



FRANCHISE  
BRANDS PLC

AN  
INTRODUCTION  
2019

# AN INTRODUCTION TO FRANCHISE BRANDS PLC



Established in 2008 by Stephen Hemsley (Executive Chairman) and Nigel Wray (Non-executive Director).

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Multi-brand franchise business with over 450 franchisees.

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B2B and B2C brands.

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Highly experienced Board and senior management team who are significant shareholders (Board shareholding 63.1%).

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Admitted to AIM in August 2016 at a market capitalisation of £15.6m: now £82m\*.

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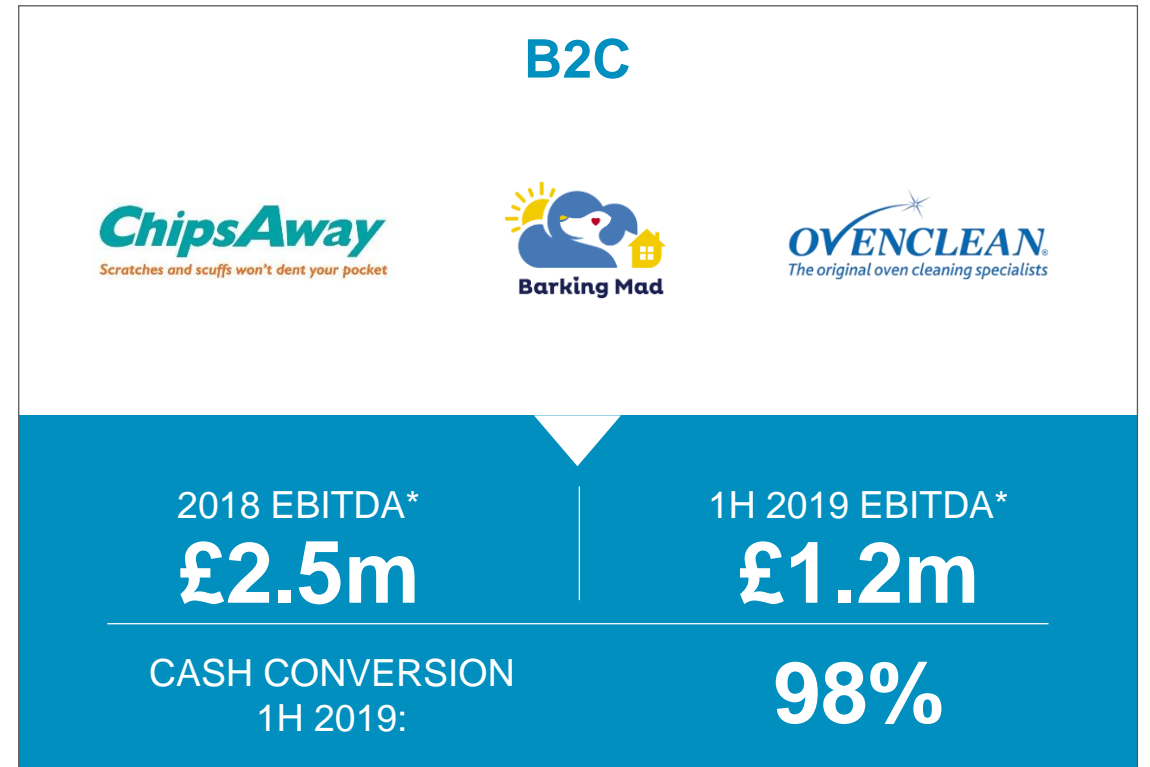
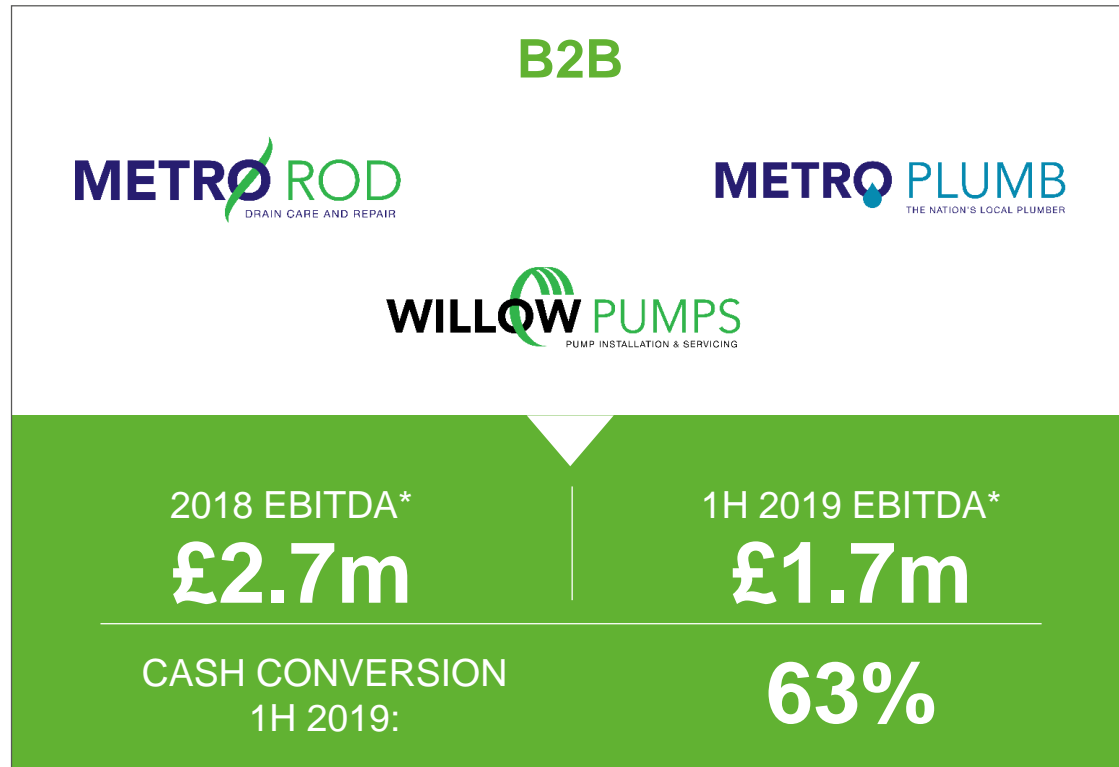
Organic growth and buy & build strategy.

