



# **BUILDING OUR BUSINESS**

**ANNUAL RESULTS 2020**

**PRESENTATION TO MELLO**



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# PRESENTERS

**Stephen Hemsley**  
Executive Chairman



- Stephen co-founded Franchise Brands in 2008 and has led the development of the business, including the IPO and external growth. A Chartered Accountant by training, he spent nearly ten years with 3i as Investment Director.
- He 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, he took Domino's from private ownership to a market capitalisation of almost £1.5 bn.

**Chris Dent**  
Chief Financial Officer



- Chris was appointed as Chief Financial Officer in 2017. He has substantial accounting and financial experience from his time in the profession and as a Finance Director of private and publicly quoted companies.
- Chris began his career at Deloitte LLP where he spent ten years within audit, corporate finance and transactional accounting services. He subsequently spent four years as Finance Director of AIM quoted 7digital Group plc. Chris is a Fellow of the Institute of Chartered Accountants of England and Wales.

# 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, primarily via a franchise model. Over 425 franchisees across five principal franchise brands.

Admitted to AIM in August 2016 at a market capitalisation of £15.6m, now over £100m.

Highly experienced Board and senior management team who are significant shareholders (57%).

Significant potential to grow our business through organic growth and earnings-enhancing complementary acquisitions which can be largely funded from existing facilities. Cash and available facilities at year end of £20m.

Strategic financial targets set for the first time: run-rate revenues of £100m and adjusted EBITDA of £15m by the end of 2023.

# FRANCHISE BRANDS: AT A GLANCE

## B2B



Metro Rod is the UK's commercial drainage expert with over 35 years' experience. Provides one-stop solutions to a wide range of commercial customers. Full national coverage via B2B network of 50 depots. Specialist plumbing services are provided by Metro Plumb which has 30 franchisees of which five are independent.



Founded in 1997, Willow Pumps is a leading pump design, 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.

SYSTEM SALES

**£40.6m**

MSF

**15-22.5%**

REVENUE

**£13.2m**

ADJUSTED EBITDA\*

**£3.7m**

MR & MP FRANCHISEES

**47**

ADJUSTED EBITDA\*

**£1.8m**

\*Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and share-based payment expense and non-recurring items (COVID-19 related restructuring charge and bad debt provision)

## B2C



ChipsAway, Ovenclean and Barking Mad each provide a high level of service to retail customers 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.

SYSTEM SALES

**£18.8m**

UK FRANCHISEES

**386**

ADJUSTED EBITDA\*

**£2.1m**

NEW FRANCHISEES IN 2020

**58**



## A STRONG Q1, RESILIENT PERFORMANCE THROUGH LOCKDOWNS AND A ROBUST RECOVERY IN H2

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Metro Rod system sales were down just 2% against 2019, a strong performance given the challenging circumstances and one which masked large COVID-19 related quarterly changes.

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Provided advice and support to franchisees, including financial assistance to Metro Rod franchisees to fund expansion, who responded with real entrepreneurial spirit:

- 17 Metro Rod franchisees achieved sales of over £1m and 11 achieved growth of over 10%.
- All Metro Rod franchisees generated a positive EBITDA for the year.

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Initiatives taken to develop Metro Plumb have started to gain traction: now 5 independent franchisees. Metro Plumb system sales exceeded £5m in the year and grew by 3% on 2019.

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Sales at Willow Pumps were 23% lower for the year but gross profit declined only 4%, reflecting change in sales mix. Willow Pumps fully integrated into the Group, and assumed management responsibility for the two Metro Rod corporate franchises, with positive results.

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B2C division closed during the Spring lockdown, but resumed trading in June 2020, with a strong restart at both ChipsAway and Ovenclean. Robust B2C franchise recruitment of 58 (2019: 61), with 31 new franchisees in H2 (H2 2019: 27).

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# A RESILIENT PERFORMANCE IN 2020

## FINANCIAL HIGHLIGHTS

REVENUE	ADJUSTED EBITDA*	ADJUSTED PROFIT AFTER TAX
+12%	+28%	+16%
<b>£49.3m</b>	<b>£6.6m</b>	<b>£3.9m</b>
2019: £44.0m	2019: £5.2m	2019: £3.4m
ADJUSTED EARNINGS PER SHARE*	DIVIDEND PER SHARE	NET CASH (NET DEBT)
0%	+16%	
<b>4.35p</b>	<b>1.1p</b>	<b>£4.9m</b>
2019: 4.34p	2019: 0.95p	2019: £(11.1)m

\*Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and share-based payment expense and non-recurring items (COVID-19 related restructuring charge and bad debt provision)

\*\*Adjusted EPS is earnings per share before amortisation of acquired intangibles, share-based payment expense and non-recurring items (COVID-19 related restructuring charge and bad debt provision)

Revenue increased by 12% to £49.3m (2019: £44.0m) including the first full year contribution from Willow Pumps.

