





# STEPHEN HEMSLEY

EXECUTIVE CHAIRMAN  
FRANCHISE BRANDS PLC





# INTRODUCTION TO FRANCHISE BRANDS PLC

**Established in 2008** by Stephen Hemsley and Nigel Wray

International multi-brand franchisor with **over 450 franchisees in 12 countries across four brands**

**Highly experienced** Board and senior management team who are significant shareholders (68.3%)

Admitted to AIM in August 2016 at a market capitalisation of £15.55m – now approximately **£60m**

**Organic growth and buy & build:** transformational acquisition of Metro Rod in 2017

**Profitable, cash generative, progressive dividend policy**





# MULTI-BRAND FRANCHISOR



Franchisees

**40**

EBITDA

**£2.5m**



Franchisees

**201**

EBITDA

**£1.9m**



Franchisees

**106**

EBITDA

**£0.3m**



Franchisees

**80**

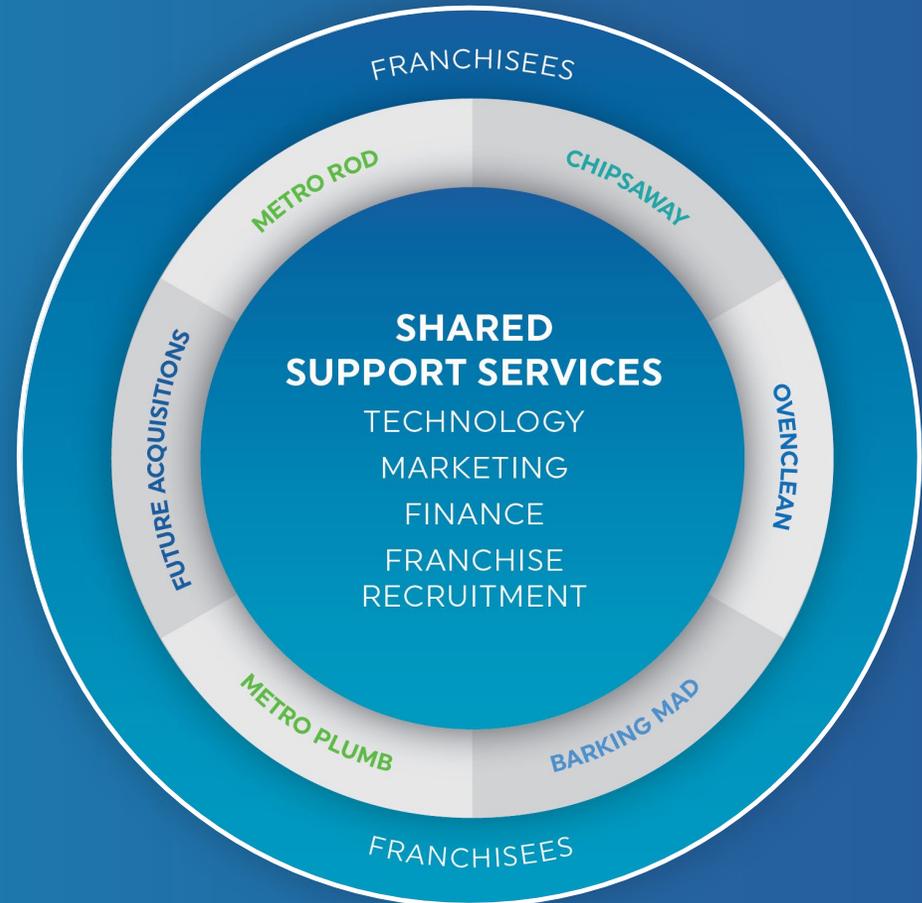
EBITDA

**£0.2m**



# OUR STRATEGY & BUSINESS MODEL

Our strategy is to develop established franchise businesses into market leaders





# OUR SOURCES OF FEE INCOME AS FRANCHISOR

## Monthly Management Service Fees (MSF) paid by franchisees

Fixed monthly fees or turnover related