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Profitable, cash generative, progressive dividend policy.

*\*As at 11 November 2019*

# FRANCHISE BRANDS: AT A GLANCE



\*EBITDA excludes head office costs  
B2B EBITDA excludes Willow Pumps which was acquired in October 2019

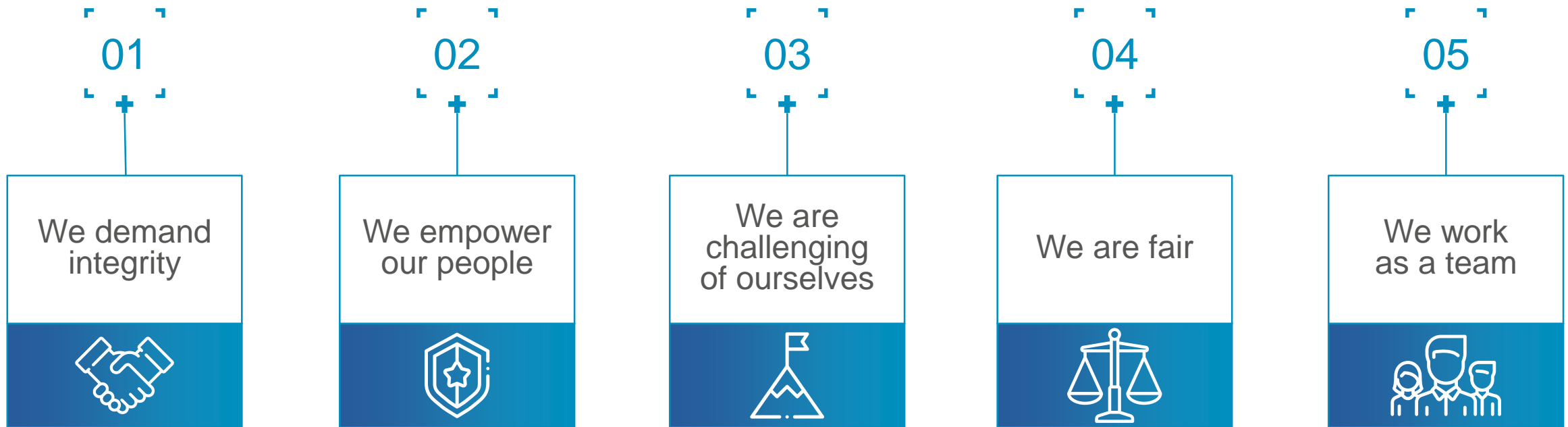
# OUR STRATEGY & BUSINESS MODEL

Our strategy is to develop established franchise businesses into market leaders



# OUR GUIDING PRINCIPLES

We have five guiding principles that inform the way we work with each other, support our franchisees and serve our customers and communities in which we operate:



