating securities, diluted	657	—
Net income after participating securities, diluted	\$ 33,786	(19,939)
Weighted-average common shares outstanding	162,762	154,827
Antidilutive effect of share-based awards	3,986	—
Weighted-average common shares outstanding, as adjusted	166,748	154,827
<b>Diluted earnings (loss) per share</b>	<b>\$ 0.20</b>	<b>(0.13)</b>

Basic earnings (loss) per share is computed by dividing the net income (loss) attributable to Driven Brands Holdings Inc. by the weighted-average number of common shares outstanding for the period. Also, the Company's participating securities are related to certain restricted stock awards issued to Section 16 officers which include non-forfeitable dividend rights.

The Company has 4,703,626 shares of performance awards that are contingent on performance conditions which have not yet been met, and therefore have been excluded from the computation of weighted average shares for the three months ended March 26, 2022.

The following securities were not included in the computation of diluted shares outstanding because the effect would be antidilutive:

<i>Number of securities (in thousands)</i>	Three Months Ended March 26, 2022	Three months ended March 27, 2021
Restricted stock awards	—	609
Restricted stock units	—	67
Performance stock units	—	135
Stock/IPO options	—	1,514
Employee stock purchase plan	—	123
Other options	—	48
<b>Total</b>	—	2,496

#### Note 10—Income Taxes

The Company's tax provision is comprised of the most recent estimated annual effective tax rate applied to year-to-date ordinary income before taxes. The tax impacts of unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, are recorded discretely in the interim period in which they occur.

Income tax expense (benefit) was \$13 million and \$(4) million for the three months ended March 26, 2022 and March 27, 2021, respectively. The effective income tax rate for the three months ended March 26, 2022 was 27.4% compared to 18.2% for the three months ended March 27, 2021. The increase in income tax expense and tax rate was primarily driven by an increase in income before taxes relative to the tax effects of our permanent differences for the three months ended March 26, 2022, and favorable discrete tax adjustments related to a non-deductible loss on debt extinguishment as well as tax deductible costs incurred related to the initial public offering for the three months ended March 27, 2021.

**Note 11—Commitments and Contingencies**

The Company is subject to various lawsuits, administrative proceedings, audits, and claims arising in the ordinary course of business. Some of these lawsuits purport to be class actions and/or seek substantial damages. The Company is required to record an accrual for litigation loss contingencies that are both probable and reasonably estimable. Legal fees and expenses associated with the defense of litigation are expensed as incurred.

While the Company does not presently believe that any of the legal proceedings to which it is currently a party will ultimately have a material adverse impact, there can be no assurance that the Company will prevail in all of the proceedings or that the Company will not incur material losses from them.

**Note 12—Subsequent Events**

On April 29, 2022 the Company acquired All Star Glass (“ASG”), which has 31 locations, for approximately \$36 million. The acquisition of ASG continues the expansion of the Company’s auto glass offering in the U.S. From March 26, 2022 through May 6, 2022 the Company acquired 7 car wash sites for approximately \$80 million. The initial accounting for these acquisitions is incomplete as the valuation of the assets acquired and liabilities assumed and residual goodwill has not yet been performed.

On May 3, 2022, the Company drew \$75 million on the Driven Holdings Revolving Credit Facility, which will primarily be used to fund acquisitions.



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis for Driven Brands Holdings Inc. and Subsidiaries ("Driven Brands", "the Company", "we", "us" or "our") should be read in conjunction with our consolidated financial statements and the related notes to our consolidated financial statements included elsewhere in this quarterly report. We operate on a 52/53-week fiscal year, which ends on the last Saturday in December. The three months ended March 26, 2022 and March 27, 2021 were both 13 week periods. .

### Overview of Operations

Driven Brands is the largest automotive services company in North America with a growing and highly-franchised base of more than 4,500 locations across 49 U.S. states and 14 other countries. Our scaled, diversified platform fulfills an extensive range of core consumer and commercial automotive needs, including paint, collision, glass, repair, car wash, oil change and maintenance. Driven Brands provides a breadth of high quality and high-frequency services to a wide range of customers, who rely on their cars in all economic environments to get to work and in many other aspects of their daily lives. Our asset-light business model has generated consistent recurring revenue and strong operating margins with limited maintenance capital expenditures, which has resulted in significant cash flow generation and capital-efficient growth.

We have a diversified portfolio of highly-recognized brands, including Take 5 Oil Change®, Meineke Car Care Centers®, MAACO®, CARSTAR®, and 1-800-Radiator & A/C® that compete in the large, growing, recession-resistant and highly-fragmented automotive care industry. Our U.S. industry is underpinned by a large, growing population of more than 275 million vehicles in operation, and is expected to continue its long-term growth trajectory given (i) long-term increases in annual miles traveled; (ii) consumers more frequently outsourcing automotive services due to vehicle complexity; (iii) increases in average repair costs and (iv) average age of the car on the road getting older. We serve a diverse mix of customers, with sales coming from retail customers and commercial customers such as fleet operators and insurance carriers. Our success is driven in large part by our mutually beneficial relationships with more than 2,800 individual franchisees and independent operators.

Our organic growth is complemented by a consistent and repeatable M&A strategy, having completed more than 100 acquisitions since 2015. Notably, in August 2020 we acquired ICWG, the world's largest conveyor car wash company by location count with more than 900 locations across 14 countries, demonstrating our continued ability to pursue and execute upon scalable and highly strategic acquisitions. We further complemented our expansion into the car wash segment by acquiring 112 locations in 2021 and six additional car wash locations during the first quarter of 2022. We grew our glass service offerings through the acquisition of Auto Glass Now ("AGN") in late December 2021 which has 79 locations.

