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23 March 2017

**Franchise Brands plc
("Franchise Brands", "the Group" or "the Company")**

**Proposed acquisition of Metro Rod Limited ("Metro Rod"),
proposed placing by way of an accelerated bookbuild to raise up to £20 million,**

**Notice of General Meeting
and restoration of trading on AIM**

Franchise Brands today announces that terms have been conditionally agreed for the proposed acquisition of the entire issued share capital of Metro Rod for a total consideration of £28 million (subject to adjustment based on the financial position of Metro Rod at completion) ("the Acquisition").

The Company also announces its intention to conduct a placing with certain institutional and other investors and the Directors to raise gross proceeds of up to approximately £20 million at 67 pence per Ordinary Share in order to partially fund the Acquisition (the "Placing"). The Placing is being conducted through an accelerated bookbuilding process (the "Bookbuild") which will be launched immediately following this Announcement.

Metro Rod is a leading provider of drain clearance and maintenance services, delivered 24/7/365 on a largely reactive basis by 40 regional Franchisees, with geographical coverage across the majority of the UK. Founded in 1983, the Directors believe Metro Rod has grown to become one of only five companies in the drainage sector operating on a national basis. Metro Rod serves national business customers across multiple sectors including facilities management, retail, water utilities, social housing, hospitality and insurance, as well as local businesses and other customers in the private and public sectors.

The Directors believe the Acquisition represents a transformational step in respect of Franchise Brands' strategy to pursue the selective acquisition of franchise businesses that could benefit from

the Company's central services, such as marketing, and also the experience of the Board and management team in developing franchise businesses.

Highlights:

- Metro Rod is a leading provider, profitable and a cash generative business with an experienced management team, a mature and stable franchise network and high customer retention rates.
- The Directors believe the Acquisition will be significantly earnings enhancing for the Group as Metro Rod is being purchased by the Group at a price the Directors consider attractive and the combined businesses' strong cashflow and balance sheet provide an opportunity to utilise debt to finance the Acquisition.
- The total consideration of £28 million (subject to adjustment based on the financial position of Metro Rod at completion of the Acquisition) for the Acquisition together with estimated costs of approximately £1.8 million and additional working capital will be funded by the issue of the Placing Shares to raise up to approximately £20 million and new bank facilities of up to £17 million.
- The Directors believe that under the guidance of the Board, and as part of a group focused entirely on the development and growth of franchise businesses, the development of Metro Rod may be accelerated through:
 - providing additional sales and marketing support to Franchisees in the development of Commercial Accounts;
 - further developing Key Accounts in sectors where Metro Rod's penetration could be increased on a relative basis;
 - the development of the recently launched Metro Plumb business through investment in additional sales and marketing; and
 - longer term, extending the "Metro" brand into other B2B sectors.
- The Acquisition represents an opportunity to leverage Franchise Brands' and Metro Rod's complementary strengths in the provision of shared services. For example, Franchise Brands has significant expertise in marketing, which the Directors believe will accelerate the development of Metro Rod's existing business and the newly launched Metro Plumb business. In contrast, Metro Rod has a substantial call centre capability, whereas Franchise Brands currently outsources this function. The Directors believe that combining the finance teams will also provide the potential for an enhanced finance function for the Enlarged Group.
- The addition of Metro Rod to the Group will substantially increase the size and scale of the Group's operations. This will potentially allow certain functions that were previously sub-scale to be optimised and certain outsourced functions to be brought in-house over time.
- Metro Rod increased operating profit before exceptional items by approximately 52 per cent. from £2.1 million in the financial year ended 30 April 2014 to £3.2 million in the financial year ended 30 April 2016.
- Metro Rod generates substantially all its income from fees related to system sales, which the Directors believe will improve the Enlarged Group's overall quality of income and return from growing Franchisee turnover. It also operates in a defensive sector, partly due to the emergency nature of the demand for its services.

- The Directors believe that the B2B expertise and operational capabilities within Metro Rod, combined with the scale of the Enlarged Group, will also allow the Board to evaluate an increased range of future potential acquisition opportunities in the B2B, as well as B2C, sectors.

Given the scale of the Acquisition when compared to the existing Group, the transaction is a reverse takeover under the AIM Rules and requires the Company to issue a new admission document and is conditional, *inter alia*, on the approval by Shareholders of the Resolutions to be proposed at a General Meeting. Accordingly, the Company has published the admission document ("**Admission Document**"), including details of the General Meeting and Resolutions, which will be posted to Shareholders today and is available on the Company's website at www.franchisebrands.co.uk.

The Directors consider the Acquisition to be an excellent opportunity for the Group and in the best interests of the Company and Shareholders as a whole. Accordingly, the Directors recommend unanimously that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting as they and certain other Shareholders have irrevocably undertaken to do so in respect of their beneficial holdings of Ordinary Shares, which represent approximately 70.34 per cent of the Existing Ordinary Shares.

Allenby Capital is acting as nominated adviser and joint broker to the Company and Dowgate Capital is acting as joint broker to the Company in connection with the Acquisition, Placing and Admission.

Restoration of trading on AIM

With the publication of the Admission Document today, trading in the Company's Ordinary Shares on AIM will be restored at 7.30 a.m. today.

Details of the Placing

In conjunction with the Acquisition, the Company proposes to raise up to approximately £20 million, before expenses, through the issue of the Placing Shares at the Placing Price. The Placing Shares will represent approximately 38.4 per cent. of the Enlarged Share Capital on Admission.

The Placing is being conducted by way of the Bookbuild. The Bookbuild will open with immediate effect and is expected to close no later than 6 p.m. (London time) today. The timing of the closing of the Bookbuild and the making of allocations may be accelerated or delayed at the discretion of Allenby Capital and Dowgate Capital (together the "Joint Bookrunners"). The appendix to this Announcement contains detailed terms and conditions ("Terms and Conditions") applicable to the Placing and the Bookbuild. The Placing is not underwritten.

By choosing to participate in the Placing and by making an oral and/or written legally binding offer to acquire Placing Shares, investors will be deemed to have read and understood this Announcement (including the appendix) and the Admission Document in its entirety, and to be making such offer on the terms and subject to the conditions contained herein and to be making the representations, warranties, undertakings and acknowledgements contained in this Announcement (including the appendix).

The Placing is conditional, *inter alia*, upon the passing of the Resolutions at the General Meeting and Admission. If the Resolutions are passed and the other conditions set out in the Acquisition Agreement (save for Admission), the Facilities Agreement (save for Admission) and the Placing Agreement (save for payment of the consideration to the Vendor and Admission) are met, it is

expected that the Enlarged Share Capital will be admitted to trading on AIM with effect from 8.00 a.m. on 11 April 2017.

The Placing is being made on a non pre-emptive basis as the time delay and costs associated with a pre-emptive offer are considered by the Directors to be excessive for the Company's requirements.

The Directors intend to subscribe, in aggregate, for 16,671,459 Placing Shares in the Placing at a cost of approximately £11.2 million. This represents approximately 56 per cent. of the gross proceeds to be raised in the Placing and the Directors believe this demonstrates their strong degree of confidence in the Enlarged Group.

The Directors are treated as related parties of the Company under the AIM Rules. The Directors' participation in the Placing is therefore treated as a related party transaction pursuant to rule 13 of the AIM Rules. Accordingly, the Company's nominated adviser, Allenby Capital, considers that the terms of the Directors' participation in the Placing are fair and reasonable insofar as Shareholders are concerned.

Defined terms used in this Announcement shall have the same meaning (unless the context otherwise requires) as ascribed to them in the "Definitions" and "Technical Glossary" section at the bottom of this Announcement.

Stephen Hemsley, Executive Chairman of Franchise Brands plc, commented:

"We are delighted to announce the proposed Acquisition of Metro Rod, which represents a transformational step in respect of implementing the Group's stated buy and build strategy.

"Metro Rod is a market leading, profitable and cash generative business with an experienced management team, a mature and stable franchise network and high customer retention rates. We believe that Franchise Brands' significant marketing and franchise management expertise will accelerate the development of Metro Rod's existing business and its newly launched Metro Plumb business, enabling the business and management team to thrive as part of Franchise Brands."

Further details on Metro Rod, the Acquisition and the strategy of the Enlarged Group are set out further below.

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The price of Ordinary Shares and any income from them may go down as well as up and investors may not get back the full amount invested on disposal of the Ordinary Shares.

The Placing Shares to be issued pursuant to the Placing will not be admitted to trading on any stock exchange other than the AIM market operated by the London Stock Exchange.

Neither the content of the Company's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this Announcement.

BACKGROUND TO AND RATIONALE FOR THE ACQUISITION

The Board is pleased to inform Shareholders that terms have been agreed for the proposed Acquisition of the entire issued share capital of Metro Rod, a leading provider of drain clearance and maintenance services, which are delivered on a largely reactive basis by regional Franchisees. The total consideration for the Acquisition is £28 million (subject to adjustment based on the financial position of Metro Rod at completion of the Acquisition), which together with estimated costs of approximately £1.8 million, will be satisfied in cash at completion of the Acquisition.

It is proposed that the Consideration, associated costs and additional working capital will be funded by the issue of the Placing Shares to raise up to approximately £20 million and new bank facilities of up to £17 million. Given the scale of the Acquisition when compared to the existing Group, the transaction is a reverse takeover under the AIM Rules and therefore requires the Company to issue a new admission document and obtain Shareholder approval for the Acquisition.

The Group's strategy, as outlined at the time of its IPO, was to pursue the selective acquisition of franchise businesses that could benefit from the Company's central services, such as marketing, and also the experience of the Board and management team in developing franchise businesses. The Group completed its first acquisition since the IPO, of Barking Mad, in October 2016. The acquisition of Barking Mad broadened Franchise Brands' portfolio of B2C service businesses with a market leading brand which the Directors believe has an attractive model for Franchisees, a strong management team and a similar customer base to the Group's existing brands.

The Directors believe the Acquisition represents a transformational step in respect of implementing the Group's stated buy and build strategy. In particular, the Directors believe the Acquisition represents an opportunity to enter the B2B franchising market at a size and scale that is attractive

strategically and at an acquisition price that the Directors consider is significantly accretive to Shareholders.

Furthermore, the Directors believe the range of potential future acquisition opportunities for the Group is likely to be increased as a result of the Acquisition, as both the B2B and B2C franchise sectors would be within its scope. The Directors also believe the Acquisition is likely to lead to an enhanced range of shared services within the Enlarged Group which have the capability to be leveraged across its range of brands and furthermore, will potentially allow the Enlarged Group to optimise some activities that were previously sub-scale.

Metro Rod is a well established and profitable business with an experienced management team who have continued to grow the business through several changes of ownership. However, the Directors believe that under the guidance of the Board, and as part of a group focused entirely on the development and growth of franchise businesses, the development of Metro Rod may be accelerated.

