



INTERIM
RESULTS
PRESENTATION
2019



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AN INTRODUCTION TO FRANCHISE BRANDS PLC

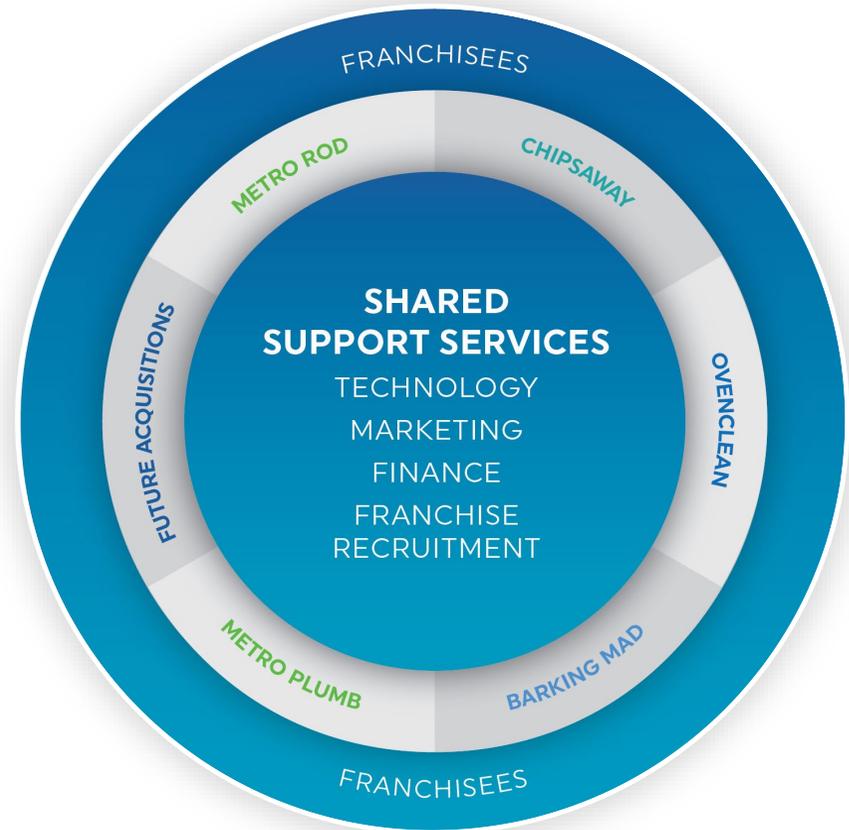
- Established in 2008 by Stephen Hemsley (Executive Chairman) and Nigel Wray (Non-executive Director).
- International multi-brand franchisor with over 450 franchisees in 12 countries across four principal brands.
- Highly experienced Board and senior management team who are significant shareholders (68.3%).
- Admitted to AIM in August 2016 at a market capitalisation of £15.6m.
- Organic growth and buy & build: transformational acquisition of Metro Rod in 2017.
- Profitable, cash generative, progressive dividend policy.



