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 September 24, 2022

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 1, 2022, the registrant had 45,265,461 and 18,286,587 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)

	September 24, 2022	December 25, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 41,593	$ 43,301
Restricted cash	6,557	—
Accounts receivable, net	6,305	6,656
Inventory	23,087	19,423
Prepaid expenses and other current assets	6,867	5,927
Total current assets	84,409	75,307
Property and equipment, net	2,970	3,863
Operating lease right-of-use assets	5,258	—
Intangible assets, net	187,769	201,995
Goodwill	328,551	328,551
Other non-current assets	4,793	3,723
Total assets	**$ 613,750**	**$ 613,439**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 15,993	$ 23,155
Long-term debt, current portion	4,000	5,625
Tax receivable agreement liability, current portion	885	—
Deferred revenue, current portion	3,381	3,004
Operating lease liabilities, current portion	1,399	—
Other current liabilities	—	182
Total current liabilities	25,658	31,966
Long-term debt, net	370,657	172,607
Tax receivable agreement liability	65,384	59,167
Deferred revenue, net of current portion	6,699	6,787
Operating lease liabilities, net of current portion	4,524	—
Other long-term liabilities	4,707	1,671
Total liabilities	477,629	272,198
Commitments and contingencies (Note 10)		
Stockholders’ equity:		
Preferred stock ($0.00001 par value, 100,000,000 shares authorized, none issued and outstanding as of September 24, 2022 and December 25, 2021.)	—	—
Class A common stock ($0.00001 par value, 600,000,000 shares authorized, 41,040,835 and 36,932,423 shares issued and outstanding as of September 24, 2022 and December 25, 2021, respectively)	—	—
Class B common stock ($0.00001 par value, 60,000,000 shares authorized, 22,486,587 and 26,700,477 shares issued and outstanding as of September 24, 2022 and December 25, 2021, respectively)	—	—
Additional paid-in capital	189,909	182,919
Accumulated deficit	(119,339)	(3,487)
Accumulated other comprehensive loss	—	(45)
Total stockholders' equity attributable to European Wax Center, Inc.	70,570	179,387
Noncontrolling interests	65,551	161,854
Total stockholders' equity	136,121	341,241
Total liabilities and stockholders' equity	**$ 613,750**	**$ 613,439**

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	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
REVENUE				
Product sales	$ 31,565	$ 27,611	$ 86,844	$ 74,752
Royalty fees	13,086	11,941	37,240	32,821
Marketing fees	7,339	6,760	20,964	18,326
Other revenue	3,054	2,699	8,780	7,671
Total revenue	55,044	49,011	153,828	133,570
OPERATING EXPENSES				
Cost of revenue	16,313	12,825	43,168	34,296
Selling, general and administrative	13,662	22,725	44,364	46,003
Advertising	8,398	8,368	23,003	19,767
Depreciation and amortization	5,059	4,850	15,173	15,259
Total operating expenses	43,432	48,768	125,708	115,325
Income from operations	11,612	243	28,120	18,245
Interest expense	6,804	9,515	16,391	18,686
Other expense	(516)	—	302	—
Income (loss) before income taxes	5,324	(9,272)	11,427	(441)
Income tax expense[(1)]	37	—	83	—
NET INCOME (LOSS)	**$ 5,287**	**$ (9,272)**	**$ 11,344**	**$ (441)**
Less: net income attributable to EWC Ventures, LLC prior to the Reorganization Transactions	—	1,496	—	10,327
Less: net income (loss) attributable to noncontrolling interests	1,765	(5,237)	4,969	(5,237)
NET INCOME (LOSS) ATTRIBUTABLE TO EUROPEAN WAX CENTER, INC.	**$ 3,522**	**$ (5,531)**	**$ 6,375**	**$ (5,531)**
Net income (loss) per share [(2)]				
Basic - Class A Common Stock	$ 0.09	$ (0.18)	$ 0.17	$ (0.18)
Diluted - Class A Common Stock	$ 0.08	$ (0.18)	$ 0.17	$ (0.18)
Weighted average shares outstanding				
Basic - Class A Common Stock	39,849,170	31,370,186	38,238,114	31,370,186
Diluted - Class A Common Stock	62,849,257	31,370,186	38,426,968	31,370,186

(1) Income tax expense for the period of August 4, 2021 through September 25, 2021, which is the period following the IPO and the related Reorganization Transactions is zero as we incurred a pre-tax loss for the period and we have recorded a full valuation allowance against our deferred tax assets. See Note 12 for more information.

(2) Basic and diluted net loss per share of Class A common stock for fiscal year 2021 is for the period of August 4, 2021 through September 25, 2021, the period after the Reorganization Transactions. See Note 14 for the calculation of the numbers of shares used in computation of net income (loss) per share of Class A common stock and the basis for computation of net income (loss) per share.

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

EUROPEAN WAX CENTER, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Amounts in thousands)
(Unaudited)

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
NET INCOME (LOSS)	**$ 5,287**	**$ (9,272)**	**$ 11,344**	**$ (441)**
Items included in other comprehensive income (loss):				
Unrealized gain on cash flow hedge	—	(128)	—	111
TOTAL COMPREHENSIVE INCOME (LOSS)	**$ 5,287**	**$ (9,400)**	**$ 11,344**	**$ (330)**
Less: total comprehensive income attributable to EWC Ventures, LLC prior to the Reorganization Transactions	—	1,339	—	10,409
Less: total comprehensive loss attributable to non-controlling interests	1,765	(5,223)	4,969	(5,223)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO EUROPEAN WAX CENTER, INC.	**$ 3,522**	**$ (5,516)**	**$ 6,375**	**$ (5,516)**

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	
	September 24, 2022	September 25, 2021
Cash flows from operating activities:		
Net income (loss)	$ 11,344	$ (441)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	15,173	15,259
Amortization of deferred financing costs	2,483	924
Gain on interest rate cap	(196)	—
Provision for inventory obsolescence	(26)	—
Loss on debt extinguishment	1,957	6,313
Provision for bad debts	38	616
Remeasurement of tax receivable agreement liability	302	—
Loss on disposal of property and equipment	5	335
Equity compensation	7,452	7,952
Changes in assets and liabilities:		
Accounts receivable	(137)	(3,578)
Inventory	(3,638)	(8,665)
Prepaid expenses and other assets	1,101	(2,121)
Accounts payable and accrued liabilities	(7,623)	4,665
Deferred revenue	289	542
Other long-term liabilities	(575)	428
Net cash provided by operating activities	**27,949**	**22,229**
Cash flows from investing activities:		
Purchases of property and equipment	(143)	(364)
Reacquisition of area representative rights	—	(7,644)
Net cash used in investing activities	**(143)**	**(8,008)**
Cash flows from financing activities:		
Deferred loan costs	(12,419)	(1,294)
Payments on line of credit	—	(30,000)
Proceeds from long-term debt	384,328	179,370
Principal payments on long-term debt	(181,000)	(240,553)
Payments of debt extinguishment costs	(77)	(2,446)
Distributions to EWC Ventures LLC members	(7,280)	(5,198)
Proceeds from initial public offering of Class A common stock, net of underwriting discounts and offering expenses	—	145,953
Payment of Class A common stock offering costs	(870)	—
Repurchase of Class A Units	—	(942)
Repurchase of Class B common stock and EWC Ventures common units	—	(70,465)
Taxes on vested restricted stock units paid by withholding shares	(525)	—
Dividends to holders of Class A common stock	(122,227)	—
Dividend equivalents to holders of EWC Ventures units	(82,887)	—
Net cash used in financing activities	**(22,957)**	**(25,575)**
Net increase (decrease) in cash	**4,849**	**(11,354)**
Cash, cash equivalents and restricted cash, beginning of period	43,301	36,720
Cash, cash equivalents and restricted cash, end of period	**$ 48,150**	**$ 25,366**
Supplemental cash flow information:		
Cash paid for interest	$ 12,886	$ 11,763
Cash paid for income taxes	$ 96	$ —
Non-cash investing activities:		
Property purchases included in accounts payable and accrued liabilities	$ 5	$ 96
Non-cash financing activities:		
Non-cash equity distributions	$ —	$ 689
Initial public offering expenses in accounts payable and accrued liabilities	$ —	$ 483