The Board believes the Acquisition is positive for the Group for the following reasons:

- **Significantly earnings-enhancing:** The Directors believe Metro Rod is being purchased by the Group at an attractive price of approximately 8.8 times Operating Profit before exceptional items for the year ended 30 April 2016, and that the Acquisition will therefore be significantly earnings enhancing for the Group. Metro Rod also benefits from a strong cashflow, which, when combined with the existing Group's robust cashflow and strong balance sheet, provides an opportunity to utilise debt to finance the Enlarged Group and further enhance earnings per share.
- **Potential for growth in earnings:** The Directors believe Metro Rod's earnings will grow as a result of the continued development of the core business, development of the recently launched Metro Plumb business and, longer term, the additional extension of the "Metro" brand into other B2B sectors.
- **Defensive sector:** Metro Rod's business model has historically demonstrated resilience through changes in the economic cycle. The Directors believe this is partly due to emergency nature of the demand for its services.
- **Experienced management:** Metro Rod has an experienced and long standing management team who have continued to grow the business through several changes of ownership. Under the guidance of the experienced Board, and as part of a group focused entirely on the development and growth of franchise businesses, the Directors believe that this team will thrive.
- **Quality of income:** Metro Rod generates substantially all its income from fees related to system sales and does not rely on income from Franchisee recruitment or resales. The Directors believe this will improve the Enlarged Group's overall quality of income and improve the return to the Enlarged Group from growing Franchisee turnover.
- **Opportunities to leverage shared services:** The Directors believe Franchise Brands and Metro Rod have complementary strengths in the provision of shared services. For example, Franchise Brands has significant expertise in marketing, which the Directors believe will accelerate the development of Metro Rod's existing business and the newly launched Metro Plumb business. In contrast, Metro Rod has a substantial call centre capability, whereas Franchise Brands currently outsources this function. The Directors believe that combining the finance teams will also provide the potential for an enhanced finance function for the Enlarged Group.

- **Benefits of operational scale:** The addition of Metro Rod to the Group will substantially increase the size and scale of the Group's operations. This will potentially allow certain functions that were previously sub-scale to be optimised and certain outsourced functions to be brought in-house over time.
- **Increased range of future potential acquisition opportunities:** Metro Rod is predominantly a B2B business whereas the Group's existing brands are B2C businesses. The Directors believe that the B2B expertise and operational capabilities within Metro Rod, combined with the scale of the Enlarged Group, will also allow the Board to evaluate an increased range of future potential acquisition opportunities in the B2B, as well as B2C, sectors.

INFORMATION ON METRO ROD

History of Metro Rod

Metro Rod was founded in 1983 and has subsequently grown to become, the Directors believe, one of only five companies in its sector operating on a national basis. Since 2001, Metro Rod has been part of a group of companies which in 2011 was renamed the Enserve Group. The Enserve Group is a private group of businesses providing infrastructure support services to the utilities sector. The Enserve Group has been under private equity ownership since 2010, most recently by funds managed or advised by Rubicon Partners LLP and Grovepoint Capital LLP.

Metro Plumb was launched by Metro Rod in February 2016 and provides cold water plumbing services, primarily to Key Account customers. All Metro Rod Franchisees were given the opportunity to purchase Metro Plumb franchises covering their respective territories and 30 of the existing 40 Metro Rod Franchisees have done so. The Directors believe that Metro Plumb represents a natural brand extension of the types of emergency response services Metro Rod is able to provide whilst seeking to leverage its existing infrastructure.

Kemac was established in 1993 and is a company owned operation (and not franchised). It built its reputation on providing services to the water utilities market and more recently, by providing plumbing services. Kemac provides plumbing related services to Thames Water and services to other water companies. Kemac also operates six Metro Plumb territories, predominantly in and near the Greater London area.

The Metro Rod business

Metro Rod is a leading provider of drain clearance and maintenance services delivered on a largely reactive basis. The services are predominantly provided by a total of 40 Franchisees with geographical coverage across the majority of the UK.

Metro Rod serves national business customers across multiple sectors including facilities management, retail, water utilities, social housing, hospitality and insurance, as well as local businesses and other customers in the private and public sectors. Domestic customers form only a small part of Metro Rod's business.

A focus of Metro Rod is to provide a 24/7/365 emergency response service to customers through its operating model of Key Accounts and Commercial Accounts. The service is provided by regional Franchisees, who on average have been with Metro Rod for 11 years, with extensive support from a large head office team of approximately 140 people.

The Franchise Network

Metro Rod has a mature and stable franchise network. Since May 2013, it has had between 40 to 43 franchisees. The decrease to 40 Franchisees at present, primarily reflects the consolidation of a number of franchise territories.

The franchise is a management franchise in that the Franchisee manages individuals who provide the service. There are over 300 engineers in the Metro Rod network. On average, Franchisees have eight engineers and operate seven vans. The average length of tenure of a Franchisee is approximately 11 years (the longest tenure is currently 23 years).

Metro Rod typically resells two to three franchises every year when Franchisees retire and/or are replaced and these area sales represent a small additional source of revenue for Metro Rod.

Average gross revenue per Franchisee has grown steadily in recent years to reach nearly £740,000 in the financial year ended 30 April 2016. No reliance is placed on a single Franchisee with the largest accounting for 5 per cent. of total Key Account and Commercial Account revenues.

Since February 2016, Kemac has operated the Metro Plumb franchise territory areas in London, Reading and Guildford on behalf of Metro Rod. Southampton, Bournemouth, Edinburgh and Glasgow are vacant plumbing franchise areas with services currently provided on a sub-contracted basis.

The Franchise Model

The Directors believe that the Metro Rod franchise model, which includes Metro Plumb, is a collaborative and mutually dependent one whereby the Franchisees fulfil work which is mostly procured by the franchisor.

Franchisees are awarded the right to operate the brand in geographically-defined territories on an exclusive basis. Territories are identified by postcodes.

Metro Rod, as the brand owner, licenses the brand and intellectual property to the Franchisee. The franchise agreement provides that each Franchisee pays an initial franchise fee or renewal fee to Metro Rod and an on-going MSF for the use of the brand, the retention of the territory, and the provision of the initial and ongoing services and support.

Metro Rod's franchise business model involves the provision of a range of central support services to its Franchisees. An important service is business management support, in particular the provision of Key Account sales which account for approximately 60 per cent. of the Franchisee's revenues.

Each Franchisee enters into a Franchise Agreement which grants them the right to trade under the relevant brand for a five year term. Subject to the Franchisee having substantially observed and performed the terms of the Franchise Agreement (and certain other conditions), the Franchisee is eligible to be awarded a renewal of the agreement for a further five year term. Metro Rod is not obliged to offer more than two renewal franchises. The franchisor can only decline to renew or terminate on grounds set out in the Franchise Agreement which include, amongst other things, non-performance and reputational damage.

Franchisees are responsible for the purchase of their own equipment and the hiring of specialist equipment for more complex work. The standard MSF is 22.5 per cent. of gross revenue minus an

allowance for deductible items. The current franchise agreements provide for a marketing contribution of 1 per cent. of gross revenue. However, Metro Rod does not currently collect this from the Franchisees.

Metro Rod's accounts department are responsible for all invoicing on behalf of Franchisees for Key Accounts and Commercial Accounts. Franchisees are paid for servicing Key Accounts regardless of whether Metro Rod has received payment, and Metro Rod bears the credit risk for these accounts. Franchisees bear the credit risk for Commercial Accounts and are paid, on average, after 45 days. Payment terms for Key Accounts are typically 60 days, however the Franchisees are paid, on average, after 45 days. This explains the working capital requirement for Metro Rod which is unusual in a franchise business.

Customers

Metro Rod serves national business customers across multiple sectors including facilities management, retail, water utilities, social housing, hospitality and insurance, as well as local businesses and other customers in the private and public sectors. Customers include many large national and well-known companies. Domestic customers form only a small part of Metro Rod's business.

In the last three financial years, Metro Rod Franchisees have carried out over 100,000 jobs per annum. In the financial year ended 30 April 2016, more than 130,000 jobs were completed. Average gross revenue per job in the financial year ended 30 April 2016 was approximately £230 (excluding VAT). Total system sales were approximately £32 million in the financial year ended 30 April 2016 (unaudited).

Statutory revenues for Metro Rod in the financial year ended 30 April 2016 were £21.4 million, and proforma revenues, which include the contribution of Kemac, and other adjustments, were £23.0 million. Of the proforma £23.0 million, £18.4 million related to revenue from Key Accounts, £2.6 million from Commercial Accounts and £1.8 million from Kemac. Key Account sales relate to national customer accounts won and maintained by the Metro Rod central sales team. Commercial Accounts relate to work secured directly by the Franchisee primarily from commercial customers within their franchise area as a result of their local marketing initiatives.

Key Accounts

Metro Rod has over 360 Key Account customers. In the financial year ended 30 April 2016, facilities management customers accounted for approximately 51 per cent. of total Key Account customer revenues and retail customers accounted for approximately 12 per cent. Metro Rod has a high customer retention rate. In the last three financial years, the retention rate for Key Account customers was over 93 per cent.

Key Account customers include many large national and well-known companies in the facilities management, hospitality, healthcare and construction sectors. In the financial year ended 30 April 2016, Metro Rod's top 10 Key Account customers accounted for 35 per cent. of total revenue. As a result, the Directors believe there is limited dependence on any one individual Key Account customer. The largest customer accounts for approximately 9 per cent. of total revenues and has been a customer for 12 years.

Key Account contracts are generally organised through a framework or preferred supplier agreement, which have a typical duration of one to three years. While the agreements do not generally include

volume guarantees, they document call-out rates, which tend to be fixed through the duration of the agreements. The call-out rates vary by customer. Key Account prices are set nationally and are mandatory on all Franchisees.

To use Metro Rod's services, Key Account customers report an issue to the 24/7/365 central call centre, which allocates a job to the relevant Franchisee. The customer is invoiced by Metro Rod's head office which also collects payment, retaining an approximate margin of 22 per cent. While the MSF is set as 22.5 per cent., the margin is 22 per cent. as Metro Rod allows Franchisees to exclude certain allowable expenses in calculating the MSF. The remaining approximately 78 per cent. is paid to the Franchisee, which is treated as a direct cost to Metro Rod in its accounts. The full invoice value is recorded as revenue by Metro Rod.

Commercial Accounts

Franchisees service approximately 2,000 Commercial Account customers. Commercial Account sales are an important focus of Franchisee business plans. However, Franchisees must service Key Accounts ahead of Commercial Accounts.

There is no typical Commercial Account although they include small and medium sized enterprises in the franchise territory, local public sector institutions such as county councils, hospitals and educational establishments and non-profit organisations such as housing associations and charities. Key characteristics of a quality commercial customer are: a repeat element to their business; a high footfall on their premises; premises that are sensitive to disruption from drainage problems; or customers that have a budget allocated through public funding.

