UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 October 5, 2024

OR

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

For the transition period from ______ to ______

Commission File Number: 001-40714

EUROPEAN WAX CENTER, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**86-3150064**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
5830 Granite Parkway, 3rd Floor	
Plano, Texas	**75024**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (469) 264-8123

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value $0.00001 per share	EWCZ	The Nasdaq Stock Market LLC

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, smaller reporting company, or an emerging growth company. See the 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	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☒		

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 Exchange Act). Yes ☐ No ☒

As of November 8, 2024, the registrant had 44,758,762 and 12,184,191 shares of Class A and Class B common stock, respectively, $0.00001 par value per share, outstanding.

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PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

EUROPEAN WAX CENTER, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share amounts)

(Unaudited)

	October 5, 2024	January 6, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 48,017	$ 52,735
Restricted cash	6,487	6,493
Accounts receivable, net	7,139	9,250
Inventory, net	20,570	20,767
Prepaid expenses and other current assets	5,239	6,252
Total current assets	87,452	95,497
Property and equipment, net	1,563	2,284
Operating lease right-of-use assets	3,591	4,012
Intangible assets, net	436,994	451,495
Goodwill	39,112	39,112
Deferred income taxes	137,003	138,623
Other non-current assets	2,250	3,094
Total assets	**$ 707,965**	**$ 734,117**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 15,545	$ 17,966
Long-term debt, current portion	4,000	4,000
Tax receivable agreement liability, current portion	2,807	9,363
Deferred revenue, current portion	3,952	5,261
Operating lease liabilities, current portion	1,283	1,232
Total current liabilities	27,587	37,822
Long-term debt, net	372,913	372,000
Tax receivable agreement liability, net of current portion	198,461	197,273
Deferred revenue, net of current portion	6,054	6,615
Operating lease liabilities, net of current portion	2,606	3,158
Other long-term liabilities	2,444	2,246
Total liabilities	610,065	619,114
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock ($0.00001 par value, 100,000,000 shares authorized, none issued and outstanding as of October 5, 2024 and January 6, 2024, respectively)	—	—
Class A common stock ($0.00001 par value, 600,000,000 shares authorized, 51,508,038 and 51,261,001 shares issued and 44,747,397 and 48,476,981 shares outstanding as of October 5, 2024 and January 6, 2024, respectively)	—	—
Class B common stock ($0.00001 par value, 60,000,000 shares authorized, 12,192,191 and 12,278,876 shares issued and outstanding as of October 5, 2024 and January 6, 2024, respectively)	—	—
Treasury stock, at cost 6,760,641 and 2,784,020 shares of Class A common stock as of October 5, 2024 and January 6, 2024, respectively	(70,147)	(40,000)
Additional paid-in capital	241,615	232,902
Accumulated deficit	(102,384)	(110,878)
Total stockholders' equity attributable to European Wax Center, Inc.	69,084	82,024
Noncontrolling interests	28,816	32,979
Total stockholders' equity	97,900	115,003
Total liabilities and stockholders' equity	**$ 707,965**	**$ 734,117**

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

EUROPEAN WAX CENTER, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except share and per share amounts)
(Unaudited)

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	October 5, 2024	September 30, 2023	October 5, 2024	September 30, 2023
REVENUE				
Product sales	$ 31,684	$ 31,890	$ 95,105	$ 93,457
Royalty fees	13,413	13,345	40,314	39,843
Marketing fees	7,603	7,551	22,841	22,368
Other revenue	2,730	2,931	8,915	9,031
Total revenue	55,430	55,717	167,175	164,699
OPERATING EXPENSES				
Cost of revenue	15,003	15,721	44,551	47,078
Selling, general and administrative	17,474	14,372	43,851	45,769
Advertising	8,409	8,099	28,673	24,592
Depreciation and amortization	5,073	5,135	15,246	15,432
Gain on sale of center	—	—	(81)	—
Gain on disposal of assets and non-cancellable contracts	(2)	—	(2)	—
Total operating expenses	45,957	43,327	132,238	132,871
Income from operations	9,473	12,390	34,937	31,828
Interest expense, net	6,340	6,471	19,043	20,095
Other expense (income)	285	36	535	(756)
Income before income taxes	2,848	5,883	15,359	12,489
Income tax expense	818	1,765	3,751	3,981
NET INCOME	**$ 2,030**	**$ 4,118**	**$ 11,608**	**$ 8,508**
Less: net income attributable to noncontrolling interests	550	1,235	3,114	2,234
NET INCOME ATTRIBUTABLE TO EUROPEAN WAX CENTER, INC.	**$ 1,480**	**$ 2,883**	**$ 8,494**	**$ 6,274**
Net income per share				
Basic - Class A Common Stock	$ 0.03	$ 0.06	$ 0.18	$ 0.12
Diluted - Class A Common Stock	$ 0.03	$ 0.06	$ 0.18	$ 0.12
Weighted average shares outstanding				
Basic - Class A Common Stock	46,388,266	50,321,994	47,706,516	49,548,820
Diluted - Class A Common Stock	46,400,419	50,428,170	47,750,157	49,640,509

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

EUROPEAN WAX CENTER, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	For the Thirty-Nine Weeks Ended	
	October 5, 2024	**September 30, 2023**
Cash flows from operating activities:		
Net income	$ 11,608	$ 8,508
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,246	15,432
Amortization of deferred financing costs	4,171	3,964
Provision for inventory obsolescence	(25)	(4)
Provision for bad debts	393	105
Deferred income taxes	3,568	3,768
Remeasurement of tax receivable agreement liability	535	(756)
Gain on sale of center	(81)	—
Loss on disposal of property and equipment	3	11
Equity compensation	4,205	9,489
Changes in assets and liabilities:		
Accounts receivable	1,702	(189)
Inventory, net	202	1,319
Prepaid expenses and other assets	2,426	(1,300)
Accounts payable and accrued liabilities	(1,642)	(1,180)
Deferred revenue	(1,683)	178
Other long-term liabilities	(678)	(489)
Net cash provided by operating activities	**39,950**	**38,856**
Cash flows from investing activities:		
Purchases of property and equipment	(276)	(774)
Cash received for sale of center	135	—
Net cash used in investing activities	**(141)**	**(774)**
Cash flows from financing activities:		
Principal payments on long-term debt	(3,000)	(3,000)
Distributions to EWC Ventures LLC members	(3,584)	(2,492)
Repurchase of Class A common stock	(30,147)	(6,369)
Taxes on vested restricted stock units paid by withholding shares	(549)	(516)
Dividend equivalents to holders of EWC Ventures units	(757)	(2,787)
Payments pursuant to tax receivable agreement	(6,496)	(3,209)
Net cash used in financing activities	**(44,533)**	**(18,373)**
Net (decrease) increase in cash, cash equivalents and restricted cash	**(4,724)**	**19,709**
Cash, cash equivalents and restricted cash, beginning of period	59,228	50,794
Cash, cash equivalents and restricted cash, end of period	**$ 54,504**	**$ 70,503**
Supplemental cash flow information:		
Cash paid for interest	$ 16,443	$ 16,621
Cash paid for income taxes	$ 498	$ 633
Non-cash investing activities:		
Property purchases included in accounts payable and accrued liabilities	$ 30	$ —
Right-of-use assets obtained in exchange for operating lease obligations	$ 592	$ 368

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

EUROPEAN WAX CENTER, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Amounts in thousands, except share and per share amounts)
(Unaudited)

	Class A Common Stock		Class B Common Stock		Additional paid-in capital	Accumulated deficit	Treasury Stock	Noncontrolling interest	Total equity
	Shares	Amount	Shares	Amount					
Balance at January 6, 2024	**48,476,981**	**$—**	**12,278,876**	**$—**	**$232,902**	**$(110,878)**	**$(40,000)**	**$32,979**	**$115,003**
Exchange of Class B Common Stock and EWC Ventures Units for Class A Common Stock	56,232	—	(56,232)	—	—	—	—	—	—
Vesting of restricted stock units	99,023	—	—	—	—	—	—	—	—
Shares withheld for taxes on vested restricted stock units	(24,724)	—	—	—	(319)	—	—	—	(319)
Forfeiture of unvested incentive units	—	—	(3,055)	—	—	—	—	—	—
Equity compensation	—	—	—	—	1,382	—	—	—	1,382
Distributions to members of EWC Ventures	—	—	—	—	—	—	—	(1,180)	(1,180)
Forfeiture of accrued dividend equivalents	—	—	—	—	—	—	—	10	10
Tax receivable liability and deferred taxes arising from share exchanges	—	—	—	—	(112)	—	—	—	(112)
Allocation of equity to noncontrolling interests	—	—	—	—	21	—	—	(21)	—
Net income	—	—	—	—		2,765	—	889	3,654
Balance at April 6, 2024	**48,607,512**	**$—**	**12,219,589**	**$—**	**$233,874**	**$(108,113)**	**$(40,000)**	**$32,677**	**$118,438**
Exchange of Class B Common Stock and EWC Ventures Units for Class A Common Stock	4,744	—	(4,744)	—	—	—	—	—	—
Vesting of restricted stock units	25,355	—	—	—	—	—	—	—	—
Shares withheld for taxes on vested restricted stock units	(6,521)	—	—	—	(74)	—	—	—	(74)
Equity compensation	—	—	—	—	1,941	—	—	—	1,941
Repurchase of Class A common stock	(919,551)	—	—	—	—	—	(10,001)		(10,001)
Distributions to members of EWC Ventures	—	—	—	—	—	—	—	(1,335)	(1,335)
Tax receivable liability and deferred taxes arising from share exchanges	—	—	—	—	381	—	—	—	381
Allocation of equity to noncontrolling interests	—	—	—	—	1,149	—	—	(1,149)	—
Net income	—	—	—	—	—	4,249	—	1,675	5,924
Balance at July 6, 2024	**47,711,539**	**$—**	**12,214,845**	**$—**	**$237,271**	**$(103,864)**	**$(50,001)**	**$31,868**	**$115,274**
Exchange of Class B Common Stock and EWC Ventures Units for Class A Common Stock	22,654	—	(22,654)	—	—	—	—	—	—
Vesting of restricted stock units	90,023	—	—	—	—	—	—	—	—
Forfeiture of unvested incentive units									—
Equity compensation	—	—	—	—	882	—	—	—	882
Repurchase of Class A common stock	(3,057,070)	—	—	—	—	—	(20,146)	—	(20,146)
Distributions to members of EWC Ventures	—	—	—	—	—		—	(1,069)	(1,069)
Shares withheld for taxes on vested restricted stock units	(19,749)	—	—	—	(156)	—	—	—	(156)
Tax receivable liability and deferred taxes arising from share exchanges	—	—	—	—	1,085	—	—	—	1,085
Allocation of equity to noncontrolling interests	—	—	—	—	2,533	—	—	(2,533)	—
Net income	—	—	—	—	—	1,480	—	550	2,030
Balance at October 5, 2024	**44,747,397**	**$—**	**12,192,191**	**$—**	**$241,615**	**$(102,384)**	**$(70,147)**	**$28,816**	**$97,900**

