

Growing our franchise businesses

Stephen Hemsley

**Executive Chairman
Franchise Brands plc**



My background



Stephen Hemsley **Executive Chairman**

I co-founded Franchise Brands in 2008 and led the development of the business, including the IPO and external growth. A Chartered Accountant by training, I spent nearly ten years with 3i as Investment Director.

I joined Domino's Pizza as Finance Director progressing to CEO, Executive Chairman and Non-executive Chairman before retiring in 2019 after 21 years with the business to focus exclusively on Franchise Brands. During this time, I took Domino's from private ownership to a market capitalisation of almost £1.5bn.

The Group: at a glance



WHO WE ARE

Multi-brand international franchisor, focused on B2B van-based services.

Principal brands: Metro Rod, Filta, Pirtek.

Provider of essential services.

Presence in 10 countries across UK, North America and Europe.

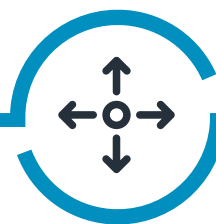


FOCUS

Focused on building market-leading businesses primarily via a franchise model.

Strategy to grow franchisees businesses.

If our franchisees grow, we grow.



SCALE

Annualised system sales of c.£400m, and adjusted EBITDA of £29.7m FY23*.

Over 625 franchisees across seven franchise brands who employ a total of c.5,000 people.

Over 700 direct employees.

Over 2,200 service vehicles.



HOW

Maximum potential model allows us to estimate market size.

Leverage shared services across the Group:

- Technology
- Marketing
- Finance

* Consensus market expectations for the financial year ending 31 December 2023 is adjusted EBITDA of £29.7m based on Dowgate Capital, Allenby Capital and Stifel Nicolas Europe updated forecasts following the Q3 Trading Update

** Direct Labour Organisations

The Group

(Pre-Q3 Trading Update)

B2B

Adjusted EBITDA¹

£10.6m

Total franchisees⁵

81



Commercial drainage

42 franchisees, >50 depots nationwide.



Pump design, installation and servicing business (DLO).

Specialist plumbing services
15 stand-alone franchisees.
19 Metro Rod franchisees.

Services to commercial kitchens. DLO & 24 Filta Environmental franchisees.

Pirtek²

Adjusted EBITDA 2023¹
/ LTM³

**£12.7m/
£16.9m**

Total franchisees⁵

69



Leading European provider of on-site hydraulic hose replacement services.

Acquired April 21st 2023.

Operates in eight countries via 217 service centres and 843 mobile service vehicles.

System sales are largely derived from franchising.

Master agreement enables trade in a further eight countries.

Filta International

Adjusted EBITDA¹

£6.2m

Total franchisees⁵

159

Cooking oil filtration and fryer management services to commercial kitchens through the FiltaFry service.

Recycling of used oil into biodiesel.

131 franchisees in North America.

28 franchisees in Europe.

Group overheads

£2.7m

TOTAL GROUP⁴

Adjusted EBITDA 2023¹ / LTM³

**£29.3m/
£33.5m**

Total franchisees⁵

648



B2C

Adjusted EBITDA¹

£2.3m

Total franchisees⁵

339



Leading home service brands.

¹ FY23 Dowgate Capital divisional estimates. FY23 Group is consensus analysts' forecasts based on Dowgate Capital, Allenby Capital and Stifel Nicolas Europe before the Q3 Trading Update on 25 October 2023.

² Assumes 8 months of ownership.

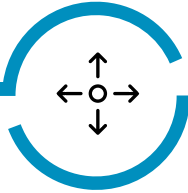
³ Last Twelve Months (LTM) to 31 December 2023 as set out by the Company in its announcement of 3 April 2023 regarding the acquisition of Pirtek.

⁴ Group EBITDA also includes Azura £0.2m.

⁵ Franchisee numbers as at 30 June 2023.

The Group's business building strategy

Our business-building strategy has five engines of growth.



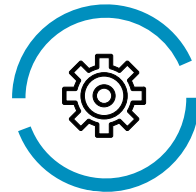
EXPANDING AND DEVELOPING OUR SERVICES

Widen and deepen our range of services to increase system sales, and drive customer acquisition and retention. Low market share in all key growth businesses.



DEVELOPING A TECHNOLOGY PLATFORM

Our digital platform helps enhance customer service and increase sales, thereby facilitating strong operational gearing.



DEVELOP SYNERGIES THROUGH SHARED CENTRAL SERVICES

Leverage the investment in technology and other central services such as marketing and finance to optimise the effectiveness of the business. Cross functional and cross geographic.