Metro Rod's head office is responsible for raising the sales invoice in respect of Commercial Accounts on behalf of the Franchisee and collecting payment. Following payment by the customer, approximately 22 per cent. is retained by Metro Rod, i.e., the MSF of 22.5 per cent. minus the allowance for deductible items, and the remainder is passed on to the Franchisee providing the service. Only the MSF is taken to statutory income by Metro Rod and therefore Commercial Accounts effectively generate a 100 per cent. gross profit margin.

THE MARKET FOR METRO ROD'S SERVICES

Drainage

The drain clearance and maintenance market is well established. According to a report by the Department for Environment, Food and Rural Affairs, in 2012 the UK had over 624,200 kilometres of sewers and these collected approximately 11 billion litres of waste water on a daily basis. According to Water UK, there are approximately 366,000 sewer blockages a year in the UK.

Drainage system blockages can be caused by a number of factors, including a build-up of silt, sewage, general debris, fat, oil or grease or blockages caused by materials or objects which are unsuitable for flushing.

Structural problems with drains can be caused by subsidence, tree root intrusion, pipe corrosion or breakage. In addition, when there is heavy or prolonged rainfall, flooding may occur and drains may be subjected to large amounts of water, which can lead to blockages. These problems can become exacerbated if drains have not been properly cleaned out or maintained. The UK's dated drainage system is also a contributing factor.

The Key Accounts that Metro Rod services operate in large and well established markets. They include facilities management companies, retailers, water companies, social housing providers and hospitality and construction companies. Approximately 80 per cent. of Metro Rod's services are provided on a reactive basis and therefore the Directors believe that consistency of availability of the service and speed of completion is key. The latter is key when drainage is critical to the business or sensitive to disruption, for example businesses which have customer footfall. The Directors also believe that price is a consideration for customers in these sectors.

The Directors believe that Metro Rod is one of only five companies in its field operating on a national basis. The other four companies are Dyno Rod, Lanes for Drains, Ansa Drainage Solutions and Drain Doctor. Summary information on each key competitor is provided below.

- *Dyno Rod*: Dyno Rod is part of the Dyno group of businesses, which was founded in 1963 and acquired by Centrica plc in 2004. Dyno is a 24/7/365 emergency response provider of drainage, plumbing and heating services. It established itself in the drainage market before moving into plumbing and heating and serves both individual and commercial customers. Dyno has approximately 45 franchisees nationwide. Within Centrica plc, Dyno is part of British Gas and Scottish Gas.
- *Lanes for Drains*: Lanes for Drains provides a full range of drainage clearance and maintenance services available 24/7/365 for domestic and commercial clients. According to the business, it is the largest independent drainage specialist in the UK, and operates from a network of regional depots nationwide. Lanes for Drains is part of the Lanes Group plc, a wastewater solutions provider which operates across a range of sectors including drainage emergencies, drainage maintenance, rehabilitation and renewal, consultancy and waste management services.
- *Ansa Drainage Solutions*: Ansa Drainage Solutions offers a 24/7/365 drain clearing and maintenance services for households and commercial clients, as well as a full range of clean water distribution service for customers in the infrastructure sector. In addition, Ansa Drainage Solutions is a leading provider of outsourced drainage solutions to the UK insurance and claims management industries. It is part of the Independent Group (UK) Ltd, which provides a range of services within the domestic, commercial and insurance markets.
- *Drain Doctor*: Drain Doctor is a full service plumbing and drainage maintenance company. It provides a 24/7/365 drainage clearance and repair service to domestic and commercial customers and preventative maintenance plans for commercial customers. It also provides cold water plumbing services to domestic and commercial customers. Drain Doctor has been established in the UK since 1994 and has approximately 45 franchisees nationwide. The master franchise licence for Drain Doctor in the UK is ultimately owned by Dwyer Group, a US holding company of 11 service-based franchise organisations worldwide.

Plumbing

Plumbing is a large and mature market and encompasses a wide range of services including central heating services, general plumbing, industrial plumbing and renewable energy services. According to IBIS World, in the UK:

- the plumbing, heating and air conditioning installation industry typically accounts for approximately 15 per cent. of specialised construction trade activities;

- the total value of the general plumbing market, measured by revenue, is estimated to be £15.6 billion in 2016-2017;
- the largest segment of the market is central heating services (43.5 per cent.), an area which Metro Plumb does not yet service; and
- the size of the general plumbing market, which covers the services Metro Plumb provides, is estimated to be £3.6 billion in 2016-2017.

In reality however, not all of this market would be available to Metro Plumb as it is not Metro Rod's intention to enter certain sectors such as the bathroom installation market.

According to IBIS World, the plumbing market in the UK is highly fragmented with over 30,000 enterprises. Large national providers who are active in this market place include Drain Doctor and Dyno Plumbing (part of the Dyno range of services), which have been referred to above, as well as HomeServe. These largescale providers compete with Metro Plumb.

HomeServe provides a multi-service emergency repair offering to domestic customers as part of an insurance-based membership model. This service offering includes drainage and plumbing as well as other services such as electrical-related, gas and central heating and home security emergencies and repairs. Services are performed by a combination of employees, franchisees and sub-contractors. Mitton Group and Pimlico Plumbers are examples of companies which the Directors consider compete with Metro Rod on a regional basis:

- Mitton Group, a building service specialist, provides a range of professional service solutions including preventive planned maintenance and emergency call-out facilities. Plumbing is one of the services provided together with commercial heating, ventilation and air conditioning installations. Mitton Group is a privately owned company based in West Yorkshire;
- according to Pimlico Plumbers, it is London's largest independent plumbing and service company, providing a wide range of services including plumbing, drains services, electrics, appliances, carpentry, building and roofing. Plumbing services are available on a 24/7/365 basis.

The majority of firms in the market are small, local operators.

Overview of financial information on Metro Rod

The financial information set out below has been extracted without material adjustment from the consolidated historical financial information on Metro Rod for each of the three years ended 30 April 2014, 2015 and 2016 and the six months ended 30 October 2016, as set out in the Admission Document:

	<i>Year ended 30 April 2014 £'000</i>	<i>Year ended 30 April 2015 £'000</i>	<i>Year ended 30 April 2016 £'000</i>	<i>Unaudited six months ended 30 October 2016 £'000</i>
Revenue	17,125	19,572	21,416	12,016
Cost of Sales	(11,890)	(13,871)	(15,039)	(8,546)
Gross Profit	5,235	5,701	6,377	3,470
Operating Profit before exceptional items	2,079	2,419	3,168	1,460
Earnings Before Interest, Tax, Depreciation, Amortisation and exceptional items	2,481	2,908	3,303	1,502
Profit Before Tax	2,079	2,368	2,402	1,441

This information refers to past performance. Past performance is not a reliable indication of future results.

INFORMATION ON FRANCHISE BRANDS

Franchise Brands is a group of international multi-brand franchisors with a combined network of over 400 Franchisees in 12 countries, but predominantly in the UK.

The Group's principal brands are ChipsAway, Ovensclean and Barking Mad, all of which deliver services to individuals of a similar socio-economic group through the Group's Franchisees. The Group does not currently own or operate any franchises.

The business of the Group was founded in September 2008 by Stephen Hemsley (Executive Chairman) and Nigel Wray (Non-Executive Director), the Group's Controlling Shareholders, who have substantial experience in franchising.

Since 2008, the Group has developed central support services predominantly in the areas of marketing, franchise recruitment and franchise support.

The Group's strategy is to increase its portfolio of franchise brands through acquisition as well as grow its existing businesses. In October 2016, the Group announced the completion of its first acquisition since IPO, Barking Mad.

In addition to the co-founders, other members of the Board also have considerable franchising experience as well as experience of operating and growing profitable businesses. The Board also has substantial experience of analysing, investigating, completing and integrating acquisitions.

The Group is profitable and cash generative. The financial information set out below has been extracted without material adjustment from the consolidated historical financial information on the Group for the year ended 31 December 2016 and FB Holdings for each of the two years ended 31 December 2014 and 2015 as referenced in the Admission Document:

	<i>Year ended 31 December 2014 £'000</i>	<i>Year ended 31 December 2015 £'000</i>	<i>Year ended 31 December 2016 £'000</i>
Revenue	4,351	4,379	4,870
Cost of Sales	(1,510)	(1,487)	(1,572)
Gross Profit	2,842	2,892	3,298
Operating Profit	924	1,122	791
EBITDA*	1,020	1,176	1,352
Profit for the period and comprehensive income attributable to equity holders of the parent company excluding exceptional items	713	888	979

*EBITDA represents profit before finance income, finance costs, income tax expense and depreciation, amortisation, profit on disposal of tangible assets and share based payment expense as further adjusted to add back exceptional items.

This information refers to past performance. Past performance is not a reliable indication of future results.

ENLARGED GROUP STRATEGY

The strategy of the Enlarged Group is to develop franchise businesses that provide primarily services to individuals and businesses. The execution of the strategy will be achieved through organic growth and acquisition.

Metro Rod

The Enlarged Group intends to develop the Metro Rod business in a number of areas, including:

- providing additional sales and marketing support to Franchisees in the development of Commercial Accounts;
- further developing Key Accounts in sectors where Metro Rod's penetration could be increased on a relative basis;
- developing Metro Plumb through investment in additional sales and marketing; and

- longer term, extending the “Metro” brand into other B2B service sectors.

Barking Mad

The Directors believe there is substantial scope to grow Barking Mad’s system sales by supporting Franchisees’ growth through leveraging the Group’s established central support services, in particular marketing. The Directors also believe there is an opportunity over time to increase the number of franchised territories from the current 77 territories to over 250 territories. The Group also intends to explore opportunities to extend the Barking Mad brand in related segments of the market.

ChipsAway and Ovensclean

The Enlarged Group intends to continue to actively expand the ChipsAway and Ovensclean franchise systems through recruiting new Franchisees as well as improving Franchisee retention rates. The Directors believe this will improve the quality of earnings by increasing the contribution from recurring MSF income. The Enlarged Group aims to continue to support existing Franchisees, in particular existing ChipsAway Franchisees who wish to grow their businesses through the development of CarCare Centres.

MyHome

During 2016, the Group continued to trial the MyHome brand to establish if a full relaunch would be economically worthwhile. The total costs incurred in 2016 were £92,000. The Directors concluded that a full re-launch of the domestic cleaning business would not be in Shareholders’ long term interest given the damage previously done to the brand and a number of other parties using all or part of the MyHome name. These costs will therefore not recur in future years. The Group’s research did, however, highlight other opportunities in the domestic services sector, particularly for small repairs and maintenance. To test this opportunity, the Group has a single franchisee operating under the brand “The Handyman Van” using similar branding to MyHome. This test will be cost neutral for the Group.