	Class A Common Stock		Class B Common Stock		Additional paid-in capital	Accumulated deficit	Treasury Stock	Noncontrolling interest	Total equity
	Shares	Amount	Shares	Amount					
Balance at December 31, 2022	**44,561,685**	**$ —**	**18,175,652**	**$ —**	**$ 207,492**	**$ (119,583)**	**$ (10,080)**	**$ 51,088**	**$ 128,917**
Exchange of Class B Common Stock and EWC Ventures Units for Class A Common Stock	5,129,351	—	(5,129,351)	—	—	—	—	—	—
Vesting of restricted stock units	33,546	—	—	—	—	—	—	—	—
Shares withheld for taxes on vested restricted stock units	(6,708)	—	—	—	(126)	—	—	—	(126)
Equity compensation	—	—	—	—	5,931	—	—	—	5,931
Distributions to members of EWC Ventures	—	—	—	—	—	—	—	(276)	(276)
Tax receivable liability and deferred taxes arising from share exchanges	—	—	—	—	(3,549)	—	—	—	(3,549)
Allocation of equity to noncontrolling interests	—	—	—	—	12,657	—	—	(12,657)	—
Net loss	—	—	—	—	—	(564)	—	(565)	(1,129)
Balance at April 1, 2023	**49,717,874**	**$ —**	**13,046,301**	**$ —**	**$ 222,405**	**$ (120,147)**	**$ (10,080)**	**$ 37,590**	**$ 129,768**
Exchange of Class B Common Stock and EWC Ventures Units for Class A Common Stock	652,558	—	(652,558)	—	—	—	—	—	—
Vesting of restricted stock units	12,131	—	—	—	—	—	—	—	—
Forfeiture of unvested incentive units	—	—	(29,697)	—	—	—	—	—	—
Shares withheld for taxes on vested restricted stock units	(1,057)	—	—	—	(20)	—	—	—	(20)
Equity compensation	—	—	—	—	1,826	—	—	—	1,826
Repurchase of Class A Common Stock	(51,592)	—	—	—	—	—	(819)	—	(819)
Distributions to members of EWC Ventures	—	—	—	—		—	—	(938)	(938)
Forfeiture of dividend equivalents payable to holders of EWC Ventures Units	—	—	—	—	—	—	—	98	98
Tax receivable liability and deferred taxes arising from share exchange	—	—	—	—	(425)	—	—	—	(425)
Allocation of equity to noncontrolling interests	—	—	—	—	1,682	—	—	(1,682)	—
Net income	—	—	—	—	—	3,955	—	1,564	5,519
Balance at July 1, 2023	**50,329,914**	**$ —**	**12,364,046**	**$ —**	**$ 225,468**	**$ (116,192)**	**$ (10,899)**	**$ 36,632**	**$ 135,009**
Exchange of Class B Common Stock and EWC Ventures Units for Class A Common Stock	57,974	—	(57,974)	—	—	—	—	—	—
Vesting of restricted stock units	90,715	—	—	—	—	—	—	—	—
Equity compensation	—	—	—	—	1,732	—	—	—	1,732
Repurchase of Class A Common Stock	(325,892)	—	—	—	—	—	(5,550)	—	(5,550)
Distributions to members of EWC Ventures	—	—	—	—	—	—	—	(1,278)	(1,278)
Shares withheld for taxes on vested restricted stock units	(20,787)	—	—	—	(375)	—	—	—	(375)
Tax receivable liability and deferred taxes arising from share exchanges	—	—	—	—	167	—	—	—	167
Allocation of equity to noncontrolling interests	—	—	—	—	794	—	—	(794)	—
Net income	—	—	—	—	—	2,883	—	1,235	4,118
Balance at September 30, 2023	**50,131,924**	**$ —**	**12,306,072**	**$ —**	**$ 227,786**	**$ (113,309)**	**$ (16,449)**	**$ 35,795**	**$ 133,823**

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except share/unit and per share/unit amounts)
(Unaudited)

1. Nature of business and organization

European Wax Center, Inc. was formed as a Delaware corporation on April 1, 2021. European Wax Center, Inc. and subsidiaries ("the Company") was formed for the purpose of completing a public offering and related transactions in order to carry on the business of EWC Ventures, LLC ("EWC Ventures") and its subsidiaries. Through its subsidiaries, the Company is engaged in selling franchises of European Wax Center, distributing unique facial and body waxing products to franchisees which are used to perform waxing services and providing branded facial and body waxing products directly to consumers at various locations throughout the United States.

The Company operates on a fiscal calendar which, in a given year, consists of a 52 or 53 week period ending on the Saturday closest to December 31st. The quarters ended October 5, 2024 and September 30, 2023 both consisted of 13 weeks.

2. Summary of significant accounting policies

(a) Basis of presentation and consolidation

The accompanying unaudited condensed consolidated financial statements have been presented in conformity with accounting principles generally accepted in the United States ("GAAP") for interim financial information and pursuant to the rules and regulations of the SEC and includes the operations of the Company and EWC Ventures and its wholly owned subsidiaries. EWC Ventures is considered a variable interest entity. The Company is the primary beneficiary of EWC Ventures. As a result, the Company consolidates EWC Ventures.

The condensed consolidated balance sheet as of January 6, 2024 is derived from the audited consolidated financial statements of the Company but does not include all disclosures required by GAAP. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto for the year ended January 6, 2024 included in our annual report on Form 10-K.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all normal recurring adjustments necessary for a fair statement of the Company's financial position, results of operations, and cash flows for the periods presented. All intercompany accounts and transactions have been eliminated in consolidation.

Accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with the accounting policies described in the audited consolidated financial statements and the related notes thereto for the year ended January 6, 2024 included in our annual report on Form 10-K.

(b) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. Significant areas where estimates and judgments are relied upon by management in the preparation of the financial statements include revenue recognition, inventory reserves, income taxes, the Tax Receivable Agreement ("TRA"), the expected life of franchise agreements, the useful life of reacquired rights, valuation of equity-based compensation awards, and the evaluation of the recoverability of goodwill and long-lived assets, including indefinite-lived intangible assets. Actual results could differ from those estimates.

(c) Implications of being an Emerging Growth Company

The Company is an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012 ("JOBS Act") and may take advantage of reduced reporting requirements that are otherwise applicable to public companies. Section 107 of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with those standards. The Company has elected to use the extended transition period for complying with new or revised accounting standards. We also intend to take advantage of some of the reduced regulatory and reporting requirements of emerging growth companies pursuant to the JOBS Act so long as we qualify as an emerging growth company, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation, and exemptions from the requirements of holding non-binding advisory votes on executive compensation and golden parachute payments.

(d) Comprehensive income (loss)

Comprehensive income (loss) is defined as the change in equity (net assets) of a business entity during a period from transactions and other events and circumstances from nonowner sources. Comprehensive income (loss) is equal to net income (loss) for all periods presented.

(e) Recently issued accounting pronouncements not yet adopted

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280)—Improvements to Reportable Segment Disclosures*, which expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segment's profit or loss and assets. All disclosure requirements under ASU 2023-07 are also required for public entities with a single reportable segment. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023 and subsequent interim periods, with early adoption permitted. We are currently evaluating the impact of adopting ASU 2023-07 will have on our consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740)—Improvements to Income Tax Disclosures*, which expands disclosures in an entity's income tax reconciliation table and regarding cash taxes paid both in the U.S. and foreign jurisdictions. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. We are currently evaluating the impact that adopting this guidance will have on our consolidated financial statements.

(f) Immaterial restatement of prior period financial statements

Subsequent to the issuance of the condensed consolidated financial statements for the period ended July 6, 2024, we identified that an error existed in the purchase price allocation related to the General Atlantic acquisition of EWC Ventures. This error affects the financial statements for the period ended December 29, 2018, as well as all subsequent periods. Specifically, we identified an improper application of the valuation methodology within the historical valuations of the Company's trade name, franchise relationships and goodwill. This resulted in an understatement of the trade name and franchise relationships of $285,657 and $3,782 respectively and an overstatement of goodwill in the amount of $289,439. Additionally, the error also resulted in an understatement of accumulated amortization of $2,206 thousands as of July 6, 2024. We evaluated the error and concluded that it was not material to the previously issued consolidated financial statements. The accompanying financial statements and relevant footnotes to the condensed consolidated financial statements in this Form 10-Q have been revised to correct for the immaterial error discussed above. The Company will also correct previously reported financial information for such immaterial errors in future filings, as applicable. The following tables reflect the effects of the correction on all affected line items of the Company's previously reported condensed consolidated financial statements presented in this Form 10-Q.

The following table represents the adjustments to our consolidated balance sheets as of January 6, 2024 (in thousands):

	For the Year Ended January 6, 2024		
Condensed Consolidated Balance Sheets	**As Previously Reported**	**Adjustment (in thousands)**	**As Restated**
Intangible assets, net	$ 164,073	$ 287,422	$ 451,495
Goodwill	328,551	(289,439)	39,112
Deferred income taxes	138,215	408	138,623
Total assets	735,726	(1,609)	734,117
Additional paid-in capital	232,848	54	232,902
Accumulated deficit	(109,506)	(1,372)	(110,878)
Noncontrolling interest	33,270	(291)	32,979
Total stockholders' equity	116,612	(1,609)	115,003
Total liabilities and stockholders' equity	735,726	(1,609)	734,117

The following table represents the adjustments to our condensed consolidated statements of operations for the thirteen weeks ended September 30, 2023 and the adjustments to our condensed consolidated statements of operations and the condensed consolidated statements of cash flows for the thirty-nine weeks ended September 30, 2023 (in thousands except earnings per share):

Condensed Consolidated Statements of Operations	Thirteen weeks ended September 30, 2023		
	As Previously Reported	Adjustment	As Restated
		(in thousands)	
Depreciation and amortization	$ 5,040	$ 95	$ 5,135
Income tax expense (income)	1,784	(19)	1,765
Net income	4,194	(76)	4,118
Net income attributable to noncontrolling interest	1,253	(18)	1,235
Net income attributable to European Wax Center Inc.	2,941	(58)	2,883
Net profit (loss) per share attributable to Class A ordinary shareholders, basic	$ 0.06	$ —	$ 0.06
Net profit (loss) per share attributable to Class A ordinary shareholders, diluted	$ 0.06	$ —	$ 0.06

	Thirty-nine weeks ended September 30, 2023		
	As Previously Reported	Adjustment	As Restated
		(in thousands)	
Condensed Consolidated Statements of Operations			
Depreciation and amortization	$ 15,148	$ 284	$ 15,432
Income tax expense (income)	4,038	(57)	3,981
Net income	8,735	(227)	8,508
Net income attributable to noncontrolling interest	2,290	(56)	2,234
Net income attributable to European Wax Center Inc.	6,445	(171)	6,274
Net profit (loss) per share attributable to Class A ordinary shareholders, basic	$ 0.12	$ —	$ 0.12
Net profit (loss) per share attributable to Class A ordinary shareholders, diluted	$ 0.12	$ —	$ 0.12
Condensed Consolidated Statements of Cash Flows			
Net income	$ 8,735	$ (227)	$ 8,508
Depreciation and amortization	15,148	284	15,432
Deferred income taxes	3,825	(57)	3,768

The following tables represent the adjustments to our condensed consolidated statements of stockholders' equity as of each date described (in thousands):

Condensed Consolidated Statements of Stockholders' Equity	Additional paid-in capital	Accumulated deficit	Noncontrolling interest	Total equity
		(in thousands)		
As Reported				
Balance, December 31, 2022	$ 207,517	$ (118,437)	$ 51,304	$ 130,304
Net Loss	—	(508)	(545)	(1,053)
TRA liability and deferred taxes arising from secondary offering and other exchanges	(3,519)	—	—	(3,519)
Balance, April 1, 2023	222,460	(118,945)	37,826	131,261
Adjustment				
Balance, December 31, 2022	(25)	(1,146)	(216)	(1,387)
Net Loss	—	(56)	(20)	(76)
TRA liability and deferred taxes arising from secondary offering and other exchanges	(30)	—	—	(30)
Balance, April 1, 2023	(55)	(1,202)	(236)	(1,493)
As Restated				
Balance, December 31, 2022	207,492	(119,583)	51,088	128,917
Net Loss	—	(564)	(565)	(1,129)
TRA liability and deferred taxes arising from secondary offering and other exchanges	(3,549)	—	—	(3,549)
Balance, April 1, 2023	222,405	(120,147)	37,590	129,768
As Reported				
Balance, April 1, 2023	$ 222,460	$ (118,945)	$ 37,826	$ 131,261
Net Income	—	4,012	1,582	5,594
TRA liability and deferred taxes arising from secondary offering and other exchanges	(421)	—	—	(421)
Balance, July 1, 2023	225,527	(114,933)	36,886	136,581
Adjustment				
Balance, April 1, 2023	(55)	(1,202)	(236)	(1,493)
Net Loss	—	(57)	(18)	(75)
TRA liability and deferred taxes arising from secondary offering and other exchanges	(4)	—	—	(4)
Balance, July 1, 2023	(59)	(1,259)	(254)	(1,572)
As Restated				
Balance, April 1, 2023	222,405	(120,147)	37,590	129,768
Net Income	—	3,955	1,564	5,519
TRA liability and deferred taxes arising from secondary offering and other exchanges	(425)	—	—	(425)
Balance, July 1, 2023	225,468	(116,192)	36,632	135,009
As Reported				
Balance, July 1, 2023	$ 225,527	$ (114,933)	$ 36,886	$ 136,581
Net Income	—	2,941	1,253	4,194
TRA liability and deferred taxes arising from secondary offering and other exchanges	167	—	—	167
Balance, September 30, 2023	227,845	(111,992)	36,067	135,471
Adjustment				
Balance, July 1, 2023	(59)	(1,259)	(254)	(1,572)
Net Loss	—	(58)	(18)	(76)
TRA liability and deferred taxes arising from secondary offering and other exchanges				
Balance, September 30, 2023	(59)	(1,317)	(272)	(1,648)
As Restated				
Balance, July 1, 2023	225,468	(116,192)	36,632	135,009
Net Income	—	2,883	1,235	4,118
TRA liability and deferred taxes arising from secondary offering and other exchanges	167	—	—	167
Balance, September 30, 2023	227,786	(113,309)	35,795	133,823
As Reported				
Balance, January 6, 2024	$ 232,848	$ (109,506)	$ 33,270	$ 116,612
Net Income	—	2,821	908	3,729

