A creditable performance despite macro challenges

"I am pleased to be providing my first Operational Review since being appointed CEO in October 2024. The focus of my Operational Review is the business and financial performance, from System sales to Adjusted EBITDA."

Peter Molloy
CEO

Operational Review continued

Divisional performance

The Group's results for the year ended 31 December 2024 comprise a full-year contribution from all divisions. The comparative results for the prior year include just over eight months of contribution from Pirtek, which was acquired on 20 April 2023. Where reference is made to like-for-like or proforma results, this will compare 2024 with 2023 as if Pirtek had been owned for the full 2023 year.

The Group's divisional trading results may be summarised as follows:

Year to 31 December 2024:	Pirtek £'000	Water & Waste Services £'000	Filta International £'000	B2C £'000	Azura £'000	Inter-company elimination £'000	2024 £'000
System sales	**183,582**	**110,270**	**97,826**	**25,972**	**808**		**418,458**
Statutory revenue	**63,913**	**46,054**	**25,597**	**5,752**	**808**	**(2,918)**	**139,206**
Cost of sales	(22,010)	(19,661)	(15,691)	(1,001)	(0)	2,476	(55,887)
Gross profit	**41,903**	**26,393**	**9,906**	**4,751**	**808**	**(442)**	**83,319**
GP%	*66%*	*57%*	*39%*	*83%*	*100%*	*15%*	*60%*
Administrative expenses	(21,978)	(15,282)	(3,913)	(2,546)	(764)	442	(44,041)
Divisional EBITDA	**19,925**	**11,111**	**5,993**	**2,205**	**44**	**–**	**39,278**
Group Overheads	–	–	–	–	–	–	(4,157)
Adjusted EBITDA	**–**	**–**	**–**	**–**	**–**	**–**	**35,121**
Adjusted EBITDA/System sales							**8.4%**

Year to 31 December 2023:	Pirtek (restated) £'000	Water & Waste Services (restated) £'000	Filta International £'000	B2C £'000	Azura £'000	Inter-company elimination £'000	2023 (restated) £'000
System sales	**125,976**	**106,661**	**90,482**	**26,189**	**745**		**350,053**
Statutory revenue	**43,774**	**46,807**	**27,117**	**6,106**	**745**	**(3,530)**	**121,019**
Cost of sales	(16,174)	(21,247)	(17,349)	(1,207)	(0)	3,187	(52,790)
Gross profit	**27,600**	**25,560**	**9,768**	**4,899**	**745**	**(343)**	**68,229**
GP%	*63%*	*55%*	*36%*	*80%*	*100%*	*10%*	*56%*
Administrative expenses	(14,097)	(14,690)	(3,671)	(2,583)	(531)	343	(35,229)
Divisional EBITDA	**13,503**	**10,870**	**6,097**	**2,316**	**214**	**–**	**33,000**
Group Overheads	–	–	–	–	–	–	(2,847)
Adjusted EBITDA	**–**	**–**	**–**	**–**	**–**	**–**	**30,153**
Adjusted EBITDA/System sales							**8.6%**

Against a background of challenging macroeconomic conditions in most key markets, we focused on what we could control, maintaining a strong emphasis on cost management."

Operational Review continued

Strategic priorities

- Expanding and developing our range of services
- Developing a Group-wide technology platform
- Leveraging shared central services across the Group
- Optimising our service delivery through our franchise network
- Developing our connected business

See pages 26 and 27.

System sales are a KPI of the Group and are considered a good indicator of Group performance as it allows total sales to end customers to be visible on a comparable basis across all businesses within the Group as they comprise the underlying sales of our franchisees and the statutory revenue of our Direct Labour Operations ("DLO"). System sales increased by 20% to £418.5m in the period (2023: £350.1m), and by 4% on a like-for-like basis. Although the rate of System sales growth was slower in 2024 than in previous years, it still represents a record performance for the three B2B divisions (Pirtek, Water & Waste Services division and Filta International).