Acquisitions

The Enlarged Group intends to grow by acquisition focusing on both B2B and B2C franchisee businesses where the Directors believe that the Enlarged Group's financial and management resources can add value, in particular to businesses which have the following characteristics:

- a market presence has been established, however, the businesses have reached a level where the existing management cannot grow them further;
- sales and marketing resources are not economically available;
- the next stage of growth will require the investment of additional capital not available to the existing owners; and
- in addition to one or more of the requirements above, the shareholders of the businesses wish to achieve a realisation of their investment or convert their investment into a more marketable form.

The Directors believe the acquisition of Metro Rod is a transformational step in the Group's buy and build strategy, and brings with it a number of exciting potential opportunities. The Directors believe the development of these opportunities, which are anticipated to include the need for investment in marketing and information technology, as well as require significant senior management time, should remain the near term focus of the Enlarged Group.

CURRENT TRADING AND PROSPECTS

Franchise Brands

The Group announced its audited annual results for the financial year ended 31 December 2016 on 23 March 2017.

Since 1 January 2017, the Group has continued to trade in line with management expectations and the Board expects this to continue through the rest of 2017.

The Directors believe that the Enlarged Group's prospects will be enhanced by the Acquisition as well as the Group's recent acquisition of Barking Mad. The Directors believe that the integration of Barking Mad into the Group is progressing well and that it is beginning to benefit from the Group's support services particularly in the areas of marketing and IT.

A further update on the Enlarged Group's results for the six-month period ending 30 June 2017 will be provided in the Enlarged Group's next interim accounts, which will be published not later than 30 September 2017.

The total number of ChipsAway and Ovensclean Franchisees in the UK has increased by over 15 over the last year and with the acquisition of Barking Mad, the total number of UK Franchisees as at the date of the Admission Document stands at 395.

Metro Rod

Since 1 November 2016, Metro Rod has continued to trade in line with the previous year despite very dry weather, particularly in December 2016, which has had a negative effect on reactive drainage services.

The Directors believe that under the guidance of the Board, and as part of a group focused entirely on the development and growth of franchise businesses, the development of Metro Rod can be accelerated.

The total number of Franchisees within Metro Rod has remained stable since 30 April 2016, at around 40.

PRINCIPAL TERMS AND CONDITIONS OF THE ACQUISITION

Under the terms of the Acquisition Agreement, the Company has conditionally agreed to acquire Metro Rod for a cash consideration of £28 million, payable in full at completion of the Acquisition (which takes place on Admission) subject to certain adjustments based on the financial position of Metro Rod at completion.

The Acquisition Agreement contains customary warranties and indemnities from the Vendor in favour of the Company subject to certain limitations, in particular as to the maximum amounts which may be claimed. The Company has taken out warranty and indemnity insurance to provide additional protection in respect of any claims that may arise under such warranties and indemnities.

FINANCIAL EFFECTS OF THE ACQUISITION

In the year ended 30 April 2016, Metro Rod recorded an Operating Profit before exceptional items of approximately £3.2 million. The Consideration therefore represents a multiple of approximately 8.8 times Operating Profit before exceptional items, which the Directors consider attractive for a business where they believe they can add significantly to sales and profit growth.

In addition to the Consideration, the Company will incur total costs for the Acquisition, Placing and Admission of approximately £1.8 million, resulting in a total funding requirement of £29.8 million. The Acquisition, Placing and Admission will be funded by the Placing and the Term Loan.

It is anticipated that the net assets of Metro Rod at completion of the Acquisition will be approximately £8 million, giving rise to a maximum goodwill of £20 million. Consideration will be given to the valuation of trademarks and other intangible assets in calculating the final goodwill amount. Transaction costs will be written off or charged against the share premium account arising on the issue of new shares. In accordance with IFRS accounting standards, the life of trademarks and intangible assets will be assessed and will be subject to either amortisation or periodic impairment reviews.

The Company also intends to repay the outstanding balance of the Loan Notes, which stood at £0.4 million at 31 December 2016, prior to Admission. Repayment of the Loan Notes will be funded from the Group's existing cash resources. Repayment of the Loan Notes will allow HSBC to be the only lender to the Enlarged Group (with the exception of a small hire purchase debt of approximately £0.1 million).

Shareholders' funds at 31 December 2016 for the Company stood at £3.9 million. The addition of £20 million of new equity capital (less all transaction costs) will increase this to £22.1 million. The Term Loan will be the only borrowings of the Enlarged Group at completion of the Acquisition (with the exception of a small hire purchase debt of approximately £0.1 million). The Company's cash balances at 31 December 2016 were £2.6 million (after adjusting for the repayment of the Loan Notes). Net capital gearing at completion of the Acquisition will therefore be approximately 46 per cent.

Operating Profit before exceptional items of the Group in the year to 31 December 2016 was £1.2 million and was £3.2 million for Metro Rod in the year ended 30 April 2016, giving a total pro forma Operating Profit before exceptional items in the last full financial year for the Enlarged Group of £4.4 million. At completion of the Acquisition, the ratio of net debt to Operating Profit before exceptional items will therefore be 1.6 times.

THE BOARD

The Board currently consists of seven Directors who, between them, have substantial experience of franchising, and the Board composition will not change as a result of the Acquisition. Stephen Hemsley and Nigel Wray have a longstanding and successful track record in investing in and growing franchise businesses dating back to 1999. The Directors also have considerable experience of operating and growing profitable businesses and of investigating acquisition targets.

In light of the acquisition of Barking Mad following the IPO, the proposed acquisition of Metro Rod and the planned growth for the Enlarged Group, the Directors intend to monitor the Board composition over the coming year to ensure it remains suitable for the needs of the Enlarged Group. Each of the Enlarged Group's businesses has its own senior management team and finance function that report (or are expected to report) into the Board.

BANKING AND LOAN ARRANGEMENTS

The Company has entered into the Facilities Agreement with HSBC under which HSBC is to make available to the Company the Term Loan and the RCF to support the Acquisition and provide working capital finance to the Enlarged Group. The facilities are repayable within five years of Admission. The facilities are secured by cross guarantees and debentures executed by the Company and each of its non-dormant subsidiaries ("Subsidiaries"). The Facilities Agreement contains certain warranties and information, financial and general undertakings, from the Company and its Subsidiaries in favour of HSBC. HSBC has certain rights to terminate the Facilities Agreement and demand immediate repayment of all moneys and liabilities upon an occurrence of certain events of default as set out in the Facilities Agreement.

INFORMATION ON THE PLACING

The Company is proposing to raise up to approximately £20 million (approximately £18.2 million net of expenses) by the conditional placing of up to 29,850,747 Placing Shares pursuant to the Placing at the Placing Price. The net proceeds of the Placing will be used to satisfy part of the Consideration payable pursuant to the Acquisition.

The Placing Shares will represent approximately 38.4 per cent. of the Enlarged Share Capital on Admission and rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends and other distributions declared, made or paid in respect of the Ordinary Shares. For the avoidance of doubt, the Placing Shares will not be eligible to receive the final dividend in respect of the financial year ended on 31 December 2016 as proposed in the Group's annual results announcement.

Allenby Capital and Dowgate Capital have each conditionally agreed, pursuant to the Placing Agreement and as agent for the Company, to use their reasonable endeavours to procure institutional and other subscribers for the Placing Shares at the Placing Price. The Placing has not been underwritten and is conditional, *inter alia*, upon the passing of the Resolutions, Admission and the Placing Agreement not being terminated by 8.00 a.m. on 11 April 2017 (and in any event no later than 8.30 a.m. on 28 April 2017). The Placing Agreement contains certain warranties and indemnities from

the Company in favour of Allenby Capital and Dowgate Capital in relation, *inter alia*, to the accuracy of the information contained in the Admission Document and certain matters relating to the Group and Metro Rod. Allenby Capital and Dowgate Capital each have certain rights to terminate the Placing Agreement prior to Admission, including for in the opinion of Allenby Capital or Dowgate Capital (acting in good faith) a material breach of warranty or the occurrence of certain *force majeure* events as would be likely in the opinion of Allenby Capital and Dowgate Capital (acting in good faith) to materially prejudice the success of the Placing, Acquisition and Admission.

ADMISSION TO AIM

Pursuant to rule 14 of the AIM Rules, an application will be made for the Company's Existing Ordinary Shares to be re-admitted to trading and the Placing Shares to be admitted to trading on AIM. It is expected that the last day of trading on AIM of the Existing Ordinary Shares will be on 10 April 2017 and that Admission will become effective and dealings in the Enlarged Share Capital will commence on 11 April 2017.

GENERAL MEETING

A notice convening a general meeting of the Company, to be held at the offices of Gateley Plc, One Paternoster Square, London EC4M 7DX on 10 April 2017 at 10.00 a.m., will be set out at the end of the Admission Document.

At the General Meeting, the following resolutions will be proposed:

- (a) to approve the Acquisition;
- (b) to authorise the Directors to: (i) allot Ordinary Shares in connection with the Placing and (ii) allot Ordinary Shares up to a maximum nominal value of £129,553, representing approximately 33 per cent. of the Enlarged Share Capital; and
- (c) to authorise the Directors to allot Ordinary Shares for cash otherwise than on a pro rata basis to Shareholders: (i) in connection with the Placing; and (ii) up to a maximum nominal value of £58,299, representing approximately 15 per cent. of the Enlarged Share Capital.

The resolutions in (a) and (b) will be proposed as ordinary resolutions and the resolution in (c) will be proposed as a special resolution. To be passed, the resolutions in (a) and (b) require a majority of the votes cast at the General Meeting, in person or by proxy, and the resolution referred to in (c) requires a majority of not less than 75 per cent. of the votes cast at the General Meeting, in person or by proxy. The Resolutions are interconditional and so, if one of them is not passed at the General Meeting, none of them will be deemed to have been passed.

RECOMMENDATION AND IRREVOCABLE UNDERTAKINGS

The Directors consider the Acquisition to be an excellent opportunity for the Group and in the best interests of the Company and Shareholders as a whole. Accordingly, the Directors recommend unanimously that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting as they and certain other Shareholders have irrevocably undertaken to do so in respect of their beneficial holdings of Ordinary Shares, which represent approximately 70.34 per cent of the Existing Ordinary Shares.

APPENDIX

FURTHER DETAILS OF THE PLACING

TERMS AND CONDITIONS

THIS ANNOUNCEMENT AND THE INFORMATION IN IT IS RESTRICTED AND IS NOT FOR PUBLICATION, RELEASE OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN WHOLE OR IN PART, IN OR INTO THE UNITED STATES, CANADA, AUSTRALIA, THE REPUBLIC OF SOUTH AFRICA, JAPAN OR ANY OTHER JURISDICTION IN WHICH SUCH PUBLICATION OR DISTRIBUTION WOULD BE UNLAWFUL.