TRA liability and deferred taxes arising from secondary offering and other exchanges	(113)			
Balance, April 6, 2024	233,819	(106,685)	32,987	120,121
Adjustment				
Balance, January 6, 2024	54	(1,374)	(291)	(1,609)
Net Loss	—	(56)	(19)	(75)
TRA liability and deferred taxes arising from secondary offering and other exchanges	—	—	—	
Balance, April 6, 2024	55	(1,428)	(310)	(1,683)
As Restated				
Balance, January 6, 2024	232,902	(110,878)	32,979	115,003
Net Income	—	2,765	889	3,654
TRA liability and deferred taxes arising from secondary offering and other exchanges	(112)			
Balance, April 6, 2024	233,874	(108,113)	32,677	118,438
As Reported				
Balance, April 6, 2024	$ 233,819	$ (106,685)	$ 32,987	$ 120,121
Net Income	—	4,306	1,694	6,000
TRA liability and deferred taxes arising from secondary offering and other exchanges	383	—	—	383
Balance, July 6, 2024	237,218	(102,379)	32,197	117,035
Adjustment				
Balance, April 6, 2024	55	(1,428)	(310)	(1,683)
Net Loss	—	(57)	(19)	(76)
TRA liability and deferred taxes arising from secondary offering and other exchanges	—	—	—	—
Balance, July 6, 2024	53	(1,485)	(329)	(1,761)
As Restated				
Balance, April 6, 2024	233,874	(108,113)	32,677	118,438
Net Income	—	4,249	1,675	5,924
TRA liability and deferred taxes arising from secondary offering and other exchanges	381			
Balance, July 6, 2024	237,271	(103,864)	31,868	115,274

3. Prepaid expenses and other current assets

Prepaid expenses and other current assets consisted of the following:

	October 5, 2024	January 6, 2024
Prepaid inventory	$ 74	$ 238
Prepaid insurance	1,758	1,507
Prepaid technology	1,772	1,922
Prepaid advertising	819	1,038
Prepaid commissions	355	380
Prepaid other & other current assets	461	1,167
Total	$ 5,239	$ 6,252

4. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consisted of the following:

	October 5, 2024	January 6, 2024
Accounts payable	$ 5,018	$ 6,048
Accrued inventory	1,281	1,397
Accrued compensation	3,718	4,646
Accrued taxes and penalties	803	1,207
Accrued technology and subscription fees	124	237
Accrued interest	1,219	1,290
Accrued professional fees	1,151	458
Accrued advertising	1,197	1,375
Accrued dividend equivalents	42	799
Other accrued liabilities	992	509
Total accounts payable and accrued liabilities	$ 15,545	$ 17,966

5. Long-term debt

Long-term debt consists of the following:

	October 5, 2024	January 6, 2024
Class A-2 Notes	$ 391,000	$ 394,000
Less: current portion	(4,000)	(4,000)
Total long-term debt	387,000	390,000
Less: unamortized debt discount and deferred financing costs	(14,087)	(18,000)
Total long-term debt, net	$ 372,913	$ 372,000

On April 6, 2022 (the “Closing Date”), EWC Master Issuer LLC, a limited-purpose, bankruptcy remote, indirect subsidiary of the Company (the “Master Issuer”), completed a securitization transaction pursuant to which it issued $400,000 in aggregate principal amount of Series 2022-1 5.50% Fixed Rate Senior Secured Notes, Class A-2 (the “Class A-2 Notes”).

In connection with the issuance of the Class A-2 Notes, the Master Issuer also entered into (i) a revolving financing facility that allows for the issuance of up to $40,000 in Variable Funding Notes (“Variable Funding Notes”), and certain letters of credit and (2) an advance funding facility with Bank of America, N.A. (“BofA”), whereby BofA and any other advance funding provider thereunder would, in certain specified circumstances, make certain debt service advances and collateral protection advances (not to exceed $5,000 in the aggregate). The Variable Funding Notes were undrawn as of October 5, 2024.

Fair Value

The carrying values of cash, accounts receivable and accounts payable approximate fair value because of the short-term nature of these instruments. Cash equivalents consist of money market funds for which original cost approximates fair value. Cash equivalents have an approximate fair value of $24,276 as of October 5, 2024 which was determined using Level 1 inputs. Our outstanding Class A-2 Notes had an approximate fair value of $381,342 as of October 5, 2024 which was determined using Level 2 inputs.

6. Equity Based Compensation

Restricted Stock Units

We granted 92,904 and 491,571 restricted stock units (“RSUs”) during the 13 and 39 weeks ended October 5, 2024, respectively, to certain employees and directors under the 2021 Omnibus Incentive Plan (the “2021 Incentive Plan”). We granted 10,426 and 349,569 during the 13 and 39 weeks ended September 30, 2023, respectively, to certain employees and directors under the 2021 Incentive Plan. The RSUs granted generally vest in three equal installments of 33.33% on each of the first three anniversaries of the date of grant, subject in all cases to continued employment on the applicable vesting date. The total grant date fair value of the RSUs will be recognized as equity-based compensation expense over the vesting period. The weighted average grant date fair values of the RSUs granted during the 13 and 39 weeks ended October 5, 2024 were $5.57 and $12.73, respectively. The weighted average grant date fair values of the RSUs granted during the 13 and 39 weeks ended September 30, 2023 were $17.19 and $16.45 respectively. The weighted average grant date fair values of the RSUs granted were equal to the closing price of the underlying Class A common stock on the grant dates.

Class A Common Stock Options

We granted 1,000,000 and 1,326,326 options during the 13 and 39 weeks ended October 5, 2024, respectively, to certain employees under the 2021 Incentive Plan. The weighted average exercise prices of options granted during the 13 and 39 weeks ended October 5, 2024 were $9.53 and $11.49 per share, respectively. We granted 8,783 and 325,878 options during the 13 and 39 weeks ended September 30, 2023, respectively, to certain employees under the 2021 Incentive Plan. The weighted average exercise prices of options granted during the 13 and 39 weeks ended September 30, 2023 were $19.44 and $19.76 per share, respectively. The options granted have a ten-year contractual term and will cliff vest on the third anniversary of the date of grant, subject in all cases to continued employment on the applicable vesting date. The weighted average grant date fair values of the options were $2.68 and $4.06 for the 13 and 39 weeks ended October 5, 2024, respectively, and $9.25 and $9.84 for the 13 and 39 weeks ended September 30, 2023, respectively. The total grant date fair value of the stock options will be recognized as equity-based compensation expense over the vesting period. As these options were granted with exercise prices 20% higher than the closing price, it was determined that the options contained an implicit market condition. As such, the Company estimated the fair value of the options using a binomial lattice model.

The following table presents the weighted average assumptions used in the lattice model to determine the fair value of the options granted during the 13 and 39 weeks ended October 5, 2024 and September 30, 2023:

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	October 5, 2024	September 30, 2023	October 5, 2024	September 30, 2023
Expected dividend yield	0.0%	0.0%	0.0%	0.0%
Expected volatility	60.0%	55.7%	59.0%	61.5%
Risk-free rate	3.8%	4.5%	3.9%	3.6%
Suboptimal exercise factor	2.5x	2.5x	2.5x	2.5x

A description of each of the inputs to the lattice model is as follows:

- Expected dividend yield - The expected dividend yield is based on our history of not paying regular dividends in the past and our current intention to not pay regular dividends in the foreseeable future. An increase in the expected dividend yield would decrease compensation expense.
- Expected volatility - This is a measure of the amount by which the price of the equity instrument has fluctuated or is expected to fluctuate. The expected volatility was based on the historical volatility of the Company as well as that of a group of guideline companies. An increase in expected volatility would increase compensation expense.
- Risk-free interest rate - This is the U.S. Treasury rate as of the measurement date having a term approximating the contractual term of the award. An increase in the risk-free interest rate would increase compensation expense.
- Suboptimal exercise factor - The multiple of the exercise price at which an option exercise would be expected to occur. An increase in the suboptimal exercise factor would increase compensation expense.

7. Commitments and contingencies

Litigation

The Company is exposed to various asserted and unasserted potential claims encountered in the normal course of business. Although the outcomes of potential legal proceedings are inherently difficult to predict, the Company does not expect the resolution of these occasional legal proceedings to have a material effect on its financial position, results of operations, or cash flow.

8. Revenue from contracts with customers

Contract liabilities consist of deferred revenue resulting from franchise fees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement. Also included are service revenues from corporate-owned centers, including customer prepayments in connection with the Wax Pass program. Contract liabilities are classified as deferred revenue on the condensed consolidated balance sheets.

Deferred franchise fees are reduced as fees are recognized in revenue over the term of the franchise license for the respective center. Deferred service revenues are recognized over time as the services are performed. The following table reflects the change in contract liabilities for the periods indicated:

		Contract liabilities
Balance at January 6, 2024	$	11,876
Revenue recognized that was included in the contract liability at the beginning of the year		(3,932)
Contract liability assumed by buyer of corporate-owned center		(187)
Increase, excluding amounts recognized as revenue during the period		2,249
Balance at October 5, 2024	$	10,006

During the 13 and 39 weeks ended October 5, 2024, the Company recognized $888 and $3,932, respectively, in revenue that was included in the contract liability as of January 6, 2024. During the 13 and 39 weeks ended September 30, 2023, the Company recognized $762 and $2,322, respectively, in revenue that was included in the contract liability as of December 31, 2022.

The weighted average remaining amortization period for deferred revenue is 3.7 years.

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of October 5, 2024. The Company has elected to exclude short term contracts, sales-based royalties and any other variable consideration recognized on an "as invoiced" basis.

Contract liabilities to be recognized in:		Amount
2024 (from October 6, 2024)	$	2,995
2025		1,263
2026		1,156
2027		1,102
2028		1,054
Thereafter		2,436
Total	$	10,006

The summary set forth below represents the balances in deferred revenue as of October 5, 2024 and January 6, 2024:

		October 5, 2024		January 6, 2024
Franchise fees	$	7,336	$	8,620
Service revenue		2,670		3,256
Total deferred revenue		10,006		11,876
Long-term portion of deferred revenue		6,054		6,615
Current portion of deferred revenue	$	3,952	$	5,261

9. Sale of corporate-owned center

In March 2024, the Company sold one corporate-owned center for $135. The difference between the sale price and carrying value of the net assets sold was recognized as a gain of $81 in the condensed consolidated statements of operations for the 39 weeks ended October 5, 2024.

10. Income taxes

The Company is subject to U.S. federal income taxes, in addition to state and local income taxes, with respect to its allocable share of any taxable income or loss of EWC Ventures. The remaining share of EWC Ventures income or loss is non-taxable to the Company and is not reflected in current or deferred income taxes.

EWC Ventures is a limited liability company that is treated as a partnership for U.S. federal income tax purposes and for most applicable state and local income tax purposes. As a partnership, EWC Ventures is not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by EWC Ventures is passed through to and included in the taxable income or loss of its members on a pro rata basis, subject to applicable tax regulations.

We recorded $818 and $3,751 in income tax expense for the 13 and 39 weeks ended October 5, 2024, respectively, and $1,765 and $3,981 in income tax expense for the 13 and 39 weeks ended September 30, 2023, respectively. The effective tax rate was 28.7% and 24.4% for the 13 and 39 weeks ended October 5, 2024, respectively, and 30.0% and 31.9% for the 13 and 39 weeks ended September 30, 2023, respectively. The effective tax rate for the 13 and 39 weeks ended October 5, 2024 differs from the U.S. federal statutory rate primarily due to non-taxable income attributable to noncontrolling interest, state taxes and the tax effects of stock compensation. The effective tax rate for the 13 and 39 weeks ended September 30, 2023 differs from the U.S. federal statutory rate primarily due to non-taxable income attributable to noncontrolling interest, state taxes and the tax effects of stock compensation..

Tax Receivable Agreement

As of October 5, 2024, future payments under the TRA are expected to be $201,268. Payments made under the TRA represent payments that otherwise would have been made to taxing authorities in the absence of attributes obtained by us as a result of exchanges by our pre-IPO members. Such amounts will be paid only when a cash tax savings is realized as a result of attributes subject to the TRA. That is, payments under the TRA are only expected to be made in periods following the filing of a tax return in which we are able to utilize certain tax benefits to reduce our cash taxes paid to a taxing authority. The impact of any changes in the projected obligations under the TRA as a result of changes in the geographic mix of the Company's earnings, changes in tax legislation and tax rates or other factors that may impact the Company's tax savings will be reflected in other expense on the condensed consolidated statement of operations in the period in which the change occurs.