Statutory revenue increased by 15% to £139.2m (2023: £121.0m). On a like-for-like basis, statutory revenue was flat. Statutory revenue comprises many different types of revenue on different basis and is not a KPI used in the operational management of the Group.

Adjusted EBITDA, which is the main KPI of the business, increased 16% to a record £35.1m (2023: £30.2m). On a like-for-like basis, Adjusted EBITDA was flat. Overall, the Adjusted EBITDA to System sales ratio, another important KPI as it indicates the progress we are making driving operational gearing, reduced marginally to 8.4% (2023: 8.6%). This resulted from several exceptional factors, including the significantly lower price of used cooking oil ("UCO") and the exchange rates at which local currency results were translated into sterling. Where constant exchange rates were used, and the 2023 price of UCO maintained, Adjusted EBITDA to System sales would have increased to 8.7%, demonstrating continued progress.

Pirtek Europe

Pirtek operates in eight European countries: the UK and Ireland, Germany and Austria, the Netherlands and Belgium (Benelux), and France and Sweden. In the major markets of the UK and Ireland, Germany and Austria, and Benelux, the business is mostly franchised, whereas the operations in the early-stage markets of France and Sweden are corporately operated. The franchised operations account for 94% of divisional Adjusted EBITDA.

The sterling results in 2024, the comparative eight months in 2023, and the proforma 12 months results, may be summarised as follows:

Pirtek	2024 Actual £'000	2023 Actual (restated) £'000	2023 Proforma £'000	Actual Change %	Proforma Change %
System sales	**183,582**	**125,976**	**180,168**	**46%**	**2%**
Statutory revenue	**63,913**	**43,774**	**62,618**	**46%**	**2%**
Cost of sales	(22,010)	(16,174)	(20,125)	36%	9%
Gross profit	**41,903**	**27,600**	**42,493**	**52%**	**(1%)**
GM%	*66%*	*63%*	*68%*	*3%*	*(2%)*
Administrative expenses	(21,978)	(14,097)	(24,028)	56%	(9%)
Adjusted EBITDA	**19,925**	**13,503**	**18,465**	**48%**	**8%**
Adjusted EBITDA/System sales	**10.9%**	**10.7%**	**10.2%**		

Actual performance from an 8-month contribution in 2023.
Proforma assuming a full year contribution in 2023.

The Pirtek Europe division generated total System sales of £183.6m, an increase of 46% (2023: 8 months: £126.0m). On a like-for-like basis, System sales grew by 2% (2023 full year: £180.2m).

The underlying local currency like-for-like System sales growth may be analysed as follows:

System sales	2024 Actual Local Currency	2023 Actual Local Currency	2023 Proforma Local Currency	Actual Change %	Proforma Change %
UK GBP	81,931	55,769	80,039	47%	2%
Germany & Austria €	79,352	53,909	76,779	47%	3%
Benelux €	28,542	19,007	26,431	50%	8%
France €	9,201	6,292	8,902	46%	3%
Sweden SEK	36,482	24,962	37,190	46%	(2%)

Actual performance from an 8-month contribution in 2023.
Proforma assuming a full year contribution in 2023.

Operational Review continued

Pirtek's record system sales reflected a like-for-like increase of 2% in the UK & Ireland and 4% in the Continental European markets, in local currency. This reflected continued good demand for essential reactive services in most sectors despite continued subdued demand for project work and discretionary spending in most of the eight countries in which Pirtek operates.

In the UK there was a slowdown in the construction and plant hire sectors in particular, whilst in Germany activity was impacted by a significant slowdown in the manufacturing sector. Benelux, France and Sweden faced similar headwinds to the UK and Germany.

However, despite the subdued market, the UK and Ireland (which account for 45% of System sales) achieved record System sales with the business demonstrating a high level of resilience in terms of customer retention. It has also been reducing its sector dependency by targeting waste management, rail, manufacturing and maintenance, repair & operations. Technical sales experienced good growth, driven by an increase in smaller, recurring works.

Germany and Austria (which account for 37% of System sales) also grew to record levels of System sales and diversified by targeting under-represented sectors, particularly waste management and food and beverage. Austria saw good growth of 13% although it remains an early-stage market.