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

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

	Class A Common Stock		Class B Common Stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Noncontrolling interest	Total equity
	Shares	Amount	Shares	Amount					
Balance at December 25, 2021	**36,932,423**	**$—**	**26,700,477**	**$—**	**$182,919**	**$(3,487)**	**$(45)**	**$161,854**	**$341,241**
Exchange of Class B Common Stock and EWC Ventures Units for Class A Common Stock	100,000	—	(100,000)	—	—	—	—	—	—
Vesting of restricted stock units	6,042	—	—	—	—	—	—	—	—
Forfeiture of unvested incentive units	—	—	(166,841)	—	—	—	—	—	—
Equity compensation	—	—	—	—	3,335	—	—	—	3,335
Distributions to members of EWC Ventures	—	—	—	—	—	—	—	(2,272)	(2,272)
Establish tax receivable agreement liability	—	—	—	—	(347)	—	—	—	(347)
Reclassification of loss on cash flow hedge to earnings	—	—	—	—	—	—	45	—	45
Allocation of equity to noncontrolling interests	—	—	—	—	(1,149)	—	—	1,149	—
Net income	—	—	—	—	—	1,885	—	2,141	4,026
Balance at March 26, 2022	**37,038,465**	**$—**	**26,433,636**	**$—**	**$184,758**	**$(1,602)**	**$—**	**$162,872**	**$346,028**
Exchange of Class B Common Stock and EWC Ventures Units for Class A Common Stock	2,459,302	—	(2,459,302)	—	—	—	—	—	—
Vesting of restricted stock units	6,044	—	—	—	—	—	—	—	—
Forfeiture of unvested incentive units	—	—	(30,539)	—	—	—	—	—	—
Equity compensation	—	—	—	—	2,000	—	—	—	2,000
Distributions to members of EWC Ventures	—	—	—	—		—	—	(2,488)	(2,488)
Dividends paid to shareholders of Class A common stock	—	—	—	—	—	(122,227)	—	—	(122,227)
Dividend equivalents paid or payable to holders of EWC Ventures Units	—	—	—	—	—	—	—	(87,130)	(87,130)
Establish tax receivable agreement liability	—	—	—	—	(4,067)	—	—	—	(4,067)
Allocation of equity to noncontrolling interests	—	—	—	—	4,095	—	—	(4,095)	—
Net income	—	—	—	—	—	968	—	1,063	2,031
Balance at June 25, 2022	**39,503,811**	**$—**	**23,943,795**	**$—**	**$186,786**	**$(122,861)**	**$—**	**$70,222**	**$134,147**
Exchange of Class B Common Stock and EWC Ventures Units for Class A Common Stock	1,457,208	—	(1,457,208)	—	—	—	—	—	—
Vesting of restricted stock units	104,447	—	—	—	—	—	—	—	—
Equity compensation	—	—	—	—	2,117	—	—	—	2,117
Distributions to members of EWC Ventures	—	—	—	—	—	—	—	(2,520)	(2,520)
Shares withheld for taxes on vested restricted stock units	(24,631)	—	—	—	(525)	—	—	—	(525)
Establish tax receivable agreement liability	—	—	—	—	(2,385)	—	—	—	(2,385)
Allocation of equity to noncontrolling interests	—	—	—	—	3,916	—	—	(3,916)	—
Net income	—	—	—	—	—	3,522	—	1,765	5,287
Balance at September 24, 2022	**41,040,835**	**$—**	**22,486,587**	**$—**	**$189,909**	**$(119,339)**	**$—**	**$65,551**	**$136,121**

	MEZZANINE EQUITY				STOCKHOLDERS'/MEMBERS' EQUITY															
	Class A Founders' Units		Class D Units		Class A Units		Class B Units		Class C Units		Class A Shares		Class B Shares		Additional paid-in	Accumulated	Accumulated other comprehensive	Member's	Noncontrolling	Total
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Shares	Amount	Shares	Amount	capital	deficit	loss	Deficit	interest	equity
Balance at December 26, 2020	**8,309,193**	**$ 89,240**	**2,500,000**	**$ 24,909**	**26,401,089**	**$ 265,791**	**1**	**$ —**	**1,000**	**$ —**	**—**	**$ —**	**—**	**$ —**	**$ —**	**$ —**	**$ (527)**	**$ (61,390)**	**$ —**	**$ 203,874**
Equity compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	298	—	298
Repurchase of Class A Units	—	—	—	—	(89,919)	(942)	—	—	—	—	—	—	—	—	—	—	—	—	—	(942)
Contributions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2	—	2
Unrealized gain on cash flow hedge	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	159	0	—	159
Accretion of Class A Founders' Units to redemption value	—	31,991	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(31,991)	—	(31,991)
Net income	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,102	—	1,102
Balance at March 27, 2021	**8,309,193**	**$ 121,231**	**2,500,000**	**$ 24,909**	**26,311,170**	**$ 264,849**	**1**	**$ —**	**1,000**	**$ —**	**—**	**$ —**	**—**	**$ —**	**$ —**	**$ —**	**$ (368)**	**$ (91,979)**	**$ —**	**$ 172,502**
Equity compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	259	—	259
Contributions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	726	—	726
Unrealized gain on cash flow hedge	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	80	0	—	80
Accretion of Class A Founders' Units to redemption value	—	30,578	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(30,578)	—	(30,578)
Net income	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	7,729	—	7,729
Balance at June 26, 2021	**8,309,193**	**$ 151,809**	**2,500,000**	**$ 24,909**	**26,311,170**	**$ 264,849**	**1**	**$ —**	**1,000**	**$ —**	**—**	**$ —**	**—**	**$ —**	**$ —**	**$ —**	**$ (288)**	**$ (113,843)**	**$ —**	**$ 150,718**
Equity Compensation prior to the reorganization transactions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	110	—	110
Distributions prior to the reorganization transactions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(6,512)	—	(6,512)
Accretion of Class Founders' Units to redemption value prior to reorganization transactions	—	49,834	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(49,834)	—	(49,834)
Net income prior to reorganization transactions																—		1,496		1,496
Unrealized loss on cash flow hedge prior to reorganization transactions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(157)	—	—	(157)
Effect of reorganization transactions	(8,309,193)	(201,643)	(2,500,000)	(24,909)	(26,311,170)	(264,849)	(1)	—	(1,000)	—	21,540,982	0	36,740,956	0	123,615	—	275	168,583	198,928	226,552
Issuance of Class A Common Stock, net of offering costs	—	—	—	—	—	—	—	—	—	—	9,829,204	0	—	—	145,470	—	—	—	—	145,470
Repurchase of Class B Common Stock and EWC Ventures Units from selling shareholders													(4,368,414)	(0)	(70,465)	—		—		(70,465)
Equity compensation subsequent to the reorganization transactions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	7,285	—	—	—	—	7,285

Distributions subsequent to the reorganization transactions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(103)	—	—	—	—	(103)
Establish tax receivable agreement liability subsequent to the reorganization transactions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(48,823)		—	—		(48,823)
Unrealized gain on cash flow hedge subsequent to the reorganization transactions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	15	—	14	29
Impact of change in ownership on noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	111	—	21	—	(132)	—
Net loss subsequent to the reorganization transactions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(5,531)	—	—	(5,237)	(10,768)
Balance at September 25, 2021	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**31,370,186**	**0**	**32,372,542**	**0**	**157,090**	**(5,531)**	**(134)**	**—**	**193,573**	**344,998**

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

1. Nature of business and organization

European Wax Center, Inc. (the "Company") was formed as a Delaware corporation on April 1, 2021. 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 proprietary 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 September 24, 2022 and September 25, 2021 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.

On August 4, 2021, we completed an internal reorganization, referred to as the "Reorganization Transactions" pursuant to which we were appointed the sole managing member of EWC Ventures. The Reorganization Transactions are more fully described in our annual report on Form 10-K for the fiscal year ended December 25, 2021. EWC Ventures has been determined to be the predecessor for accounting purposes and, accordingly, the condensed consolidated financial statements for periods prior to the Reorganization Transactions have been adjusted to combine the previously separate entities for presentation purposes. Amounts for the 13 and 39 weeks ended September 25, 2021 presented in the condensed consolidated financial statements and notes to condensed consolidated financial statements herein represent the historical operations of EWC Ventures. The amounts as of September 24, 2022 and December 25, 2021 and for the 13 and 39 weeks ended September 24, 2022 reflect the consolidated operations of the Company.

The condensed consolidated balance sheet as of December 25, 2021 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 December 25, 2021 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 December 25, 2021 included in our annual report on Form 10-K, except as described below relating to our adoption of Accounting Standards Codification ("ASC") Topic 842, *Leases* and restricted cash.

(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, 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) Restricted Cash

In accordance with the Company's securitized financing facility, which is described in Note 6, certain cash accounts have been established in the name of Citibank, N.A. (the "Trustee"). The Company holds restricted cash that primarily represents cash collections held by the Trustee, which includes interest, principal, and commitment fee reserves. As of September 24, 2022, the Company had restricted cash held by the Trustee of $6,557. Restricted cash has been combined with cash and cash equivalents when reconciling the beginning and end of period balances in the condensed consolidated statements of cash flows.

(e) Recently adopted accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* and established ASC Topic 842, *Leases* ("ASC 842"), which supersedes ASC Topic 840, *Leases*. ASC 842 requires a lessee to recognize a lease right-of-use ("ROU") asset and a corresponding lease liability on its balance sheet along with additional qualitative and quantitative disclosures.

We adopted this guidance on December 26, 2021 (the beginning of fiscal year 2022) by applying the provisions of this guidance on a modified retrospective basis as of the effective date. As such, comparative periods have not been restated and the disclosures required under the new standard have not been provided for periods prior to December 26, 2021. However, we have provided the applicable disclosures required under ASC 840 for the prior year comparative period. We elected the package of practical expedients whereby we were not required to: i) reassess whether any expired or existing contracts are or contain leases, ii) reassess the lease classification of existing leases and iii) reassess initial direct costs for any existing leases. We did not elect the hindsight practical expedient or the practical expedient related to land easements. We have assessed and updated our business processes, systems and controls to ensure compliance with the recognition and disclosure requirements of the new standard.

Adoption of the new standard resulted in the recording of right-of-use assets and lease liabilities of $6,799 and $7,630, respectively, as of December 26, 2021 to recognize operating leases which were not recognized on our condensed consolidated balance sheets under previous guidance. The adoption of this guidance did not have a material impact on our condensed consolidated statements of operations or on our condensed consolidated statements of cash flows as our leases retained their classifications as determined under previous guidance.