## Fees from the sale or resale of franchise territories

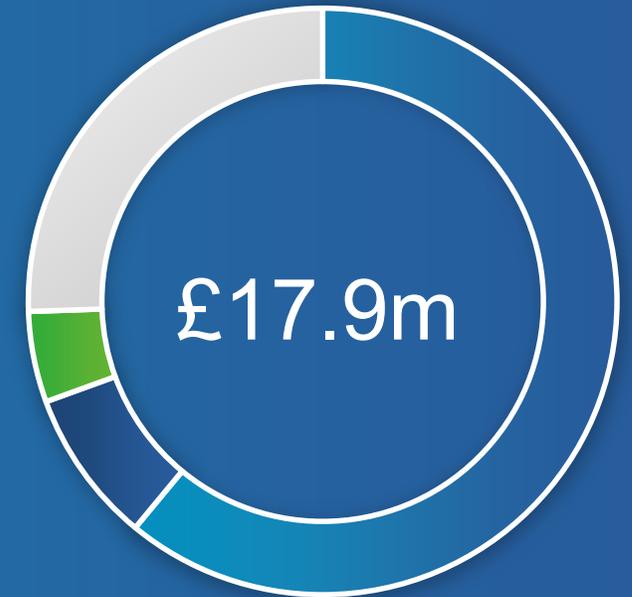
59 new franchisees recruited in 2018

## Direct labour income

Specialist plumbing business and corporate Metro Rod franchise

## Income from selling products to franchisees

Predominantly ChipsAway



MSF income increased

**32% in 2018**

MSF income	61%
Area sales	8%
Product sales	5%
Direct labour	26%



# METRO ROD'S VISION 2023 GROWTH STRATEGY



Acquired business where **franchisees dependent on HQ** for systems and sales

Launched **Vision 2023 strategy** which returned responsibility to franchisees

Developed **new IT systems** to automate processes

Incentivised **growth of local sales** and reduced dependence on large national accounts

**System sales growth of 10% in 2018**

System sales  
**£37m**

Jobs in 2018  
**174,000**

No. engineers  
**370**





# CREATING A DIGITALLY ENABLED BUSINESS



Inherited systems put into the **Cloud** to increase speed and reliability

Automating manual, repetitive tasks using **robotics**

Most important system to be updated is the **Works Management System** and a linked CRM