11. Noncontrolling interests

We are the sole managing member of EWC Ventures and, as a result of this control, and because we have a substantial financial interest in EWC Ventures, we consolidate the financial results of EWC Ventures. We report noncontrolling interests representing the economic interests in EWC Ventures held by the other members of EWC Ventures. Income or loss is attributed to the noncontrolling interests based on their contractual distribution rights, and the relative percentages of EWC Ventures non-voting common units ("EWC Ventures Units") by us and the other holders of EWC Ventures Units during the period.

The EWC Ventures LLC Agreement permits the members of EWC Ventures to exchange EWC Ventures Units, together with related shares of our Class B common stock, for shares of our Class A common stock on a one-for-one basis or, at the election of the Company, for cash at the current fair value on the date of the exchange. Changes in the Company's ownership interest in EWC Ventures while retaining control of EWC Ventures will be accounted for as equity transactions. As such, future redemptions or direct exchanges of EWC Ventures Units by the other members will result in a change in ownership and reduce the amount recorded as noncontrolling interest and increase additional paid-in capital. Additionally, certain members of EWC Ventures hold unvested EWC Ventures Units that are subject to service, performance, and/or market conditions. The vesting of EWC Ventures Units will result in a change in ownership and increase the amount recorded as noncontrolling interest and decrease additional paid-in capital.

The following table summarizes the ownership of EWC Ventures as of October 5, 2024:

	October 5, 2024	
	Units Owned	Ownership Percentage
European Wax Center, Inc.	44,747,397	78.6 %
Noncontrolling interests	12,184,544	21.4 %
Total	56,931,941	100.0 %

The following table presents the effect of changes in the Company's ownership interest in EWC Ventures on the Company's equity for the 13 and 39 weeks ended October 5, 2024 and September 30, 2023:

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	October 5, 2024	September 30, 2023	October 5, 2024	September 30, 2023
Net income attributable to European Wax Center, Inc.	$ 1,480	$ 2,883	$ 8,494	$ 6,274
Transfers from noncontrolling interests:				
Increase in additional-paid-in-capital as a result of equity allocations from the noncontrolling interest	2,533	794	3,703	15,133
Net increase in equity of European Wax Center, Inc. due to equity interest transactions with noncontrolling interests	$ 4,013	$ 3,677	$ 12,197	$ 21,407

12. Net income (loss) per share

Basic net income (loss) per share of Class A common stock is computed by dividing net income (loss) attributable to Class A common shareholders for the period by the weighted average number of shares of Class A common stock outstanding for the same period. Shares issued during the period and shares reacquired during the period are weighted for the portion of the period in which the shares were outstanding. Diluted net income (loss) per share of Class A common stock is computed by dividing net income (loss) attributable to Class A common shareholders by the weighted-average number of shares of Class A common stock outstanding adjusted to give effect to potentially dilutive securities using the more dilutive of either the treasury stock method or the if-converted method.

The following table sets forth the computation of basic net income per share of Class A common stock for the 13 and 39 weeks ended October 5, 2024 and September 30, 2023:

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
(in thousands, except for share and per share amounts)	October 5, 2024	September 30, 2023	October 5, 2024	September 30, 2023
Net income	$ 2,030	$ 4,118	$ 11,608	$ 8,508
Less: net income attributable to noncontrolling interests	634	1,208	3,156	2,601
Net income applicable to Class A common shareholders	$ 1,396	$ 2,910	$ 8,452	$ 5,907
Basic weighted average outstanding shares				
Class A Common Stock	46,388,266	50,321,994	47,706,516	49,548,820
Basic net income per share applicable to common shareholders:				
Class A Common Stock	$ 0.03	$ 0.06	$ 0.18	$ 0.12

The following table sets forth the computation of diluted net income per share of Class A common stock for the 13 and 39 weeks ended October 5, 2024 and September 30, 2023:

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
(in thousands, except for share and per share amounts)	October 5, 2024	September 30, 2023	October 5, 2024	September 30, 2023
Net income	$ 2,030	$ 4,118	$ 11,608	$ 8,508
Less: net income attributable to noncontrolling interests	634	1,187	3,154	2,540
Net income applicable to Class A common shareholders	$ 1,396	$ 2,931	$ 8,454	$ 5,968
Diluted weighted average outstanding shares				
Basic weighted average outstanding shares - Class A Common Stock	46,388,266	50,321,994	47,706,516	49,548,820
Effect of dilutive securities:				
RSUs	10,139	106,176	42,970	91,689
Options	2,014	—	671	—
Diluted weighted average outstanding shares - Class A Common Stock	46,400,419	50,428,170	47,750,157	49,640,509
Diluted net income per share applicable to common shareholders:				
Class A Common Stock	$ 0.03	$ 0.06	$ 0.18	$ 0.12

For the 13 and 39 weeks ended October 5, 2024, diluted net income per share of Class A common stock was calculated using the treasury stock method. For the 13 and 39 weeks ended September 30, 2023, diluted net income per share of Class A common stock was calculated using the treasury stock method.

Shares of Class B common stock do not share in the earnings or losses attributable to the Company and are therefore not participating securities. As such, separate presentation of basic and diluted net income (loss) per share of Class B common stock under the two-class method has not been presented. Shares of Class B common stock are, however, considered potentially dilutive shares of Class A common stock because shares of Class B common stock, together with the related EWC Ventures Units, are exchangeable into shares of Class A common stock on a one-for-one basis.

The following table sets forth the securities which were excluded from the computation of diluted net income per share of Class A common stock for the 13 and 39 weeks ended October 5, 2024 and September 30, 2023 as they were determined to be antidilutive:

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	October 5, 2024	September 30, 2023	October 5, 2024	September 30, 2023
Antidilutive securities excluded from the computation of diluted net income per share:				
Class B Common Stock	12,192,191	12,306,072	12,192,191	12,306,072
Options	1,047,767	484,091	1,047,767	484,091
RSUs	532,560	-	384,360	-

13. Stockholders' equity

Share Exchange Transactions

During the 13 and 39 weeks ended October 5, 2024 certain members of EWC Ventures exercised their exchange rights and exchanged 22,654 and 83,630, respectively, EWC Ventures Units and the corresponding shares of Class B common stock for 22,654 and 83,630, respectively, newly issued shares of Class A common stock. During the 13 and 39 weeks ended September 30, 2023 certain members of EWC Ventures exercised their exchange rights and exchanged 57,974 and 5,839,883, respectively, EWC Ventures Units and the corresponding shares of Class B common stock for 57,974 and 5,839,883, respectively, newly issued shares of Class A common stock. These exchange transactions increased the Company's ownership interest in EWC Ventures.

Share Repurchases

During the 13 weeks ended October 5, 2024, the Company repurchased 3,057,070 shares of Class A common stock at an average price of $6.59 per share for $20,146 pursuant to the stock repurchase program authorized by the Company's Board of Directors (the "Board") in May 2024. During the 39 weeks ended October 5, 2024, the Company repurchased 3,976,621 shares of Class A common stock at an average price of $7.58 per share for $30,147.

During the 13 weeks ended September 30, 2023, the Company repurchased 325,892 shares of Class A common stock at an average price of $17.03 per share for $5,550 pursuant to the stock repurchase program authorized by the Board in November 2022. During the 39 weeks ended September 30, 2023, the Company repurchased 377,484 shares of Class A common stock at an average price of $16.87 per share for $6,369 pursuant to the stock repurchase program authorized by the Board in November 2022.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our historical performance, financial condition and future prospects in conjunction with the management's discussion and analysis of financial conditions and results of operations and the audited consolidated financial statements included in our annual report on Form 10-K for the fiscal year ended January 6, 2024. The following discussion and analysis should also be read in conjunction with our unaudited condensed consolidated financial statements and the notes thereto included elsewhere in this quarterly report on Form 10-Q. This discussion contains forward-looking statements that are based on the views and beliefs of our management, as well as assumptions and estimates made by our management. Actual results could differ materially from such forward-looking statements as a result of various risk factors, including those that may not be in the control of management. For further information on items that could impact our future operating performance or financial condition, see Part I, "Item 1A. Risk Factors" included in our annual report on Form 10-K for the fiscal year ended January 6, 2024.

We conduct substantially all of our activities through our subsidiary, EWC Ventures, LLC and its subsidiaries. We operate on a fiscal calendar widely used by the retail industry that results in a given fiscal year consisting of a 52- or 53-week period ending on the Saturday closest to December 31. Our fiscal quarters are composed of 13 weeks each, except for 53-week fiscal years for which the fourth quarter will be composed of 14 weeks.

The consolidated financial statements as of April 6, 2024, July 6, 2024 and January 6, 2024 have been adjusted to correct immaterial prior period errors as discussed in Note 2 — Correction of immaterial errors to our consolidated financial statements. Accordingly, Management's Discussion and Analysis reflects the impact of those corrections.

Overview

We are the leading franchisor and operator of out-of-home ("OOH") waxing services in the United States by number of centers and system-wide sales. We delivered over 23 million waxing services in 2023 and over 22 million waxing services in 2022 generating $955 million and $899 million of system-wide sales, respectively, across our highly-franchised network. We have a leading portfolio of centers operating in 1,064 locations across 45 states as of October 5, 2024. Of these locations, 1,059 are franchised centers operated by franchisees and five are corporate-owned centers.

The European Wax Center brand is trusted, efficacious and accessible. Our culture is obsessed with our guest experience and we deliver a superior guest experience relative to smaller chains and independent salons. We offer guests high-quality, hygienic waxing services administered by our licensed, EWC-trained estheticians (our "wax specialists"), at our accessible and welcoming locations (our "centers"). Our technology-enabled guest interface simplifies and streamlines the guest experience with automated appointment scheduling and remote check-in capabilities, ensuring guest visits are convenient, hassle-free, and consistent across our network of centers. Our well-known, pre-paid Wax Pass program makes payment easy and convenient, fostering loyalty and return visits. Our core guests view us as a non-discretionary part of their personal-care and beauty regimens, providing us with a highly predictable and growing recurring revenue model.

Our asset-light franchise platform delivers capital-efficient growth, significant cash flow generation, and resilience through economic cycles. Our centers are 99% owned and operated by our franchisees who benefit from superior unit-level economics, with mature centers generating annual cash-on-cash returns of approximately 50%.

In partnership with our franchisees, we fiercely protect our points of differentiation that attract new guests, build meaningful relationships and promote lasting retention. We are so confident in our ability to delight that we have always offered all of our guests their first wax free.

Hair removal solutions are consistently in demand, given the recurring nature of hair growth. The OOH waxing market is the fastest-growing hair removal solution in the United States, defined by an estimated total addressable market of over $18 billion with annualized growth that is more than double other hair removal alternatives. European Wax Center has become the category-defining brand within this rapidly growing market and became so by professionalizing a highly fragmented sector where service consistency, hygiene, and customer trust were not historically offered. We are approximately six times larger than the next largest waxing-focused competitor by center count and approximately 11 times larger by system-wide sales. Our unmatched scale enables us to drive broader brand awareness, ensures our licensed wax specialists are universally trained at the highest standards and drive consistent financial performance across each center.

Under the stewardship of our CEO, David Berg, and the other management team members, we have prioritized building a culture of performance, success, and inclusivity. Additionally, we have intensified our focus on enhancing the guest experience and have invested significantly in our corporate infrastructure and marketing capabilities to continue our track record of sustainable growth. The foundation for our next chapter of growth is firmly in place.

Growth Strategy and Outlook

We plan to grow our business primarily by opening new franchised centers as well as increasing our system-wide sales in existing centers while leveraging our corporate infrastructure to expand our profit margins and generate robust free cash flow.

We believe our franchisees' track record of successfully opening new centers and consistently generating attractive unit-level economics validates our strategy to expand our footprint and grow our capacity to serve more guests. Our center count grew 11% during both fiscal year 2023 and fiscal year 2022, and has grown each year since 2010. Our thoughtful approach to growth ensures each center is appropriately staffed with the high-quality team and licensed, highly-trained wax specialists that our brand has been known for since our initial opening. We believe that none of our existing markets are fully penetrated, and that we have a significant whitespace opportunity of more than 3,000 locations for our standard center format across the United States. Our centers have a long track record of sustained growth delivering consistent positive same-store sales growth with resilient performance through economic cycles.

Our straightforward, asset-light franchise platform and our proven track record of increasing profitability is expected to continue to drive EBITDA margin accretion and free cash flow generation as we expand our national footprint. We have invested in building our scalable support infrastructure, and we continually work to optimize the capabilities and systems in place to drive revenue growth and profitability across our existing and planned franchise centers.