(f) Recently issued accounting pronouncements not yet adopted

In June 2017, the FASB issued ASU 2016-13, *Financial Instruments (Topic 326)—Measurement of Credit Losses on Financial Instruments*, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. The standard replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. ASU 2016-13, and related amendments, are effective for fiscal years beginning after December 15, 2022. The Company has not completed its assessment of the standard but does not expect the adoption to have a material impact on its financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments in this update, as well as subsequently issued amendments, provide temporary, optional guidance to ease the burden in accounting for reference rate reform. The amendments provide optional expedients and exceptions for applying GAAP to transactions affected by reference rate reform if certain criteria are met. The amendments primarily include relief related to contract modifications and hedging relationships. The relief provided by this ASU does not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022. However, hedging relationships that apply certain optional expedients prior to December 31, 2022, will be retained through the end of the hedging relationship, including for periods after December 31, 2022. We do not expect that this guidance will have any impact on our financial statements.

3. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

We use valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to their present value on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement costs). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. These two types of inputs create a three-tier fair value hierarchy that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

GAAP categorizes inputs used in fair value measurements into three broad levels as follows:

- (Level 1) Quoted prices in active markets for identical assets or liabilities.
- (Level 2) Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, similar assets and liabilities in markets that are not active or can be corroborated by observable market data.
- (Level 3) Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes valuation techniques that involve significant unobservable inputs.

The Company previously used an interest rate cap to manage its interest rate exposure. However, the Company terminated its interest rate cap in March 2022. These interest rate caps were recorded at fair value. Changes in fair value of our interest rate caps were previously recognized as a component of accumulated other comprehensive loss on the condensed consolidated balance sheets. However, upon termination of the interest rate cap the balance of our accumulated other comprehensive loss was reclassified to the condensed consolidated statement of operations as a component of interest expense. Refer to Note 7—*Derivative instruments and hedging activity* for additional discussion.

Fair value measurements are summarized below:

	Fair Market Value	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Interest rate cap				
September 24, 2022	$ —	$ —	$ —	$ —
December 25, 2021	$ (242)	$ —	$ (242)	$ —

The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short-term nature of these instruments. Our outstanding Class A-2 Notes, as defined in Note 6—*Long-term debt*, had an approximate fair value of $363,050 as of September 24, 2022.

4. Prepaid expenses and other current assets

Prepaid expenses and other current assets consisted of the following:

	September 24, 2022	December 25, 2021
Prepaid insurance	$ 2,934	$ 2,308
Prepaid technology fees	1,281	1,500
Prepaid other & other current assets	2,652	2,119
Total	$ 6,867	$ 5,927

The prepaid other & other current assets amounts are primarily composed of prepaid marketing, prepaid commissions and sales taxes.

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consisted of the following:

	September 24, 2022	December 25, 2021
Accounts payable	$ 5,652	$ 7,684
Accrued inventory	1,732	2,665
Accrued compensation	3,206	5,401
Accrued taxes and penalties	1,321	1,432
Accrued lease termination costs	—	588
Accrued technology and subscription fees	158	196
Accrued interest	565	1,477
Accrued professional fees	181	2,090
Accrued marketing fees	902	489
Accrued dividend equivalents	1,266	—
Other accrued liabilities	1,010	1,133
Total accounts payable and accrued liabilities	$ 15,993	$ 23,155

6. Long-term debt

Long-term debt consists of the following:

	September 24, 2022	December 25, 2021
Class A-2 Notes	$ 399,000	$ —
2026 Term Loan	—	180,000
Less: current portion	(4,000)	(5,625)
Total long-term debt	395,000	174,375
Less: unamortized debt discount and deferred financing costs	(24,343)	(1,768)
Total long-term debt, net	$ 370,657	$ 172,607

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"). We received $384,328 in proceeds from the issuance of the Class A-2 Notes after deducting the original issue discount of $15,672 and prior to paying any expenses related to the issuance.

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 at closing and as of September 24, 2022.

The net proceeds from the issuance of the Class A-2 Notes were used to repay the previous term loan due in 2026 (the "2026 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 (See Note 15).

We incurred a loss on debt extinguishment of $1,957 related to the repayment of the 2026 Term Loan which was recorded as a component of interest expense in the accompanying condensed consolidated statement of operations. Of this loss, $1,880 was attributable to the write-off of unamortized debt discount and debt issuance costs and the remaining $77 was attributable to the payment of fees associated with the repayment of the 2026 Term Loan. In connection with the issuance of the Class A-2 Notes and the Variable Funding Notes we incurred $12,419 in lender and third-party fees. Of these fees, $10,858 and the original issue discount described above related to the Class A-2 Notes and have been recorded as a reduction of long-term debt on the accompanying condensed consolidated balance sheet. The remaining $1,561 of fees along with $148 of unamortized deferred financing costs related to the Variable Funding Notes have been recorded as other non-current assets on the accompanying condensed consolidated balance sheet. The debt discount and deferred financing costs attributed to Class A-2 Notes will be amortized to interest expense through the Anticipated Repayment Date, which is defined below, using the effective interest method. The deferred financing costs attributed to the Variable Funding Notes will be amortized to interest expense on a straight-line basis through the Anticipated Repayment Date, which is defined below.

The Class A-2 Notes and the Variable Funding Notes are referred to collectively as the “Notes.” The Notes were issued in a securitization transaction pursuant to which substantially all of the Company’s revenue-generating assets in the United States are held by the Master Issuer and certain other limited-purpose, bankruptcy remote, wholly-owned direct and indirect subsidiaries of EWC Holding Guarantor (including the Master Issuer) (collectively, the “Securitization Entities”) that have pledged substantially all of their assets to secure the Notes and, with respect to the Securitization Entities other than the Master Issuer, act as guarantors of the Notes.

While the Class A-2 Notes are outstanding, payments of principal and interest are required to be made on the Class A-2 Notes on a quarterly basis. The quarterly payments of principal on the Class A-2 Notes may be suspended in the event that the leverage ratio for the Company and its subsidiaries, including the securitization entities, is, in each case, less than or equal to 5.00x.

The legal final maturity date of the Class A-2 Notes is in March of 2052, but it is anticipated that, unless earlier prepaid to the extent permitted under the Base Indenture, dated April 6, 2022 (the “Indenture”), the Class A-2 Notes will be repaid in March of 2027 (the “Anticipated Repayment Date”). If the Master Issuer has not repaid or refinanced the Class A-2 Notes prior to their Anticipated Repayment Date, additional interest will accrue on the Class A-2 Notes equal to the greater of (A) 5.00% per annum and (B) a per annum interest rate equal to the excess, if any, by which the sum of (i) the yield to maturity (adjusted to a quarterly bond equivalent basis) on such anticipated repayment date of the United States Treasury Security having a term closest to ten (10) years plus (ii) 5.00%, plus (iii) 3.87%, exceeds the original interest rate. The Class A-2 Notes rank pari passu with the Variable Funding Notes.

Interest on the Variable Funding Notes will be payable at per annum rates based on term SOFR (plus a credit adjustment spread) or the lenders’ commercial paper funding rate plus 212.5 basis points. There is a commitment fee on the unused portion of the Variable Funding Notes facility, equal to 50 basis points per annum. It is anticipated that the principal and interest on the Variable Funding Notes will be repaid in full on or prior to March 2025, subject to two additional one-year extensions at the option of the Company. Following the anticipated date of repayment (and any extensions thereof), additional interest will accrue on the Variable Funding Notes equal to 5.00% per annum.

The Notes are secured by a security interest in substantially all of the assets of the Securitization Entities. The assets of the Securitization Entities include substantially all of the Company’s revenue-generating assets in the United States, which principally consist of franchise-related agreements, certain supply, distribution and logistics services agreements, intellectual property and license agreements for the use of intellectual property.

The Notes are subject to a series of financial and non-financial 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 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), 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.

7. Derivative instruments and hedging activities

In December 2018, the Company entered into an interest rate cap derivative instrument which was designated as a cash flow hedge. The Company’s objective was to mitigate the impact of interest expense fluctuations on the Company’s profitability resulting from interest rate changes by capping the LIBOR component of the interest rate at 4.5% on $175,000 of principal outstanding under its long-term debt arrangement, as the interest rate cap provided for payments from the counterparty when LIBOR rises above 4.5%. The interest rate cap was terminated in March 2022.

Changes in the fair value of the interest rate cap were recognized in other comprehensive loss and was reclassified out of accumulated other comprehensive loss and into interest expense upon termination of the interest rate cap. Cash flows related to derivatives qualifying as hedges are included in the same section of the condensed consolidated statements of cash flows as the underlying assets and liabilities being hedged. Refer to Note 3—*Fair value measurements* for information on the fair value of the Company’s interest rate cap derivative instrument.

Our cash flow hedge position related to the interest rate cap derivative instrument is as follows:

	Balance Sheet Classification	September 24, 2022	December 25, 2021
Derivatives designated as hedging instruments:			
Interest rate cap, current portion	Other current liabilities	$ —	$ (182)
Interest rate cap, non-current portion	Other long-term liabilities	—	(60)
Total derivative liabilities designated as hedging instruments		$ —	$ (242)

The table below presents the net unrealized gain recognized in other comprehensive income ("OCI") resulting from fair value adjustments of hedging instruments:

	Net Unrealized Gain (Loss) Recognized in OCI			
	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
Derivatives designated as hedging instruments:				
Interest rate cap	$ —	$ (128)	$ —	$ 111
Total	$ —	$ (128)	$ —	$ 111

As a result of the termination of the interest rate cap, we recognized a gain of approximately $138 as a component of interest expense on the condensed consolidated statement of operations for the 39 weeks ended September 24, 2022. Of this gain, $196 related to fair value adjustments which was partially offset by $58 related to cash paid to terminate the interest rate cap.