### Significant Factors Impacting Financial Results

As noted above, we completed the acquisition of 112 independently-owned car wash sites during fiscal year 2021 and six additional car wash locations during the first quarter of 2022, which are included in our Car Wash segment. The acquisition of AGN during the first quarter of 2022, which is included in our Paint, Collision & Glass segment, expands our glass operations into the U.S. market. These acquisitions were a core driver of growth in our key performance indicators and our financial results for the three months ended March 26, 2022, as compared to the three months ended March 27, 2021. For additional information on our acquisitions, see [Note 3](#) to the consolidated financial statements.

We recognized net income of \$34 million, or \$0.20 per diluted share for the three months ended March 26, 2022, compared to net loss of \$(20) million, or \$(0.13) per diluted share, for the three months ended March 27, 2021. This increase was due to an increase in revenue, primarily related to the AGN acquisition and a number of car wash acquisitions in 2021 and the first quarter of 2022, as well as organic growth from store growth and same store sales growth, partially offset by higher operating, interest and income tax expenses associated with this growth. The increase was also due to \$45 million in debt extinguishment cost in three months ended March 27, 2021 related to the repayment of the ICWG debt and a \$10 million decrease in net loss on foreign currency transactions.

Adjusted Net Income was \$48 million for the three months ended March 26, 2022, an increase of \$17 million, compared to \$30 million for the three months ended March 27, 2021. The increase in Adjusted Net Income was primarily due to an increase in revenue, primarily related to the acquisition of AGN and a number of car wash acquisitions, as well as organic growth from store growth and same store sales growth, partially offset by an increase in an increase in operating, interest and income tax expenses associated with this growth. See [Note 3](#) to our consolidated financial statements for additional information regarding acquisitions.

Adjusted Net Income and Adjusted EBITDA are non-GAAP financial measures of performance. For a discussion of our use of these non-GAAP measures and a reconciliation from net income (loss) to Adjusted Net Income and Adjusted EBITDA, see “*Reconciliation of Non-GAAP Financial Information*”.

Strong operational execution, improving consumer and driving trends and acquisitions led to total system-wide sales of \$1.3 billion during the three months ended March 26, 2022, an increase of 26% from the three months ended March 27, 2021.

## Key Performance Indicators

Key measures that we use in assessing our business and evaluating our segments include the following:

*System-wide sales.* System-wide sales represent the total of net sales for our franchised, independently-operated and company-operated stores. This measure allows management to better assess the total size and health of each segment, our overall store performance and the strength of our market position relative to competitors. Sales at franchised stores are not included as revenue in our results from operations, but rather, we include franchise royalties and fees that are derived from sales at franchised stores. Franchise royalties and fees revenue represented 8% and 9% of our total revenue for the three months ended March 26, 2022 and March 27, 2021. For the three months ended March 26, 2022 and March 27, 2021, approximately 98% and 97%, respectively, of franchise royalties and fees revenue is attributable to royalties, with the remaining balance attributable to license and development fees. Revenue from company-operated stores represented 62% and 56% of total revenue for the three months ended March 26, 2022 and March 27, 2021, respectively. Revenue from independently-operated stores represented 13% and 17% of our total revenue for the three months ended March 26, 2022 and March 27, 2021, respectively.

*Store count.* Store count reflects the number of franchised, independently-operated and company-operated stores open at the end of the reporting period. Management reviews the number of new, closed, acquired and divested stores to assess net unit growth and drivers of trends in system-wide sales, franchise royalties and fees revenue, company-operated store sales and independently-operated store sales.

*Same store sales.* Same store sales reflect the change in sales year-over-year for the same store base. We define the same store base to include all franchised, independently-operated and company-operated stores open for comparable weeks during the given fiscal period in both the current and prior year, which may be different from how others define similar terms. This measure highlights the performance of existing stores, while excluding the impact of new store openings and closures, and acquisitions and divestitures.

*Segment Adjusted EBITDA.* We define Segment Adjusted EBITDA as earnings before interest expense, net, income tax expense, and depreciation and amortization, with further adjustments for acquisition-related costs, straight-line rent, equity compensation, loss on debt extinguishment, foreign currency transaction related gains or losses, store opening costs, and certain non-recurring and non-core, infrequent or unusual charges. Segment Adjusted EBITDA is a supplemental measure of operating performance of our segments and may not be comparable to similar measures reported by other companies. Segment Adjusted EBITDA is a performance metric utilized by our Chief Operating Decision Maker to allocate resources to and assess performance of our segments. Refer to [Note 5](#) in our consolidated financial statements for a reconciliation of income before taxes to Segment Adjusted EBITDA for the three months ended March 26, 2022 and March 27, 2021.