Key Business Metrics

We track the following key business metrics to evaluate our performance, identify trends, formulate financial projections, and make strategic decisions. Accordingly, we believe that these key business metrics provide useful information to investors and others in understanding and evaluating our results of operations in the same manner as our management team. These key business metrics are presented for supplemental information purposes only, should not be considered a substitute for financial information presented in accordance with GAAP, and may be different from similarly titled metrics or measures presented by other companies.

Number of Centers. Number of centers reflects the number of franchised and corporate-owned centers open at the end of the reporting period. We review the number of new center openings, the number of closed centers and the number of relocations of centers to assess net new center growth, and drivers of trends in system-wide sales, royalty and franchise fee revenue and corporate-owned center sales.

System-Wide Sales. System-wide sales represent sales from same day services, retail sales and cash collected from wax passes for all centers in our network, including both franchisee-owned and corporate-owned centers. While we do not record franchised center sales as revenue, our royalty revenue is calculated based on a percentage of franchised center sales, which are 6.0% of sales, net of retail product sales, as defined in the franchise agreement. This measure allows us to better assess changes in our royalty revenue, our overall center performance, the health of our brand and the strength of our market position relative to competitors. Our system-wide sales growth is driven by net new center openings as well as increases in same-store sales.

Same-Store Sales. Same-store sales reflect the change in year-over-year sales from services performed and retail sales for the same-store base. We define the same-store base to include those centers open for at least 52 full weeks. If a center is closed for greater than six consecutive days, the center is deemed a closed center and is excluded from the calculation of same-store sales until it has been reopened for a continuous 52 full weeks. This measure highlights the performance of existing centers, while excluding the impact of new center openings and closures. We review same-store sales for corporate-owned centers as well as franchisee-owned centers. Same-store sales growth is driven by increases in the number of transactions and average transaction size.

Net New Center Openings. The number of net new center openings reflects centers opened during a particular reporting period for both franchisee-owned and corporate-owned centers, less centers closed during the same period. Opening new centers is an integral part of our growth strategy, and we expect the majority of our future new centers to be franchisee-owned. Before we obtain the certificate of occupancy or report any revenue from new corporate-owned centers, we incur pre-opening costs, such as rent expense, labor expense and other operating expenses. Some of our centers open with an initial start-up period of higher-than-normal marketing and operating expenses, particularly as a percentage of monthly revenue.

Average Unit Volume ("AUV"). AUV consists of the average annual system-wide sales of all centers that have been open for a trailing 52-week period or longer. This measure is calculated by dividing system-wide sales during the applicable period for all centers being measured by the number of centers being measured. AUV allows management to assess our franchisee-owned and corporate-owned center economics. Our AUV growth is primarily driven by increases in services and retail product sales as centers fill their books of reservations, which we refer to as maturation of centers.

Wax Pass Utilization. We define Wax Pass utilization as the adoption of our Wax Pass program by guests, measured as a percentage of total transactions conducted using a Wax Pass. Wax Pass utilization allows management to better assess the recurring nature of our business model because it is an indication of the magnitude of transactions by guests who have made a longer-term commitment to our brand by purchasing a Wax Pass.

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
(in thousands, except operating data and percentages)	**October 5, 2024**	**September 30, 2023**	**October 5, 2024**	**September 30, 2023**
Number of system-wide centers (at period end)	1,064	1,026	1,064	1,026
System-wide sales	$ 240,154	$ 240,706	$ 721,686	$ 713,336
Same-store sales	(0.5)%	3.4%	0.0%	3.4%
Net new center openings	5	23	20	82

The table below presents changes in the number of system-wide centers for the periods indicated:

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	October 5, 2024	**September 30, 2023**	**October 5, 2024**	**September 30, 2023**
System-wide Centers				
Beginning of Period	1,059	1,003	1,044	944
Openings	12	23	33	84
Closures	(7)	—	(13)	(2)
End of Period	1,064	1,026	1,064	1,026

Significant Factors Impacting Our Financial Results

We believe there are several important factors that have impacted, and that we expect will continue to impact, our business and results of operations. These factors include:

New Center Openings. We expect that new centers will be a key driver of growth in our future revenue and operating profit results. Opening new centers is an important part of our growth strategy, and we expect the majority of our future new centers will be franchisee-owned. Our results of operations have been and will continue to be materially affected by the timing and number of new center openings each period. As centers mature, center revenue and profitability increase significantly. The performance of new centers may vary depending on various factors such as the effective management and cooperation of our franchisee partners, whether the franchise is part of a multi-unit development agreement, the center opening date, the time of year of a particular opening, the number of licensed wax specialists recruited, and the location of the new center, including whether it is located in a new or existing market. Our planned center expansion will place increased demands on our operational, managerial, administrative, financial, and other resources.

System-Wide Sales Growth. System-wide sales growth is a key driver of our business. Various factors affect system-wide sales, including:

- consumer preferences and overall economic trends;
- the recurring, non-discretionary nature of personal-care services and purchases;
- our ability to identify and respond effectively to guest preferences and trends;
- our ability to provide a variety of service offerings that generate new and repeat visits to our centers;
- the guest experience we provide in our centers;
- the availability of experienced wax specialists;
- our ability to source and deliver products accurately and timely;
- changes in service or product pricing, including promotional activities;
- the number of services or items purchased per center visit;

- center closures in response to state or local regulations or health concerns

Overall Economic Trends. Macroeconomic factors that may affect guest spending patterns, and thereby our results of operations, include employment rates, the rate of inflation, business conditions, changes in the housing market, the availability of credit, interest rates, tax rates and fuel and energy costs. However, we believe that our core guests see our services as largely non-discretionary in nature. Therefore, we believe that overall economic trends and related changes in consumer behavior have less of an impact on our core guests and business than they may have for other industries subject to fluctuations in discretionary consumer spending.

Guest Preferences and Demands. Our ability to maintain our appeal to existing guests and attract new guests depends on our ability to develop and offer a compelling assortment of services responsive to guest preferences and trends. We also believe that OOH waxing is a recurring need that brings guests back for services on a highly recurring basis which is reflected in the predictability of our financial performance over time. Core guests comprise approximately 75% of our system-wide sales, which reflects their ongoing commitment to their personal care routine.

Our Ability to Source and Distribute Products Effectively. Our revenue and operating income are affected by our ability to purchase our products and supplies in sufficient quantities at competitive prices. While we believe our vendors have adequate capacity to meet our current and anticipated demand, our level of revenue could be adversely affected in the event we face constraints in our supply chain, including the inability of our vendors to produce sufficient quantities of some products or supplies in a manner that matches market demand from our guests, leading to lost revenue. We depend on two key suppliers to source our Comfort Wax and two key suppliers to source our branded retail products and we are thus exposed to concentration of supplier risk.

Our Ability to Recruit and Retain Qualified Licensed Wax Specialists for our Franchised Centers. Our franchisee's ability to operate their centers is largely dependent upon their ability to attract and retain qualified, licensed wax specialists. Our unmatched scale enables us to ensure that we universally train our wax specialists at the highest standards, ensuring that our guests experience consistent level of quality, regardless of the specific center they visit. The combination of consistent service delivery, across our trained base of wax specialists, along with the payment ease and convenience of our well-known, pre-paid Wax Pass program fosters loyalty and return visits across our guest base. Over time, our ability to build and maintain a strong pipeline of licensed wax specialists is important to preserving our current brand position.

Seasonality. Our results are subject to seasonality fluctuations in that services are typically in higher demand in periods leading up to holidays and the summer season. The resulting demand trend has historically yielded higher system-wide sales in the second and fourth quarter of our fiscal year. In addition, our quarterly results may fluctuate significantly, because of several factors, including the timing of center openings, price increases and promotions, and general economic conditions.

Components of Results of Operations

Revenue

Product Sales: Product sales consist of revenue earned from sales of Comfort Wax, other products consumed in administering our wax services and retail merchandise to franchisees, as well as retail merchandise sold in corporate-owned centers. Revenue on product sales is recognized upon transfer of control. Our product sales revenue comprised 57.2% and 57.2% of our total revenue for the 13 weeks ended October 5, 2024 and September 30, 2023, respectively, and 56.9% and 56.7% of our total revenue for the 39 weeks ended October 5, 2024 and September 30, 2023, respectively.

Royalty Fees: Royalty fees are earned based on a percentage of the franchisees' gross sales, net of retail product sales, as defined in the applicable franchise agreement, and recognized in the period the franchisees' sales occur. The royalty fee is 6.0% of the franchisees' gross sales for such period and is paid weekly. Our royalty fees revenue comprised 24.2% and 24.0% of our total revenue for the 13 weeks ended October 5, 2024 and September 30, 2023, respectively, and 24.1% and 24.2% of our total revenue for the 39 weeks ended October 5, 2024 and September 30, 2023, respectively.

Marketing Fees: Marketing fees are earned based on 3.0% of the franchisees' gross sales, net of retail product sales, as defined in the applicable franchise agreement, and recognized in the period the franchisees' sales occur. Additionally, the Company charges a fixed monthly fee to franchisees for search engine optimization and search engine marketing services, which is due on a monthly basis and recognized in the period when services are provided. Our marketing fees revenue comprised 13.7% and 13.5% of our total revenue for the 13 weeks ended October 5, 2024 and September 30, 2023, respectively, and 13.7% and 13.6% of our total revenue for the 39 weeks ended October 5, 2024 and September 30, 2023, respectively.

Other Revenue: Other revenue primarily consists of service revenues from our corporate-owned centers and franchise fees, as well as technology fees and training, which together represent 4.9% and 5.3% of our total revenue for the 13 weeks ended October 5, 2024 and September 30, 2023, respectively, and 5.3% and 5.5% of our total revenue for the 39 weeks ended October 5, 2024 and September 30, 2023, respectively. Service revenues from our corporate-owned centers are recognized at the time services are provided. Amounts collected in advance of the period in which service is rendered are recorded as deferred revenue. Franchise fees are paid upon commencement of the franchise agreement and are deferred and recognized on a straight-line basis commencing at contract inception through the end of the franchise license term. Franchise agreements generally have terms of 10 years beginning on the date the center is opened and the initial franchise fees are amortized over a period approximating the term of the agreement. Deferred franchise fees expected to be recognized in periods greater than 12 months from the reporting date are classified as long-term on the condensed consolidated balance sheets. Technology fees and training are recognized as the related services are delivered and are not material to the overall business.

Costs and Expenses

Cost of Revenue: Cost of revenue primarily consists of the direct costs associated with wholesale product and retail merchandise sold, including distribution and outbound freight costs and inventory obsolescence charges, as well as the cost of materials and labor for services rendered in our corporate-owned centers.

Selling, General and Administrative Expenses: Selling, general and administrative expenses primarily consist of wages, benefits and other compensation-related costs, rent, software, and other administrative expenses incurred to support our existing franchise and corporate-owned centers, as well as expenses attributable to growth and development activities. Also included in selling, general and administrative expenses are accounting, legal, marketing, operations, and other professional fees.

Advertising Expenses: Advertising expenses consist of advertising, public relations, and administrative expenses incurred to increase sales and further enhance the public reputation of the European Wax Center brand.

Depreciation and Amortization: Depreciation and amortization includes depreciation of property and equipment and capitalized leasehold improvements, as well as amortization of intangible assets, including franchisee relationships and reacquired area representative rights. Area representative rights represent an agreement with area representatives to sell franchise licenses and provide support to franchisees in a geographic region. From time to time, the Company enters into agreements to reacquire certain area representative rights.

Interest Expense, net: Interest expense, net consists of interest on our long-term debt, including amounts outstanding under our revolving financing facility, amortization of debt discount and deferred financing costs, gains and losses on debt extinguishment as well as interest income from short-term, highly-liquid investments.

Other (Income) Expense: Other (income) expense consists of non-cash gains and losses related to the remeasurement of our tax receivable agreement liability and contractual cash interest paid on our tax receivable agreement liability.

Income Tax Expense: We are subject to U.S. federal, state and local income taxes with respect to our allocable share of any taxable income of EWC Ventures and are taxed at the prevailing corporate tax rates. Income tax expense includes both current and deferred income tax expense.

Noncontrolling Interests: We are the sole managing member of EWC Ventures. Because we manage and operate the business and control the strategic decisions and day-to-day operations of EWC Ventures and also have a substantial financial interest in EWC Ventures, we consolidate the financial results of EWC Ventures, and a portion of our net income (loss) is allocated to the noncontrolling interests to reflect the entitlement of the EWC Ventures Post-IPO Members to a portion of EWC Ventures' net income (loss).