8. Leases

The Company leases various corporate-owned centers and office space to support ongoing business operations under non-cancellable lease agreements with terms expiring through 2032. These lease agreements typically have a lease term ranging from one to 10 years. Many of our leases contain renewal options which are exercisable at our discretion. These renewal options allow us to extend certain leases for an additional five to 10 years. Most lease arrangements contain tenant improvement allowances, rent holidays and/or rent escalation clauses. In addition to base rent, certain leases require the Company to pay a portion of real estate taxes, utilities, building operating expenses, insurance and other charges in addition to rent. Certain of our leases are subject to variable lease payments that are determined on a basis other than an index or a rate. As such, they are excluded from the calculation of lease liabilities and right-of-use assets and are expensed as incurred. We currently have two sublease agreements in which we sublease real estate no longer used by the Company to other entities with terms expiring through 2023. Neither of these sublease agreements provides for any renewal options and expire on the same dates as their respective head leases. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. We have no related party leases.

We determine if an arrangement is a lease at the inception of the arrangement. A contract is or contains a lease if it conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. Lease liabilities are recognized based on the present value of lease payments over the lease term at the arrangement's commencement date. Right-of-use assets are recognized based on the amount of the measurement of the lease liability adjusted for any lease payments made to the lessor at or before the commencement date, minus any lease incentives received and any initial direct costs incurred. Renewal options are included in the calculation of our right-of-use assets and lease liabilities when it is determined that they are reasonably certain of exercise based on an analysis of the relevant facts and circumstances. As the implicit rate of return of our lease agreements is usually not readily determinable, we generally use our incremental borrowing rate in determining the present value of lease payments. We determine our incremental borrowing rate based on information available to us at the lease commencement date. Information we consider in the determination of our incremental borrowing rate includes factors such as our credit ratings, credit spreads, the term of the lease agreement and the impact of collateral. Certain of our lease arrangements contain lease and non-lease components. We have elected to account for non-lease components related to real estate leases as a part of the related lease components. As such, all fixed payments included in a real estate lease agreement are included in the measurement of the lease liabilities and the corresponding right-of-use assets and variable payments are presented and disclosed as variable lease cost. For all other leases we account lease and non-lease components separately. Leases with an initial term of 12 months or less are not recognized on our balance sheet. We recognize the expense for these leases on a straight-line basis over the lease term.

Total lease costs consisted of the following:

	13 Weeks Ended September 24, 2022	39 Weeks Ended September 24, 2022
Operating lease costs	$ 513	$ 1,691
Variable lease costs	173	558
Sublease income	(138)	(505)
Total lease costs	$ 548	$ 1,744

Rent expense for the 13 and 39 weeks ended September 25, 2021 was $602 and $1,755, respectively. Lease costs for the 13 and 39 weeks ended September 24, 2022 and September 25, 2021, respectively, were included in selling, general and administrative expense on the condensed consolidated statements of operations.

Future maturities of operating lease liabilities as of September 24, 2022 were as follows:

Fiscal Years Ending	
2022 (from September 25, 2022)	$ 447
2023	1,524
2024	1,346
2025	1,232
2026	880
Thereafter	1,152
Total lease payments	6,581
Less: amount representing interest	(658)
Present value of lease liabilities	5,923
Less: current portion	(1,399)
Operating lease liabilities, net of current portion	$ 4,524

Future minimum rental payments as of December 25, 2021 were as follows:

Fiscal Years Ending	
2022	$ 2,098
2023	1,524
2024	1,346
2025	1,232
2026	880
Thereafter	1,152
Total	$ 8,232

The weighted average lease term and discount rate of our operating leases as of September 24, 2022 were as follows:

Weighted average remaining lease term (years)	4.7
Weighted average discount rate	4.4 %

Cash paid for amounts included in the measurement of lease liabilities was as follows:

	13 Weeks Ended September 24, 2022	39 Weeks Ended September 24, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 593	$ 1,890

9. Equity Based Compensation

Restricted Stock Units

During the 39 weeks ended September 24, 2022, we granted 41,171 restricted stock units ("RSUs"), respectively, to certain employees under the 2021 Omnibus Incentive Plan that will 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 value of the RSUs granted during the 39 weeks ended September 24, 2022 was $26.29 and was determined based on the fair value of the underlying Class A common stock on the date of grant.

We recognized $2,117 and $7,452 in equity based compensation expense as a component of selling, general and administrative expense on the condensed consolidated statement of operations during the 13 and 39 weeks ended September 24, 2022, respectively. During the 39 weeks ended September 24, 2022, approximately $1,248 of equity based compensation expense related to the acceleration of vesting on 75,000 time-based incentive units granted under the Management Holdco, LLC Equity Incentive Plan in accordance with the separation agreement between the Company and our previous chief financial officer. We recognized $7,395 and $7,952 in equity based compensation expense as a component of selling, general and administrative expense on the condensed consolidated statement of operations during the 13 and 39 weeks ended September 25, 2021, respectively.

10. 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.

11. 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 December 25, 2021	$ 9,791
Revenue recognized that was included in the contract liability at the beginning of the year	(2,148)
Increase, excluding amounts recognized as revenue during the period	2,437
Balance at September 24, 2022	$ 10,080

The weighted average remaining amortization period for deferred revenue is 4.2 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 September 24, 2022. 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**
2022 (from September 25, 2022)	$ 2,469
2023	1,210
2024	1,147
2025	1,076
2026	967
Thereafter	3,211
Total	$ 10,080

The summary set forth below represents the balances in deferred revenue as of September 24, 2022 and December 25, 2021:

		September 24, 2022		December 25, 2021
Franchise fees	$	7,920	$	7,911
Service revenue		2,160		1,880
Total deferred revenue		10,080		9,791
Long-term portion of deferred revenue		6,699		6,787
Current portion of deferred revenue	$	3,381	$	3,004

12. 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 $37 and $83 in income tax expense for the 13 and 39 weeks ended September 24, 2022 primarily due to state income taxes. The effective tax rate was 0.7% for the 13 and 39 weeks ended September 24, 2022. The effective tax rate for both the 13 and 39 weeks ended September 24, 2022 differs from the U.S. federal statutory rate primarily due to the effects of decreases in the valuation allowance against our deferred taxes, non-taxable income attributable to non-controlling interest and the tax effects of stock compensation. We recorded zero income tax expense for the period of August 4, 2021 through September 25, 2021, which is the period following our initial public offering (”IPO”) and Reorganization Transactions, as we incurred a pre-tax loss for the period and recorded a full valuation allowance against our deferred tax assets. Because EWC Ventures is our financial reporting predecessor and not subject to entity level income tax, no current or deferred income taxes were recorded for periods prior to August 4, 2021.

As of September 24, 2022, we continue to conclude that the negative evidence regarding our ability to realize our deferred tax assets outweighed the positive evidence, and the Company has a full valuation allowance against its federal and state net deferred tax assets. The Company has a history of cumulative pre-tax losses for the three previous fiscal years which we believe represents significant negative evidence in evaluating whether our net deferred tax assets are realizable. However, if our financial results continue to improve, our assessment of the realization of our net deferred tax assets could result in the release of some or all the valuation allowance. Such a release would result in a non-cash income tax benefit, which could be material, in our condensed consolidated statement of operations in the period of release and the recording of additional deferred tax assets on our condensed consolidated balance sheet. There is a reasonable possibility that within the next several quarters, sufficient positive evidence becomes available to reach a conclusion that all or a significant portion of the valuation allowances against our net deferred tax assets would no longer be required.

Tax Receivable Agreement

As of September 24, 2022, future payments under the Tax Receivable Agreement (“TRA”) are expected to be $143,792. 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. As of September 24, 2022, the TRA liability recorded was $66,269 based on current projections of future taxable income taking into consideration the Company’s full valuation allowance against its net deferred tax assets.

As described above, it is possible within the next several quarters that all or a significant portion of the valuation allowances against our net deferred tax assets would no longer be required. If all or a portion of the valuation allowance were to be released, we would also record a charge, which could be material, in other expense on our condensed consolidated statement of operations and a corresponding increase in our TRA liability on the condensed consolidated balance sheet.

13. Noncontrolling interest

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 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 September 24, 2022:

	September 24, 2022	
	Units Owned	Ownership Percentage
European Wax Center, Inc.	41,040,835	65.9 %
Noncontrolling interest	21,241,039	34.1 %
Total	62,281,874	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 periods indicated:

	13 Weeks Ended September 24, 2022	39 Weeks Ended September 24, 2022	Period of August 4-September 25, 2021
Net income (loss) attributable to European Wax Center, Inc.	$ 3,522	$ 6,375	$ (5,531)
Transfers from noncontrolling interests:			
Increase in additional-paid-in-capital as a result of equity allocations to the noncontrolling interest	3,916	6,862	111
Net increase (decrease) in equity of European Wax Center, Inc. due to equity interest transactions with noncontrolling interests	$ 7,438	$ 13,237	$ (5,420)

14. 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.