# OUR TEAM



**Stephen Hemsley**  
Executive Chairman



**Chris Dent**  
Chief Financial Officer



**Peter Molloy**  
Managing Director  
Metro Rod



**Tim Harris**  
Managing Director  
ChipsAway & Ovensclean



**Julia Choudhury**  
Corporate Development  
Director



**Colin Rees**  
Chief Information Officer



**Nigel Wray**  
Non-executive Director



**David Poutney**  
Non-executive Director



**Rob Bellhouse**  
Non-executive Director

# METRO ROD



## **Metro Rod's rate of growth is accelerating under Vision 2023 strategy:**

Returned responsibility to franchisees.

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New systems and new ways of working: investment in technology.

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Strengthened marketing and sales support; introduced incentive schemes.

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1H 2019 growth metrics:

- System sales growth of 15%.
  - 83% of the network in growth.
  - Local sales growing by 19%.
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New franchisees joining the network.

# THE MAXIMUM POTENTIAL MODEL

**November 2018**

Maximum Potential  
**£110m**

Maximum penetration:  
**4.61%**

Maximum yield per postcode:  
**£1,105**

**June 2019**

Maximum Potential  
**£161m**

Maximum penetration:  
**6.23%**

Maximum yield per postcode:  
**£1,194**

**November 2019**

Maximum Potential  
**£188m**

Maximum penetration:  
**7.29%**

Maximum yield per postcode:  
**£1,190**



# WILLOW PUMPS



## Acquisition of Willow Pumps on 7 October 2019 adds highly complementary services to Metro Rod:

Leading pump supply, installation and servicing business.

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Below ground and above ground.

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Strong strategic rationale.

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Initial consideration of £5m plus potential deferred consideration of up to £7.5m.

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Significant growth incentives within deal structure.

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6M to 30 June 2019: Revenue of £8.4m, EBITDA of £1m.

# WATER IN, WASTE OUT



**Longer term aim is to serve the commercial market with a range of “water in, waste out” range of services:**

Drainage.

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Pumps: below and above ground.

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Plumbing.







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Truly national service.

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2m commercial addresses.

# THE B2C BRANDS

 <p><i>Scratches and scuffs won't dent your pocket</i></p> <p><b>Car paintwork repairs</b></p> <hr/> <p>Franchisees <b>204</b></p>	 <p><i>The original oven cleaning specialists</i></p> <p><b>Domestic oven cleaning</b></p> <hr/> <p>Franchisees <b>109</b></p>	 <p><b>Dog home boarding</b></p> <hr/> <p>Franchisees <b>82</b></p>
		