The following table sets forth our key performance indicators for the three months ended March 26, 2022 and March 27, 2021:

<i>(in thousands, except store count or as otherwise noted)</i>	<b>Three months ended</b>	
	<b>March 26, 2022</b>	<b>March 27, 2021</b>
<b>System-Wide Sales</b>		
System-Wide Sales by Segment:		
Maintenance	\$ 357,112	\$ 277,884
Car Wash	157,584	113,211
Paint, Collision & Glass	658,967	542,433
Platform Services	90,794	69,356
Total	<u>\$ 1,264,457</u>	<u>\$ 1,002,884</u>
System-Wide Sales by Business Model:		
Franchised Stores	\$ 908,895	\$ 762,693
Company-Operated Stores	292,473	184,028
Independently-Operated Stores	63,089	56,163
Total	<u>\$ 1,264,457</u>	<u>\$ 1,002,884</u>
<b>Store Count</b>		
Store Count by Segment:		
Maintenance	1,531	1,470
Car Wash	1,063	954
Paint, Collision & Glass	1,730	1,627
Platform Services	202	198
Total	<u>4,526</u>	<u>4,249</u>
Store Count by Business Model:		
Franchised Stores	2,794	2,766
Company-Operated Stores	1,010	749
Independently-Operated Stores	722	734
Total	<u>4,526</u>	<u>4,249</u>
<b>Same Store Sales %</b>		
Maintenance	19.2 %	16.5 %
Car Wash	6.6 %	N/A
Paint, Collision & Glass	13.7 %	(9.4 %)
Platform Services	30.9 %	22.0 %
Total	<u>15.6 %</u>	<u>0.5 %</u>
<b>Segment Adjusted EBITDA</b>		
Maintenance	\$ 52,485	\$ 40,440
Car Wash	55,720	34,155
Paint, Collision & Glass	29,012	17,639
Platform Services	14,165	11,008

#### Reconciliation of Non-GAAP Financial Information

To supplement our consolidated financial statements prepared and presented in accordance with GAAP, we use certain non-GAAP financial measures throughout this quarterly report, as described further below, to provide investors with additional useful information about our financial performance, to enhance the overall understanding of our past performance and future prospects and to allow for greater transparency with respect to important metrics used by our management for financial and operational decision-making.

Non-GAAP financial measures have limitations in their usefulness to investors because they have no standardized meaning prescribed by GAAP and are not prepared under any comprehensive set of accounting rules or principles. In addition, non-GAAP financial measures may be calculated differently from, and therefore may not be directly comparable to, similarly titled measures used by other companies. As a result, non-GAAP financial measures should be viewed as supplementing, and not as an alternative or substitute for, our consolidated financial statements prepared and presented in accordance with GAAP.

*Adjusted Net Income/Adjusted Earnings per Share.* We define Adjusted Net Income as net income calculated in accordance with GAAP, adjusted for acquisition-related costs, straight-line rent, equity compensation, loss on debt extinguishment and certain non-recurring, non-core, infrequent or unusual charges, amortization related to acquired intangible assets and the tax effect of the adjustments. Adjusted Earnings Per Share is calculated by dividing Adjusted Net Income by the weighted average shares outstanding. Management believes this non-GAAP financial measure is useful because it is a key measure used by our management team to evaluate our operating performance, generate future operating plans and make strategic decisions.

The following table provides a reconciliation of Net income (loss) to Adjusted Net Income and Adjusted Earnings per Share:

**Adjusted Net Income/Adjusted Earnings per Share**

<i>(in thousands, except per share data)</i>	<b>Three months ended</b>	
	<b>March 26, 2022</b>	<b>March 27, 2021</b>
Net income (loss)	\$ 34,428	\$ (19,932)
Acquisition related costs <sup>(a)</sup>	4,318	1,646
Non-core items and project costs, net <sup>(b)</sup>	866	32
Straight-line rent adjustment <sup>(c)</sup>	4,093	2,485
Equity-based compensation expense <sup>(d)</sup>	2,618	983
Foreign currency transaction (gain) loss, net <sup>(e)</sup>	971	10,511
Asset sale leaseback (gain) loss, impairment and closed store expenses <sup>(f)</sup>	(124)	(786)
Loss on debt extinguishment <sup>(g)</sup>	—	45,498
Amortization related to acquired intangible assets <sup>(h)</sup>	5,142	3,652
Provision for uncertain tax positions <sup>(i)</sup>	76	—
Adjusted net income before tax impact of adjustments	52,388	44,089
Tax impact of adjustments <sup>(j)</sup>	(4,612)	(13,641)
<b>Adjusted net income</b>	<b>47,776</b>	<b>30,448</b>
Net income (loss) attributable to non-controlling interest	(15)	7
<b>Adjusted net income attributable to Driven Brands Holdings Inc.</b>	<b>\$ 47,791</b>	<b>\$ 30,441</b>
<b>Adjusted earnings per share</b>		
Basic	\$ 0.29	\$ 0.19
Diluted	\$ 0.28	\$ 0.19
<b>Weighted average shares outstanding</b>		
Basic	162,762	154,827
Diluted	166,748	158,761

*Adjusted EBITDA.* We define Adjusted EBITDA as earnings before interest expense, net, income tax expense, and depreciation and amortization, with further adjustments for acquisition-related costs, straight-line rent, equity compensation, loss on debt extinguishment and certain non-recurring, non-core, infrequent or unusual charges. Adjusted EBITDA may not be comparable to similarly titled metrics of other companies due to differences in methods of calculation. Management believes this non-GAAP financial measure is useful because it is a key measure used by our management team to evaluate our operating performance, generate future operating plans and make strategic decisions.