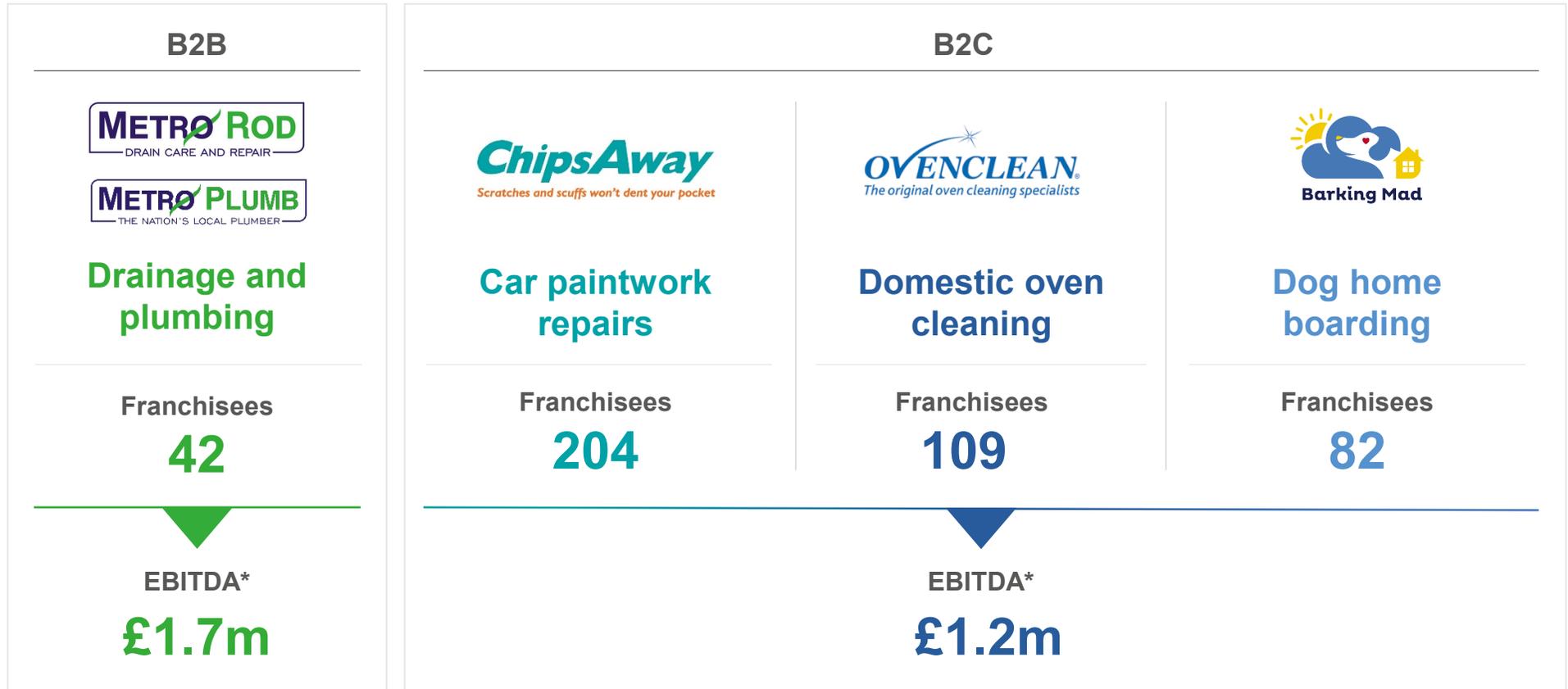


OUR STRATEGY & BUSINESS MODEL

Our strategy is to develop established franchise businesses into market leaders



FRANCHISE BRANDS: AT A GLANCE



* EBITDA excludes head office costs of £489k

A STRONG PERFORMANCE DRIVEN BY ACCELERATING METRO ROD SYSTEM SALES

HALF YEAR FINANCIAL HIGHLIGHTS

Revenue

£20.1m +19%



Fee income

£10.6m +25%



Adjusted EBITDA*

£2.5m +25%



Adjusted EPS**

2.06p +22%



Dividend per share

0.30p +43%