Benelux (which accounts for 13% of System sales) achieved 8% growth in System sales in local currency, as it was quick to successfully diversify into markets such as waste management and marine, had good growth in Total Hose Management (+16%), and undertook a number of major projects for customers in the marine, offshore contracting, elevator & escalator, and equipment rental sectors.

The performance of the early-stage DLO operations of France and Sweden (which account for 5% of System sales) was disappointing with sales volumes failing to materialise. In France, our geographic expansion had limited traction as customers minimised discretionary spend and competitor activity increased. Sweden's sales performance was held back albeit progress was made in reducing its sector dependency. The fixed cost base of these DLOs is more difficult to adjust when sales are reduced, which does serve to highlight the benefits of our predominantly franchised model.

Adjusted EBITDA on a country basis and the like-for-like comparison may be summarised as follows:

Adjusted EBITDA £	**2024 Actual £'000**	**2023 Actual (restated) £'000**	**2023 Proforma £'000**	**Actual Change %**	**Proforma Change %**
UK & Ireland	10,098	6,872	9,678	47%	4%
Germany & Austria	6,212	4,271	6,048	45%	3%
Benelux	3,942	2,632	3,648	50%	8%
France	177	165	(82)	7%	316%
Sweden	313	301	460	4%	(32%)
Divisional overheads	(817)	(738)	(1,338)	(11%)	39%
Total	**19,925**	**13,503**	**18,415**	**48%**	**8%**

Overall, Adjusted EBITDA increased by 48% to £19.9m (2023: £13.5m) and 8% on a like-for-like basis, which is considered a satisfactory performance in challenging market conditions.

The ratio of Adjusted EBITDA to System sales increased to 10.9% from 10.2% on a like-for-like basis, which was driven by the elimination of the losses in Austria and France and the reduction in divisional overheads resulting from integrating Pirtek into the Group.

The underlying performance of each country in local currency and on a like-for-like basis can be analysed as follows:

Adjusted EBITDA Local currencies	**2024 Actual '000**	**2023 Actual '000**	**2023 Proforma '000**	**Actual Change %**	**Proforma Change %**
UK GBP	10,098	6,872	9,678	47%	4%
Germany & Austria €	7,341	4,886	6,972	50%	5%
Benelux €	4,666	3,034	4,208	54%	11%
France €	206	192	(94)	7%	319%
Sweden SEK	4,240	4,020	6,078	5%	(30%)
Group overheads GBP	(817)	(738)	(1,338)	(11%)	(39%)

In our larger businesses, in local currency, Adjusted EBITDA in Germany and Austria, on a proforma basis, increased by 5% and in Benelux by a creditable 11%.

Pirtek has a significant opportunity to expand into eight additional European countries under the terms of its master licence agreement, which gives it perpetual, royalty-free use of the brand in 16 European countries in total. However, our priority is to achieve improved profitability in the early-stage markets of Sweden, France and Austria before developing new markets.

Operational Review continued

Water & Waste Services division

The results of the Water & Waste Services division may be summarised as follows:

	Metro Rod £'000	Willow Pumps £'000	Filta UK £'000	2024 £'000	Metro Rod (restated) £'000	Willow Pumps £'000	Filta UK (restated) £'000	2023 (restated) £'000	Change £'000	Change %
System sales	**79,410**	**18,296**	**12,564**	**110,270**	**75,671**	**18,659**	**12,331**	**106,661**	**3,609**	**3%**
Statutory revenue	**18,408**	**18,296**	**9,350**	**46,054**	**18,086**	**18,659**	**10,062**	**46,807**	**(753)**	**(2%)**
Cost of sales	(2,353)	(11,911)	(5,397)	(19,661)	(2,939)	(12,399)	(5,909)	(21,247)	1,586	(8%)
Gross profit	**16,055**	**6,385**	**3,953**	**26,393**	**15,147**	**6,260**	**4,153**	**25,560**	**833**	**3%**
GP%	87%	35%	42%	57%	84%	34%	41%	55%	2%	4%
Administrative expenses	(8,023)	(4,424)	(2,835)	(15,282)	(7,596)	(4,406)	(2,688)	(14,690)	(592)	4%
Adjusted EBITDA	**8,032**	**1,961**	**1,118**	**11,111**	**7,551**	**1,854**	**1,465**	**10,870**	**241**	**2%**
Adjusted EBITDA/System sales	**10.1%**	**10.7%**	**8.9%**	**10.1%**	**10.0%**	**9.9%**	**11.9%**	**10.2%**		