Systems and functionality have **Group-wide applications**

Total Group IT Spend in 2018

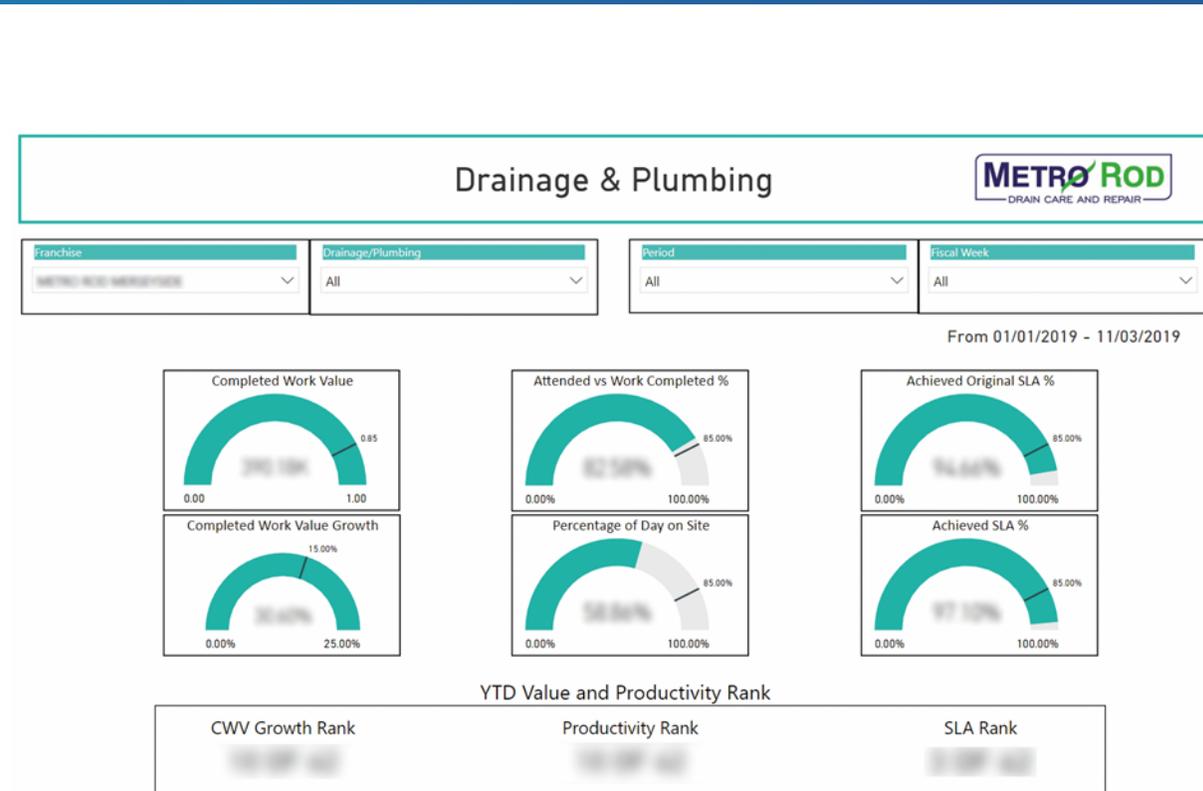
**£1.5m**

% of jobs logged automatically

**40%**

Reduction in call volumes from IVR

**30%**



# MAXIMUM POTENTIAL MODEL: METRO ROD

Average penetration  
**2.8%**

Maximum penetration  
**4.6%**

Average yield per  
commercial address  
**£608**

Maximum yield per  
commercial address  
**£1,105**

System Sales  
**£37m**

System Sales  
**£110m**



# CHIPSAWAY: A BRAND IN TRANSITION

The automotive market will experience **significant disruption**, ie:

- ADAS
- Electric and hybrid vehicles

**Strategic shift** for ChipsAway from a van-based operation to Car Care Centres

Corresponding transition to **turnover-related** as opposed to fixed fees

Number of Car Care Centres

**33**

Franchisees with expanded operations

**45%**

% MSF income that is turnover related

**30%**



# A STRONG PERFORMANCE IN 2018

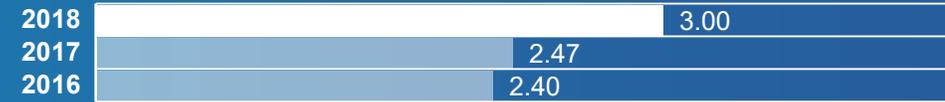
## Fee income

**£17.9m** +41%



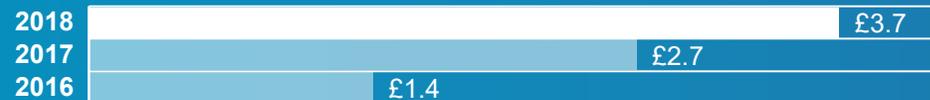
## Adjusted earnings per share

**3.0p** +21%



## Adjusted EBITDA

**£3.7m** +37%



## Dividend per share

**0.67p** +34%



## Profit/(loss) before tax

**£2.9m**



## (Net debt)/Cash

**£(5.0)m** -21%





# FINANCIALS: 2018 RESULTS & CONSENSUS FORECASTS

Year to December (£m)	2018 A	Consensus* 2019E	Consensus* 2020E
<b>Revenues</b>	35.5	37.5	41.3
<b>EBITDA</b>	3.7	4.7	5.4
<b>Growth rate (%)</b>		28%	15%
<b>PBT</b>	2.9	3.5	4.2
<b>Growth rate (%)</b>		22%	20%
<b>EPS (p)</b>	3.0	3.6	4.4
<b>Growth rate (%)</b>		22%	20%
<b>DPS (p)</b>	0.67	0.91	1.20
<b>Growth rate (%)</b>		36%	32%
<b>Net debt</b>	(5.0)	(3.2)	(0.6)

\*Current consensus estimates by Allenby Capital Limited and Dowgate Capital Limited



# SHARE PRICE SINCE IPO FRAN.L



# OUTLOOK FOR FRANCHISE BRANDS

A strong performance in 2018 as we start to **unlock Metro Rod's significant potential**

Benefits of the Metro Rod investment to be **increasingly more visible** in the current year and beyond