Net debt***

£(5.4)m -8%



OPERATIONAL HIGHLIGHTS

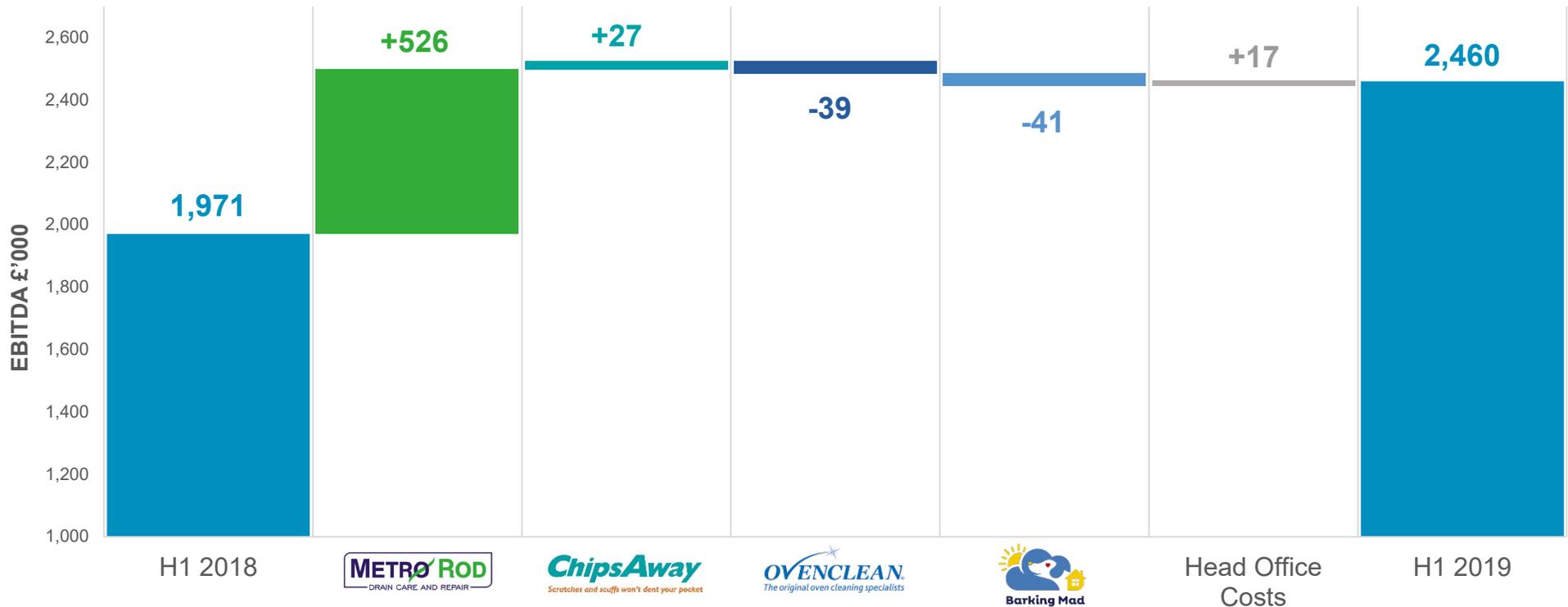
- Metro Rod's "Vision 2023" strategy is delivering strong sales growth:
 - System sales growth of 15%.
 - 83% of the network is in growth.
 - Local sales growth of 19%.
- Excellent progress in the development of new business systems.
- Substantial improvement in franchise recruitment in B2C brands.
- ChipsAway pilot Car Care Centre successfully launched.
- New management at Barking Mad.