The Water & Waste Services division continues to become more integrated and grow its franchise focus by expanding its franchise networks and reducing DLO operations. This has slightly reduced the critical Adjusted EBITDA/System sales ratio as profits are transferred to franchisees. In the longer term, this will benefit the business as it will be able to expand its coverage and range of services more quickly.

Metro Rod

The results for Metro Rod may be summarised as follows:

	2024 £'000	2023 (restated) £'000	Change £'000	Change %
System sales	**79,410**	**75,671**	**3,739**	**5%**
Statutory revenue	**18,408**	**18,086**	**322**	**2%**
Cost of sales	(2,353)	(2,939)	586	(20%)
Gross profit	**16,055**	**15,147**	**908**	**6%**
GP%	*87%*	*84%*	*3%*	*4%*
Administrative expenses	(8,023)	(7,596)	(427)	6%
Adjusted EBITDA	**8,032**	**7,551**	**481**	**6%**
EBITDA/System sales	**10.1%**	**10.0%**		

Metro Rod includes Metro Plumb, Kemac, and the corporate franchise in North East Scotland. Overall, System sales increased by 5% to £79.4m (2023: £75.7m). Gross profit increased 6% as a result of a 3% improvement in the gross profit percentage to 87% (2023: 84%). Administrative expenses grew by 6% due to inflationary pressures on wages and other fixed costs. Adjusted EBITDA increased by 6% to £8.0m (2023: £7.6m), driving a marginal improvement in the key KPI of Adjusted EBITDA/System sales by 14 basis points to 10.1%.

Metro Plumb saw robust System sales growth of 16% in 2024. The business benefited from expanding its range of services into gas and air source heat pumps, diversifying into other sectors such as social housing, and reducing reliance on lower-value insurance work.

Operational Review continued

Willow Pumps

The results for Willow Pumps may be summarised as follows:

	2024 £'000	2023 £'000	Change £'000	Change %
System Sales	**18,296**	**18,659**	**(363)**	**(2%)**
Cost of sales	(11,911)	(12,399)	488	(4%)
Gross profit	**6,385**	**6,260**	**125**	**2%**
GP%	*35%*	*34%*	*1%*	*4%*
Administrative expenses	(4,424)	(4,406)	(18)	0%
Adjusted EBITDA	**1,961**	**1,854**	**107**	**6%**

The business has three distinct revenue streams: service revenue, supply and installation revenue, and a third, more recent revenue stream with the establishment of the Special Project Division.

Overall System sales (the same as Statutory revenue as all the businesses are DLOs) declined by 2% to £18.3m (2023: £18.7m). This was entirely due to the sale in late 2023 of the Kent and Sussex corporate franchise previously managed by Willow Pumps. The underlying sales of the core Willow Pumps business grew by 4%.

Overall, the gross profit percentage improved from 34% to 35% due to the focus away from high-volume, low margin work. The Special Projects division is engaged in larger, longer-term projects and is beginning to win work, but it did not significantly contribute in 2024 as some customers delayed the start of projects.

Adjusted EBITDA increased by 6% to £2.0m (2023: £1.9m), as the business benefitted from higher gross margins and tightly controlled overheads.