The following table provides a reconciliation of Net income to Adjusted EBITDA:

#### Adjusted EBITDA

	Three months ended	
	March 26, 2022	March 27, 2021
Net income (loss)	\$ 34,428	\$ (19,932)
Income tax expense	12,968	(4,446)
Interest expense, net	25,353	18,091
Depreciation and amortization	33,023	23,852
<b>EBITDA</b>	<b>105,772</b>	<b>17,565</b>
Acquisition related costs <sup>(a)</sup>	4,318	1,646
Non-core items and project costs, net <sup>(b)</sup>	866	32
Straight-line rent adjustment <sup>(c)</sup>	4,093	2,485
Equity-based compensation expense <sup>(d)</sup>	2,618	983
Foreign currency transaction (gain) loss, net <sup>(e)</sup>	971	10,511
Asset impairment and closed store expenses <sup>(f)</sup>	(124)	(786)
Loss on debt extinguishment <sup>(g)</sup>	—	45,498
<b>Adjusted EBITDA</b>	<b>\$ 118,514</b>	<b>\$ 77,934</b>

- a. Consists of acquisition costs as reflected within the consolidated statements of operations, including legal, consulting and other fees and expenses incurred in connection with acquisitions completed during the applicable period, as well as inventory rationalization expenses incurred in connection with acquisitions. We expect to incur similar costs in connection with other acquisitions in the future and, under GAAP, such costs relating to acquisitions are expensed as incurred and not capitalized.
- b. Consists of discrete items and project costs, including (i) third-party consulting and professional fees associated with strategic transformation initiatives and (ii) other miscellaneous expenses, including non-capitalizable expenses relating to the Company's initial public offering and other strategic transactions.
- c. Consists of the non-cash portion of rent expense, which reflects the extent to which our straight-line rent expense recognized under GAAP exceeds or is less than our cash rent payments.
- d. Represents non-cash equity-based compensation expense.
- e. Represents foreign currency transaction gains/losses, net that primarily related to the remeasurement of our intercompany loans. These losses are offset by unrealized gains/losses on remeasurement of cross currency swaps and forward contracts.
- f. Relates to (gain) loss on sale leasebacks, impairment of certain fixed assets and operating lease right-of-use assets related to closed locations. Also, represents lease exit costs and other costs associated with stores that were closed prior to the respective lease termination dates.
- g. Represents the write-off of unamortized discount associated with early termination of debt.
- h. Consists of amortization related to acquired intangible assets as reflected within depreciation and amortization in the consolidated statements of operations.
- i. Represents uncertain tax positions recorded for tax positions inclusive of interest and penalties.
- j. Represents the tax impact of adjustments associated with the reconciling items between net income and Adjusted Net Income, excluding the provision for uncertain tax positions and valuation allowance for certain deferred taxes. To determine the tax impact of the deductible reconciling items, we utilized statutory income tax rates ranging from 9% to 36%, depending upon the tax attributes of each adjustment and the applicable jurisdiction.

## Results of Operations for the three months ended March 26, 2022 compared to the three months ended March 27, 2021

To facilitate review of our results of operations, the following tables set forth our financial results for the periods indicated. All information is derived from the Consolidated Statements of Operations.

### Revenue

(in thousands)	Three months ended		Change	
	March 26, 2022	March 27, 2021		
Franchise royalties and fees	\$ 37,888	\$ 30,414	\$ 7,474	25 %
Company-operated store sales	292,391	183,855	108,536	59 %
Independently-operated store sales	63,089	56,163	6,926	12 %
Advertising fund contributions	19,698	17,255	2,443	14 %
Supply and other revenue	55,257	41,733	13,524	32 %
<b>Total revenue</b>	<b>\$ 468,323</b>	<b>\$ 329,420</b>	<b>\$ 138,903</b>	<b>42 %</b>

### Franchise Royalties and Fees

Franchise royalties and fees increased \$7 million primarily due to same store sales growth and benefited from a net increase of 28 franchise stores. Franchise system-wide sales increased by \$146 million or 19%.

### Company-operated Store Sales

Company-operated store sales increased \$109 million of which \$43 million, \$37 million, \$28 million related to the Maintenance, Car Wash and Paint, Collision and Glass segments, respectively. The sales increase in Maintenance segment was primarily due to same store sales growth and 54 net new stores. The sales increase in Paint, Collision and Glass segment was primarily due to same store sales growth as well as net store growth from acquisitions. The acquisition of AGN, which had 79 stores at the time of the acquisition in late December 2021, generated \$20 million of sales for three months ended March 26, 2022 and the acquisition of 10 Carstar franchise sites in the fourth quarter of 2021 generated \$6 million of sales for three months ended March 26, 2022. The sales increase in Car Wash segment was primarily due to the addition of 109 net new stores primarily from a number of acquisitions in the second half of 2021 and first quarter of 2022, new greenfield store openings and same store sales growth. In total, the Company added 261 company-operated stores year-over-year.

### Independently-operated Store Sales

Independently-operated store sales (comprised entirely of the international car wash locations) increased \$7 million primarily due to same store sales growth as a result of increased volume.

### Advertising Fund Contributions

Advertising fund contributions increased by \$2 million primarily due to an increase in franchise system-wide sales of approximately \$146 million from same store sales growth and additional net new franchise stores. Our franchise agreements typically require the franchisee to pay continuing advertising fund fees based on a percentage of franchisee gross sales.

### Supply and Other Revenue

Supply and other revenue increased \$14 million primarily from growth in product and service revenue within the Platform Services, Paint, Collision and Glass and Maintenance segments due to an increase in system wide sales.

## Operating Expenses

(in thousands)	Three months ended		Change	
	March 26, 2022	March 27, 2021		
Company-operated store expenses	\$ 177,867	\$ 112,756	\$ 65,111	58 %
Independently-operated store expenses	33,299	31,108	2,191	7 %
Advertising fund expenses	19,698	17,255	2,443	14 %
Supply and other expenses	32,774	22,489	10,285	46 %
Selling, general, and administrative expenses	92,220	69,050	23,170	34 %
Acquisition costs	4,318	1,646	2,672	162 %
Store opening costs	506	289	217	75 %
Depreciation and amortization	33,023	23,852	9,171	38 %
Asset impairment charges and lease terminations	898	1,253	(355)	(28)%
<b>Total operating expenses</b>	<b>\$ 394,603</b>	<b>\$ 279,698</b>	<b>\$ 114,905</b>	<b>41 %</b>

### Company-operated Store Expenses

Company-operated store expenses increased \$65 million. The increase in expenses is commensurate with the increase in Company-operated store sales.