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

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

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

THE 2019 HALF YEAR RESULTS: AT A GLANCE





OUR VISION 2023 STRATEGY IS DELIVERING INCREASINGLY TANGIBLE BENEFITS



Metro Rod's rate of growth is accelerating, demonstrating increased engagement from franchisees:

- System sales growth of 15% (H1 2018: 4%).
- Local sales growth of 19% (H1 2018: 8%).
- Marketing and sales support strengthened.
- Two new franchisees joined the business with further franchise sales in the pipeline.
- Launch of ITOL-accredited Metro Rod apprentice scheme.





INCREASING SALES GROWTH FOR METRO ROD FRANCHISEES



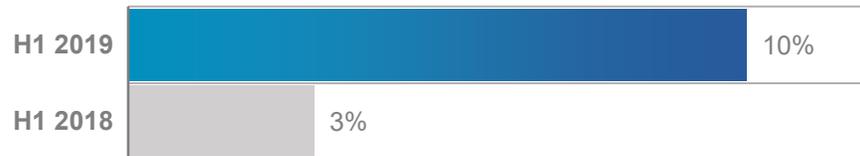
FRANCHISEES IN SALES GROWTH



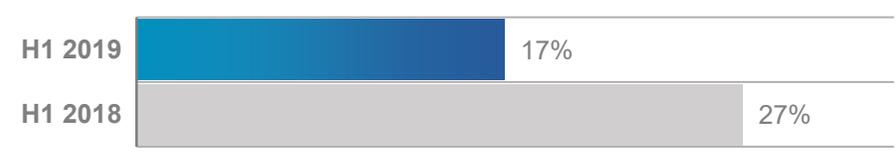
FRANCHISEES GROWING SALES ABOVE 20%



FRANCHISEES GROWING SALES ABOVE 40%



FRANCHISEES IN SALES DECLINE





OUR ESTIMATES FOR THE “MAXIMUM POTENTIAL” OF THE SYSTEM ARE GROWING



2018 ESTIMATE

Maximum penetration
4.61%

Maximum yield per postcode
£1,105

Maximum potential system sales
£110m

2019 ESTIMATE

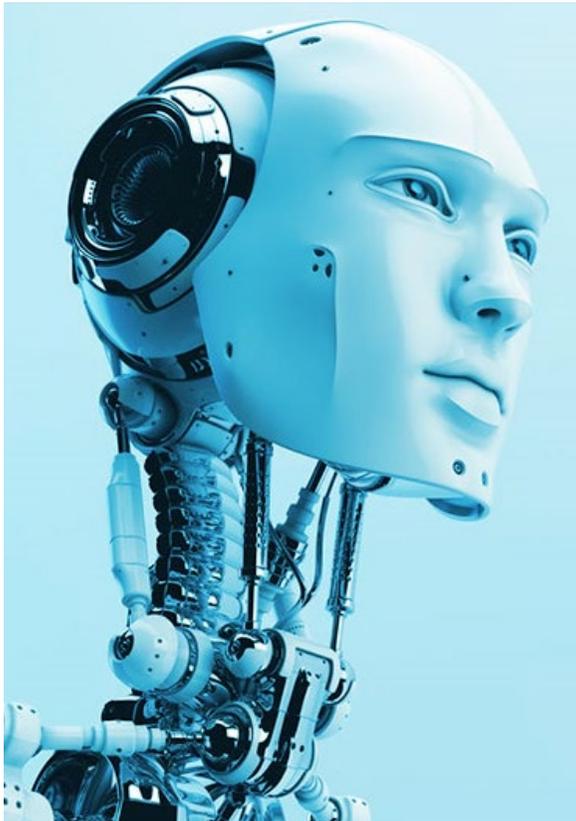
Maximum penetration
6.23%

Maximum yield per postcode
£1,194

Maximum potential system sales
£161m

+ 46%

EXCELLENT PROGRESS MADE IN THE DEVELOPMENT OF NEW BUSINESS SYSTEMS



- **New quotation system for additional work rolled out to franchisees:**
 - Pre-populated templates sent directly to the customer.
 - Nearly 70% reduction in time to quote.
 - Reduction in headcount in this area, greatly improved data.
- **Accounting and finance system replaced: automation and credit control benefits:**
 - Automation of invoicing for commercial customers.
 - Enhanced credit control function to help improve working capital management.
- **Continued development of new works management system:**
 - System integrated into ancillary systems.
 - Being trialed in two franchise territories with extension of trial in H2.
 - Expected roll out by early 2020.



STRONG TRACTION IN METRO ROD AND METRO PLUMB FRANCHISE SALES



DEVELOPMENT PLANS IN PROGRESS FOR METRO PLUMB AND KEMAC



Future potential for >100 Metro Plumb franchise territories:

- Decision to create smaller territories – increased focus on developing local work.
- Increasing diversification of customer base.
- First two independent franchise territories established and are trading well.

Kemac is in transition:

- The business had an excellent start to the year as a result of a large contract from a water utility company (now completed).
- The restructured business currently continues to generate an acceptable level of profit.
- Additional work will be required to maintain Kemac profitability as remaining Metro Plumb territories are sold.

CHIPSAWAY INCREASINGLY WELL POSITIONED FOR THE FUTURE



Franchisee recruitment has recovered strongly:

- 19 franchisees recruited in H1 compared to 6 in H2 2018 (H1 2018: 17)

Successful launch of pilot Car Care Centre:

- Incorporates the technology required to repair and recalibrate cars fitted with ADAS.
- Provides us with the ability to showcase the concept to franchisees and train.

Significant progress with electric and hybrid vehicles:

- Half the system is now trained.
- Industry first on-line system developed.



Our pilot Car Care Centre has made a strong start and has already achieved monthly profitability



RECOVERY IN FRANCHISE RECRUITMENT BUT CONTINUAL FOCUS REQUIRED



Franchise recruitment recovered from low level in H2 2018:

- 9 new franchisees recruited compared to 6 in H2 2018 (H1 2018: 13).
- Franchise system grew from 106 to 109 franchisees.
- 25% increase in consumer leads provided to franchisees.

Number of franchisees

109

Trustpilot ranking

9.6/10



NEW MANAGEMENT AND REORGANISATION RESULTING IN DEEPER GROUP INTEGRATION



New management at Barking Mad:

- Reorganisation of the business following the departure of the founder.
- Rachel Stewart, formerly in senior business development role, appointed Managing Director.
- Barking Mad now more deeply integrated into the Group, and working more closely with the shared support services.
- 6 new franchisees recruited compared to 4 in H2 2018 (H1 2018: 11).
- Good progress made licensing the franchisees under the 2018 Animal Welfare Regulations.