Filta UK

The results of Filta UK may be summarised as follows:

	2024 £'000	2023 (restated) £'000	Change £'000	Change %
System sales	**12,564**	**12,331**	**233**	**2%**
Statutory revenue	**9,350**	**10,062**	**(712)**	**(7%)**
Cost of sales	(5,397)	(5,909)	512	(9%)
Gross profit	**3,953**	**4,153**	**(200)**	**(5%)**
GP%	*42%*	*41%*	*1%*	*2%*
Administrative expenses	(2,835)	(2,688)	(147)	5%
Adjusted EBITDA	**1,118**	**1,465**	**(347)**	**(24%)**

In 2024, Filta UK initially comprised the Filta Seal fridge seal replacement business, Filta Pumps and the Filta Environmental business, which operated as a franchise as well as a DLO network.

During the year, this business was reorganised with the transfer of all the remaining Filta Environmental work from a direct labour workforce to the expanded franchise network. The expanded network is now delivering all Fats, Oil and Grease ("FOG") servicing work. While this has reduced short-term profits generated for the Group from this activity during this transition phase, in the long term, the overhead savings and the royalties generated from an expanded franchise business will more than compensate.

As part of our integration strategy, Filta's pump business was transferred to Willow Pumps towards the end of the year. This will allow better use of the DLO labour, drive efficiencies by reducing duplication, and improve the customer experience.

The loss of margin resulting from the transfer of the Filta Environmental work resulted in a decline in the gross profit. Administrative expenses grew by 5% as a result of the prior year benefitting from an R&D tax credit on the development of the Cyclone Grease Recovery Unit, which was not repeated in 2024.

Operational Review continued

Filta International

The results for Filta International may be summarised as follows:

	North America £'000	Europe £'000	2024 £'000	North America £'000	Europe £'000	2023 £'000	Change £'000	Change %
System sales	**94,446**	**3,380**	**97,826**	**87,004**	**3,478**	**90,482**	**7,344**	**8%**
Statutory revenue	**25,029**	**568**	**25,597**	**26,506**	**611**	**27,117**	**(1,520)**	**(6%)**
Cost of sales	(15,419)	(272)	(15,691)	(17,011)	(338)	(17,349)	1,658	(10%)
Gross profit	**9,610**	**296**	**9,906**	**9,495**	**273**	**9,768**	**138**	**1%**
GP%	*38%*	*52%*	39%	*36%*	*45%*	36%	*3%*	*7%*
Administrative expenses	(3,601)	(312)	(3,913)	(3,171)	(500)	(3,671)	(242)	7%
Adjusted EBITDA	**6,009**	**(16)**	**5,993**	**6,324**	**(227)**	**6,097**	**(104)**	**(2%)**
Adjusted EBITDA/System sales	**6.4%**		**6.1%**	**7.3%**		**6.7%**		

Filta International comprises the Filta franchise networks in North America and Europe.

System sales in North America increased by 8% to £94.4m (2023: £90.5m) and in local currency by 12% to $120.9m (2023: $108.2m), benefiting from a supportive macroenvironment and good traction with the FiltaMax strategic growth initiative. Excluding used cooking oil ("UCO") sales, underlying systems sales grew by 14% to £79.6m (2023: £69.8m) and in local currency by 17% to $101.9m (2023: $86.8m).

Good progress was made driving penetration in the 55 metro markets where the range of services is being expanded and franchisees upgraded. Strong momentum was generated in growing the royalty based FiltaGold and FiltaClean services, which now account for over 20% of System sales.

Progress is also being made in converting the franchisees onto a royalty-only model and away from the historic fixed monthly fee on each Mobile Filtration Unit ("MFU") in service. 25% of franchisees who contribute 50% of the System sales have transitioned to the royalty model in 2024.

Sales of UCO in 2024 declined by 14% to £14.8m (2023: £17.2m) and in local currency by 11% to $19.0m (2023: $21.4m). This resulted from a fall in the price of UCO of 23% in local currency despite a 15% increase in volume. The reduction in the value of UCO resulted in a decline in the year-on-year contribution from this activity of £0.6m.

Administrative expenses in North America increased by 14% in the period due to the cost of strengthening the senior management team with the appointment of a new COO and additional software development costs.