### Independently-operated Store Expenses

Independently-operated store expenses, which are entirely related to the Car Wash segment, increased \$2 million due to an increase in Independently-operated store sales.

### Advertising Fund Expenses

The \$2 million increase in advertising fund expenses represents a commensurate increase to advertising fund contributions during the period. Advertising fund expenses generally trend consistent with advertising fund contributions.

### Supply and Other Expenses

Supply and other expenses increased \$10 million due the increase in Supply and other revenue as well as higher oil and freight costs incurred in the Platform Services segment.

### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$23 million primarily due to increased employee compensation, other employee-related expenses and insurance expenses driven primarily by acquisitions and an increase in advertising costs.

### Acquisition Costs

Acquisition costs increased by \$3 million. The three months ended March 26, 2022 had costs associated with the acquisition of AGN and several tuck-in car wash locations while the three months ended March 27, 2021 had costs associated with several car wash tuck-in locations.

### Store Opening Costs

Store opening costs increased slightly due to an increase in company-operated new store openings and conversions of acquired stores to the Take 5 brand. There were seven new company-operated store openings and one Take 5 store conversion in the three months ended March 26, 2022, compared to four company-operated store openings during the three months ended March 27, 2021.

### Depreciation and Amortization

Depreciation and amortization expense increased \$9 million due to additional fixed assets and finite-lived intangible assets recognized in conjunction with recent acquisitions and higher current period capital expenditures.

### Asset Impairment Charges and Lease Terminations

Asset impairment charges were approximately \$1 million for both the three months ended March 26, 2022 and three months ended March 27, 2021, which consisted of impairment related to certain property and equipment and operating lease right-of-use assets at closed locations.

### Interest Expense, Net

(in thousands)	Three months ended		Change	
	March 26, 2022	March 27, 2021		
Interest expense, net	\$ 25,353	\$ 18,091	\$ 7,262	40 %

Interest expense, net increased \$7 million as a result of higher average debt outstanding which was partially offset by a lower average interest rate in the current period. The Company issued debt in the fourth quarter of 2021 to fund the AGN and other acquisitions and for general corporate purposes.

### Loss (Gain) on Foreign Currency Transactions, Net

(in thousands)	Three months ended		Change	
	March 26, 2022	March 27, 2021		
Loss (gain) on foreign currency transactions, net	\$ 971	\$ 10,511	\$ (9,540)	(91)%

The loss on foreign currency transactions for the three months ended March 26, 2022 was comprised of a \$3 million net remeasurement loss on our foreign third party long-term debt and intercompany notes, partially offset by \$2 million of unrealized gain incurred on foreign currency hedges that are not designated as hedging instruments. The loss on foreign currency transactions for the three months ended March 27, 2021 was comprised of a \$13 million net remeasurement loss on our foreign third party long-term debt and foreign intercompany notes partially offset by \$2 million of unrealized translation gains on other foreign currency hedges.

### Loss on Debt Extinguishment

(in thousands)	Three months ended		Change	
	March 26, 2022	March 27, 2021		
Loss on debt extinguishment	\$ —	\$ 45,498	\$ (45,498)	100 %

The loss on debt extinguishment for the three months ended March 27, 2021 was due to the write-off of unamortized discount associated with the settlement of the Car Wash Senior Credit Facilities, which were repaid during the three months ended March 27, 2021 with proceeds from the IPO and cash on hand.

### Income Tax Expense

(in thousands)	Three months ended		Change	
	March 26, 2022	March 27, 2021		
Income tax expense	\$ 12,968	\$ (4,446)	\$ 17,414	(392)%

Income tax expense increased by \$17 million. The effective income tax rate for the three months ended March 26, 2022 was 27.4% compared to 18.2% for the three months ended March 27, 2021. The increase in rate was primarily driven by an increase in income before taxes relative to the tax effects of our permanent differences for the three months ended March 26, 2022, and favorable discrete tax adjustments related to a non-taxable loss on debt extinguishment as well as tax deductible costs incurred related to the initial public offering for the three months ended March 27, 2021.



## Segment Results of Operations for the three months ended March 26, 2022 compared to the three months ended March 27, 2021

We assess the performance of our segments based on Segment Adjusted EBITDA, which is defined as earnings before interest expense, net, income tax expense, and depreciation and amortization, with further adjustments for acquisition-related costs, store opening and closure costs, straight-line rent, equity compensation, loss on debt extinguishment and certain non-recurring, non-core, infrequent or unusual charges. Additionally, shared services costs are not allocated to these segments and are included in Corporate and Other. Segment Adjusted EBITDA may not be comparable to similarly titled metrics of other companies due to differences in methods of calculation.