OPTIMISING OUR SERVICE DELIVERY

Strategy is to grow franchise channels. We use Direct Labour Organisations (DLO's) to develop franchise businesses more rapidly and provide specialist services.



DEVELOPING OUR BUSINESSES

Ability to launch brands of existing group into new markets, and benefit from cross selling opportunities across brands.

The Maximum Potential Model: Filta US



THE BUSINESS (2022)

System sales of \$100m (Q4 2022 run rate).

Use SIC codes of existing customers to estimate potential.

Filta US Customer Base
8,500 sites

Total Potential Sites
1.1m

Market penetration
Less than 1%



MAXIMUM POTENTIAL MODEL WORKINGS

Existing Franchisees with more than
50 customers

Highest Market Penetration **3.9%**

Highest Ave Revenue per site
\$21,973

1/3 of addressable market
in territories unsold



\$925m
Max
Potential
Revenue

**(Based on 2022
services)**

The “Max” model in action



**MAP POTENTIAL BY FRANCHISE
TERRITORY**



**HOT SPOT AND THEREFORE “NOT-SPOT”
TERRITORY**



USE IT OR LOSE IT! OBJECTIVE DATA



**LONG TERM TERRITORY DEVELOPMENT
PLAN FOR INCREASING PENETRATION
AND SPEND PER CUSTOMER**

Our Technology Vision



Our investment in digital technology delivers tools that enable our business to:

Enhance the customer experience.

Increase sales and improve retention of existing business.

Drive efficiency and productivity of our customers, the Support Centre and our franchisees.

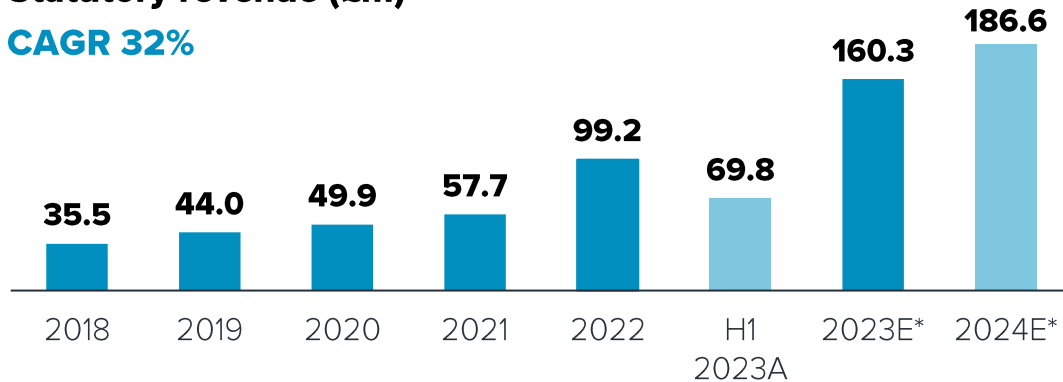
Assist engineers in satisfying ever more demanding customer requirements.

Help make people's jobs more rewarding.

Group financials

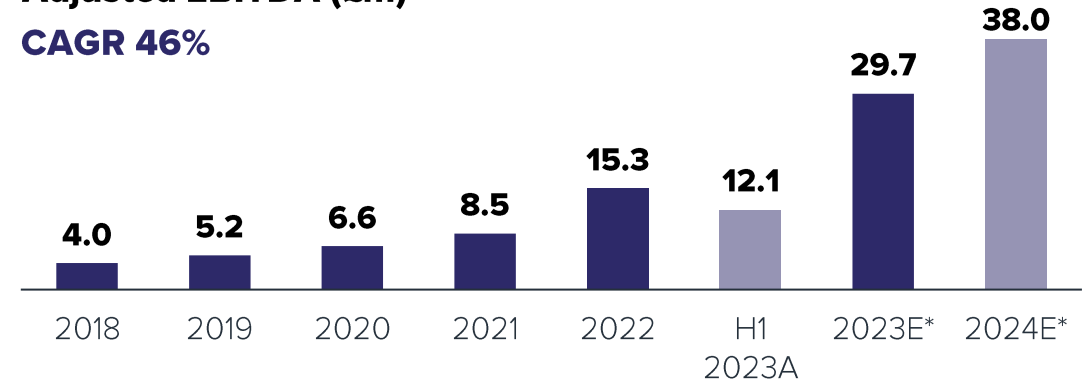
Statutory revenue (£m)