## Shared Support Services



Marketing



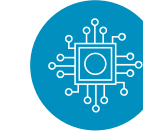
Franchise Recruitment



Franchise Support



Finance



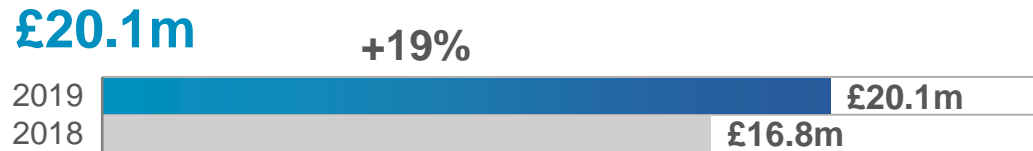
Technology



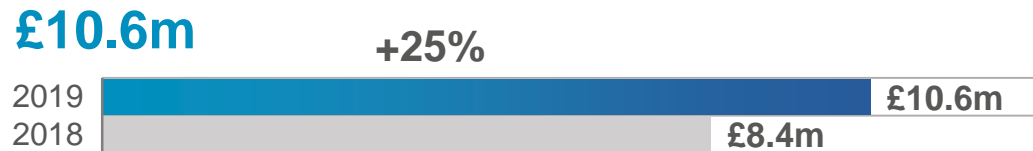
# A STRONG PERFORMANCE IN H1 2019 DRIVEN BY ACCELERATING METRO ROD SYSTEM SALES

## Half year financial highlights

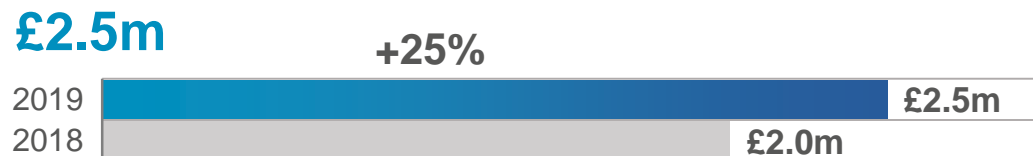
### Revenue



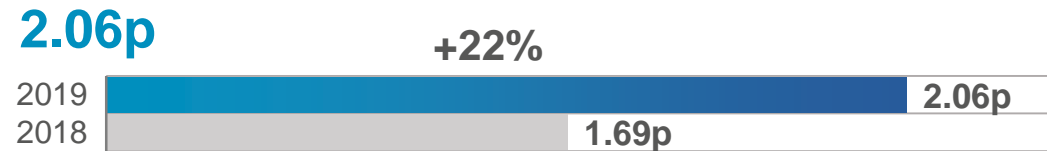
### Fee income



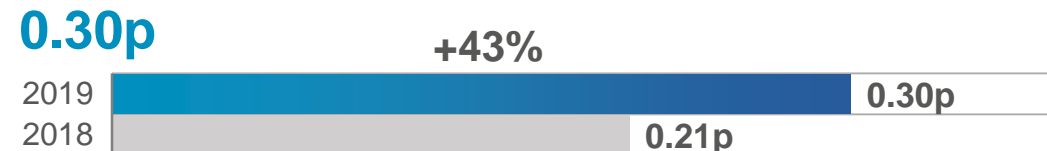
### Adjusted EBITDA\*



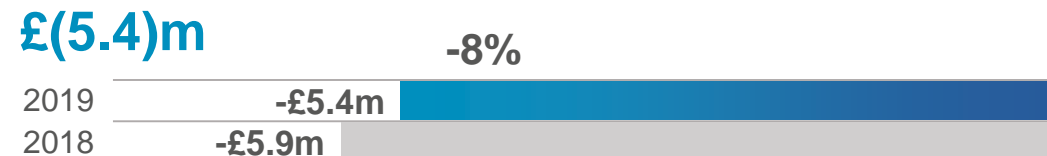
### Adjusted EPS\*\*



### Dividend per share



### Net debt\*\*\*



\* Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and the share-based payment expense.

\*\* Adjusted EPS is earnings per share before amortisation of acquired intangibles and the share-based payment expense.

\*\*\* Net debt has been restated as a result of our adoption of IFRS16 Leases.

# CONSENSUS FORECASTS

Year to December (£m)	2018 A	Consensus* 2019E	Consensus* 2020E
Revenues	35.5	40.5	56.6
EBITDA	4.0	5.2	7.4
<i>Growth rate (%)</i>		30%	44%
Adjusted PBT	3.2	4.1	5.8
<i>Growth rate (%)</i>		27%	41%
Adjusted EPS (p)	3.37	4.26	5.89
<i>Growth rate (%)</i>		25%	38%
DPS (p)	0.67	0.86	1.20
<i>Growth rate (%)</i>		28%	42%
Net debt	(5.0)	(8.7)	(5.6)

\* Consensus of Dowgate Capital and Allenby Capital forecasts

# SUMMARY & OUTLOOK



The Group is performing strongly driven by accelerating Metro Rod system sales.

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The acquisition of Willow Pumps has added highly complementary services to Metro Rod.

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The Board believes the acquisition will be significantly earnings enhancing for the Group.

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Growth opportunities for the cash-generative B2C businesses.

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Potential for further prudently financed, earnings-enhancing acquisition opportunities.

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Confident of delivering further significant growth in earnings and dividends in the current year and beyond.