### Maintenance

<i>(in thousands, unless otherwise noted)</i>	Three months ended		Change	
	March 26, 2022	March 27, 2021		
Franchise royalties and fees	\$ 9,635	\$ 7,927	\$ 1,708	22 %
Company-operated store sales	156,828	114,067	42,761	37 %
Supply and other revenue	12,279	6,157	6,122	99 %
<b>Total revenue</b>	<b>\$ 178,742</b>	<b>\$ 128,151</b>	<b>\$ 50,591</b>	<b>39 %</b>
<b>Segment Adjusted EBITDA</b>	<b>\$ 52,485</b>	<b>\$ 40,440</b>	<b>\$ 12,045</b>	<b>30 %</b>
<b>System-Wide Sales</b>				
Franchised stores	\$ 200,284	\$ 163,817	\$ 36,467	22 %
Company-operated stores	156,828	114,067	42,761	37 %
Total System-Wide Sales	\$ 357,112	\$ 277,884	\$ 79,228	29 %
<b>Store Count (in whole numbers)</b>				
Franchised stores	982	975	7	1 %
Company-operated stores	549	495	54	11 %
Total Store Count	1,531	1,470	61	4 %
<b>Same Store Sales %</b>	19.2 %	16.5 %	N/A	N/A

Maintenance revenue increased \$51 million for the three months ended March 26, 2022, as compared to the three months ended March 27, 2021. Franchise royalties and fees increased by \$2 million primarily due a \$36 million increase in franchised system-wide sales from same store sales growth and 7 net new franchise stores. Company-operated store sales increased by \$43 million primarily due to same store sales growth and 54 net new company operated stores. Supply and other revenue increased by \$6 million due to higher income resulting from higher system-wide sales.

Maintenance Segment Adjusted EBITDA increased \$12 million primarily due to revenue growth, cost management and operational leverage. We continue to utilize a more efficient labor model at company-operated locations.

## Car Wash

<i>(in thousands, unless otherwise noted)</i>	Three months ended		Change	
	March 26, 2022	March 27, 2021		
Company-operated store sales	\$ 94,495	\$ 57,048	\$ 37,447	66 %
Independently-operated store sales	63,089	56,163	6,926	12 %
Supply and other revenue	1,691	1,453	238	16 %
<b>Total revenue</b>	<b>\$ 159,275</b>	<b>\$ 114,664</b>	<b>44,611</b>	<b>39 %</b>
<b>Segment Adjusted EBITDA</b>	<b>\$ 55,720</b>	<b>\$ 34,155</b>	<b>21,565</b>	<b>63 %</b>
<b>System-Wide Sales</b>				
Company-operated stores	94,495	57,048	37,447	66 %
Independently-operated stores	63,089	56,163	6,926	12 %
Total System-Wide Sales	\$ 157,584	\$ 113,211	44,373	39 %
<b>Store Count (in whole numbers)</b>				
Company-operated stores	341	220	121	55 %
Independently-operated stores	722	734	(12)	(2)%
Total Store Count	1,063	954	109	11 %
<b>Same Store Sales %</b>	<b>6.6 %</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

The Car Wash segment is comprised of our car wash sites throughout the United States, Europe and Australia.

Car Wash Segment revenue increased by \$45 million driven by the addition of 109 net new stores primarily from a number of acquisitions in the second half of 2021 and first quarter of 2022 and 6.6% same store sales growth.

Car Wash Segment Adjusted EBITDA increased by \$22 million, primarily driven by higher sales as well as cost management and operational leverage.

## Paint, Collision & Glass

<i>(in thousands, unless otherwise noted)</i>	Three months ended		Change	
	March 26, 2022	March 27, 2021		
Franchise royalties and fees	\$ 21,365	\$ 17,309	\$ 4,056	23 %
Company-operated store sales	39,998	11,930	28,068	235 %
Supply and other revenue	18,080	14,652	3,428	23 %
<b>Total revenue</b>	<b>\$ 79,443</b>	<b>\$ 43,891</b>	<b>\$ 35,552</b>	<b>81 %</b>
<b>Segment Adjusted EBITDA</b>	<b>\$ 29,012</b>	<b>\$ 17,639</b>	<b>\$ 11,373</b>	<b>64 %</b>
<b>System-Wide Sales</b>				
Franchised stores	\$ 618,969	\$ 530,503	\$ 88,466	17 %
Company-operated stores	39,998	11,930	28,068	235 %
Total System-Wide Sales	\$ 658,967	\$ 542,433	\$ 116,534	21 %
<b>Store Count (in whole numbers)</b>				
Franchised stores	1,611	1,594	17	1 %
Company-operated stores	119	33	86	261 %
Total Store Count	1,730	1,627	103	6 %
<b>Same Store Sales %</b>	<b>13.7 %</b>	<b>(9.4)%</b>	<b>N/A</b>	<b>N/A</b>

Paint, Collision & Glass revenue increased \$36 million for the three months ended March 26, 2022, as compared to the three months ended March 27, 2021. The Company-operated store sales increased \$28 million driven primarily by \$20 million from the acquisition of AGN, which had 79 stores, and \$6 million from the acquisition of 10 Carstar franchise sites. The Company-operated store sales increase was augmented by same store sales growth at Company-operated stores. Franchise royalties and fees increased by \$4 million primarily due to a \$88 million increase in franchise system-wide sales generated by same store sales growth and an increase in franchise stores. Supply and other revenue increased by \$3 million primarily due to higher vendor rebates resulting from an increase in system wide sales.

Paint, Collision & Glass Segment Adjusted EBITDA increased \$11 million primarily due to higher revenue from acquisitions and same store sales growth.