IMPORTANT INFORMATION ON THE PLACING FOR INVITED PLACEES ONLY.

MEMBERS OF THE PUBLIC ARE NOT ELIGIBLE TO TAKE PART IN THE PLACING. THIS APPENDIX AND THE TERMS AND CONDITIONS SET OUT HEREIN ARE FOR INFORMATION PURPOSES ONLY AND ARE DIRECTED ONLY AT: (A) PERSONS WHO ARE IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA ("EEA") AND ARE "QUALIFIED INVESTORS" AS DEFINED IN THE PROSPECTUS DIRECTIVE AND (B) RELEVANT PERSONS. THIS APPENDIX AND THE TERMS AND CONDITIONS SET OUT HEREIN MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS APPENDIX AND THE TERMS AND CONDITIONS SET OUT HEREIN RELATE IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. THIS APPENDIX DOES NOT ITSELF CONSTITUTE AN OFFER FOR SALE OR SUBSCRIPTION OF ANY SECURITIES IN THE COMPANY. THIS ANNOUNCEMENT IS NOT AN OFFER OF OR SOLICITATION TO PURCHASE OR SUBSCRIBE FOR SECURITIES IN THE UNITED STATES. THE SECURITIES REFERRED TO HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES, EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION FROM, OR AS PART OF A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. NO OFFERING OF SECURITIES IS BEING MADE IN THE UNITED STATES. NO MONEY, SECURITIES OR OTHER CONSIDERATION FROM ANY PERSON INSIDE THE UNITED STATES IS BEING SOLICITED AND, IF SENT IN RESPONSE TO THE INFORMATION CONTAINED IN THIS ANNOUNCEMENT, WILL NOT BE ACCEPTED.

EACH PLACEE SHOULD CONSULT WITH ITS OWN ADVISERS AS TO LEGAL, TAX, BUSINESS AND RELATED ASPECTS OF AN INVESTMENT IN PLACING SHARES. THE PRICE OF SHARES IN THE COMPANY AND INCOME FROM THEM (IF ANY) MAY GO DOWN AS WELL AS UP AND INVESTORS MAY NOT GET BACK THE FULL AMOUNT INVESTED ON DISPOSAL OF THEIR SHARES.

Persons who have been or who are invited to and who have chosen or choose to participate in the Placing, by making or having made (or on whose behalf there is or has been made) an oral or written offer to subscribe for Placing Shares, will be deemed to have read and understood the Announcement, including this Appendix, in its entirety and to have made such offer on the terms and conditions, and to have provided the representations, warranties, acknowledgements, and undertakings contained in this Appendix. In particular, each such Placee represents, warrants and acknowledges to the Company and to the Joint Bookrunners that:

1. it is a Relevant Person (as defined above) and undertakes that it will acquire, hold, manage or dispose of any Placing Shares that are allocated to it solely for the purposes of its business;
2. in the case of any Placing Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Placing Shares acquired by it in the Placing have not

been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Member State of the EEA which has implemented the Prospectus Directive other than Qualified Investors or in circumstances in which the prior consent of the Joint Bookrunners has been given to the offer or resale; or (ii) where Placing Shares have been acquired by it on behalf of persons in any member state of the EEA other than Qualified Investors, the offer of those Placing Shares to it is not treated under the Prospectus Directive as having been made to such persons; and

3. (i) it is not in the United States, and (ii) it is not acting for the account or benefit of a person in the United States, (iii) it has not received any offer, or a solicitation of an offering, to buy the Placing Shares within the United States and (iv) it did not initiate any buy order to purchase Placing Shares whilst in the United States.

The Company and the Joint Bookrunners are relying upon the truth and accuracy of the foregoing undertakings, representations, warranties, acknowledgements and agreements.

This Announcement does not constitute an offer, and may not be used in connection with an offer, to sell or issue or the solicitation of an offer to buy or subscribe for Placing Shares in any jurisdiction in which such offer or solicitation is or may be unlawful. This Announcement and the information contained herein is not for publication or distribution, directly or indirectly, to persons in the United States, Canada, Australia, the Republic of South Africa, Japan or in any jurisdiction in which such publication or distribution would be unlawful. Persons into whose possession this Announcement may come are required by the Company to inform themselves about and to observe any restrictions of transfer of this Announcement. No public offer of securities of the Company is being made in the United Kingdom, the United States or elsewhere.

In particular, the Placing Shares referred to in this Announcement have not been and will not be registered under the Securities Act or any laws of or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the securities laws of any state or other jurisdiction of the United States. The Placing Shares are being offered and sold only outside the United States in accordance with Regulation S under the Securities Act.

The relevant clearances have not been, nor will they be, obtained from the securities commission of any province or territory of Canada; no prospectus has been lodged with or registered by the Australian Securities and Investments Commission or the Japanese Ministry of Finance or the South African Reserve Bank; and the Placing Shares have not been, nor will they be, registered under or offered in compliance with the securities laws of any state, province or territory of Canada, Australia, the Republic of South Africa or Japan. Accordingly, the Placing Shares may not (unless an exemption under the relevant securities laws is applicable) be offered, sold, resold or delivered, directly or indirectly, in or into Canada, Australia, the Republic of South Africa, Japan or any other jurisdiction outside the United Kingdom.

Persons (including, without limitation, nominees and trustees) who have a contractual or other legal obligation to forward a copy of this Appendix or the Announcement of which it forms part should seek appropriate advice before taking any action.

In this Appendix, unless the context otherwise requires, "**Placee**" means a Relevant Person (including individuals, funds or others) on whose behalf a commitment to subscribe for Placing Shares has been given.

Details of the Placing Agreement and the Placing Shares

The Joint Bookrunners have entered into the Placing Agreement with the Company under which each of the Joint Bookrunners have, on the terms and subject to the conditions set out therein, undertaken to use its reasonable endeavours to procure subscribers for the Placing Shares to raise up to £20,000,000.49 gross at Placing Price. The Placing is not being underwritten by the Joint Bookrunners or any other person.

The Placing Agreement contains customary warranties given by the Company to the Joint Bookrunners as to matters relating to the Company and its business and a customary indemnity given by the Company to the Joint Bookrunners in respect of liabilities arising out of or in connection with the Placing. The Placing is conditional upon, amongst other things, the Acquisition Agreement and Facilities Agreement becoming unconditional in all respects (save for Admission) and the Resolutions being passed by the requisite majorities.

An admission document explaining the background to and reasons for the Placing and the Acquisition, and containing the notice of General Meeting will be sent to shareholders. A copy of the admission document and the notice of General Meeting will be available from the Company's website at: www.franchisebrands.co.uk.

The Placing is also conditional upon Admission becoming effective and the Placing Agreement not being terminated in accordance with its terms.

The number of Placing Shares will be determined following completion of the Bookbuild as set out in this Announcement.

The Placing Shares will, when issued, be credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions (if any) declared, made or paid on or in respect of the Ordinary Shares after the date of issue of the Placing Shares. For the avoidance of doubt, the Placing Shares will not be eligible to receive the final dividend in respect of the financial year ended 31 December 2016 as proposed in the Group's annual report and accounts today.

The Company, except pursuant to the Placing, has agreed not to allot, issue or grant any rights in respect of any of its Ordinary Shares in the period from the date of this Announcement until 12 months after Admission without Allenby Capital's prior written consent.

Application for admission to trading

Application will be made to London Stock Exchange for Admission. It is expected that settlement of any such shares and Admission will become effective on or around 11 April 2017 and that dealings in the Placing Shares will commence at that time.

Bookbuild

The Joint Bookrunners will today commence the Bookbuild to determine demand for participation in the Placing by potential Placees at the Placing Price. This Appendix gives details of the terms and conditions of, and the mechanics of participation in, the Placing. No commissions will be paid to Placees or by Placees in respect of any Placing Shares.

The Joint Bookrunners and the Company shall be entitled to effect the Placing by such alternative method to the Bookbuild as they may, in their sole discretion, determine.

Participation in, and principal terms of, the Placing

1. The Joint Bookrunners are arranging the Placing as agents for, and joint brokers of, the Company.
2. Participation in the Placing is only available to persons who are lawfully able to be, and have been, invited to participate by the Joint Bookrunners. The Joint Bookrunners and their respective affiliates are entitled to participate in the Placing as principals.
3. The Bookbuild will establish the number of Placing Shares to be issued at the Placing Price, which will be agreed between the Joint Bookrunners and the Company following completion of the Bookbuild. The number of Placing Shares will be announced on a Regulatory Information Service following the completion of the Bookbuild.
4. To bid in the Bookbuild, Placees should communicate their bid by telephone to their usual sales contact at the relevant Joint Bookrunner. Each bid should state the number of Placing Shares which the prospective Placee wishes to subscribe for at the Placing Price. Bids may be scaled down by the Joint Bookrunners on the basis referred to in paragraph 8 below.
5. The timing of the closing of the Bookbuild will be at the discretion of the Joint Bookrunners. The Company reserves the right (upon agreement with the Joint Bookrunners) to reduce or seek to increase the amount to be raised pursuant to the Placing, in its absolute discretion.
6. Each Placee's allocation will be confirmed to Placees orally, or by email, by the relevant Joint Bookrunner whom they contact following the close of the Bookbuild and a trade confirmation or contract note will be dispatched as soon as possible thereafter. The relevant Joint Bookrunner's oral or emailed confirmation will give rise to an irrevocable, legally binding commitment by that person (who at that point becomes a Placee), in favour of the Joint Bookrunners and the Company, under which it agrees to acquire by subscription the number of Placing Shares allocated to it at the Placing Price and otherwise on the terms and subject to the conditions set out in this Appendix and in accordance with the Company's articles of association. Except with the Joint Bookrunners' consent, such commitment will not be capable of variation or revocation.
7. The Company will make a further announcement following the close of the Bookbuild detailing the number of Placing Shares to be issued at the Placing Price.
8. Subject to paragraphs 4 and 5 above, the Joint Bookrunners may choose to accept bids, either in whole or in part, on the basis of allocations determined at their discretion (in agreement with the Company) and may scale down any bids for this purpose on such basis as it may determine. The Joint Bookrunners may also, notwithstanding paragraphs 4 and 5 above, subject to the prior consent of the Company: (a) allocate Placing Shares after the time of any initial allocation to any person submitting a bid after that time; and (b) allocate Placing Shares after the Bookbuild has closed to any person submitting a bid after that time.
9. A bid in the Bookbuild will be made on the terms and subject to the conditions in the Announcement (including this Appendix) and will be legally binding on the Placee on behalf of which it is made and, except with the Joint Bookrunners' consent, will not be capable of variation or revocation from the time at which it is submitted.