Prior to the Reorganization Transactions, the EWC Ventures capital structure included Class A, Class B, Class C, and Class D Units. We determined that the presentation of net income (loss) per unit for the period prior to the Reorganization Transactions would not be meaningful to the users of these unaudited condensed consolidated financial statements due to the significant nature of the Reorganization Transactions on the capital structure. Therefore, net income (loss) per unit information has not been presented for periods prior to the Reorganization Transactions.

The following table sets forth the computation of basic net income (loss) per share of Class A common stock for the 13 and 39 weeks ended September 24, 2022 and the period from August 4, 2021 to September 25, 2021, which represents the period subsequent to the Reorganization Transactions:

(in thousands, except for share and per share amounts)	13 Weeks Ended September 24, 2022	39 Weeks Ended September 24, 2022	Period of August 4- September 25, 2021
Net income (loss)	$ 5,287	$ 11,344	$ (10,768)
Less: net income (loss) attributable to noncontrolling interests	1,773	4,735	(5,237)
Net income (loss) applicable to Class A common shareholders	$ 3,514	$ 6,609	$ (5,531)
Basic weighted average outstanding shares			
Class A Common Stock	39,849,170	38,238,114	31,370,186
Basic net income (loss) per share applicable to common shareholders:			
Class A Common Stock	$ 0.09	$ 0.17	$ (0.18)

The following table sets forth the computation of diluted net income (loss) per share of Class A common stock for the 13 and 39 weeks ended September 24, 2022 and the period from August 4, 2021 to September 25, 2021, which represents the period subsequent to the Reorganization Transactions:

(in thousands, except for share and per share amounts)	13 Weeks Ended September 24, 2022	39 Weeks Ended September 24, 2022	Period of August 4- September 25, 2021
Net income (loss)	$ 5,287	$ 11,344	$ (10,768)
Less: net income (loss) attributable to noncontrolling interests	—	4,722	(5,237)
Net income (loss) applicable to Class A common shareholders	$ 5,287	$ 6,622	$ (5,531)
Diluted weighted average outstanding shares			
Basic weighted average outstanding shares - Class A Common Stock	39,849,170	38,238,114	31,370,186
Effect of dilutive securities:			
Class B Common Stock	22,892,289	—	—
RSUs	107,798	167,122	—
Options	—	21,732	—
Diluted weighted average outstanding shares - Class A Common Stock	62,849,257	38,426,968	31,370,186
Diluted net income (loss) per share applicable to common shareholders:			
Class A Common Stock	$ 0.08	$ 0.17	$ (0.18)

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 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 22,486,587 shares of Class B common stock outstanding as of September 24, 2022 were determined to be antidilutive for the 39 weeks ended September 24, 2022 and have therefore been excluded from the computation of diluted net income (loss) per share of Class A common stock for that period. The 32,372,542 shares of Class B common stock outstanding as of September 25, 2021 were determined to be antidilutive for the period of August 4, 2021 to September 25, 2021 and have therefore been excluded from the computation of diluted net income (loss) per share of Class A common stock for that period. In addition, 247,631 options and 9,261 RSUs were excluded from the computation of diluted net income per share of Class A common stock for the 13 weeks ended September 24, 2022 as they were determined to be antidilutive. There were 322,997 options and 482,410 RSUs excluded from the computation of diluted net loss per share of Class A common stock for the period of August 4, 2021 to September 25, 2021 as they were determined to be antidilutive.

15. Stockholders' equity

Secondary Public Offering

On May 24, 2022, we completed a secondary public offering (the "Secondary Offering") of 5,175,000 shares of our Class A common stock at a price of $21.50 per share. All of the shares sold in the Secondary Offering were sold by certain of the Company's stockholders. As such, we did not receive any proceeds from the Secondary Offering. The shares sold in the secondary offering consisted of 2,771,772 existing shares of Class A common stock and 2,403,228 newly issued Class A shares issued in connection with the exercise of exchange rights in which 2,403,228 EWC Ventures Units and corresponding number of shares of Class B common stock were exchanged for the newly issued shares of Class A common stock.

Share Exchange Transactions

During the 39 weeks ended September 24, 2022 certain EWC Ventures Post-IPO Members exercised their exchange rights and exchanged 1,613,282 EWC Ventures Units and the corresponding shares of Class B common stock for 1,613,282 newly issued shares of Class A common stock. These exchange transactions, together with the share exchanges completed in connection with the Secondary Offering, increased the Company’s ownership interest in EWC Ventures.

Special Cash Dividend

On April 11, 2022, the Board of Directors of the Company declared a special cash dividend of $122,227, or $3.30 per share, of Class A common stock which was paid during the 39 weeks ended September 24, 2022 to its Class A common stock holders. The Company also paid dividend equivalents of $82,887, or $3.30 per unit, to holders of EWC Ventures Units during the 39 weeks ended September 24, 2022. These payments were funded through existing cash and proceeds from the Company’s securitization transaction (See Note 6 for more information). In addition, as of September 24, 2022 we had $4,243 of dividend equivalents accrued for future payment to holders of unvested EWC Ventures Units to be paid upon the vesting of the related awards. Of this amount, $1,266 and $2,977 were recorded in accounts payable and accrued liabilities and other long-term liabilities, respectively, on the accompanying condensed consolidated balance sheets.

16. Subsequent Events

On November 2, 2022, the Company’s Board of Directors approved a stock repurchase program (the “Repurchase Program”), which authorized the Company to repurchase, from time to time, as market conditions warrant, up to $40,000 of its shares of Class A common Stock. The share repurchase program does not obligate the Company to repurchase any particular amount of Class A common stock, and it could be modified, suspended or discontinued at any time. The timing and amount of repurchases will be determined by the Company’s management at its discretion based on a variety of factors such as the market price of its Class A common stock, corporate and legal requirements, general market and economic conditions, and compliance with the terms of agreements governing the Company’s outstanding indebtedness. Purchases of the Company’s Class A common stock may be made in open market transactions effected through a broker-dealer at prevailing market prices, in block trades, in privately negotiated transactions or by other means in accordance with federal securities laws. The Company may elect to implement a 10b5-1 repurchase program, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws.

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 December 25, 2021. 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 December 25, 2021.

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.

Overview

We are the largest and fastest-growing 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 20 million waxing services in 2021 and over 13 million waxing services in 2020 generating $797 million and $469 million of system-wide sales, respectively, across our highly-franchised network. We have a leading portfolio of centers operating in 911 locations across 45 states as of September 24, 2022. Of these locations, 905 are franchised centers operated by franchisees and six 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. 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 in excess of 60%.

In partnership with our franchisees, we fiercely protect our points of differentiation that attract new guests, build meaningful relationships and promote lasting retention. Our net promoter score (“NPS”) demonstrates our guests’ devotion to our brand. 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 a total addressable market of $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 13 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 and then additionally increasing our same-store sales and 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. We aspire to grow between 7% to 10% of our center count each year. Our center count grew 7% and 6% during fiscal year 2021 and fiscal year 2020, respectively, 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 ten consecutive years of positive same-store sales growth through 2019 with resilient performance through economic cycles.

Our straightforward, asset-light franchise platform and our proven track record of increasing profitability will 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 currently have 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. 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.

New Center Openings. The number of 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.

(in thousands, except operating data and percentages)	For the Thirteen Weeks Ended September 24, 2022	For the Thirteen Weeks Ended September 25, 2021	For the Thirty-Nine Weeks Ended September 24, 2022	For the Thirty-Nine Weeks Ended September 25, 2021
Number of system-wide centers (at period end)	911	833	911	833
System-wide sales	$ 235,162	$ 219,117	$ 673,193	$ 594,579
Same-store sales[(1)]	4.7 %	10.6 %	11.7 %	4.7 %
New center openings	18	18	58	37

(1) Same-store sales increase for the 13 and 39 weeks ended September 25, 2021 is calculated in comparison to the 13 and 39 weeks ended September 28, 2019 due to the significant decline in our sales in 2020 due to COVID-19. We believe this presents a more meaningful comparison of same-store sales. As described below, we typically remove stores from our calculation of same-store sales if they are closed for more than six consecutive days.

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

	For the Thirteen Weeks Ended September 24, 2022	For the Thirteen Weeks Ended September 25, 2021	For the Thirty-Nine Weeks Ended September 24, 2022	For the Thirty-Nine Weeks Ended September 25, 2021
System-wide Centers				
Beginning of Period	893	815	853	796
Openings	18	18	58	39
Closures	—	—	—	(2)
End of Period	911	833	911	833

Recent Developments

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 its previously announced securitization transaction pursuant to which it issued $400.0 million 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 million 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 million in the aggregate).

The net proceeds from the issuance of the Class A-2 Notes were used to repay the previous term loan due in 2026 (the “2026 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.

On April 11, 2022, the Board of Directors of the Company declared a special cash dividend of $122.2 million, or $3.30 per share, of Class A common stock which was paid during the 39 weeks ended September 24, 2022 to its Class A common stock holders. The Company also paid dividend equivalents of $82.9 million, or $3.30 per unit, to holders of EWC Ventures Units during the 39 weeks ended September 24, 2022. In addition, we accrued $4.2 million of dividend equivalents for future payment to holders of unvested EWC Ventures Units to be paid upon the vesting of the related awards.

On November 2, 2022, the Company’s Board of Directors approved a stock repurchase program (the “Repurchase Program”), which authorized the Company to repurchase, from time to time, as market conditions warrant, up to $40 million of its shares of Class A common Stock.

For additional information regarding these transactions, see Note 6—Long-term debt, Note 15—Stockholder’s Equity and Note 16—Subsequent Events in the condensed consolidated financial statements included in this quarterly report on Form 10-Q.

