BUSINESS builders

Q3 2020 TRADING UPDATE PRESENTATION

AN INTRODUCTION TO FRANCHISE BRANDS PLC

- Established in 2008 by Stephen Hemsley (Executive Chairman) and Nigel Wray (Non-executive Director).
- Focused on building market-leading businesses in selected customer segments using primarily a franchise model.
- The Group currently has a combined network of over 400 franchisees across five franchise brands in the UK.
- Organised into a B2B division and a B2C division.
- Highly experienced Board and senior management team who are significant shareholders (57%).
- Grown market capitalisation six-fold since AIM admission in August 2016. Currently £95-100m.
- Organic growth and buy & build strategy.
- Profitable and cash generative.
- Progressive dividend policy with a track record of delivery.

FRANCHISE BRANDS: AT A GLANCE (H1)

B2B

METRO ROD DRAIN CARE AND REPAIR

METRO PLUMB THE NATION'S LOCAL PLUMBER

WILLOW PUMPS PUMP INSTALLATION & SERVICING

Founded in 1983, commercial drainage specialist **Metro Rod** provides a range of drain clearance, repair and maintenance services. These services are provided on a 24/7/365 basis across the UK via 43 depots. Plumbing services are provided by **Metro Plumb** which has three independent franchisees.

SYSTEM SALES	EBITDA*
£19.7m	£1.5m

METRO ROD & METRO PLUMB FRANCHISEES

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Founded in 1997, **Willow Pumps** is a leading pump supply, installation and servicing business, with a below-ground and above-ground capability. The Group acquired Willow Pumps in 2019 to help expand Metro Rod's and Metro Plumb's range of services to the commercial market.

REVENUE	EBITDA*
£6.2m	£0.8m

GROSS MARGIN

53%

B2C

ChipsAway Scratches and scuffs won't dent your pocket

Barking Mad

OVENCLEAN The original oven cleaning specialists

ChipsAway, Ovenclean and **Barking Mad** each provide a high level of service to retail customers of a similar cohort in the areas of car paintwork repairs, domestic oven cleaning and dog home boarding. All of our B2C brands are well established with a long trading history.

GROSS PROFIT	EBITDA*
£1.97m	£0.9m

UK FRANCHISEES

389

* EBITDA excludes Group overheads

Q3 TRADING UPDATE: SUMMARY

- The Group saw a steady recovery in trading in Q3 from the previous quarter's lockdown-impacted performance, which had followed a strong Q1.

- Whilst the environment is still uncertain, the Board is confident of meeting current consensus market expectations for revenue and adjusted EBITDA for the year to 31 December 2020.

Consensus market expectations for the financial year ending 31 December 2020 are as follows:

- Revenue:	£48.6m
- Adjusted EBITDA:	£6.1m
- Adjusted EPS:	3.87p

Q3 TRADING UPDATE: B2B

METRO ROD DRAIN CARE AND REPAIR · METRO PLUMB THE NATION'S LOCAL PLUMBER · WILLOW PUMPS PUMP INSTALLATION & SERVICING

- Metro Rod and Metro Plumb growth in system sales:
  - Height of lockdown: down by nearly 30% against the comparative period in 2019.
  - June onwards: grown by an average of 8% per month.
  - September: 9% higher than in the comparative month in the prior year.
  - Q3: down only 6% against the same quarter in the prior year.
- Revenues at Willow Pumps and Kemac grew by 48% in Q3 compared to Q2, but still 20% down on Q1.
- However, Q3 revenues weighted towards higher margin service work resulting in gross profit in Q3 being down only 10% on Q1.

Q3 TRADING UPDATE: B2C

- Recovering at different speeds, driven by new franchisee recruitment.
- ChipsAway and Ovenclean (89% of divisional income in 2019) trading at pre-COVID-19 levels.
- Trading at Barking Mad (our smallest network) continues to be well below pre-COVID-19 levels given heavy dependency on foreign holiday market.
- B2C recruitment during Q3 was robust, with 21 new franchisees joining (Q3 2019: 20). 48 new B2C franchises YTD (Q3 YTD 2019: 54).
- Slight increase in leavers due to lower levels of trading. With 48 joiners and 58 leavers, there were 394 B2C franchisees as at 30 September (31 December 2019: 404).