### Platform Services

<i>(in thousands, unless otherwise noted)</i>	Three months ended		Change	
	March 26, 2022	March 27, 2021		
Franchise royalties and fees	\$ 6,888	\$ 5,178	\$ 1,710	33 %
Company-operated store sales	1,152	983	169	17 %
Supply and other revenue	35,126	28,435	6,691	24 %
<b>Total revenue</b>	<b>\$ 43,166</b>	<b>\$ 34,596</b>	<b>\$ 8,570</b>	<b>25 %</b>
<b>Segment Adjusted EBITDA</b>	<b>\$ 14,165</b>	<b>\$ 11,008</b>	<b>\$ 3,157</b>	<b>29 %</b>
<b>System-Wide Sales</b>				
Franchised stores	\$ 89,642	\$ 68,373	\$ 21,269	31 %
Company-operated stores	1,152	983	169	17 %
Total System-Wide Sales	\$ 90,794	\$ 69,356	\$ 21,438	31 %
<b>Store Count (in whole numbers)</b>				
Franchised stores	201	197	4	2 %
Company-operated stores	1	1	—	— %
Total Store Count	202	198	4	2 %
<b>Same Store Sales %</b>	<b>30.9 %</b>	<b>22.0 %</b>	<b>N/A</b>	<b>N/A</b>

Platform Services revenue increased \$9 million primarily due to higher revenue resulting from an increase in distribution sales to the Maintenance segment and higher franchise income resulting primarily from franchisee same store sales growth and an increase in franchise store count.

Platform Services Segment Adjusted EBITDA increased \$3 million primarily driven by revenue growth, cost management and operational leverage.

### Financial Condition, Liquidity and Capital Resources

#### Sources of Liquidity and Capital Resources

Cash flow from operations, supplemented with long-term borrowings and revolving credit facilities, have been sufficient to fund our operations while allowing us to make strategic investments to grow our business. We believe that our sources of liquidity and capital resources will be adequate to fund our operations, acquisitions, company-operated store development, other general corporate needs and the additional expenses we expect to incur for at least the next twelve months. We expect to continue to have access to the capital markets at acceptable terms. However, this could be adversely affected by many factors including a downgrade of our credit rating or a deterioration of certain financial ratios.

Driven Brands Funding, LLC (the “Master Issuer”), a wholly owned subsidiary of the Company, and Driven Brands Canada Funding Corporation (along with the Master Issuer, the “Co-Issuers”) are subject to certain quantitative covenants related to debt service coverage and leverage ratios in connection with the Securitization Senior Notes. Driven Holdings

Revolving Credit Facility also has certain qualitative covenants. As of March 26, 2022, the Co-Issuers and Driven Holdings were in compliance with all covenants under its agreements.

At March 26, 2022, the Company had total liquidity of \$668 million, which included \$271 million in cash, cash equivalents and restricted cash, \$97 million and \$300 million of undrawn capacity on its 2019 variable funding securitization senior notes and Driven Holdings Revolving Credit Facility, respectively.

The following table illustrates the main components of our cash flows for the three months ended March 26, 2022 and March 27, 2021 :

<i>(in thousands)</i>	<b>Three months ended</b>	
	<b>March 26, 2022</b>	<b>March 27, 2021</b>
Net cash provided by operating activities	\$ 9,040	\$ 32,586
Net cash used in investing activities	(253,332)	(4,508)
Net cash used in financing activities	(5,719)	(29,871)
Effect of exchange rate changes on cash	(592)	650
<b>Net change in cash, cash equivalents, restricted cash, and restricted cash included in advertising fund assets</b>	<b>\$ (250,603)</b>	<b>\$ (1,143)</b>

### ***Operating Activities***

Net cash provided by operating activities was \$9 million for the three months ended March 26, 2022 compared to \$33 million for the three months ended March 27, 2021. The decrease was due to \$56 million payment of transaction costs associated with the AGN acquisition during the three months ended March 26, 2022, which was partially offset by \$15 million increase in operating results and a \$17 million decrease in net working capital.

### ***Investing Activities***

Net cash used in investing activities was \$253 million for the three months ended March 26, 2022 compared to \$5 million for the three months ended March 27, 2021. During the three months ended March 26, 2022, there was a \$198 million increase in net cash paid for acquisitions, \$46 million increase in capital expenditures and a \$3 million decrease in proceeds from sale-leaseback transactions.

For the three months ended March 26, 2022, we invested \$69 million in capital expenditures, compared to \$23 million for the three months ended March 27, 2021. This increase is mostly due to new company-operated store openings within our Car Wash and Maintenance segments, as well as expenditures related to the maintenance of our existing store base and technology initiatives.

### ***Financing Activities***

Net cash used in financing activities was \$6 million for the three months ended March 26, 2022 due primarily related to the repayment of senior securitization notes. Net cash used in financing activities was \$30 million for the three months ended March 27, 2021 primarily resulting from our \$722 million repayment of the Car Wash Senior Credit Facilities, \$43 million in repurchases of our common stock, and \$22 million payment related to the termination of our interest rate swaps. These were offset by the \$761 million in proceeds from our IPO and the underwriters' exercise of their over-allotment option, net of underwriting discounts. See [Note 6](#) to our consolidated financial statements for additional information regarding the Company's debt.

### ***Income Tax Receivable Agreement***

We expect to be able to utilize certain tax benefits which are related to periods prior to the effective date of the Company's initial public offering, which we therefore attribute to our existing shareholders. We expect that these tax benefits (i.e., the Pre-IPO and IPO-Related Tax Benefits) will reduce the amount of tax that we and our subsidiaries would otherwise be required to pay in the future. We have entered into an income tax receivable agreement which provides our Pre-IPO shareholders with the right to receive payment by us of 85% of the amount of cash savings, if any, in U.S. and Canadian federal, state, local and provincial income tax that we and our subsidiaries actually realize as a result of the utilization of the Pre-IPO and IPO-Related Tax Benefits.