10. Except as required by law or regulation, no press release or other announcement will be made by the Joint Bookrunners or the Company using the name of any Placee (or its agent), in its capacity as Placee (or agent), other than with such Placee's prior written consent.

11. Irrespective of the time at which a Placee's allocation pursuant to the Placing is confirmed, settlement for all Placing Shares to be acquired pursuant to the Placing will be required to be made at the same time, on the basis explained below under "Registration and Settlement".

12. All obligations of the Joint Bookrunners under the Placing will be subject to fulfilment of the conditions referred to below under "Conditions of the Placing" and to the Placing not being terminated on the basis referred to below under "Right to terminate under the Placing Agreement".

13. By participating in the Placing, each Placee agrees that its rights and obligations in respect of the Placing will terminate only in the circumstances described below and will not be capable of rescission or termination by the Placee.

14. To the fullest extent permissible by law and the applicable rules of the FCA, neither of the Joint Bookrunners nor any of their respective affiliates shall have any liability to Placees (or to any other person whether acting on behalf of a Placee or otherwise whether or not a recipient of these terms and conditions) in respect of the Placing. Each Placee acknowledges and agrees that the Company is responsible for the allotment of the Placing Shares to the Placees and the Joint Bookrunners shall have no liability to the Placees for the failure of the Company to fulfil those obligations. In particular, neither of the Joint Bookrunners nor any of their respective affiliates shall have any liability (including to the extent permissible by law, any fiduciary duties) in respect of the Joint Bookrunners' respective methods of effecting the Placing.

Conditions of the Placing

The obligations of each Joint Bookrunner under the Placing Agreement in respect of the Placing Shares are conditional on, *inter alia*:

(a) the Acquisition Agreement (i) not having lapsed or been terminated and (ii) having become unconditional in all respects (save for (a) Admission and (b) any conditions relating to the Placing Agreement having become unconditional or not having terminated prior to Admission) and having been completed in accordance with its terms (save for payment of the consideration to the Vendor pursuant to the Acquisition Agreement);

(b) the Facilities Agreement (i) not having lapsed or been terminated and (ii) having become unconditional in all respects (save for (a) Admission and (b) any conditions relating to the Placing Agreement having become unconditional or not having terminated prior to Admission) and having been completed in accordance with its terms;

(c) the passing (without any amendment, save as agreed by Allenby Capital and the Company acting reasonably) of the Resolutions at the General Meeting;

(d) in the opinion of the Joint Bookrunners (acting in good faith), none of the warranties on the part of the Company contained in the Placing Agreement becoming untrue, inaccurate or misleading at the date the Placing Agreement is signed or at any time up to and including Admission with reference to the facts and circumstances which shall then exist, which in any such case is material in the context of the Placing, Acquisition and Admission; and

(e) Admission taking place not later than 8.00 a.m. on 11 April 2017 (or such later time or date as the Joint Bookrunners agree, not later than 8.30 a.m. on 28 April 2017).

If: (i) any of the conditions contained in the Placing Agreement are not fulfilled or waived by the Joint Bookrunners as applicable, by the respective time or date where specified (or such later time or date as the Joint Bookrunners may agree, not being later than 8.30 a.m. on 28 April 2017); (ii) any of such conditions becomes incapable of being fulfilled; or (iii) the Placing Agreement is terminated in the circumstances specified below, the Placing will lapse and the Placees' rights and obligations hereunder in relation to the Placing Shares shall cease and terminate at such time and each Placee agrees that no claim can be made by the Placee in respect thereof.

The Joint Bookrunners may, at their discretion and upon such terms as they think fit, waive, or extend the period for, compliance by the Company with the whole or any part of any of the Company's obligations in relation to the conditions in the Placing Agreement save that certain of the conditions (including conditions relating to the Resolutions and Admission referred to in paragraphs (c) and (e) respectively) may not be waived. Any such extension or waiver will not affect Placees' commitments as set out in this Announcement.

Neither the Joint Bookrunners, the Company nor any of their respective affiliates, agents, directors, officers or employees shall have any liability to any Placee (or to any other person whether acting on behalf of a Placee or otherwise) in respect of any decision they may make as to whether or not to waive or to extend the time and/or date for the satisfaction of any condition to the Placing nor for any decision they may make as to the satisfaction of any condition or in respect of the Placing generally and by participating in the Placing each Placee agrees that any such decision is within the absolute discretion of the Joint Bookrunners.

Right to terminate the Placing Agreement

Either of the Joint Bookrunners is entitled, at any time before Admission, to terminate the Placing Agreement by giving notice to the Company in certain circumstances, including, inter alia:

(a) in the opinion of that Joint Bookrunner (acting in good faith) a breach by the Company of any of its obligations under the Placing Agreement which is material in the context of the Acquisition, the Placing and Admission;

(b) in the opinion of that Joint Bookrunner (acting in good faith), any of the warranties given to the Joint Bookrunners in the Placing Agreement not being, or having ceased to be true, accurate and not misleading by reference to the facts subsisting at the time in a way that is material in the context of the Acquisition, the Placing and Admission;

(c) in the opinion of that Joint Bookrunner (acting in good faith), there has been a development or event (or any development or event involving a prospective change of which the Company is, or might reasonably be expected to be, aware) which will or is likely to have a material adverse effect on the operations, condition (financial or otherwise), prospects, management, results of operations, financial position, business or general affairs of the Enlarged Group taken as a whole, whether or not foreseeable and whether or not arising in the ordinary course of business; or

(d) the occurrence of a force majeure event which, in the opinion of the Joint Bookrunners (acting in good faith) would be likely to materially prejudice the success of the Acquisition, the Placing and Admission.

The rights and obligations of the Placees will not be subject to termination by the Placee or any prospective Placee at any time or in any circumstances. By participating in the Placing, Placees agree that the exercise by the Joint Bookrunners of any right of termination or other discretion under the Placing Agreement shall be within the absolute discretion of the Joint Bookrunners and that they need not make any reference to Placees and that neither of the Joint Bookrunners nor any of their respective affiliates, agents, directors, officers or employees shall have any liability to Placees whatsoever in connection with any such exercise.

No Prospectus

The Placing Shares are being offered to a limited number of specifically invited persons only and have not been nor will be offered in such a way as to require the publication of a prospectus in the United Kingdom or in any other jurisdiction. No prospectus has been or will be submitted to be approved by the FCA in relation to the Placing, and Placees' commitments will be made solely on the basis of the information contained in the Announcement (including this Appendix), the Admission Document and the business and financial information that the Company is required to publish in accordance with the AIM Rules on or prior to the date of this Announcement (the "**Exchange Information**"). Each Placee, by accepting a participation in the Placing, agrees that the content of this Announcement and the Admission Document is exclusively the responsibility of the Company and the Directors and confirms that it has neither received nor relied on any other information (other than the Exchange Information), representation, warranty, or statement made by or on behalf of the Company or the Joint Bookrunners or any other person and neither the Joint Bookrunners nor the Company nor any other person will be liable for any Placee's decision to participate in the Placing based on any other information, representation, warranty or statement which the Placees may have obtained or received and, if given or made, such information, representation, warranty or statement must not be relied upon as having been authorised by the Joint Bookrunners, the Company, or their respective affiliates, officers, directors, employees or agents. Each Placee acknowledges and agrees that it has relied on its own investigation of the business, financial or other position of the Company in accepting a participation in the Placing. Neither the Company nor the Joint Bookrunners are making any undertaking or warranty to any Placee regarding the legality of an investment in the Placing Shares by such Placee under any legal, investment or similar laws or regulations. Each Placee should not consider any information in this Announcement or the Admission Document to be legal, tax or business advice. Each Placee should consult its own solicitor, tax adviser and financial adviser for independent legal, tax and financial advice regarding an investment in the Placing Shares. Nothing in this paragraph shall exclude the liability of any person for fraudulent misrepresentation.

Registration and Settlement

Following the close of the Bookbuild, each Placee allocated Placing Shares in the Placing will be sent a trade confirmation or contract note in accordance with the standing arrangements in place with the relevant Joint Bookrunner, stating the number of Placing Shares allocated to it at the Placing Price, the aggregate amount owed by such Placee to the relevant Joint Bookrunner (in GBP) and a form of confirmation in relation to settlement instructions.

Each Placee will be deemed to agree that it will do all things necessary to ensure that delivery and payment is completed as directed by the relevant Joint Bookrunner in accordance with the standing CREST settlement instructions which they have in place with the relevant Joint Bookrunner.

Settlement of transactions in the Placing Shares (ISIN: GB00BD6P7Y24) following Admission will take place within the system administered by Euroclear UK & Ireland Limited ("**CREST**") provided that, subject to certain exceptions, the Joint Bookrunners reserve the right to require settlement for, and delivery of, the Placing Shares (or a portion thereof) to Placees by such other means that they deem necessary if delivery or settlement is not possible or practicable within CREST within the timetable set out in this Announcement or would not be consistent with the regulatory requirements in any Placee's jurisdiction.

It is expected that settlement will be on 11 April 2017 on a T+13 basis in accordance with the instructions set out in the form of confirmation.

Interest is chargeable daily on payments not received from Placees on the due date in accordance with the arrangements set out above at the rate of two percentage points above LIBOR as determined by the Joint Bookrunners.

Each Placee is deemed to agree that, if it does not comply with these obligations, the Joint Bookrunners may sell any or all of the Placing Shares allocated to that Placee on such Placee's behalf and retain from the proceeds, for the Joint Bookrunners' account and benefit (as agents for the Company), an amount equal to the aggregate amount owed by the Placee plus any interest due. The relevant Placee will, however, remain liable for any shortfall below the aggregate amount owed by it and may be required to bear any stamp duty or stamp duty reserve tax or securities transfer tax (together with any interest or penalties) which may arise upon the sale of such Placing Shares on such Placee's behalf. By communicating a bid for Placing Shares, each Placee confers on the relevant Joint Bookrunner such authorities and powers necessary to carry out any such sale and agrees to ratify and confirm all actions which the Joint Bookrunners lawfully take in pursuance of such sale.

If Placing Shares are to be delivered to a custodian or settlement agent, Placees should ensure that the form of confirmation or contract note is copied and delivered immediately to the relevant person within that organisation.

Insofar as Placing Shares are registered in a Placee's name or that of its nominee or in the name of any person for whom a Placee is contracting as agent or that of a nominee for such person, such Placing Shares should, subject as provided below, be so registered free from any liability to UK stamp duty or stamp duty reserve tax or securities transfer tax. Neither of the Joint Bookrunners nor the Company will be liable in any circumstances for the payment of stamp duty, stamp duty reserve tax or securities transfer tax in connection with any of the Placing Shares. Placees will not be entitled to receive any fee or commission in connection with the Placing.

