

Genesee County Employees' Retirement System v. Driven Brands Holdings Inc.

COURT: United States District Court for the Western District of North Carolina
CASE NUMBER: 23-cv-00895
CLASS PERIOD: 10/27/2021 - 08/01/2023
CASE LEADERS: John Rizio-Hamilton, Jesse L. Jensen
CASE TEAM: Michael Mathai, Chloe Jasper, Prachi Patel

BLB&G represents plaintiffs Genesee County Employees' Retirement System, Oakland County Employees' Retirement System, and Oakland County Voluntary Employees' Beneficiary Association (collectively, "Lead Plaintiffs") in this securities class action brought on behalf of investors that purchased Driven Brands Holdings Inc. ("Driven" or "the Company") common stock during the Class Period. The action asserts claims against Driven and certain of its senior executives for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934.

Driven's Alleged Fraud

At all relevant times, Driven was the largest automotive services company in North America. Through its portfolio of brands, Driven provided customers with a range of automotive needs, including paint, collision, glass, oil change, maintenance, and car wash. Those brands included, among others: Take 5 Oil Change®, Take 5 Car Wash®, Meineke Car Care Centers®, MAACO®, CARSTAR®, 1-800-Radiator & A/C®, and Auto Glass Now®. The Company operated through four reportable business segments: Maintenance; Car Wash; Paint, Collision and Glass; and Platform Services.

A core component of the Company's growth strategy involved its acquisition and integration of existing businesses in the automotive services industry. Over the last several years, Driven expanded its operations to offer car washes and extended its reach in the auto glass market. In August 2020, Driven acquired International Car Wash Group, the world's largest car wash company by location count. In late December 2021, Driven acquired Auto Glass Now, through which Driven expanded its auto glass business into the U.S. market. Through a series of subsequent acquisitions, Driven quickly became the second-largest auto glass repair business in North America.

The claims at issue arise from two categories of misrepresentations made by Defendants during the Class Period: (i) statements concerning Driven's ability to efficiently and effectively integrate a high volume of acquired businesses, including statements related to the status of integrating its U.S. auto glass businesses; and (ii) statements concerning the performance and competitive position of Driven's car wash business segment. Specifically, throughout the Class Period, defendants repeatedly touted Driven's ability to execute and integrate acquisitions as a "core strength," and assured investors that Driven had made "significant progress" integrating the auto glass businesses it had acquired. Driven also represented that the large scale of its car wash business served as a "competitive moat" that would preserve its competitive position. While Driven acknowledged some "softness" in customer demand for its car wash business, it downplayed that issue and touted the growth of its car wash subscriptions, which Driven labeled as the "Holy Grail" in the car wash business.

In reality, Defendants had fallen several quarters behind on integrating its auto glass businesses; further, the Company's car wash business faltered from exposure to greater decline in demand from retail customers than

Defendants had represented to investors. As a result of Defendants' misrepresentations that concealed this and other information contrary to their claims to investors, Driven stock traded at artificially inflated prices throughout the Class Period.

The truth began to emerge on October 26, 2022, when Driven announced delays in its glass business and poor car wash results. In response, Driven's stock price fell from a close of \$32.27 on October 25, 2022 to close at \$29.96 on October 26, 2022, a decline of over 7%.

Then, on August 2, 2023, Driven reported earnings for the second quarter of 2023 that missed expectations, including disappointing results for its Paint, Collision and Glass business segment as well as its Car Wash segment. With respect to its auto glass business, the Company admitted that it was at least "several quarters" behind on its integration of the businesses it had acquired. In addition, regarding Driven's Car Wash segment, the Company disclosed that increased exposure to "intensified competitive intrusion" negatively impacted demand from Driven's high-margin retail car wash customers. As a result of delays in Driven's integration of its acquired auto glass businesses and the faltering performance of its car wash businesses, the Company slashed its full-year earnings guidance for fiscal 2023, despite having reaffirmed that guidance a little over two months earlier. These disclosures caused the price of Driven common stock to decline by \$10.63 per share, or 41%.

On August 13, 2024, Lead Plaintiffs filed an Amended Class Action Complaint. On October 14, 2024, Defendants filed a motion to dismiss the case. After full briefing, on February 20, 2025, the Court denied Defendants' motion to dismiss in its entirety.

Case Documents

- August 13, 2024 - Second Amended Complaint
- December 22, 2023 - Initial Complaint
- December 22, 2023 - PSLRA Notice