For purposes of the income tax receivable agreement, cash savings in income tax will be computed by reference to the reduction in the liability for income taxes resulting from the utilization of the Pre-IPO and IPO-Related Tax Benefits. The term of the income tax receivable agreement commenced upon the effective date of the Company's initial public offering and will continue until the Pre-IPO and IPO-Related Tax Benefits have been utilized, accelerated or expired.

Because we are a holding company with no operations of our own, our ability to make payments under the income tax receivable agreement is dependent on the ability of our subsidiaries to make distributions to us. The securitized debt facility may restrict the ability of our subsidiaries to make distributions to us, which could affect our ability to make payments under the income tax receivable agreement. To the extent that we are unable to make payments under the income tax receivable agreement because of restrictions under our outstanding indebtedness, such payments will be deferred and will generally accrue interest at a rate of LIBOR plus 1.00% per annum until paid. To the extent that we are unable to make payments under the income tax receivable agreement for any other reason, such payments will generally accrue interest at a rate of LIBOR plus 5.00% per annum until paid.

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

Our significant accounting policies are more fully described in [Note 2](#) of the consolidated financial statements. Refer to our annual report for the year ended December 25, 2021 for a full discussion of our critical accounting policies. There have been no material changes to our critical accounting policies from those disclosed in our Form 10-K for the year ended December 25, 2021.

### **Application of New Accounting Standards**

See [Note 2](#) of the consolidated financial statements for a discussion of recently issued accounting standards.

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

Refer to the Company's annual report for the year ended December 25, 2021 for a complete discussion of the Company's market risk. There have been no material changes in the Company's market risk from those disclosed in the Company's Form 10-K for the year ended December 25, 2021, other than the Company's repayment of the Car Wash Senior Credit Facilities in January 2021, the Company's execution of the income tax receivable agreement in connection with the IPO, the Company's entry into the Driven Holdings Revolving Credit Facility, and the Company's issuance of the 2021 Senior Notes. The repayment of debt and income tax receivable agreement impacted both the Company's interest rate risk and foreign exchange risk. See [Note 1](#) and [Note 6](#) to the consolidated financial statements for additional details.

### **Item 4. Controls and Procedures**

#### **a) Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our CEO and CFO, has evaluated the design effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as of March 26, 2022. The term "disclosure controls and procedures," means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on evaluation of the design of our disclosure controls and procedures as of March 26, 2022, our CEO and CFO have concluded that as of such date, our disclosure controls and procedures were designed effectively and will provide a reasonable level of assurance.

#### **b) Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the three months ended March 26, 2022 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 subject to various lawsuits, administrative proceedings, audits, and claims arising in the ordinary course of business. Some of these lawsuits purport to be class actions and/or seek substantial damages. We are required to record an accrual for litigation loss contingencies that are both probable and reasonably estimable. Legal fees and expenses associated with the defense of all of our litigation are expensed as such fees and expenses are incurred. Management regularly assesses our insurance deductibles, analyzes litigation information with our attorneys and evaluates our loss experience in connection with pending legal proceedings. While we do not presently believe that any of the legal proceedings to which we are currently a party will ultimately have a material adverse impact on us, there can be no assurance that we will prevail in all the proceedings we are party to, or that we will not incur material losses from them.

### **Item 1A. Risk Factors**

For a discussion of risk factors that could adversely affect our results of operations, financial condition, business reputation or business prospects, we refer you to Part I, Item 1A "Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended December 25, 2021.

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

None.

### **Item 3. Defaults Upon Senior Securities.**

None.

### **Item 5. Other Information.**

None.

**Item 6. Exhibits.**

<b>Exhibit Number</b>	<b>Exhibit Description</b>
3.1	<a href="#"><u>Amended and Restated Certificate of Incorporation of Driven Brands Holdings Inc.</u></a>
3.2	<a href="#"><u>Amended and Restated Bylaws of Driven Brands Holdings Inc.</u></a>
31.1	<a href="#"><u>Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002.</u></a>
31.2	<a href="#"><u>Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002.</u></a>
32.1	<a href="#"><u>Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002 and 18 U.S.C. Section 1350.</u></a>
32.2	<a href="#"><u>Certification of Chief Financial Officer pursuant to to Section 906 of the Sarbanes Oxley Act of 2002 and 18 U.S.C. Section 1350.</u></a>
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

## 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.

Date: May 6, 2022

DRIVEN BRANDS HOLDINGS INC.

By: /s/ Jonathan Fitzpatrick  
Name: Jonathan Fitzpatrick  
Title: President and Chief Executive Officer

By: /s/ Michael Beland  
Name: Michael Beland  
Title: Senior Vice President and Chief Accounting Officer



**CERTIFICATION**

I, Jonathan Fitzpatrick, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Driven Brands Holdings Inc. (the “Registrant”);
- (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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the design 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 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.

Dated: May 6, 2022

/s/ Jonathan Fitzpatrick  
Jonathan Fitzpatrick  
President and Chief Executive Officer

**CERTIFICATION**

I, Tiffany Mason, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Driven Brands Holdings Inc. (the “Registrant”);
- (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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the design 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 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.

Dated: May 6, 2022

/s/ Tiffany Mason

Tiffany Mason

Executive Vice President and Chief 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 on Form 10-Q of Driven Brands Holdings Inc. (the "Company") for the quarter ended March 26, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jonathan Fitzpatrick, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

Dated: May 6, 2022

/s/ Jonathan Fitzpatrick

Jonathan Fitzpatrick

President and Chief Executive 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 on Form 10-Q of Driven Brands Holdings Inc. (the "Company") for the quarter ended March 26, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tiffany Mason, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

Dated: May 6, 2022

/s/ Tiffany Mason

Tiffany Mason

Executive Vice President and Chief Financial Officer