

NYSE: MCW (BUY)

LTP: \$7.5

PT: \$14.5 (93%)

Date: 5/20/25

Overview

Mister Car Wash is a car wash operator with 518 locations as of 1Q25. The company generated annual revenues of \$995mn with EBITDA & Net Income of \$321mn / \$70mn (32% / 7%). The company's EV sits at \$3.2bn. Based on data from Houlihan Lowkey, MCW is currently the single biggest car wash operator in the United States, with the second place being Take 5, having nearly 400 units. The company derives 60%-70% of sales through its Unlimited Car Wash subscription model (UWC). It has nearly ~2mn subscribers on that platform with nearly 4,000 members per unit. The average car wash with a similar subscription model has 2,000 members per car wash unit. An ideal competitor to MCW is Take 5 Brands which was recently acquired by Whistle Express at a dirt-cheap multiple of 8x EBITDA. To put it into perspective, car washes have historically been sold at 15x - 20x EBITDA.

Mister Car Wash (MCW) IPO'd in 2021 at a lofty ~20x EBITDA, which the public markets quickly rejected, resulting in a ~50% drawdown over the subsequent 18 months. Sentiment remained weak through 2023 and 2024, with the stock declining an additional ~20% as macro pressures weighed on retail traffic and unit economics. However, 2025 has marked a notable inflection point: shares are up 3.5% YTD, led by a blowout 1Q print. The company added 103k net new Unlimited Wash Club members (vs. 50k consensus), its strongest quarterly net add since 1Q23, and raised full-year guidance. The stock has since rallied nearly 10%, with intraday highs reaching +15% post-earnings.

The Idea

Generally speaking, these businesses attract high levels of PE interest due to its attractive gestation period of ~3 years. However, in the past couple of years, public and private markets have repriced multiples to the downside, driven by higher rates and weak spend. This has led to MCW underperforming the S&P 500/S&P 400 by (101%) and (73%). I believe, if the unit economics keeps up its current momentum which I certainly believe it can since Q2 and Q4 generally are the best, we can see a repricing probably sometime in the end of 2H25 – 1H26. I have valued the business at 13x 26e EBITDA. Considering the general car wash market has averaged 15x, I believe 13x is conservative.

Assumptions

I've modelled revenue growth of 6.2% and 7.0% in FY25 and FY26, respectively, primarily driven by greenfield unit expansion, which management has guided. Following a strong 1Q25, where MCW added 103k net new members, the largest quarterly gain in two years, I view a ~1% revenue lift per unit as a reasonable base case. EBITDA margins are held at guided implied levels of 32.5%, consistent with historical execution and the company's fixed-cost model.

Additional Points

Sell side will soon reprice the business at higher multiples if 2Q25 goes better than expectations. Assuming the business does get repriced to the upside, short sellers wrapping up the 10% short interest will also be beneficial.