ACQUISITIONS UPDATE

- The short-term focus of the Group is the resumption of the organic growth achieved prior to the lockdown, which will be significantly assisted by the strengthened capital structure provided by the recent Placing.
- We are interested in earnings-enhancing acquisitions in pursuit of our ambition to offer a full “Water In. Waste Out” range of drainage, pumps, plumbing, water and waste water treatment and water hygiene services.
- In the B2C division, acquisitions that allow the Group to leverage its existing divisional infrastructure are in scope.
- However, we are cautious about acquiring smaller B2C franchise businesses until we have visibility of both franchisees’ and franchisors’ longer-term viability following the COVID-19 crisis.

AVAILABLE FACILITIES

	30 Sept 2020 £'000	30 June 2020 £'000	31 Dec 2019 £'000
Bank debt	**(5,411)**	(6,083)	(9,274)
Hire purchase debt	**(1,531)**	(1,544)	(1,588)
Other lease debt	**(1,582)**	(1,683)	(1,899)
Cash	**12,322**	11,820	1,682
Statutory net cash/(debt)	**3,798**	**2,555**	**(11,079)**

	30 Sept 2020 £'000	30 June 2020 £'000	31 Dec 2019 £'000
Cash	**12,322**	11,820	1,682
Unused overdraft	**2,000**	6,000	2,000
Unused RCF	**5,000**	5,000	2,000
Available facilities	**19,322**	**22,820**	**5,682**

- Statutory net cash position of £3.8m at 30 September 2020 (31 December 2019: net debt £11.1m).
  - Placing in April 2020 of 15.6m new Ordinary Shares at 90p to raise a net £13.6m.
  - Repayment of outstanding RCF but retaining Term Loan of £5.5m.
- £7m of unutilised bank facilities:
  - £2m overdraft, reduced from a COVID-19 extended £6m.
  - £5m undrawn RCF.
- Overall we have £19.3m of funds available.
- Given the short-term nature of overdraft funding, the Group has around £17m available for corporate activity without the need for further recourse to shareholders or debt providers.

SUMMARY & OUTLOOK

- Q3 saw a welcome recovery from the reduced levels of activity in Q2 and trading in October has continued to follow that trend.
- If the "second wave" COVID-19 restrictions persist for any length of time, this could have an impact on the Group.
- The Board is confident of meeting current consensus market expectations for revenue and adjusted EBITDA for the year to 31 December 2020.
- The Group's balance sheet and liquidity position remain strong as a result of the underlying profitability of the Group and the cash generative nature of its businesses, combined with the proceeds from the April share placing.
- This puts Franchise Brands in a strong position to support its franchisees and continue to invest in the business, and also provides the Group with the ability to take advantage of any external growth opportunities that may arise.

INVESTMENT SUMMARY

- Market-leading brands in selected customer segments. Significant potential to grow our portfolio of brands.
- Demonstrable track record of developing our businesses through our shared support services, specialist sector expertise, management experience and group resources.
- Potential to accelerate our growth through targeted earnings-enhancing acquisitions, in particular in “Water In. Waste Out”, a large, defensive and relatively fragmented sector. £17m of available facilities.
- Substantial experience in supporting our franchisees to grow their businesses.
- Highly experienced Board and senior management team who are significant shareholders.
- Profitable and cash generative, progressive dividend policy with a track record of delivery.
- Strongly positioned to continue to create sustainable shareholder value.