Adjusted EBITDA in North America was flat at $7.7m, on a local currency basis, but declined by 5% to £6m (2023: £6.3m) on a reported basis. Excluding the contribution from UCO, Adjusted EBITDA grew by 10% to £3.7m (2023: £3.4m) and in local currency by 19% to $4.8m (2023: $4.0m).

System sales in Europe are generated from fryer management, seal replacement and GRU installations. Overall, System sales declined by 3%. This sub-scale activity was scaled back in 2024, virtually eliminating the losses, and we anticipate it will be sold to a Master Franchisee in 2025.

B2C Division

The results of the B2C division may be summarised as follows:

	2024 £'000	2023 £'000	Change £'000	Change %
System sales	**25,972**	**26,189**	**(217)**	**(1%)**
Statutory revenue	**5,752**	**6,106**	**(354)**	**(6%)**
Cost of sales	(1,001)	(1,207)	206	(17%)
Gross profit	**4,751**	**4,899**	**(148)**	**(3%)**
GP%	*83%*	*80%*	*3%*	*3%*
Administrative expenses	(2,546)	(2,583)	37	(1%)
Adjusted EBITDA	**2,205**	**2,316**	**(111)**	**(5%)**

Progress continues to be made on integrating all the Group's businesses and the opportunities remain significant."

Operational Review continued

The B2C division is a B2C franchise business that includes ChipsAway, Ovenclean, and Barking Mad consumer brands. Its income is derived mainly from monthly fees paid by franchisees for using the brands and from the fees generated on recruiting new franchisees. Given the difference in the income model between this business and the B2B businesses, it operates as an autonomous division of the Group from its headquarters in Kidderminster.

2024 was a challenging year for franchisee recruitment and retention. 24 new franchisees were recruited in 2024 (2023: 41), and 53 franchisees left the system (2023: 63), resulting in a net decline of 29 franchisees (2023: 22). As a result, System sales declined very marginally in 2024.

Gross profit declined by 3% due to lower monthly fee income on the reduced franchise base and the lower income from franchise recruitment. Strict cost control resulted in overhead being 1% lower than the previous year. As a result, Adjusted EBITDA declined by only 5% to £2.2m (2023: £2.3m), which we consider a solid result given the challenging environment.

Azura

Azura is a SaaS supplier of franchise management software to the Group and over 30 other franchise businesses. The results for the period may be summarised as follows:

	2024 £'000	2023 £'000	Change £'000	Change %
System sales	**808**	**745**	**63**	**8%**
Statutory revenue	**808**	**745**	**63**	**8%**
Cost of sales	–	–	–	–
Gross profit	**808**	**745**	**63**	**8%**
GP%	*100%*	*100%*	–	–
Administrative expenses	(764)	(531)	(233)	44%
Adjusted EBITDA	**44**	**214**	**(170)**	**(79%)**

Statutory revenue is comprised of third-party income of £0.4m (2023: £0.4m) and charges to Group companies of £0.4m (2023: £0.4m), which are eliminated on consolidation. During the year, Azura invested substantially in its internal resources to support the rollout of the Vision works-management platform throughout the Group, which has resulted in a significant increase in overheads and reduced Adjusted EBITDA.

One Franchise Brands

The *One* Franchise Brands strategy was launched at the Group's Growth Summit in Q4 2024. The objective is to create one integrated, efficient and connected Group by the achievement of the following three key objectives:

1. Increasing our System sales – this will be achieved by expanding the range of services offered to customers; maximising Group-wide sales opportunities, including cross-selling; and the expansion of the franchise network, particularly Metro Plumb and Filta Environmental.
2. Spending our money smartly – this will focus on creating an efficient overhead structure operating on a single secure and effective IT platform.
3. Collecting our cash – to accelerate our deleveraging and put us in a position to grow by acquisition as soon as possible.

These objectives are inter-linked as the integration of systems and harmonisation of processes, will deliver an efficient overhead structure, and connecting the wider Group, utilising the expertise and knowledge across all our businesses, will open up new markets and sales opportunities. Progress continues to be made on integrating all the Group's businesses and the opportunities remain significant.

Peter Molloy
Chief Executive Officer
26 March 2025