COVID-19 Impact

There is a significant amount of uncertainty about the duration and severity of the consequences caused by the COVID-19 pandemic. While governmental and non-governmental organizations are engaging in efforts to combat the spread and severity of the COVID-19 pandemic and related public health issues, the full extent to which outbreaks of COVID-19 could impact our business, results of operations and financial condition is still unknown and will depend on future developments, including new variants of the virus and spikes in cases in the areas where we operate, which are highly uncertain and cannot be predicted. However, such effects may be material. Our financial statements reflect judgments and estimates that could change in the future as a result of the COVID-19 pandemic.

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.

Same-Store Sales Growth. Same-store sales growth is a key driver of our business. Various factors affect same-store 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 due to the COVID-19 pandemic or other health concerns; and
- the number of centers that have been in operation for more than 52 full weeks.

A new center is included in the same-store sales calculation beginning 52 full weeks after the center's opening. 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.

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 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 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. Our guests' routine personal-care need for OOH waxing is further demonstrated by the top 20% of guests who visit us, on average, approximately every four to five weeks.

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 one key supplier 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 Centers. Our ability to operate our centers is largely dependent upon our 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 proprietary 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 57.3% and 56.3% of our total revenue for the 13 weeks ended September 24, 2022 and September 25, 2021, respectively, and 56.5% and 56.0% of our total revenue for the 39 weeks ended September 24, 2022 and September 25, 2021, 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 23.8% and 24.4% of our total revenue for the 13 weeks ended September 24, 2022 and September 25, 2021, respectively, and 24.2% and 24.6% of our total revenue for the 39 weeks ended September 24, 2022 and September 25, 2021, 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 13.3% and 13.8% of our total revenue for the 13 weeks ended September 24, 2022 and September 25, 2021, respectively, and 13.6% and 13.7% of our total revenue for the 39 weeks ended September 24, 2022 and September 25, 2021, respectively.

Other Revenue: Other revenue primarily consists of service revenues from our corporate-owned centers and franchise fees, as well as technology fees, annual brand conference revenues and training, which together represent 5.6% and 5.5% of our total revenue for the 13 weeks ended September 24, 2022 and September 25, 2021, respectively, and 5.7% and 5.7% of our total revenue for the 39 weeks ended September 24, 2022 and September 25, 2021, 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, annual brand conference revenues 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: Interest expense consists of interest on our long-term debt, including amounts outstanding under our revolving credit facility, amortization of debt discount and deferred financing costs and gain and losses on debt extinguishment.

Other Expense: Other expense consists of non-cash gains and losses related to the remeasurement of 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 Interest: 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 non-controlling interest to reflect the entitlement of the members of EWC Ventures after our initial public offering (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			
	September 24, 2022	September 25, 2021	$ Change	% Change
Revenue:				
Product sales	$ 31,565	$ 27,611	$ 3,954	14.3 %
Royalty fees	13,086	11,941	1,145	9.6 %
Marketing fees	7,339	6,760	579	8.6 %
Other revenue	3,054	2,699	355	13.2 %
Total revenue	55,044	49,011	6,033	12.3 %
Operating expenses:				
Cost of revenue	16,313	12,825	3,488	27.2 %
Selling, general and administrative	13,662	22,725	(9,063)	(39.9)%
Advertising	8,398	8,368	30	0.4 %
Depreciation and amortization	5,059	4,850	209	4.3 %
Total operating expenses	43,432	48,768	(5,336)	(10.9)%
Income from operations	11,612	243	11,369	4678.6 %
Interest expense	6,804	9,515	(2,711)	(28.5)%
Other expense	(516)	—	(516)	—
Income (loss) before income taxes	5,324	(9,272)	14,596	157.4 %
Income tax expense	37	—	37	—
Net income (loss)	$ 5,287	$ (9,272)	$ 14,559	157.0 %
Less: net income attributable to EWC Ventures, LLC prior to the Reorganization Transactions	—	1,496	(1,496)	(100.0)%
Less: net income (loss) attributable to noncontrolling interests	1,765	(5,237)	7,002	133.7 %
Net income (loss) attributable to European Wax Center, Inc.	$ 3,522	$ (5,531)	$ 9,053	163.7 %

	For the Thirty-Nine Weeks Ended			
	September 24, 2022	September 25, 2021	$ Change	% Change
Revenue:				
Product sales	$ 86,844	$ 74,752	$ 12,092	16.2 %
Royalty fees	37,240	32,821	4,419	13.5 %
Marketing fees	20,964	18,326	2,638	14.4 %
Other revenue	8,780	7,671	1,109	14.5 %
Total revenue	153,828	133,570	20,258	15.2 %
Operating expenses:				
Cost of revenue	43,168	34,296	8,872	25.9 %
Selling, general and administrative	44,364	46,003	(1,639)	(3.6)%
Advertising	23,003	19,767	3,236	16.4 %
Depreciation and amortization	15,173	15,259	(86)	(0.6)%
Total operating expenses	125,708	115,325	10,383	9.0 %
Income from operations	28,120	18,245	9,875	54.1 %
Interest expense	16,391	18,686	(2,295)	(12.3)%
Other expense	302	—	302	—
Income (loss) before income taxes	11,427	(441)	11,868	2691.2 %
Income tax expense	83	—	83	—
Net income (loss)	$ 11,344	$ (441)	$ 11,785	2672.3 %
Less: net income attributable to EWC Ventures, LLC prior to the Reorganization Transactions	—	10,327	(10,327)	(100.0)%
Less: net income (loss) attributable to noncontrolling interests	4,969	(5,237)	10,206	194.9 %
Net income (loss) attributable to European Wax Center, Inc.	$ 6,375	$ (5,531)	$ 11,906	215.3 %

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	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
Revenue:				
Product sales	57.3 %	56.3 %	56.5 %	56.0 %
Royalty fees	23.8 %	24.4 %	24.2 %	24.6 %
Marketing fees	13.3 %	13.8 %	13.6 %	13.7 %
Other revenue	5.6 %	5.5 %	5.7 %	5.7 %
Total revenue	100.0 %	100.0 %	100.0 %	100.0 %
Costs and expenses:				
Cost of revenue	29.6 %	26.2 %	28.1 %	25.7 %
Selling, general and administrative	24.8 %	46.3 %	28.8 %	34.4 %
Advertising	15.3 %	17.1 %	15.0 %	14.8 %
Depreciation and amortization	9.2 %	9.9 %	9.9 %	11.4 %
Total operating expenses	78.9 %	99.5 %	81.8 %	86.3 %
Income from operations	21.1 %	0.5 %	18.2 %	13.7 %
Interest expense	12.3 %	19.4 %	10.6 %	14.0 %
Other expense	(0.9)%	—	0.2 %	—
Income (loss) before income taxes	9.7 %	(18.9)%	7.4 %	(0.3)%
Income tax expense	0.1 %	—	0.1 %	—
Net income (loss)	9.6 %	(18.9)%	7.3 %	(0.3)%
Less: net income attributable to EWC Ventures, LLC prior to the Reorganization Transactions	—	3.1 %	—	7.7 %
Less: net income (loss) attributable to noncontrolling interests	3.2 %	(10.7)%	3.2 %	(3.9)%
Net income (loss) attributable to European Wax Center, Inc.	6.4 %	(11.3)%	4.1 %	(4.1)%

Comparison of the Thirteen Weeks Ended September 24, 2022 and September 25, 2021

Revenue

Total revenue increased $6.0 million, or 12.3%, to $55.0 million during the 13 weeks ended September 24, 2022, compared to $49.0 million for the 13 weeks ended September 25, 2021. The increase in total revenue was largely due to a 4.7% increase in same-store sales in the 13 weeks ended September 24, 2022 compared to the 13 weeks ended September 25, 2021. In addition, 78 new center openings became operational during the period from September 26, 2021 through September 24, 2022.

Product Sales

Product sales increased $4.0 million, or 14.3%, to $31.6 million during the 13 weeks ended September 24, 2022, compared to $27.6 million for the 13 weeks ended September 25, 2021. The increase in product sales was primarily due to the increase in same-store sales in the 13 weeks ended September 24, 2022 compared to the 13 weeks ended September 25, 2021. In addition, product sales increased due to new center openings which became operational during the period from September 26, 2021 to September 24, 2022 and an additional offering of medical products to our centers for use in administering wax services.

Royalty Fees

Royalty fees increased $1.1 million, or 9.6%, to $13.0 million during the 13 weeks ended September 24, 2022, compared to $11.9 million for the 13 weeks ended September 25, 2021. The increase in royalty fees during the 13 weeks ended September 24, 2022 was the result of the increase in same-store sales in the 13 weeks ended September 24, 2022 compared to the 13 weeks ended September 25, 2021 as well as the increase in system-wide sales driven by new center openings which became operational during the period from September 26, 2021 to September 24, 2022.

Marketing Fees

Marketing fees increased $0.5 million, or 8.6%, to $7.3 million during the 13 weeks ended September 24, 2022, compared to $6.8 million for the 13 weeks ended September 25, 2021. Marketing fees increased as a result of the increase in same-store sales in the 13 weeks ended September 24, 2022 compared to the 13 weeks ended September 25, 2021 as well as the increase in system-wide sales driven by new center openings which became operational during the period from September 26, 2021 to September 24, 2022.