Results of Operations

The following tables presents our condensed consolidated statements of operations for each of the periods indicated (amounts in thousands, except percentages):

	For the Thirteen Weeks Ended			
	October 5, 2024	September 30, 2023	$ Change	% Change
Revenue:				
Product sales	$ 31,684	$ 31,890	$ (206)	(0.6)%
Royalty fees	13,413	13,345	68	0.5%
Marketing fees	7,603	7,551	52	0.7%
Other revenue	2,730	2,931	(201)	(6.9)%
Total revenue	55,430	55,717	(287)	(0.5)%
Operating expenses:				
Cost of revenue	15,003	15,721	(718)	(4.6)%
Selling, general and administrative	17,474	14,372	3,102	21.6%
Advertising	8,409	8,099	310	3.8%
Depreciation and amortization	5,073	5,135	(62)	(1.2)%
Gain on disposal of assets and non-cancellable contracts	(2)	—	(2)	0.0%
Total operating expenses	45,957	43,327	2,630	6.1%
Income from operations	9,473	12,390	(2,917)	(23.5)%
Interest expense, net	6,340	6,471	(131)	(2.0)%
Other expense (income)	285	36	249	(691.7)%
Income before income taxes	2,848	5,883	(3,035)	(51.6)%
Income tax expense	818	1,765	(947)	(53.7)%
Net income	$ 2,030	$ 4,118	$ (2,088)	(50.7)%
Less: net income attributable to noncontrolling interests	550	1,235	(685)	(55.5)%
Net income attributable to European Wax Center, Inc.	$ 1,480	$ 2,883	$ (1,403)	(48.7)%

	For the Thirty-Nine Weeks Ended			
	October 5, 2024	September 30, 2023	$ Change	% Change
Revenue:				
Product sales	$ 95,105	$ 93,457	$ 1,648	1.8%
Royalty fees	40,314	39,843	471	1.2%
Marketing fees	22,841	22,368	473	2.1%
Other revenue	8,915	9,031	(116)	(1.3)%
Total revenue	167,175	164,699	2,476	1.5%
Operating expenses:				
Cost of revenue	44,551	47,078	(2,527)	(5.4)%
Selling, general and administrative	43,851	45,769	(1,918)	(4.2)%
Advertising	28,673	24,592	4,081	16.6%
Depreciation and amortization	15,246	15,432	(186)	(1.2)%
Gain on sale of center	(81)	—	(81)	—
Gain on disposal of assets and non-cancellable contracts	(2)	—	(2)	—
Total operating expenses	132,238	132,871	(633)	(0.5)%
Income from operations	34,937	31,828	3,109	9.8%
Interest expense, net	19,043	20,095	(1,052)	(5.2)%
Other expense (income)	535	(756)	1,291	170.8%
Income before income taxes	15,359	12,489	2,870	23.0%
Income tax expense	3,751	3,981	(230)	(5.8)%
Net income	$ 11,608	$ 8,508	$ 3,100	36.4%
Less: net income attributable to noncontrolling interests	3,114	2,234	880	39.4%
Net income attributable to European Wax Center, Inc.	$ 8,494	$ 6,274	$ 2,220	35.4%

The following table presents the components of our condensed consolidated statements of operations for each of the periods indicated, as a percentage of revenue:

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	October 5, 2024	September 30, 2023	October 5, 2024	September 30, 2023
Revenue:				
Product sales	57.2 %	57.2 %	56.9 %	56.7 %
Royalty fees	24.2 %	24.0 %	24.1 %	24.2 %
Marketing fees	13.7 %	13.5 %	13.7 %	13.6 %
Other revenue	4.9 %	5.3 %	5.3 %	5.5 %
Total revenue	100.0 %	100.0 %	100.0 %	100.0 %
Costs and expenses:				
Cost of revenue	27.1 %	28.2 %	26.6 %	28.6 %
Selling, general and administrative	31.5 %	25.8 %	26.2 %	27.8 %
Advertising	15.1 %	14.5 %	17.2 %	14.9 %
Depreciation and amortization	9.2 %	9.3 %	9.1 %	9.4 %
Gain on sale of center	—	—	(0.0)%	—
Gain on disposal of assets and non-cancellable contracts	(0.0)%	—	(0.0)%	—
Total operating expenses	82.9 %	77.8 %	79.1 %	80.7 %
Income from operations	17.1 %	22.2 %	20.9 %	19.3 %
Interest expense, net	11.4 %	11.6 %	11.4 %	12.2 %
Other expense (income)	0.5 %	0.1 %	0.3 %	(0.5)%
Income before income taxes	5.2 %	10.5 %	9.2 %	7.6 %
Income tax expense	1.5 %	3.2 %	2.2 %	2.4 %
Net income	3.7 %	7.3 %	7.0 %	5.2 %
Less: net income attributable to noncontrolling interests	1.0 %	2.2 %	1.9 %	1.4 %
Net income attributable to European Wax Center, Inc.	2.7 %	5.1 %	5.1 %	3.8 %

Comparison of the Thirteen Weeks Ended October 5, 2024 and September 30, 2023

Revenue

Total revenue decreased $0.3 million, or 0.5%, to $55.4 million during the 13 weeks ended October 5, 2024, compared to $55.7 million for the 13 weeks ended September 30, 2023. The decrease in total revenue was largely due to a decrease in transactions at existing centers. The decrease in revenue was largely offset by 38 net new center openings that became operational during the period from October 1, 2023 through October 5, 2024.

Product Sales

Product sales decreased $0.2 million, or 0.6%, to $31.7 million during the 13 weeks ended October 5, 2024, compared to $31.9 million for the 13 weeks ended September 30, 2023. The decrease in product sales was primarily due to a decrease in transactions at existing centers and the removal of a surcharge to franchisees that was put in place during the COVID pandemic to help offset elevated supply chain costs. This decrease in product sales was largely offset by new center openings that became operational during the period from October 1, 2023 to October 5, 2024.

Royalty Fees

Royalty fees increased $0.1 million, or 0.5%, to $13.4 million during the 13 weeks ended October 5, 2024, compared to $13.3 million for the 13 weeks ended September 30, 2023. The increase in royalty fees during the 13 weeks ended October 5, 2024 was the result of new center openings that became operational during the period from October 1, 2023 to October 5, 2024.

Marketing Fees

Marketing fees increased $0.1 million, or 0.7%, to $7.6 million during the 13 weeks ended October 5, 2024, compared to $7.6 million for the 13 weeks ended September 30, 2023. Marketing fees increased as a result of new center openings that became operational during the period from October 1, 2023 to October 5, 2024.

Other Revenue

Other revenue decreased $0.2 million, or 6.9%, to $2.7 million during the 13 weeks ended October 5, 2024, compared to $2.9 million for the 13 weeks ended September 30, 2023. The decrease in other revenue was primarily due to the sale of a corporate-owned center in the first fiscal quarter of 2024.

Costs and Expenses

Cost of Revenue

Cost of revenue decreased $0.7 million, or 4.6%, to $15.0 million during the 13 weeks ended October 5, 2024, compared to $15.7 million for the 13 weeks ended September 30, 2023. The decrease in cost of revenue was primarily due to negotiated cost savings.

Selling, General and Administrative

Selling, general and administrative expenses increased $3.1 million, or 21.6%, to $17.5 million during the 13 weeks ended October 5, 2024, compared to $14.4 million for the 13 weeks ended September 30, 2023. The increase in selling, general and administrative expenses was primarily due to an increase in payroll and benefits expense as well as costs associated with a debt offering the Company decided to terminate during the 13 weeks ended October 5, 2024.

The increase in payroll and benefits expense was primarily due to severance expense incurred in connection with the departure of our chief executive and commercial officers and the Company's return-to-office mandate as well as increased headcount in our corporate office to support the Company's growth. These increases in payroll and benefits expense were partially offset by the reversal of equity-based compensation expense due to forfeited awards as well as a decline in incentive compensation expense during the 13 weeks ended October 5, 2024.

Advertising

Advertising expenses increased $0.3 million, or 3.8%, to $8.4 million during the 13 weeks ended October 5, 2024, compared to $8.1 million for the 13 weeks ended September 30, 2023. The increase in advertising expense was attributable to marketing initiatives designed to drive more center traffic as well as the timing of expenses associated with seasonal marketing campaigns.

Depreciation and Amortization

Depreciation and amortization for the 13 weeks ended October 5, 2024 was largely consistent with the 13 weeks ended September 30, 2023, decreasing $62 thousand, or 1.2%, to $5.1 million for the 13 weeks ended October 5, 2024.

Interest Expense, net

Interest expense, net decreased $0.1 million, or 2.0%, to $6.3 million during the 13 weeks ended October 5, 2024, compared to $6.5 million for the 13 weeks ended September 30, 2023. The decrease was primarily due to an increase in interest income from the Company's short-term investments during the 13 weeks ended October 5, 2024.

Income Tax Expense

We recorded $0.8 million and $1.8 million of income tax expense for the 13 weeks ended October 5, 2024 and September 30, 2023, respectively. Income tax expense recognized in the 13 weeks ended October 5, 2024 differs from the federal statutory income tax rate primarily as a result of non-taxable income attributable to noncontrolling interest, state taxes and the tax effects of stock compensation. Income tax expense recognized in the 39 weeks ended September 30, 2023 differs from the federal statutory income tax rate primarily as a result of non-taxable income attributable to noncontrolling interest, state taxes and the tax effects of stock compensation.

We estimate that in future annual periods, our blended statutory tax rate will be approximately 20% of EWC Ventures income or loss before income taxes. This estimated blended statutory tax rate is based on the current capital structure, excludes discrete or other rate impacting adjustments which may impact the company's income tax provision in the future and is based on our blended federal and state statutory tax rates reduced to exclude our non-taxable noncontrolling interest percentage. We expect this estimated blended statutory tax rate to increase as EWC Ventures Units and the corresponding shares of Class B common stock are exchanged for shares of Class A common stock because our nontaxable noncontrolling interest earnings will decrease.

Comparison of the Thirty-Nine Weeks Ended October 5, 2024 and September 30, 2023

Revenue

Total revenue increased $2.5 million, or 1.5%, to $167.2 million during the 39 weeks ended October 5, 2024, compared to $164.7 million for the 39 weeks ended September 30, 2023. The increase in total revenue was largely due to 38 net new center openings that became operational during the period from October 1, 2023 through October 5, 2024. However, the increase in total revenue was partially offset by a decrease in transactions in existing centers.

Product Sales

Product sales increased $1.6 million, or 1.8% to $95.1 million during the 39 weeks ended October 5, 2024, compared to $93.5 million for the 39 weeks ended September 30, 2023. The increase in product sales was primarily due to new center openings that became operational during the period from October 1, 2023 to October 5, 2024. This increase was partially offset by the removal of a surcharge to franchisees that was put in place during the COVID pandemic to help offset elevated supply chain costs.

Royalty Fees

Royalty fees increased $0.5 million, or 1.2%, to $40.3 million during the 39 weeks ended October 5, 2024, compared to $39.8 million for the 39 weeks ended September 30, 2023. The increase in royalty fees during the 39 weeks ended October 5, 2024 was the result of new center openings that became operational during the period from October 1, 2023 to October 5, 2024.

Marketing Fees

Marketing fees increased $0.5 million, or 2.1%, to $22.8 million during the 39 weeks ended October 5, 2024, compared to $22.4 million for the 39 weeks ended September 30, 2023. Marketing fees increased as a result of new center openings that became operational during the period from October 1, 2023 to October 5, 2024.

Other Revenue

Other revenue for the 39 weeks ended October 5, 2024 was largely consistent with the 39 weeks ended September 30, 2023, decreasing $0.1 million or 1.3% to $8.9 million for the 39 weeks ended October 5, 2024.

Costs and Expenses

Cost of Revenue

Cost of revenue decreased $2.5 million, or 5.4%, to $44.6 million during the 39 weeks ended October 5, 2024, compared to $47.1 million for the 39 weeks ended September 30, 2023. The decrease in cost of revenue was primarily due to negotiated cost savings. However, this decrease was slightly offset by higher product sales in the current year period driven by new center openings which became operational during the period from October 1, 2023 to October 5, 2024.

Selling, General and Administrative

Selling, general and administrative expenses decreased $1.9 million, or 4.2%, to $43.9 million during the 39 weeks ended October 5, 2024, compared to $45.8 million for the 39 weeks ended September 30, 2023. The decrease in selling, general and administrative expenses was primarily due to a decrease in payroll and benefits expense as well as the collection of cash proceeds from a legal judgment. However, these decreases were partially offset by an increase in technology expense over the same period and costs associated with a debt offering the Company decided to terminate during the 39 weeks ended October 5, 2024.