Number of franchisees

82

Franchisees licensed with their local council

72%

SUMMARY OF GROUP RESULTS

Six months ended 30 June	H1 2019 £'000	H1 2018 £'000	Change £'000	Change %
Statutory revenue	20,084	16,844	3,240	19%
Franchise payments	(9,493)	(8,395)	(1,098)	13%
Fee & direct labour income	10,591	8,449	2,142	25%
Other cost of sales	(3,147)	(1,972)	(1,175)	60%
Gross profit	7,444	6,477	967	15%
Administrative expenses	(4,984)	(4,506)	(478)	11%
Adjusted EBITDA	2,460	1,971	489	25%
Depreciation	(317)	(201)	(116)	58%
Amortisation	(108)	(108)	-	0%
Share based payment	(100)	(81)	(19)	23%
Finance expense	(159)	(187)	28	-15%
Profit before tax	1,776	1,395	381	27%
Tax expense	(348)	(235)	(113)	48%
Profit after tax	1,428	1,160	268	23%

- First fully comparative set of numbers since Metro Rod acquisition.
- Statutory revenue increased by 19% to £20.1m.
- Fee & direct labour income, which reflects our income as franchisor, increased by 25% to £10.6m.
- Adjusted EBITDA increased by 25% to £2.5m.
- Depreciation costs increased to £0.3m:
 - Acquisition of new equipment at corporate franchises.
 - New software at Metro Rod Support Centre.
 - New pilot Car Care Centre at ChipsAway
- Share based payment charge increased by 23% reflecting the effect of new options granted at the end of 2018.
- Finance charge of £0.2m decreased 15% due to the benefit of lower average debt.
- Overall, earnings increased by 23% to £1.4m.

FEE & DIRECT LABOUR INCOME

	H1 2019 £'000	% of Total	H1 2018 £'000	% of Total	Change £'000	Change %
MSF income	5,401	51%	4,861	58%	540	11%
Sale of franchise territories	908	9%	898	11%	10	1%
Product sales	460	4%	535	6%	(75)	(14%)
Direct labour	3,202	30%	1,611	19%	1,591	99%
National advertising funds	620	6%	544	6%	76	14%
Fee & direct labour income	10,591		8,449		2,142	25%

- Strategically important MSF income increased by 11% to £5.4m.
- Fees generated from the sale (or resale) of franchise territories were essentially flat in H1 2019 compared with H1 2018 as a result of slightly lower recruitment in our B2C brands.
 - 37 new franchisees recruited in H1 2019 (H1 2018: 42), a substantial improvement from the low of 17 new franchisees recruited in H2 2018.
- Direct labour income increased as a result of:
 - Strong trading at Kemac (although at a lower margin than other income streams).
 - Addition of corporate-owned Metro Rod Brighton & Gatwick franchise.
 - Launch of ChipsAway pilot Car Care Centre.

INDIVIDUAL BUSINESS RESULTS

EBITDA by business

	H1 2019 £'000	H1 2018 £'000	Change £'000	Change %
Metro Rod	1,725	1,199	526	44%
ChipsAway	973	947	27	3%
Ovenclean	154	193	(39)	(20%)
Barking Mad	98	138	(41)	(29%)
Head office	(489)	(506)	17	(3%)
Group EBITDA	2,460	1,971	489	25%

- Metro Rod delivered an EBITDA contribution of £1.7m in the period, an increase of 44%:
 - Accelerating system sales growth of 15% from a re-invigorated franchise network (H1 2018: 4%).
 - Strong performance of Kemac, with the direct labour organisations producing £0.3m of profit.
 - Total IT investment of £0.7m, with £0.2m being capitalised.
- ChipsAway is transitioning from a recruitment-driven business to an MSF-driven business – strategic development of Car Care Centres.
- Ovenclean & Barking Mad profits down on lower recruitment, although both businesses have seen improvement in recruitment from H2 2018.