Representations, Warranties and Further Terms

By participating in the Placing, each Placee (and any person acting on such Placee's behalf) makes the following representations, warranties, acknowledgements, agreements and undertakings (as the case may be) to each of the Joint Bookrunners (for itself and on behalf of the Company):

1. that it has read and understood this Announcement (including the Appendix) and the Admission Document, in their entirety and that its subscription for Placing Shares is subject to and based upon all the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings and other information contained herein and undertakes not to redistribute or duplicate this Announcement;

2. that its obligations are irrevocable and legally binding and shall not be capable of rescission or termination by it in any circumstances;

3. that the exercise by the Joint Bookrunners of any right or discretion under the Placing Agreement shall be within the absolute discretion of the Joint Bookrunners and the Joint Bookrunners need not have any reference to it and shall have no liability to it whatsoever in connection with any decision to exercise or not to exercise any such right and each Placee agrees that it has no rights against the Joint Bookrunners or the Company, or any of their respective officers, directors or employees, under the Placing Agreement pursuant to the Contracts (Rights of Third Parties Act) 1999;

4. that the content of this Announcement and the Admission Document is exclusively the responsibility of the Company and the Directors, and that none of the Joint Bookrunners, their respective affiliates, officers, directors, employees or any person acting on its or their behalf has or shall have any liability for any information, representation or statement contained in this Announcement or the Admission Document or any information previously or concurrently published by or on behalf of the Company, and will not be liable for any Placee's decision to participate in the Placing based on any information, representation or statement contained in this Announcement, the Admission Document or otherwise. Each Placee further represents, warrants and agrees that the only information on which it is entitled to rely and on which such Placee has relied in committing itself to acquire the Placing Shares is contained in this Announcement (including the Appendix) and the Admission Document and any other Exchange Information, such information being all that it deems necessary to make an investment decision in respect of the Placing Shares and that it has neither received nor relied on any other information given or representations, warranties or statements made by the Joint Bookrunners, the Company or any of their respective affiliates, directors, officers or employees or any person acting on behalf of any of them, or, if received, it has not relied upon any such information, representations, warranties or statements (including any management presentation that may have been received by any prospective Placee or any material prepared by their respective Research Departments of the Joint Bookrunners (the views of such Research Departments not representing and being independent from those of the Company and the respective Corporate Finance Departments of the Joint Bookrunners and not being attributable to the same)), and neither the Joint Bookrunners nor the Company will be liable for any Placee's decision to accept an invitation to participate in the Placing based on any other information, representation, warranty or statement. Each Placee further acknowledges and agrees that it has relied solely on its own investigation of the business, financial or other position of the Company in deciding to participate in the Placing and it will not rely on any investigation that the Joint Bookrunners, their affiliates or any other person acting on its or their behalf has or may have conducted;

5. that none of the Joint Bookrunners, any of their affiliates, directors, officers, employees or any person acting on behalf of it or them has or shall have any liability for the Exchange Information, any

publicly available or filed information or any representation relating to the Company, provided that nothing in this paragraph excludes the liability of any person for fraudulent misrepresentation made by that person;

6. that it has neither received nor relied on any inside information concerning the Company in accepting this invitation to participate in the Placing;

7. neither it nor, as the case may be, its clients expect the Joint Bookrunners to have any duties or responsibilities to such persons similar or comparable to the duties of "best execution" and "suitability" imposed by the FCA's Conduct of Business Source Book, and that the Joint Bookrunners are not acting for it or its clients, and that the Joint Bookrunners will not be responsible for providing the protections afforded to customers of the Joint Bookrunners or for providing advice in respect of the transactions described herein;

8. (i) it is not in the United States, and (ii) it is not acting for the account or benefit of a person in the United States, (iii) it has not received any offer, or a solicitation of an offering, to buy the Placing Shares within the United States and (iv) it did not initiate any buy order to purchase Placing Shares whilst in the United States;

9. each Placee acknowledges that (a) the Placing Shares have not been, and will not be, registered under the Securities Act, (b) the Company has not been, and will not be, registered under the US Investment Company Act of 1940 and (c) the Placing Shares may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, any US Person as defined in Regulation S of the Securities Act ("**US Person**");

10. that it is not acquiring the Placing Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of such Placing Shares in or into the United States;

11. that it is not a national or resident of Canada, Australia, the Republic of South Africa or Japan or a corporation, partnership or other entity organised under the laws of Canada, Australia, the Republic of South Africa or Japan and that it will not offer, sell, renounce, transfer or deliver directly or indirectly any of the Placing Shares in Canada, Australia, the Republic of South Africa or Japan or to or for the benefit of any person resident in Canada, Australia, the Republic of South Africa or Japan and each Placee acknowledges that the relevant exemptions are not being obtained from the Securities Commission of any province of Canada, that no document has been or will be lodged with, filed with or registered by the Australian Securities and Investments Commission, the South African Reserve Bank or Japanese Ministry of Finance and that the Placing Shares are not being offered for sale and may not be, directly or indirectly, offered, sold, transferred or delivered in or into Canada, Australia, the Republic of South Africa or Japan;

12. that it has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted, and will not, directly or indirectly, distribute, forward, transfer or otherwise transmit, any presentation or offering materials concerning the Placing or the Placing Shares to any persons within the United States or to any US Persons;

13. that it is entitled to subscribe for Placing Shares under the laws of all relevant jurisdictions which apply to it and that it has fully observed such laws and obtained all governmental and other consents which may be required thereunder or otherwise and complied with all necessary formalities and that it has not taken any action which will or may result in the Company or the Joint Bookrunners or any of their respective affiliates, directors, officers, employees or agents acting in breach of any regulatory or legal requirements of any territory in connection with the Placing or its acceptance;

14. that it has obtained all necessary consents and authorities to enable it to give its commitment to subscribe for the Placing Shares and to perform its subscription obligations;

15. that it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA relating to the Placing Shares in circumstances in which section 21(1) of FSMA does not require approval of the communication by an authorised person;

16. that it is either: (a) a person of a kind described in paragraph 5 of Article 19 (persons having professional experience in matters relating to investments and who are investment professionals) of the Order; or (b) a person of a kind described in Article 48 (certified high net worth individuals) of the Order; or (c) a person of the kind described in Article 50 (certified sophisticated investors) of the Order; or (d) a person of the kind described in Article 50A (self-certified sophisticated investors) of the Order; or (e) a person of a kind described in paragraph 2 of Article 49 (high net worth companies, unincorporated associations, partnerships or trusts or their respective directors, officers or employees) of the Order; or (f) a person to whom it is otherwise lawful to offer the opportunity to participate in the Placing;

17. that it is a qualified investor (as defined in section 86(7) of FSMA);

18. that it is a “professional client” or an “eligible counterparty” within the meaning of Chapter 3 of the FCA’s Conduct of Business Sourcebook and it is purchasing Placing Shares for investment only and not with a view to resale or distribution;

19. that it will (or will procure that its nominee will) if applicable, make notification to the Company of the interest in its ordinary shares in accordance with the Disclosure Guidance and Transparency Rules published by the FCA;

20. that it is not, and it is not acting on behalf of, a person falling within subsections (6), (7) or (8) of sections 67 or 70 respectively or subsections (2) and (3) of section 93 or subsection (1) of section 96 of the Finance Act 1986;

21. that it is not relying on any representations or warranties or agreements by the Company, the Joint Bookrunners or by any of their respective affiliates, directors, officers, employees or agents or any other person except as set out in the express terms of this Announcement (including the Appendix) and the Admission Document;

22. that it will not deal or cause or permit any other person to deal in all or any of the Placing Shares which it is subscribing for under the Placing unless and until Admission becomes effective;

23. to appoint irrevocably any director of either Joint Bookrunner as its agent for the purpose of executing and delivering to the Company and/or its registrars any document on its behalf necessary to enable it to be registered as the holder of the Placing Shares;

24. that, as far as it is aware it is not acting in concert (within the meaning given in the City Code on Takeovers and Mergers) with any other person in relation to the Company;

25. that this Announcement does not constitute a securities recommendation or financial product advice and that neither of the Joint Bookrunners nor the Company has considered its particular objectives, financial situation and needs;

26. that it (and any person acting on its behalf) will make payment to the Joint Bookrunners for the Placing Shares allocated to it in accordance with this Announcement on the due time and date set out herein, failing which the relevant Placing Shares may be placed with other subscribers or sold as the Joint Bookrunners may in their sole discretion determine and without liability to such Placee and it will remain liable and will indemnify the Joint Bookrunners on demand for any shortfall below the net proceeds of such sale and the placing proceeds of such Placing Shares and may be required to bear the liability for any stamp duty or stamp duty reserve tax or security transfer tax (together with any interest or penalties due pursuant to or referred to in these terms and conditions) which may arise upon the placing or sale of such Placee's Placing Shares on its behalf;

27. that none of the Joint Bookrunners, any of their affiliates, directors, officers, employees, agents, or any person acting on behalf of any of them, is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing and that participation in the Placing is on the basis that it is not and will not be treated for these purposes as a client of the Joint Bookrunners and that the Joint Bookrunners do not have any duties or responsibilities to it for providing the protections afforded to its clients or customers or for providing advice in relation to the Placing nor in respect of any representations, warranties, undertakings or indemnities contained in the Placing Agreement nor for the exercise or performance of any of their rights and obligations thereunder including any rights to waive or vary any conditions or exercise any termination right;

28. that it will indemnify and hold the Company and the Joint Bookrunners and their respective affiliates, directors, officers, employees and agents harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements, agreements and undertakings in this Appendix and further agrees that the Company and the Joint Bookrunners will rely on the truth and accuracy of the foregoing confirmations, warranties, acknowledgements and undertakings and, if any of the foregoing is or becomes no longer true or accurate, the Placee shall promptly notify the Joint Bookrunners and the Company. All confirmations, warranties, acknowledgements and undertakings given by the Placee, pursuant to this Announcement (including this Appendix) are given to each of the Joint Bookrunners for itself and on behalf of the Company and will survive completion of the Placing and Admission;

29. that time shall be of the essence as regards obligations pursuant to this Appendix;

30. that it is responsible for obtaining any legal, tax and other advice that it deems necessary for the execution, delivery and performance of its obligations in accepting the terms and conditions of the Placing, and that it is not relying on the Company or the Joint Bookrunners to provide any legal, tax or other advice to it; and

31. that all dates and times in this Announcement (including this Appendix) may be subject to amendment and that the Joint Bookrunners shall notify it of such amendments.