The decrease in payroll and benefits expense was primarily due to additional expense recognized during the 39 weeks ended September 30, 2023 resulting from the modification of certain equity awards in that period. Payroll and benefits expense also decreased due to the reversal of equity-based compensation expense associated with forfeited awards as well as a decline in incentive compensation expense during the 39 weeks ended October 5, 2024. These decreases in payroll and benefits expense were partially offset by severance expense incurred in connection with the departure of our chief executive and commercial officers and the Company’s return-to-office mandate as well as increased headcount in our corporate office to support the Company’s growth.

Advertising

Advertising expenses increased $4.1 million, or 16.6%, to $28.7 million during the 39 weeks ended October 5, 2024, compared to $24.6 million for the 39 weeks ended September 30, 2023. The increase in advertising expense was attributable to new marketing initiatives designed to drive more center traffic as well as the timing of expenses associated with seasonal marketing campaigns.

Depreciation and Amortization

Depreciation and amortization for the 39 weeks ended October 5, 2024 was largely consistent with the 39 weeks ended September 30, 2023, decreasing $0.2 million, or 1.2%, to $15.2 million for the 39 weeks ended October 5, 2024.

Interest Expense, net

Interest expense, net decreased $1.1 million, or 5.2%, to $19.0 million during the 39 weeks ended October 5, 2024, compared to $20.1 million for the 39 weeks ended September 30, 2023. The decrease was primarily due to an increase in interest income from the Company's short-term investments during the 39 weeks ended October 5, 2024.

Income Tax Expense

We recorded $3.8 million and $4.0 million in income tax expense for the 39 weeks ended October 5, 2024 and September 30, 2023, respectively. Income tax expense recognized in the 39 weeks ended October 5, 2024 differs from the federal statutory income tax rate primarily as a result of non-taxable income attributable to noncontrolling interest, state taxes and the tax effects of stock compensation. Income tax expense recognized in the 39 weeks ended September 30, 2023 differs from the federal statutory income tax rate primarily as a result of non-taxable income attributable to noncontrolling interest, state taxes and the tax effects of stock compensation.

We estimate that in future annual periods, our blended statutory tax rate will be approximately 20% of EWC Ventures income or loss before income taxes. This estimated blended statutory tax rate is based on the current capital structure, excludes discrete or other rate impacting adjustments which may impact the company's income tax provision in the future and is based on our blended federal and state statutory tax rates reduced to exclude our non-taxable noncontrolling interest percentage. We expect this estimated blended statutory tax rate to increase as EWC Ventures Units and the corresponding shares of Class B common stock are exchanged for shares of Class A common stock because our nontaxable noncontrolling interest earnings will decrease.

Non-GAAP Financial Measures

In addition to our GAAP financial results, we believe the non-GAAP financial measures EBITDA and Adjusted EBITDA are useful in evaluating our performance. Our non-GAAP financial measures should not be considered in isolation from, or as substitutes for, financial information prepared in accordance with GAAP. These non-GAAP financial measures are presented for supplemental information purposes only and may be different from similarly titled metrics or measures presented by other companies. A reconciliation of the non-GAAP financial measures to the most directly comparable financial measure stated in accordance with GAAP and a further discussion of how we use non-GAAP financial measures is provided below.

EBITDA and Adjusted EBITDA. We define EBITDA as net income (loss) before interest, taxes, depreciation and amortization. We believe that EBITDA, which eliminates the impact of certain expenses that we do not believe reflect our underlying business performance, provides useful information to investors to assess the performance of our business. We define Adjusted EBITDA as net income (loss) before interest, taxes, depreciation and amortization, adjusted for the impact of certain additional non-cash and other items that we do not consider in our evaluation of ongoing performance of our core operations. These items include non-cash equity-based compensation expense, non-cash gains and losses on remeasurement of our tax receivable agreement liability, contractual cash interest on our tax receivable agreement liability, transaction costs and other one-time expenses and/or gains. We believe that Adjusted EBITDA is an appropriate measure of operating performance in addition to EBITDA because it eliminates the impact of other items that we believe reduce the comparability of our underlying core business performance from period to period and is therefore useful to our investors in comparing the core performance of our business from period to period. EBITDA and Adjusted EBITDA may not be comparable to other similarly titled captions of other companies due to differences in methods of calculation.

A reconciliation of net income to EBITDA and Adjusted EBITDA is set forth below for the periods indicated:

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	October 5, 2024	September 30, 2023	October 5, 2024	September 30, 2023
(in thousands)				
Net income	$ 2,030	$ 4,118	$ 11,608	$ 8,508
Interest expense, net	6,340	6,471	19,043	20,095
Income tax expense	818	1,765	3,751	3,981
Depreciation and amortization	5,073	5,135	15,246	15,432
EBITDA	$ 14,261	$ 17,489	$ 49,648	$ 48,016
Share-based compensation(1)	882	1,732	4,205	9,489
Remeasurement of tax receivable agreement liability(2)	285	36	535	(756)
Gain on sale of center(3)	—	—	(81)	—
Gain from legal judgment proceeds(4)	—	—	(739)	—
Executive severance(5)	1,548	—	1,548	—
Reorganization costs(6)	490	—	490	—
Terminated debt offering costs(7)	944	—	944	—
Adjusted EBITDA	$ 18,410	$ 19,257	$ 56,550	$ 56,749

(1) Represents non-cash equity-based compensation expense.

(2) Represents non-cash adjustments related to the remeasurement of our tax receivable agreement liability.

(3) Represents gain on the sale of a corporate-owned center.

(4) Represents the collection of cash proceeds from a legal judgment.

(5) Represents cash severance paid or payable to our former chief executive and commercial officers.

(6) Represents employee cash severance paid or payable to employees and costs related to the Company's return-to-office mandate such as retention bonuses, relocation assistance and preparation of the Company's corporate office.

(7) Represents costs related to a debt offering the Company was previously evaluating and subsequently decided to terminate.

Liquidity and Capital Resources

We measure liquidity in terms of our ability to fund the cash requirements of our business operations, including working capital needs, capital expenditures, contractual obligations and debt service with cash flows from operations and other sources of funding. Our primary sources of liquidity and capital resources are cash provided from operating activities, cash and cash equivalents on hand, proceeds from our Class A-2 Notes and Variable Funding Notes and proceeds from the issuance of equity to our stockholders. We had cash and cash equivalents of $48.0 million as of October 5, 2024.

Future payments under the TRA with respect to the purchase of EWC Ventures Units which occurred as part of the IPO and through October 5, 2024 are currently expected to be $201.3 million. Such amounts will be paid when such deferred tax assets are realized as a reduction to income taxes due or payable. That is, payments under the TRA are only expected to be made in periods following the filing of a tax return in which we are able to utilize certain tax benefits to reduce our cash taxes paid to a taxing authority. The impact of any changes in the projected obligations under the TRA as a result of changes in the geographic mix of the Company's earnings, changes in tax legislation and tax rates or other factors that may impact the Company's tax savings will be reflected in other expense on the condensed consolidated statements of operations in the period in which the change occurs. During the 39 weeks ended October 5, 2024 there were no material changes in our contractual obligations from those described in our annual report on Form 10-K for the fiscal year ended January 6, 2024.

We believe that our sources of liquidity and capital will be sufficient to finance our continued operations and growth strategy for at least the next twelve months. Our primary requirements for liquidity and capital are working capital, capital expenditures to grow our network of centers, debt servicing costs, and general corporate needs. We have in the past, and may in the future, refinance our existing indebtedness with new debt arrangements and utilize a portion of borrowings to return capital to our stockholders.

Our assessment of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties. Our actual results and our future capital requirements could vary because of many factors, including our growth rate, the timing and extent of spending to acquire new centers and expand into new markets, and the expansion of sales and marketing activities. We may, in the future, enter into arrangements to acquire or invest in complementary businesses, services and technologies. We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, or if we cannot expand our operations or otherwise capitalize on our business opportunities because we lack sufficient capital, our business, results of operations and financial condition would be adversely affected.

Securitized Financing Facility

On April 6, 2022, the Master Issuer completed a securitization transaction pursuant to which it issued $400.0 million in aggregate principal amount of Class A-2 Notes. The net proceeds from the issuance of the Class A-2 Notes were used to repay our previous term loan, fund certain reserve amounts under the securitized financing facility, pay the transaction costs associated with the securitized financing facility, and fund a one-time special dividend to stockholders.

In connection with the issuance of the Class A-2 Notes, the Master Issuer also entered into (i) a revolving financing facility that allows for the issuance of up to $40.0 million in Variable Funding Notes, and certain letters of credit and (2) an advance funding facility with BofA, whereby BofA and any other advance funding provider thereunder will, in certain specified circumstances, make certain debt service advances and collateral protection advances. The Variable Funding Notes were undrawn as of October 5, 2024. The Class A-2 Notes and the Variable Funding Notes are referred to collectively as the "Notes."

The Notes are subject to a series of covenants and restrictions customary for transactions of this type, including (i) that the Master Issuer maintains specified reserve accounts to be used to make required payments in respect of the Notes, (ii) provisions relating to optional and mandatory prepayments and the related payment of specified amounts, including specified make-whole payments in the case of the Class A-2 Notes under certain circumstances, (iii) certain indemnification payments in the event, among other things, the transfers of the assets pledged as collateral for the Notes are in stated ways defective or ineffective and (iv) covenants relating to recordkeeping, access to information and similar matters. The Notes are also subject to customary rapid amortization events provided for in the Base Indenture, dated April 6, 2022 (the "Indenture"), including events tied to failure to maintain a stated debt service coverage ratio, the sum of system-wide sales being below certain levels on certain measurement dates, certain manager termination events (including in certain cases a change of control of EWC Ventures, LLC), an event of default and the failure to repay or refinance the Notes on the applicable anticipated repayment date. The Notes are also subject to certain customary events of default, including events relating to non-payment of required interest, principal or other amounts due on or with respect to the Notes, failure to comply with covenants within certain time frames, certain bankruptcy events, breaches of specified representations and warranties, failure of security interests to be effective and certain judgments.

For additional information regarding our long-term debt activity, see the notes to the condensed consolidated financial statements (Note 5—Long-term debt) contained elsewhere in this quarterly report on Form 10-Q.

Tax Receivable Agreement

Generally, we are required under the TRA, which is described more fully in Part 1 "Item 1A. Risk Factors" in our annual report on Form 10-K for the fiscal year ended January 6, 2024 in the section entitled "Risks Relating to Our Organization and Structure—We are required to pay the EWC Ventures' pre-IPO members for certain tax benefits we may claim, and the amounts we may pay could be significant" to make payments to the EWC Ventures pre-IPO members that are generally equal to 85% of the applicable cash tax savings, if any, that we actually realize (or are deemed to realize, calculated using certain assumptions) as a result of (i) increases in our allocable share of certain existing tax basis of the tangible and intangible assets of the Company and adjustments to the tax basis of the tangible and intangible assets of the Company, in each case as a result of (a) the purchases of EWC Ventures Units (along with the corresponding shares of our Class B common stock) from certain of the EWC Ventures Post-IPO Members using a portion of the net proceeds from the initial and secondary public offerings or in any future offering or (b) Share Exchanges and Cash Exchanges by the EWC Ventures pre-IPO members (or their transferees or other assignees) in connection with or after the initial public offering, (ii) our utilization of certain tax attributes of certain affiliates of General Atlantic (the "Blocker Companies") (including the Blocker Companies' allocable share of certain existing tax basis of EWC Ventures' assets) and (iii) certain other tax benefits related to entering into the TRA, including tax benefits attributable to payments under the TRA.

Subject to the discussion in the following paragraph below, payments under the TRA will occur only after we have filed our U.S. federal and state income tax returns and realized the cash tax savings from the favorable tax attributes. Future payments under the TRA in respect of future purchases of EWC Ventures Units, Share Exchanges and Cash Exchanges would be in addition to these amounts. Payments under the TRA are computed by reference to realized tax benefits from attributes subject to the TRA and are expected to be funded by tax distributions made to us by our subsidiaries similar to how cash taxes would be funded to the extent these attributes did not exist. To the extent we are unable to make payments under the TRA for any reason (including because the Company's securitized financing facility restricts the ability of our subsidiaries to make distributions to us), under the terms of the TRA such payments will be deferred and accrue interest until paid. If we are unable to make payments due to insufficient funds, such payments may be deferred indefinitely while accruing interest until paid, which could negatively impact our results of operations and could also affect our liquidity in future periods in which such deferred payments are made.