FRANCHISE
BRANDS

Appendix

OUR BOARD

Stephen Hemsley

Executive Chairman

Chris Dent

Chief Financial Officer

Peter Molloy

Managing Director, Metro Rod

Tim Harris

Managing Director, B2C Division

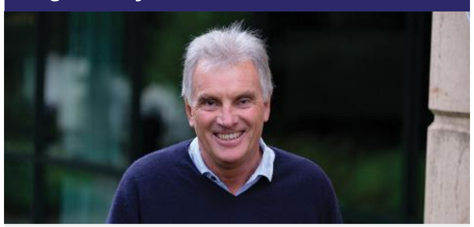
Julia Choudhury

Corporate Development Director

Colin Ross

Chief Information Officer

Nigel Wray



Non-executive Director

David Poutney

Non-executive Director

Rob Bellhouse

Non-executive Director

OUR SENIOR TEAM

Ian Lawrence

Managing Director,
Willow Pumps

Andrew Mallows

Commercial Director

Robin Auld

Group Marketing Director

Rachel Stewart

Deputy Managing Director,
B2C

STRONG Q1, FOLLOWED BY RESILIENT LOCKDOWN PERFORMANCE AND RECOVERY IN JUNE

2020 HALF YEAR FINANCIAL HIGHLIGHTS

REVENUE
+21%
£24.2m
H1 2019: £20.1m

ADJUSTED EBITDA*
+13%
£2.8m
H1 2019: £2.5m

ADJUSTED NET CASH**
£4.2m
H1 2019: Adjusted net debt £9.2m

ADJUSTED EARNINGS PER SHARE***
-10%
1.84p
H1 2019: 2.06p

BASIC EARNINGS PER SHARE
-64%
0.67p
H1 2019: 1.84p

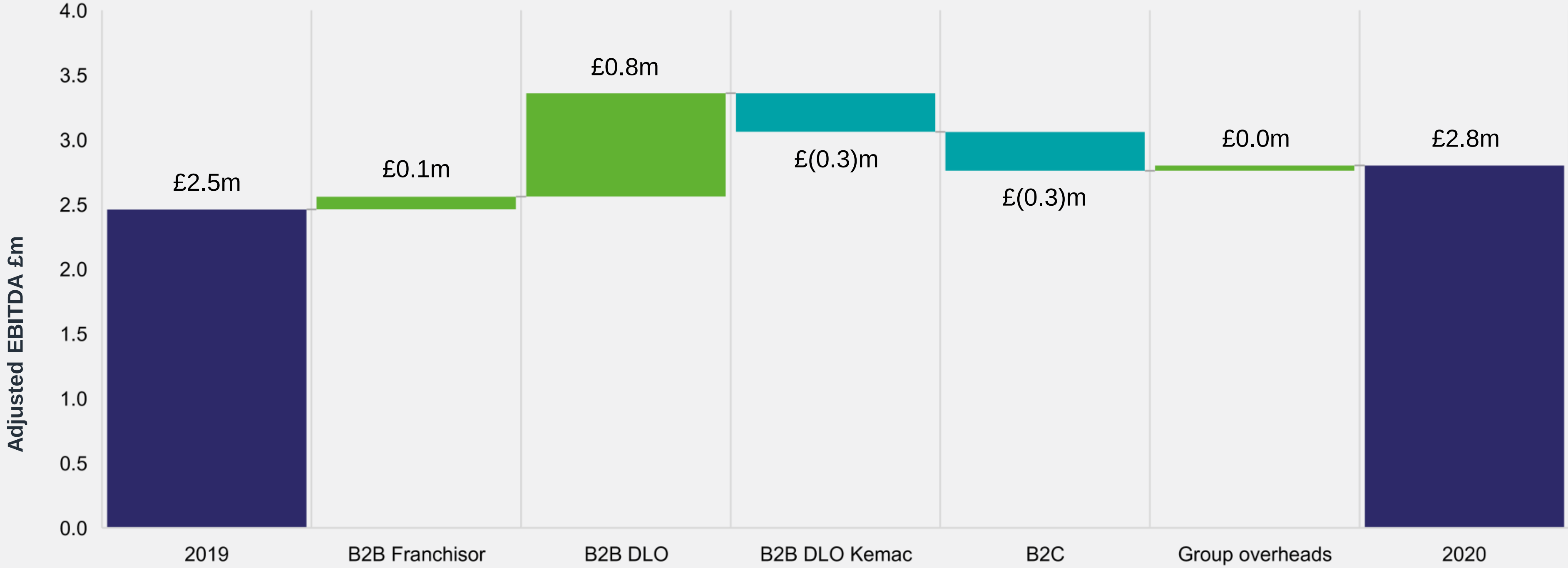
DIVIDEND PER SHARE
0.3p
Interim 2019: 0.3p

*Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and share-based payment expense and COVID-19 related restructuring charge and bad debt provision. ** Adjusted net cash and debt are before capitalised leases under IFRS16. ***Adjusted EPS is earnings per share before amortisation of acquired intangibles, share-based payment expense, and COVID-19 related restructuring charge and bad debt provision.