EPS AND DIVIDEND

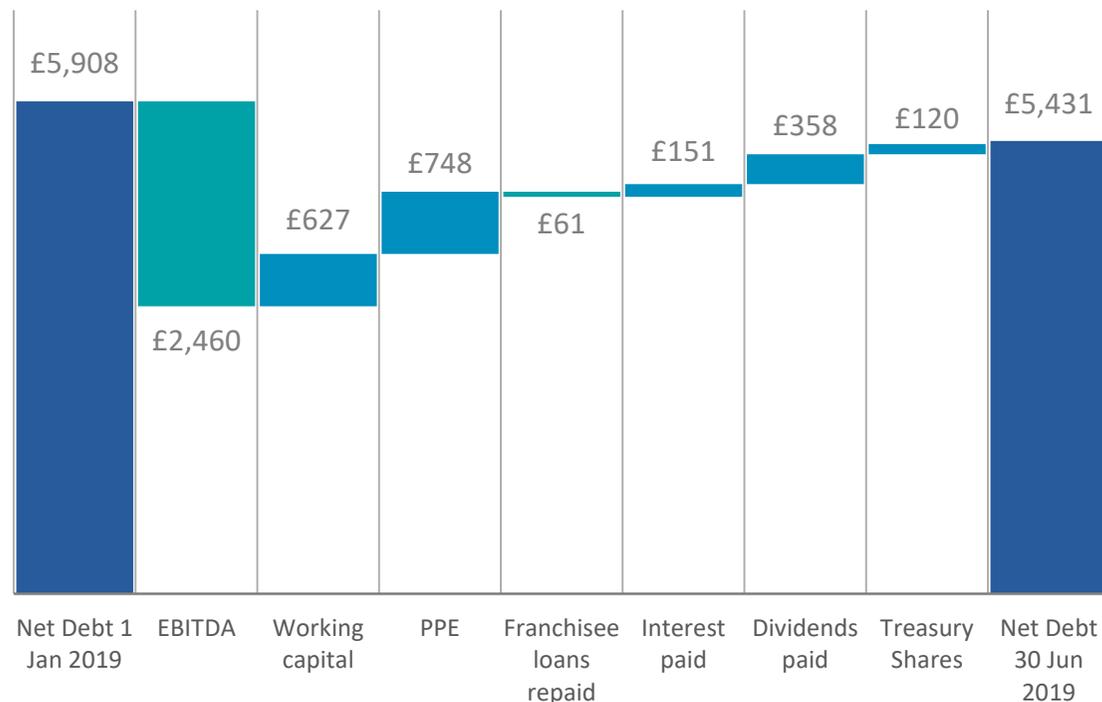
Growth in Basic EPS and dividend (p)



- Basic EPS increased by 24% to 1.84p from 1.49p.
- Diluted EPS increased by 27% to 1.82p from 1.43p.
- Adjusted EPS increased by 22% to 2.06p from 1.69p.
- Interim dividend of 0.30p per share, an increase of 43%.
- Progressive dividend policy, with interim dividend 6.1 times covered by profit after tax (interim 2018: 7.1 times).

MOVEMENT IN NET DEBT

Movement in net debt (£'000)



- Net debt fell by £0.5m to £5.4m (2018: £5.9m).
- Gross debt fell by £0.7m to £8.2m (2018: £8.9m):
 - £500k of scheduled term loan payments.
 - £200k reduction in lease debt.
 - Gross debt repayable over next 3 years.
 - £5m revolving credit facility in place until April 2023.
- EBITDA of £2.5m offset by:
 - £0.6m investment in working capital as Metro Rod system sales grew.
 - £0.7m investment in PPE.
 - £0.4m of dividends paid.
 - £0.1m investment in treasury shares to mitigate dilutive effect of share options.
- Cash and unused facilities of £5.3m allows for acquisitions.

POTENTIAL FOR PRUDENTLY FINANCED, EARNINGS- ENHANCING COMPLEMENTARY ACQUISITIONS



- Each of the Group's businesses have interesting opportunities for expansion both organically and by complementary acquisitions.
- The Group is well positioned to consider acquisition opportunities that extend the range of services offered.
- Prospect of the acquisition of a new franchise system, although we are unwilling to match some of the valuations being paid and levels of gearing accepted by private equity investors at present.

SUMMARY



- A strong performance in H1 2019 driven by accelerating Metro Rod system sales.
- Investment in technology starting to unlock sales growth, efficiencies and improved customer service.
- Substantial improvement in franchise recruitment in our B2C businesses.
- Successful launch of ChipsAway's pilot Car Care Centre incorporating the technology required to repair and recalibrate cars fitted with ADAS.
- New management at Barking Mad resulting in deeper integration with the Group and increased efficiencies.
- Potential for prudently financed, earnings-enhancing complementary acquisition opportunities.
- Confident of delivering further significant growth in earnings and dividends in the current year and beyond.



APPENDIX



THE GROUP'S FRANCHISE SYSTEMS AS AT 30 JUNE 2019

	Network size 31 December, 2018	New franchisees recruited in H1 2019	Franchisees leaving the system in H1 2019	Net new franchisees in H1 2019	Network size 30 June, 2019
ChipsAway	201	19	(16)	3	204
Ovenclean	106	9	(6)	3	109
Barking Mad	80	6	(4)	2	82
Metro Rod	41	2	(1)	0	41
Metro Plumb*	1	1	(0)	1	2
Total:	429	37	(27)	9	438

- Independent franchisees
- All figures relate to UK franchisees

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@FB_PLC

Franchise Brands plc
Ashwood Court
Tytherington Business Park
Macclesfield
SK10 2XF

mail@franchisebrands.co.uk
01562 826705