Other Revenue

Other revenue increased $0.4 million or 13.2%, to $3.1 million during the 13 weeks ended September 24, 2022, compared to $2.7 million for the 13 weeks ended September 25, 2021. The increase in other revenue during the 13 weeks ended September 24, 2022 was primarily due to an increase in corporate center revenues as well as increases in franchise and technology fee revenues driven by new center openings which became operational during the period from September 26, 2021 to September 24, 2022.

Costs and Expenses

Cost of Revenue

Cost of revenue increased $3.5 million, or 27.2%, to $16.3 million during the 13 weeks ended September 24, 2022, compared to $12.8 million for the 13 weeks ended September 25, 2021. The increase in cost of revenue was primarily due to higher product sales in the current year period driven by the increase in same-store sales in the 13 weeks ended September 24, 2022 compared to the same period in 2021. In addition, cost of revenue increased due to new center openings which became operational during the period from September 26, 2021 to September 24, 2022 and an additional offering of medical products to our centers for use in administering wax services.

Selling, General and Administrative

Selling, general and administrative expenses decreased $9.0 million, or 39.9%, to $13.7 million during the 13 weeks ended September 24, 2022, compared to $22.7 million for the 13 weeks ended September 25, 2021. The decrease in selling, general and administrative expenses was primarily due to decreases in payroll and benefits and professional fee expenses. The decrease in payroll and benefits expense was largely due to additional expense incurred during the 13 weeks ended September 25, 2021 resulting from the modification of certain pre-IPO equity awards and cash bonus payments made in connection with our IPO. The decrease in professional fees was attributable to costs incurred in the prior year period relating to preparations for our initial public offering.

Advertising

Advertising expenses for the 13 weeks ended September 24, 2022 were consistent with the 13 weeks ended September 25, 2021, increasing $30 thousand, or 0.4%, to $8.4 million for the 13 weeks ended September 24, 2022.

Depreciation and Amortization

Depreciation and amortization for the 13 weeks ended September 24, 2022 was largely consistent with the 13 weeks ended September 25, 2021, increasing $0.2 million, or 4.3%, to $5.1 million for the 13 weeks ended September 24, 2022, compared to $4.9 million for the 13 weeks ended September 25, 2021.

Interest Expense

Interest expense decreased $2.7 million, or 28.5%, to $6.8 million during the 13 weeks ended September 24, 2022, compared to $9.5 million for the 13 weeks ended September 25, 2021. The decrease in interest expense was attributable to a $6.3 million loss on debt extinguishment incurred in connection with our refinancing transaction executed during the 13 weeks ended September 25, 2021. However, this decrease was largely offset by the effect of higher average principal balances and interest rates on outstanding debt during the 13 weeks ended September 24, 2022 compared to the 13 weeks ended September 25, 2021.

Income Tax Expense

We recorded $37 thousand in income tax expense for the 13 weeks ended September 24, 2022 primarily due to state income taxes. This differs from the federal statutory income tax rate primarily as a result of the impact of the Company’s full valuation allowance against its net federal and state deferred taxes. Other drivers of the effective tax rate include non-taxable income attributable to non-controlling interest, and the tax effects of stock compensation. We recorded zero income tax expense for the period of August 4, 2021 through September 25, 2021, which is the period following the IPO and Reorganization Transactions, as we incurred a pre-tax loss for the period and recorded a full valuation allowance against our deferred tax assets.

We estimate that in future annual periods, our blended statutory tax rate, prior to valuation allowance consideration, will be approximately 17% 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 September 24, 2022 and September 25, 2021

Revenue

Total revenue increased $20.2 million, or 15.2%, to $153.8 million during the 39 weeks ended September 24, 2022, compared to $133.6 million for the 39 weeks ended September 25, 2021. The increase in total revenue was largely due to a 11.7% increase in same-store sales in the 39 weeks ended September 24, 2022 compared to the 39 weeks ended September 25, 2021. In addition, 78 new center openings became operational during the period from September 26, 2021 through September 24, 2022.

Product Sales

Product sales increased $12.0 million, or 16.2%, to $86.8 million during the 39 weeks ended September 24, 2022, compared to $74.8 million for the 39 weeks ended September 25, 2021. The increase in product sales was primarily due to the increase in same-store sales in the 39 weeks ended September 24, 2022 compared to the 39 weeks ended September 25, 2021. In addition, product sales increased due to new center openings which became operational during the period from September 26, 2021 to September 24, 2022 and an additional offering of medical products to our centers for use in administering wax services.

Royalty Fees

Royalty fees increased $4.4 million, or 13.5%, to $37.2 million during the 39 weeks ended September 24, 2022, compared to $32.8 million for the 39 weeks ended September 25, 2021. The increase in royalty fees during the 39 weeks ended September 24, 2022 was the result of the increase in same-store sales in the 39 weeks ended September 24, 2022 compared to the 39 weeks ended September 25, 2021 as well as the increase in system-wide sales driven by new center openings which became operational during the period from September 26, 2021 to September 24, 2022.

Marketing Fees

Marketing fees increased $2.7 million, or 14.4%, to $21.0 million during the 39 weeks ended September 24, 2022, compared to $18.3 million for the 39 weeks ended September 25, 2021. Marketing fees increased as a result of the increase in same-store sales in the 39 weeks ended September 24, 2022 compared to the 39 weeks ended September 25, 2021 as well as the increase in system-wide sales driven by new center openings which became operational during the period from September 26, 2021 to September 24, 2022.

Other Revenue

Other revenue increased $1.1 million or 14.5%, to $8.8 million during the 39 weeks ended September 24, 2022, compared to $7.7 million for the 39 weeks ended September 25, 2021. The increase in other revenue during the 39 weeks ended September 24, 2022 was primarily due to increases in franchise and technology fee revenues driven by new center openings which became operational during the period from September 26, 2021 to September 24, 2022 as well as an increase in corporate center revenues.

Costs and Expenses

Cost of Revenue

Cost of revenue increased $8.9 million, or 25.9%, to $43.2 million during the 39 weeks ended September 24, 2022, compared to $34.3 million for the 39 weeks ended September 25, 2021. The increase in cost of revenue was primarily due to higher product sales in the current year period driven by the increase in same-store sales in the 39 weeks ended September 24, 2022 compared to the same period in 2021. In addition, cost of revenue increased due to new center openings which became operational during the period from September 26, 2021 to September 24, 2022 and an additional offering of medical products to our centers for use in administering wax services.

Selling, General and Administrative

Selling, general and administrative expenses decreased $1.6 million, or 3.6%, to $44.4 million during the 39 weeks ended September 24, 2022, compared to $46.0 million for the 39 weeks ended September 25, 2021. The decrease in selling, general and administrative expenses was primarily due to decreases in payroll and benefits and professional fee expenses. The decrease in payroll and benefits expense was largely due to additional expense incurred during the 13 weeks ended September 25, 2021 resulting from cash bonus payments made in connection with our IPO. The decrease in professional fees was primarily attributable to costs incurred in the prior year period relating to preparations for our initial public offering. These decreases were partially offset by increased insurance expense for the 39 weeks ended September 24, 2022 compared to the 39 weeks ended September 25, 2021 attributable to the purchase of additional lines of coverage due to becoming a public company.

Advertising

Advertising expenses increased $3.2 million, or 16.4%, to $23.0 million during the 39 weeks ended September 24, 2022, compared to $19.8 million for the 39 weeks ended September 25, 2021. The increase in advertising expense was attributable to the increase in marketing fee revenues as well as the timing of expenses associated with new marketing campaigns.

Depreciation and Amortization

Depreciation and amortization for the 39 weeks ended September 24, 2022 was largely consistent with the 39 weeks ended September 25, 2021, decreasing $0.1 million, or 0.6%, to $15.2 million for the 39 weeks ended September 24, 2022, compared to $15.3 million for the 39 weeks ended September 25, 2021.

Interest Expense

Interest expense decreased $2.3 million, or 12.3%, to $16.4 million during the 39 weeks ended September 24 2022, compared to $18.7 million for the 39 weeks ended September 25, 2021. The decrease in interest expense was attributable to a $6.3 million loss on debt extinguishment incurred in connection with our refinancing transaction executed during the 13 weeks ended September 25, 2021. However, this decrease was largely offset by the effect of higher average principal balances and interest rates on outstanding debt during the 39 weeks ended September 24, 2022 compared to the 39 weeks ended September 25, 2021 as well as a $2.0 million loss on debt extinguishment resulting from the repayment of the 2026 Term Loan during the first 39 weeks of 2022.

Income Tax Expense

We recorded $83 thousand in income tax expense for the 39 weeks ended September 24, 2022 primarily due to state income taxes. This differs from the federal statutory income tax rate primarily as a result of the impact of the Company's full valuation allowance against its net federal and state deferred taxes. Other drivers of the effective tax rate include non-taxable income attributable to non-controlling interest, and the tax effects of stock compensation. We recorded zero income tax expense for the period of August 4, 2021 through September 25, 2021, which is the period following the IPO and Reorganization Transactions, as we incurred a pre-tax loss for the period and recorded a full valuation allowance against our deferred tax assets.