CAGR 32%



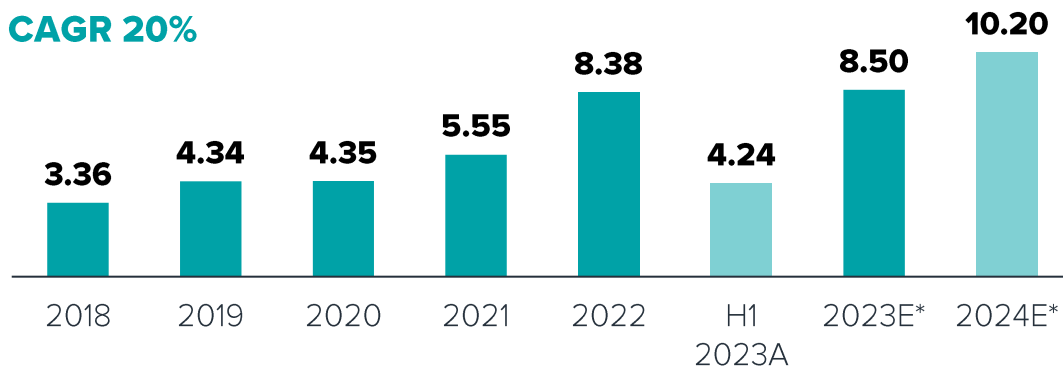
Adjusted EBITDA (£m)

CAGR 46%



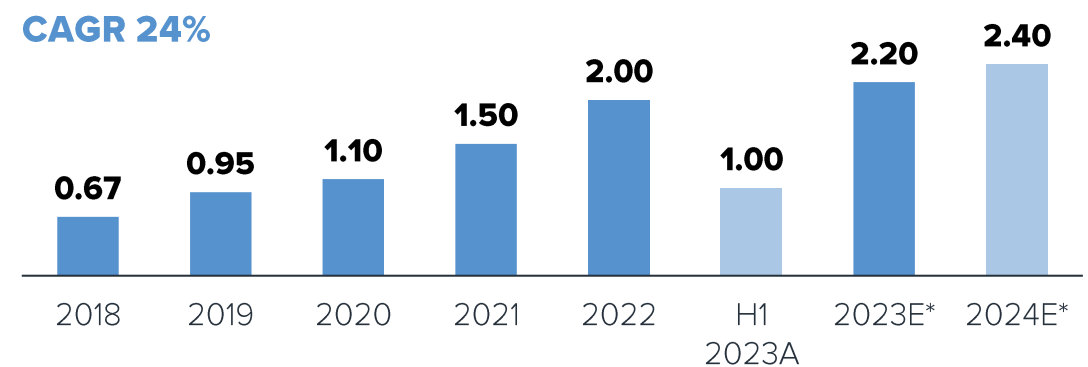
Adjusted earnings per share (p)

CAGR 20%



Dividend per share (p)

CAGR 24%



* Consensus market expectations for the financial year ending 31 December 2023 and 2024 is based on Dowgate Capital, Allenby Capital and Stifel Nicolas Europe updated forecasts following the Q3 Trading Update which include adjusted EBITDA of £38.0m for 2024 (prepared in accordance with IFRS 16)
CAGR is 2018 to FY2024E

Capital allocation



Strategic focus is integrating Pirtek into the Group, promoting operational synergies and repaying acquisition debt.

Capital allocation decisions will balance debt reduction, a progressive dividend policy and organic investment.

We fully expect the Pirtek acquisition facilities to be repaid within 5 years.

The Board has set a target leverage range corridor of 1.0-1.5x Adjusted EBITDA before it will consider any further acquisitions of scale.

Why invest?



- Highly resilient with seven market leading franchise brands across 10 countries with over 625 franchisees, the vast majority in B2B.
- Long established brands with a successful trading history through economic cycles.
- Provider of essential services – a defensive play.
- Low market share in all key growth businesses (Filta, Metro Rod and Pirtek), with “manageable” competition.
- Experienced management team with history of working together with injections of fresh thinking into the team.
- Track record of successfully acquiring B2B franchise businesses, integrating well and creating value.
- High margin and high return on capital associated with a franchise business.
- Cash generative - Fully leveraged but de-leveraging quickly with goal to have net debt<1x EBITDA by 2025.
- Management and Board own c30% so fully invested – share culture very broad.
- Operational gearing a significant growth driver enabled by technology.
- Corporate Governance improvements announced.

Any questions?



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