Each Placee (and any person acting on such Placee's behalf) further represents, warrants and undertakes to each of the Joint Bookrunners (for itself and for the benefit of the Company) and acknowledges that:

1. (i) it has complied with and will continue to comply with any obligations it has under MAR; (ii) it has complied with its obligations under the Criminal Justice Act 1993 and Part VIII of FSMA; (iii) in connection with money laundering and terrorist financing, it has complied with its obligations under the Proceeds of Crime Act 2002 (as amended), the Terrorism Act 2000 (as amended), the Terrorism

Act 2006 and the Money Laundering Regulations 2007; and (iii) it is not a person: (a) with whom transactions are prohibited under the Foreign Corrupt Practices Act of 1977 or any economic sanction programmes administered by, or regulations promulgated by, the Office of Foreign Assets Control of the U.S. Department of the Treasury; (b) named on the Consolidated List of Financial Sanctions Targets maintained by HM Treasury of the United Kingdom; or (c) subject to financial sanctions imposed pursuant to a regulation of the European Union or a regulation adopted by the United Nations (together, the "Regulations"); and, if making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it to verify the identity of the third party as required by the Regulations and has obtained all governmental and other consents (if any) which may be required for the purpose of, or as a consequence of, such purchase, and it will provide promptly to the Joint Bookrunners such evidence, if any, as to the identity or location or legal status of any person which the Joint Bookrunners may request from it in connection with the Placing (for the purpose of complying with such Regulations or ascertaining the nationality of any person or the jurisdiction(s) to which any person is subject or otherwise) in the form and manner requested by the Joint Bookrunners on the basis that any failure by it to do so may result in the number of Placing Shares that are to be purchased by it or at its direction pursuant to the Placing being reduced to such number, or to nil, as the Joint Bookrunners may decide in their sole discretion;

2. it will not make any offer to the public of those Placing Shares to be subscribed by it for the purposes of the Prospectus Rules made by the FCA pursuant to Commission Regulation (EC) No. 809/2004;

3. it will not distribute any document relating to the Placing Shares and it will be acquiring the Placing Shares for its own account as principal or for a discretionary account or accounts (as to which it has the authority to make the statements set out herein) for investment purposes only and it does not have any contract, understanding or arrangement with any person to sell, pledge, transfer or grant a participation therein to such person or any third person in respect of any Placing Shares; save that that if it is a private client stockbroker or fund manager it confirms that in purchasing the Placing Shares it is acting under the terms of one or more discretionary mandates granted to it by private clients and it is not acting on an execution only basis or under specific instructions to purchase the Placing Shares for the account of any third party;

4. these terms and conditions and any agreements entered into by it pursuant to these terms and conditions shall be governed by and construed in accordance with the laws of England and Wales and it submits (on behalf of itself and on behalf of any person on whose behalf it is acting) to the exclusive jurisdiction of the English courts as regards any claim, dispute or matter arising out of any such contract, except that enforcement proceedings in respect of the obligation to make payment for the Placing Shares (together with any interest chargeable thereon) may be taken by the Company or the Joint Bookrunners in any jurisdiction in which the relevant Placee is incorporated or in which any of its securities have a quotation on a recognised stock exchange;

5. any documents sent to Placees will be sent at the Placees' risk. They may be sent by post to such Placees at an address notified to the relevant Joint Bookrunner; and

6. the Company, the Joint Bookrunners and their respective affiliates will rely upon the truth and accuracy of each of the foregoing representations, warranties, acknowledgements and undertakings which are given to each of the Joint Bookrunners (for itself and on behalf of the Company) and are irrevocable.

The agreement to settle a Placee's subscription (and/or the subscription of a person for whom such Placee is contracting as agent) free of stamp duty and stamp duty reserve tax depends on the settlement relating only to a subscription by it and/or such person direct from the Company for the Placing Shares in question. Such agreement assumes that the Placing Shares are not being subscribed

for in connection with arrangements to issue depository receipts or to transfer the Placing Shares into a clearance service. If there are any such arrangements, or the settlement relates to any other subsequent dealing in the Placing Shares, stamp duty or stamp duty reserve tax may be payable, for which neither the Company nor the Joint Bookrunners will be responsible, and the Placee to whom (or on behalf of whom, or in respect of the person for whom it is participating in the Placing as an agent or nominee) the allocation, allotment, issue or delivery of Placing Shares has given rise to such UK stamp duty or stamp duty reserve tax undertakes to pay such UK stamp duty or stamp duty reserve tax forthwith and to indemnify on an after-tax basis and to hold harmless the Company and the Joint Bookrunners in the event that any of the Company and/or the Joint Bookrunners has incurred any such liability to UK stamp duty or stamp duty reserve tax. If this is the case, each Placee should seek its own advice and notify the Joint Bookrunners accordingly.

In addition, Placees should note that they will be liable for any stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the UK by them or any other person on the subscription by them for any Placing Shares or the agreement by them to subscribe for any Placing Shares.

Each Placee, and any person acting on its behalf, acknowledges that the Joint Bookrunners owe no fiduciary or other duties to any Placee in respect of any representations, warranties, undertakings or indemnities in the Placing Agreement.

Each Placee and any person acting on its behalf, acknowledges and agrees that the Joint Bookrunners or any of its respective affiliates may, at their absolute discretion, agree to become a Placee in respect of some or all of the Placing Shares.

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Announcement:

“Acquisition”	the proposed acquisition by the Company of the entire issued share capital of Metro Rod pursuant to the terms of the Acquisition Agreement;
“Acquisition Agreement”	the conditional agreement dated 22 March 2017 made between (i) the Company and (ii) the Vendor relating to the Acquisition, details of which are set out in paragraph 8.1.2 of Part VII of the Admission Document;
“Admission”	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules;
“AIM”	the market of that name operated by the London Stock Exchange;
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange, as amended from time to time;

“Allenby Capital”	Allenby Capital Limited;
“Barking Mad”	Barking Mad Limited, a subsidiary of the Company, incorporated on 27 April 2001 in England and Wales, with the company number 04207457;
“Board”	the board of directors of the Company from time to time;
“ChipsAway”	ChipsAway International Ltd, a subsidiary of the Company, incorporated on 26 August 1994 in England and Wales, with the company number 02962763;
“Company” or “Franchise Brands”	Franchise Brands plc, a company incorporated on 15 July 2016 in England and Wales with the company number 10281033;
“Consideration”	the consideration payable to the Vendor in respect of the Acquisition, further details of which are set out in paragraph 8.1.2 of Part VII of the Admission Document;
“Controlling Shareholders”	Stephen Hemsley and Nigel Wray;
“Directors”	the directors of the Company;
“Dowgate Capital”	Dowgate Capital Stockbrokers Limited;
“Enlarged Group”	the Group as enlarged by the Acquisition;
“Enlarged Share Capital”	the issued share capital of the Company as upon Admission comprising the Existing Ordinary Shares and the Placing Shares (assuming the Placing is subscribed for in full);
“Enserve Group”	Enserve Group Limited, a company incorporated on 17 September 1996 in England and Wales, with the company number 03250709;
“Existing Ordinary Shares”	the 47,881,286 Ordinary Shares in issue at the date of this Announcement;
“Facilities Agreement”	the conditional facilities agreement dated 22 March 2017 made between (1) the Company, (2) HSBC and (3) the Subsidiaries, relating to a £12 million term loan and £5 million revolving credit facility, details of which are set out in paragraph 8.1.5 of Part VII of the Admission Document;
“FB Holdings”	FB Holdings Limited, a subsidiary of the Company, a company incorporated on 9 September 2008 in England and Wales with company number 06693122 (which was formerly called Franchise Brands Worldwide Limited) and its subsidiaries;
“General Meeting” or “GM”	the general meeting of the Company to be held at the offices of Gateley Plc, One Paternoster Square, London EC4M 7DX on 10 April 2017 at 10.00 a.m. and any adjournments thereof to be held for the purpose of considering and, if thought fit, passing the Resolutions;

“Group”	the Company and the Subsidiaries;
“HSBC”	HSBC Bank plc;
“IFRS”	international financial reporting standards;
“IPO”	the initial public offering of the Company’s shares and the initial admission of such Ordinary Shares to trading on AIM on 5 August 2016;
“Kemac”	a business division of Metro Rod involving specialist support services for water companies;
“Loan Notes”	the loan notes issued pursuant to the Loan Note Instrument;
“Loan Note Instrument”	the loan note instrument issued by the Company on 1 August 2016, further details of which are set out in paragraph 13 of Part VII of the Admission Document;
“London Stock Exchange”	London Stock Exchange plc;
“Metro Rod”	Metro Rod Limited, a company incorporated on 15 June 2001 in England and Wales with the company number 04235803;
“MyHome”	MyHome Marketing Limited, a subsidiary of the Company, incorporated on 6 January 2010 in England and Wales with the company number 07117588;
“Operating Profit before exceptional items”	profit in any given period after charging all expenses including interest, depreciation and amortisation, but before any exceptional items and corporation tax;
“Ordinary Shares”	ordinary shares of £0.005 each in the capital of the Company;
“Placees”	proposed subscribers for Placing Shares at the Placing Price in the Placing;
“Placing”	the proposed conditional placing of the Placing Shares at the Placing Price with Placees pursuant to the Placing Agreement;
“Placing Agreement”	the conditional agreement dated 22 March 2017 between (1) the Company, (2) Allenby Capital and (3) Dowgate Capital relating to the Placing, further details of which are set out in paragraph 11 of Part VII of the Admission Document;
“Placing Price”	67 pence per Placing Share;
“Placing Shares”	the up to 29,850,747 new Ordinary Shares to be issued by the Company and subscribed for by Placees pursuant to the Placing, conditional on Admission;
“RCF”	the £5 million revolving credit facility under the Facilities Agreement;

“Resolutions”	the resolutions to be proposed at the General Meeting, details of which are set out in the notice of GM to be set out in the Admission Document;
“Shareholders”	holders of Ordinary Shares in the Company from time to time;
“Term Loan”	the £12 million term loan under the Facilities Agreement;
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland;
“VAT”	value added tax; and
“Vendor”	the vendor of Metro Rod, being Enserve Group.

TECHNICAL GLOSSARY

“24/7/365”	a service which is provided 24 hours per day, 7 days per week and every day of the year;
“B2B”	business to business;
“B2C”	business to consumer;
“CarCare Centres”	fixed site workshops with additional equipment which enable throughput of vehicles and also allow larger paint and dent repairs to be carried out than Franchisees can undertake on a mobile basis. CarCare Centres currently operated by Franchisees range in size from 1,200 square feet to just under 11,000 square feet;
“Commercial Accounts”	commercial accounts won directly by the Franchisee within their franchise area;
“Franchise Agreements”	the agreements entered into by the relevant member of the Enlarged Group and Franchisees pursuant to which the Franchisees are to operate their franchise;
“Franchisee”	a person who operates a franchise under the terms of a Franchise Agreement from time to time;
“Key Accounts”	customer accounts where Metro Rod has entered into a contract in relation to the supply of services either because of the high contract value or where services are to be provided by more than one Franchisee;
“MSF”	management service fee; and
“system sales”	total aggregate sales of Franchisees and (if applicable) Company or Metro Rod owned operations of services to third party customers.