We estimate that in future annual periods, our blended statutory tax rate, prior to valuation allowance consideration, will be approximately 17% 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 exit costs related to leases of abandoned space, IPO-related costs, non-cash equity-based compensation expense, corporate headquarters office relocation, non-cash gains and losses on remeasurement of our tax receivable agreement liability and other one-time expenses. 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	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
(in thousands)				
Net income (loss)	$ 5,287	$ (9,272)	$ 11,344	$ (441)
Interest expense	6,804	9,515	16,391	18,686
Income tax expense	37	—	83	—
Depreciation and amortization	5,059	4,850	15,173	15,259
EBITDA	$ 17,187	$ 5,093	$ 42,991	$ 33,504
Share-based compensation[(1)]	2,117	7,395	7,452	7,952
IPO-related costs[(2)]	—	1,715	—	4,697
IPO-related compensation expense[(3)]	—	2,343	—	2,343
Other compensation-related costs[(4)]	—	—	—	380
Remeasurement of tax receivable agreement liability [(5)]	(516)	—	302	—
Transaction costs [(6)]	—	—	1,406	—
Other [(7)]	(157)	—	260	—
Adjusted EBITDA	$ 18,631	$ 16,546	$ 52,411	$ 48,876

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

(2) Represents legal, accounting and other costs incurred in preparation for initial public offering in fiscal year 2021.

(3) Represents cash-based compensation expense recorded in connection with the initial public offering in fiscal year 2021.

(4) Represents costs related to reorganization driven by COVID-19 and buildup of executive leadership team in fiscal year 2021.

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

(6) Represents costs related to our secondary offering of Class A common stock by selling stockholders and certain costs incurred in connection with our securitization transaction.

(7) Represents non-core operating expenses identified by management. For fiscal year 2022 these costs relate to executive severance.

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 members. We had cash and cash equivalents of $41.6 million as of September 24, 2022.

Future payments under the TRA with respect to the purchase of EWC Ventures Units which occurred as part of the IPO and through September 24, 2022 are currently expected to be $143.8 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 income (loss) before income taxes on the Consolidated Statements of Operations in the period in which the change occurs. We recorded a liability of $66.3 million based on current projections of future taxable income taking into consideration the Company's full valuation allowance against its net deferred tax asset. During the 13 and 39 weeks ended September 24, 2022 there were no material changes, other than the debt transactions completed in connection with our securitization transaction, in our contractual obligations from those described in our annual report on Form 10-K for the fiscal year ended December 25, 2021.

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 the 2026 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 at closing and as of September 24, 2022. 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 6—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 December 25, 2021 in the section entitled "Risks Related 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 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. The first payment would be due after the filing of our tax return for the year ended December 25, 2021, which is due October 15, 2022. 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 Notes restrict 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 Notes restrict 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 consolidated statements of cash flows for the periods presented (amounts in thousands):

	For the Thirty-Nine Weeks Ended	
	September 24, 2022	September 25, 2021
Net cash provided by (used in):		
Operating activities	$ 27,949	$ 22,229
Investing activities	(143)	(8,008)
Financing activities	(22,957)	(25,575)
Net increase (decrease) in cash	$ 4,849	$ (11,354)

Operating Activities

During the 39 weeks ended September 24, 2022 and September 25, 2021, net cash provided by operating activities was $27.9 million and $22.2 million, respectively, an increase of $5.7 million. This improvement was largely attributable to our improved operating results in the first 39 weeks of 2022 compared to the first 39 weeks of 2021. However, the increase in cash flows from operations was partially offset by the working capital increase during the first 39 weeks of 2022 exceeding the working capital increase during the first 39 weeks of 2021.

The increase in working capital in 2022 was primarily attributable to an increase of $3.7 million in inventory and a decrease of $7.7 million in accounts payable and accrued liabilities. The increase in inventory was primarily due to increased purchases from suppliers to support increased system-wide sales and new center openings. The decrease in accounts payable and accrued liabilities was largely driven by the timing of vendor invoice payments as well as decreases in accrued professional fees and accrued compensation.

Investing Activities

During the 39 weeks ended September 24, 2022 and September 25, 2021, we used $0.1 million and $0.4 million of cash, respectively, for capital expenditures. In the first 39 weeks of 2021 we used $7.6 million in cash for the reacquisition of area representative rights.

Financing Activities

Cash used in financing activities was $23.0 million and $25.6 million during the 39 weeks ended September 24, 2022 and September 25, 2021, respectively. Financing activities during the first 39 weeks of 2022 were largely the result of the securitization transaction and the special cash dividend and consisted of the following:

- The receipt of $384.3 million in proceeds from the issuance of Class A-2 Notes
- Payments made for the following items:
  - $205.1 million for dividends and dividend equivalents paid to holders of shares of Class A common stock and EWC Ventures Units
  - $181.0 million to fully repay the 2026 Term Loan and the first principal payment on the Class A-2 Notes
  - $12.4 million in deferred financing costs related to the Class A-2 Notes and Variable Funding Notes
  - $7.3 million in tax distributions to EWC Ventures members
  - $0.9 million in costs related to the secondary offering of our Class A common stock in November 2021 and
  - $0.1 million in debt extinguishment costs related to the repayment of the 2026 Term Loan

In the first 39 weeks of 2021 cash used in financing activities were largely the result of the Reorganization Transactions, the IPO and the debt refinancing transactions and consisted of the following:

- The receipt of cash proceeds from the following sources:
  - $146.0 million from our initial public offering of Class A common stock, net of underwriting discounts and offering expense
  - $179.4 million from the 2026 Term Loan, net of debt discount
- Payments made for the following items:
  - $270.6 million to fully repay our previous term loan and revolving credit facility
  - $2.4 million for debt extinguishment costs related to the previous term loan
  - $1.3 million in deferred financing costs related to the 2026 Term Loan and revolving credit facility
  - $70.5 million to repurchase Class B common stock and an equivalent number of EWC Ventures common units from certain EWC Ventures members
  - $0.9 million to repurchase EWC Class A units which were outstanding prior to the Reorganization Transactions
  - $5.2 million in net tax distribution payments made to EWC Ventures members

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with GAAP. The preparation of these 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. 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 December 25, 2021.

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 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 September 24, 2022 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 proprietary 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

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has evaluated the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this quarterly report on Form 10-Q.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their control objectives.

Based on that evaluation, our CEO and CFO concluded that as of September 24, 2022, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in the reports it files or submits with the Securities and Exchange Commission is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management, including the principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting

There have been no changes in our internal control over financial reporting that occurred during the 13 weeks ended September 24, 2022, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II-OTHER INFORMATION

Item 1. Legal Proceedings

We 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

There have been no material changes in our risk factors from those disclosed in Part I, "Item 1A. Risk Factors" in our annual report on Form 10-K for the year ended December 25, 2021, except as set forth below. You should carefully consider the risk factors set forth below and 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.

Risks Relating to Our Business

Substantially all of the assets of certain of our subsidiaries are security under the terms of the securitization transaction that was completed on April 6, 2022.

On April 6, 2022, EWC Master Issuer LLC (the "Master Issuer"), our limited-purpose, bankruptcy-remote, indirect subsidiary, entered into a base indenture (the "Base Indenture") and a related supplemental indenture (collectively, the "Indenture") under which the Master Issuer issued $400 million in aggregate principal amount of Series 2022-1 5.50% Fixed Rate Senior Secured Notes, Class A-2 (the "Class A-2 Notes") in an offering exempt from registration under the Securities Act of 1933, as amended. In connection with the issuance of the 2022 Class A-2 Notes, the Master Issuer also entered into a revolving financing facility that allows for the issuance of up to $40 million in Series 2022-1 Variable Funding Senior Notes, Class A-1 (the "Variable Funding Notes," and together with the Class A-2 Notes, the "Notes"), and certain letters of credit.

The Notes were issued in a securitization transaction pursuant to which substantially all of our revenue-generating assets in the United States are held by the Master Issuer and certain other limited-purpose, bankruptcy remote, wholly-owned direct and indirect subsidiaries of the Master Issuer that act as guarantors of the Notes and that have pledged substantially all of their assets to secure 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 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 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), 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.

In the event that a rapid amortization event occurs under the Indenture (including, without limitation, upon an event of default under the Indenture or the failure to repay the securitized debt at the end of the applicable term), the funds available to us would be reduced or eliminated, which would in turn reduce our ability to operate or grow our business. If our subsidiaries are not able to generate sufficient cash flow to service their debt obligations, they may need to refinance or restructure debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. If our subsidiaries are unable to implement one or more of these alternatives, they may not be able to meet debt payment and other obligations.

The securitization imposes certain restrictions on our activities or the activities of our subsidiaries.

The Indenture and the management agreement entered into among certain of our subsidiaries and the Indenture trustee (the “Management Agreement”) contain various covenants that limit our and its subsidiaries’ ability to engage in specified types of transactions. For example, the Indenture and the Management Agreement contain covenants that, among other things, restrict, subject to certain exceptions, the ability of certain subsidiaries to:

- incur or guarantee additional indebtedness;
- sell certain assets;
- create or incur liens on certain assets to secure indebtedness;
- or consolidate, merge, sell or otherwise dispose of all or substantially all of our assets.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
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 Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase 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 David L. Willis, 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 3, 2022	By:	/s/ DAVID P. BERG
		David P. Berg Chief Executive Officer (Principal Executive Officer)
Date: November 3, 2022	By:	/s/ DAVID L. WILLIS
		David L. Willis Chief Financial Officer and Chief Operating 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 3, 2022

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, David L. Willis, 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 3, 2022

By: /s/ DAVID L. WILLIS
David L. Willis
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 September 24, 2022 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 3, 2022

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 September 24, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David L. Willis, 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 3, 2022	By:	/s/ DAVID L. WILLIS
		David L. Willis
		Chief Financial Officer