Under the TRA, as a result of certain types of transactions and other factors, including a transaction resulting in a change of control, we may also be required to make payments to the EWC Ventures pre-IPO members in amounts equal to the present value of future payments we are obligated to make under the TRA. If the payments under the TRA are accelerated, we may be required to raise additional debt or equity to fund such payments. To the extent that we are unable to make payments under the TRA for any reason (including because the Company's securitized financing facility restricts the ability of our subsidiaries to make distributions to us), under the terms of the TRA Agreement such payments will be deferred and will accrue interest until paid. If we are unable to make payments due to insufficient funds to make such payments, such payments may be deferred indefinitely while accruing interest until paid, which could negatively impact our results of operations and could also affect our liquidity in future periods in which such deferred payments are made.

Summary Statements of Cash Flows

The following table sets forth the major components of our condensed consolidated statements of cash flows for the periods presented (amounts in thousands):

	For the Thirty-Nine Weeks Ended	
	October 5, 2024	September 30, 2023
Net cash provided by (used in):		
Operating activities	$ 39,950	$ 38,856
Investing activities	(141)	(774)
Financing activities	(44,533)	(18,373)
Net (decrease) increase in cash	$ (4,724)	$ 19,709

Operating Activities

During the 39 weeks ended October 5, 2024 and September 30, 2023, net cash provided by operating activities was $40.0 million and $38.9 million, respectively, an increase of $1.1 million. This increase was primarily due to an improvement in cash flows generated by our operations as well as a decrease in working capital during the first 39 weeks ended October 5, 2024.

The decrease in working capital in 2024 was primarily attributable to decreases of $1.7 million and $0.2 million in inventory and accounts receivable, respectively, partially offset by a decrease of $1.6 million in accounts payable and accrued liabilities. The decrease in inventory was largely due to the timing of inventory receipts from our vendors. The decrease in accounts receivable was mostly the result of higher billings at the end of the fourth fiscal quarter of 2023 relative to those at the end of the third fiscal quarter of 2024. The decrease in accounts payable and accrued liabilities was largely driven by the payment of accrued bonuses partially offset by an increase in accrued advertising expenses.

Investing Activities

In the first 39 weeks of fiscal year 2024, we received proceeds of $0.1 million from the sale of a corporate-owned center. During the 39 weeks ended October 5, 2024 and September 30, 2023, we used $0.3 million and $0.8 million of cash for capital expenditures, respectively.

Financing Activities

Cash used in financing activities was $44.5 million and $18.4 million during the 39 weeks ended October 5, 2024 and September 30, 2023, respectively. Financing activities during the 39 weeks of 2024 consisted of the following payments:

- $30.1 million used to repurchase 3,976,621 shares of Class A common stock
- $6.5 million in payments made pursuant to the TRA
- $3.6 million in tax distribution payments to EWC Ventures members
- $3.0 million repayment on the Class A-2 Notes
- $0.8 million in dividend equivalents paid to holders of EWC Ventures Units and
- $0.5 million in taxes on vested RSUs paid by withholding shares.

Financing activities during the 39 weeks of 2023 consisted of the following payments:

- $3.2 million in payments made pursuant to the TRA
- $2.8 million in dividend equivalents paid to holders of EWC Ventures Units
- $3.0 million repayment on the Class A-2 Notes
- $2.5 million in tax distributions to EWC Ventures members
- $6.4 million used to repurchase 377,484 shares of Class A common stock and
- $0.5 million in taxes on vested RSUs paid by withholding shares.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates. With the exception of the immaterial error described in Note 2 - Immaterial restatement of prior period financial statements, there have been no changes to our critical accounting policies and use of estimates from those described under "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the fiscal year ended January 6, 2024.

In relation to our indefinite-lived intangible trade name, significant assumptions inherent in the relief-from-royalty method include estimates of future projected business results (principally system-wide sales), long-term growth rates, royalty rates and the discount rate. We performed sensitivity analyses by using a range of inputs to confirm the reasonableness of long-term growth rate, royalty rate and discount rate estimates. Significant assumptions utilized in the impairment analysis included a discount rate of 12.8%, a royalty rate of 5.0% and a terminal growth rate of 4.0%. Based on the sensitivity analysis performed on these three key assumptions in the relief-from-royalty model, a 100 basis point decrease in the long-term growth factor and royalty rate assumptions, or a 100 basis point increase in the discount rate assumption would not have resulted in a fair value below the trade name's carrying value.

JOBS Act

The Company is an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012 ("JOBS Act") and may take advantage of reduced reporting requirements that are otherwise applicable to public companies. Section 107 of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with those standards. We have elected to use the extended transition period for complying with new or revised accounting standards. This may make it difficult to compare our financial results with the financial results of another public company that is either not an emerging growth company or is an emerging growth company that has chosen not to take advantage of the extended transition period exemptions because of the potential differences in accounting standards used.

Recent Accounting Pronouncements

See Note 2—Summary of significant accounting policies to the condensed consolidated financial statements included in this quarterly report on Form 10-Q for more information about recent accounting pronouncements, the timing of their adoption and our assessment, to the extent we have made one, of the potential impact of the pronouncements on our financial condition and results of operations and cash flows.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are exposed to market risk related to changes in interest rates. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because our Variable Funding Notes bear interest at a variable rate.

Our Class A-2 Notes bear interest at a fixed rate of 5.50%, and therefore our interest expense related to these notes would not be affected by an increase in market interest rates. Our Variable Funding Notes bear interest at a variable index rate plus an applicable margin.

Accordingly, increases in the variable index rate could increase our interest payments under the Variable Funding Notes. However, as the Variable Funding Notes were undrawn as of October 5, 2024 an increase in the variable index rate would not impact on our financial position or results of operations.

Foreign Currency Risk

We are not currently exposed to significant market risk related to changes in foreign currency exchange rates; however, we have contracted with and may continue to contract with foreign vendors. Our operations may be subject to fluctuations in foreign currency exchange rates in the future.

Commodity Price Risk

We are exposed to market risk related to changes in commodity prices. Our primary exposure to commodity price risk is the pricing of our wax purchased from our significant suppliers, which may be adjusted upwards or downwards based on changes in prices of certain raw materials used in the production process.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our Management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of October 5, 2024. We conducted an evaluation of the 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 (the “Exchange Act”), as of the end of the period covered by this report. Based on the evaluation of our disclosure controls and procedures as of October 5, 2024, Management has concluded that our disclosure controls and procedures were not effective as of that date due to a material weakness in our internal control over financial reporting, as further described below.

Notwithstanding the existence of this material weakness, management has concluded that the Company’s unaudited condensed consolidated financial statements in its Quarterly Report on Form 10-Q for the period ended October 5, 2024 are fairly stated in all material respects in accordance with generally accepted accounting principles in the United States of America.

Material weakness in Internal Control Over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We identified a material weakness in internal control over financial reporting related to the fair value assigned to the trade name, franchise relationships, and goodwill. Specifically, we did not design and maintain controls that operated at the level of precision required to appropriately review the valuation methodology applied by the third-party specialists in determining the fair value of intangible assets. This material weakness resulted in an error that understated trade name and franchise relationships in the amount of $285,657 and $3,782, respectively. The error also resulted in an overstatement of goodwill for $289,439. See further discussion of this error in Note 2 of the financial statements.

Remediation Plan for Material Weakness in Internal Control Over Financial Reporting

The Company, with oversight from its Audit Committee, is in the process of implementing measures designed to ensure that control deficiencies contributing to the material weakness are remediated, such that controls are designed, implemented, and operating effectively. The remediation plan includes, but is not limited to, the following:

- Design and implement enhanced controls over the review of the valuation methodology used by third-party specialists including alignment with U.S. generally accepted accounting principles.

Although the Company believes that these actions will remediate the material weakness, additional time is required to complete the design, implementation, and to test such actions to demonstrate the effectiveness of the Company’s remediation efforts. The material weakness cannot be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in internal control over financial reporting

Except for the identification of the material weakness described above, there were no changes in our internal control over financial reporting during the quarter ended October 5, 2024, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II-OTHER INFORMATION

Item 1. Legal Proceedings

We may be the defendant from time to time in litigation arising during the ordinary course of business, including, without limitation, employment-related claims, claims based on theories of joint employer liability, data privacy claims, claims involving anti-poaching allegations and claims made by former or existing franchisees or the government. In the ordinary course of business, we are also subject to regulatory and governmental examinations, information requests and subpoenas, inquiries, investigations, and threatened legal actions and proceedings. Although the outcomes of potential legal proceedings are inherently difficult to predict, the Company does not expect the resolution of these occasional legal proceedings to have a material effect on its financial position, results of operations, or cash flow.

Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties, including those disclosed in Part I, "Item 1A. Risk Factors" in our annual report on Form 10-K for the year ended January 6, 2024. You should carefully consider the risk factors set forth in our 10-K and the other information set forth in this quarterly report on Form 10-Q. You should be aware that these risk factors and other information may not describe every risk that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition and/or operating results. There have been no material changes in our risk factors since our Annual Report on Form 10-K for the year ended January 6, 2024, except as set forth below:

We have identified a material weakness in our internal control over financial reporting. If our remediation of this material weakness is not effective, or if we experience additional material weaknesses in the future or otherwise fail to maintain effective internal controls in the future, we may not be able to accurately report our financial condition or results of operations, which may adversely affect investor confidence in us and, as a result, the value of our common stock.

In connection with the review of our consolidated financial statements for the period ended October 5, 2024, management concluded that our internal controls over financial reporting were not effective due to the existence of a material weakness in internal control over financial reporting related to the fair value assigned to the Company's trade name, franchise relationships, and goodwill. See Item 4—Controls and Procedures in this quarterly report on Form 10-Q for additional detail.

If we are unable to timely and effectively remediate this and any other material weakness, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal controls over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

Share Repurchases

The following table provides information with respect to our purchases of European Wax Center, Inc. Class A common stock during the second quarter of fiscal year 2024.

Period:	Total Number Shares Purchased[(1)]	Average Price Paid per Share (including fees)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs
July 7, 2024 - August 3, 2024	—	$ —	—	$ 39,998,870
August 4, 2024 - August 31, 2024	1,961,502	6.32	1,961,502	27,596,032
September 1, 2024 - October 5, 2024	1,095,568	7.07	1,095,568	19,852,470
Total	3,057,070	$ 6.59	3,057,070	$ 19,852,470

(1) In the third quarter of fiscal year 2024, 3,057,070 shares of Class A common stock were repurchased pursuant to the $50.0 million share repurchase plan authorized by our board of directors on May 13, 2024. Purchases may be effected through one or more open market transactions, privately negotiated transactions, transactions structured through investment banking institutions, or a combination of the foregoing. The Company may terminate the program at any time.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

Trading Plans of Our Directors and Officers

During the third quarter of fiscal year 2024, none of the Company's directors or executive officers adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each item is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-8 filed on August 4, 2021).
3.2	Certificate of Amendment of the Registrant's Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on June 9, 2023).
3.3	Second Amended and Restated By-Laws of European Wax Center, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on February 24, 2023).
10.1	Separation Agreement, dated as of August 15, 2024, by and among EWC Ventures LLC and David Willis (incorporated by reference to the Registrant's Current Report on Form 8-K filed on August 19, 2024).
10.2	Separation Agreement, dated as of September 16, 2024, by and among EWC Ventures LLC and Andrea Wasserman (incorporated by reference to the Registrant's Current Report on Form 8-K filed on September 19, 2024).
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbases Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.
** European Wax Center, Inc. is furnishing, but not filing, the written statement pursuant to Title 18 United States Code 1350, as added by Section 906 of the Sarbanes Oxley Act of 2002, of David P. Berg, our Chief Executive Officer and Stacie Shirley, our Chief Financial Officer.

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.

	European Wax Center, Inc.	
Date: November 14, 2024	By:	/s/ DAVID P. BERG David P. Berg Chief Executive Officer (Principal Executive Officer)
Date: November 14, 2024	By:	/s/ STACIE SHIRLEY Stacie Shirley Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David P. Berg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of European Wax Center, Inc.;

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(s) 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 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(s) 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.

Date: November 14, 2024

By: /s/ DAVID P. BERG
David P. Berg
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stacie Shirley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of European Wax Center, Inc.;

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(s) 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 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(s) 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.

Date: November 14, 2024

By: /s/ STACIE SHIRLEY
Stacie Shirley
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER 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 of European Wax Center, Inc. (the "Company") on Form 10-Q for the period ending October 5, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David P. Berg, as 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:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 14, 2024

By: /s/ DAVID P. BERG
David P. Berg
Chief Executive Officer

Exhibit 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER 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 of European Wax Center, Inc. (the "Company") on Form 10-Q for the period ending October 5, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stacie Shirley, as 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:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 14, 2024

By: /s/ STACIE SHIRLEY
Stacie Shirley
Chief Financial Officer