H1 OPERATIONAL HIGHLIGHTS

- Strong Q1, followed by decreased trading during the COVID-19 lockdown, with signs of recovery in June.
- B2B division provides key workers to essential services, and traded through the period. Increased activity in June as businesses re-opened.
  - Metro Rod system sales grew by 16% year-on-year in Q1; resilient performance with 3% decline in H1 (H1: growth of 15%).
  - 28 of our 43 Metro Rod franchisees achieved y-on-y growth in sales in H1.
  - Successful start to the rollout of our new Metro Rod works management system.
  - Strong start to the year at Willow Pumps which contributed revenue of £6.2m in H1.
- B2C division resumed trading in June 2020; strong restart at Chips Away.
- B2C franchise recruitment of 18 in Q1 and 9 in June 2020 (H1 2019: 34).

THE 2020 INTERIM RESULTS: AT A GLANCE



SUMMARY OF GROUP RESULTS

Period Ending 30 June		H1 2020 £'000	H1 2019 £'000	Change £'000	Change %
Statutory revenue	A	**24,209**	20,084	4,125	21%
Franchise payments		**(9,488)**	(9,493)	5	0%
Fee income	B	**14,721**	10,591	4,130	39%
Other cost of sales		**(5,146)**	(3,147)	(1,999)	64%
Gross profit		**9,576**	7,444	2,132	29%
Administrative expenses		**(6,793)**	(4,984)	(1,809)	36%
Adjusted EBITDA	C	**2,782**	2,460	322	13%
Depreciation	D	**(666)**	(317)	(349)	110%
Finance expense	E	**(262)**	(159)	(103)	65%
Adjusted profit before tax		**1,854**	1,984	(130)	-7%
Tax expense		**(286)**	(389)	103	-27%
Adjusted profit after tax	F	**1,568**	1,595	(27)	-2%
Amortisation of acquired intangibles		**(196)**	(108)	(88)	82%
Share based payment		**(102)**	(100)	(2)	2%
COVID-19 Related Costs	G	**(620)**	-	(620)	100%
Acquisition-related costs		**(53)**	-	(53)	100%
Tax on adjusting items		**(26)**	40	(66)	-165%
Statutory profit after tax		**570**	1,427	(857)	-60%

A
- Revenue increased by 21% to £24.2m (H1 2019: £20.1m) including contribution from Willow Pumps acquisition (like-for-like revenue was £18.0m (H1 2019: £20.1) due to the effects of the COVID-19 lockdown).

B
- Fee income, which better reflects our income as franchisor, increased by 39% to £14.7m, including inaugural contribution from Willow Pumps.

C
- Adjusted EBITDA increased by 13% to £2.8m.

D
- Depreciation increased to £0.6m:
  - Acquisition of Willow Pumps.
  - Purchase of equipment at Metro Rod corporate franchises.

E
- Finance charge of £0.4m increased 4%, reflecting increase of debt following the acquisition of Willow Pumps.

F
- Overall, adjusted earnings decreased by 2% to £1.6m.

G
- COVID-19 related provision for expected credit losses, office closure and redundancies.

BALANCE SHEET

Year ended 31 December		**30 June 2020 £'000**	31 Dec 2019 £'000	Change £'000	Change %
Property, plant and equipment		**4,486**	**4,781**	**(295)**	**-6%**
Intangible assets		34,444	35,507		
Deferred tax liability		(1,139)	(1,544)		
Accounting assets		**33,305**	**33,513**	**(208)**	**-1%**
Inventories		692	730		
Trade and other receivables	B	13,442	16,518		
Trade and other payables	C	(8,109)	(12,404)		
Current tax liability		(722)	(594)		
Provisions		(3,659)	(3,606)		
Net working capital	D	**1,644**	**644**	**1,000**	**155%**
Gross debt		(9,265)	(12,761)		
Cash		11,820	1,682		
Statutory net debt	A	**2,555**	**(11,079)**	**13,634**	**-123%**
Net assets		**41,989**	**27,859**	**14,130**	**51%**

A
- Statutory net cash position of £2.6m (31 Dec 2019: net debt £11.1m).
  - Placing of 15.6m new Ordinary Shares to raise a net £13.6m.
  - Repayment of outstanding RCF but retaining Term Loan of £6.1m.
  - Unutilised bank facilities of £11m.
  - Total of £22.8m of available facilities as at 30 June 2020.

B
- Trade debtors have fallen as sales have decreased. We have made a £0.5m expected credit loss provision - down from £1.3m at the time of the Placing. Our debtor days have increased from 69 to 77 as we have extended terms to our customers.

C
- We have continued to pay our creditors, including our franchisees within terms, and as our costs have decreased the overall level of trade creditors has fallen.

D
- Overall, we have been required to invest an extra £1m in working capital.

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