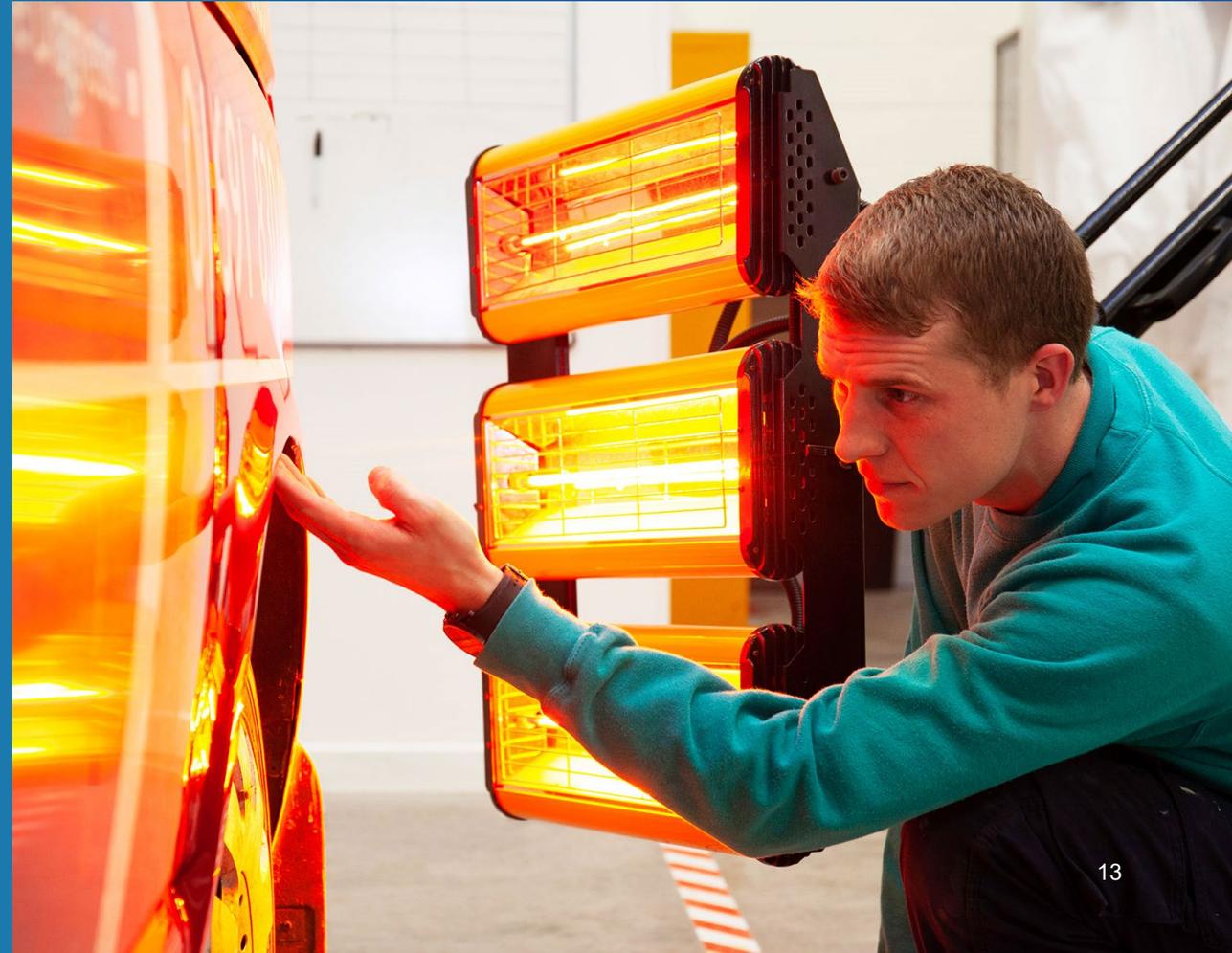
Potential to transition ChipsAway from a mobile-based operation to **Car Care Centres**

**Acquisitions back in focus** now Metro Rod has been integrated

**Reduction of debt** and **progressive dividend policy**

2019 has started encouragingly, with a **good trading performance** across the Group's businesses

**We look forward to the year ahead with confidence**



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