B2B Franchisor adjusted EBITDA increased by 17%, despite a system sales fall of 2% year-on-year, due to sales mix and cost savings.

A 16% increase in the average number of shares following the successful equity placing in April 2020 raising £13.6m net of expenses.

Adjusted EPS was up by 0.2% to 4.35p (2019: 4.34p) despite the equity dilution.

Dividend per share increased 16% from 0.95p to 1.10p in line with 16% growth in adjusted profit after tax.

Move from statutory net cash, including capitalised leases, of £4.9m (2019: net debt of £11.1m).

# OUR BUSINESS BUILDING STRATEGY HAS FOUR ENGINES OF GROWTH

## PURPOSE

We build market-leading businesses primarily via a franchise model.



### SUPPORTING OUR FRANCHISES

- We provide support, training and specialist tools.
- Enables our franchisees to grow their businesses. If they grow, we grow.
- Huge potential for national operator in drainage and plumbing.



### EXPANDING OUR RANGE OF SERVICES

- We actively look for opportunities to help franchisees expand their range of services.
- Willow Pumps acquired for specialist pump expertise; helping train Metro Rod franchisees.



### DEVELOPING OUR BUSINESSES

- Added value from management expertise and experience, and Group resources.
- We develop our business through shared support services, including **technology**.

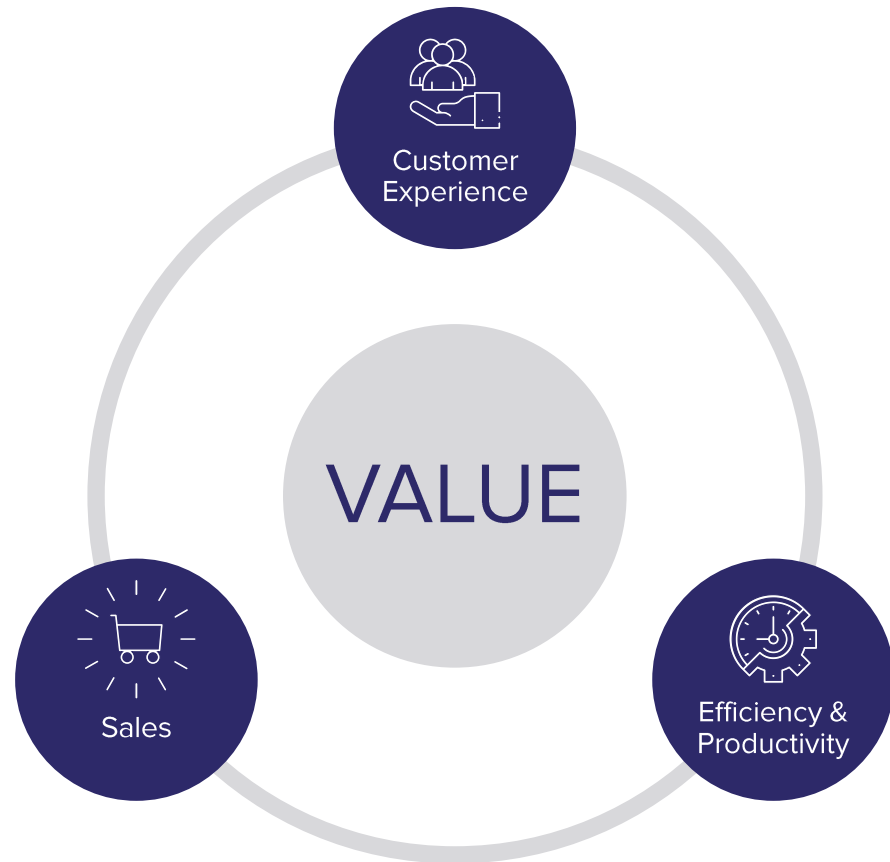


### GROWING OUR PORTFOLIO

- Acquisitions are a central part of our growth strategy.
- These include complementary B2B and B2C franchise businesses.
- Also in scope is a substantial new franchise system.



# OUR AMBITION IS TO BECOME THE FIRST FULLY DIGITALLY-ENABLED DRAINAGE, PUMP AND PLUMBING BUSINESS



Digitising our business is a key part of the Group's strategy, particularly for Metro Rod and Metro Plumb.

With the core technology infrastructure in place following the successful roll-out of the "Vision" works management system, we are now embarking on a further, more ambitious three-year digital transformation.

Our technology vision is to provide the tools that enables our business to:

- Enhance the end-to-end customer experience.
- Improve the efficiency and productivity of our customers, the Support Centre and our franchisees.
- Assist our engineers in complying with ever more demanding customer requirements and improve lone-worker safety.
- Increase new customer sales and improve retention of existing business.

Enhanced operational gearing will allow us to grow profits, improve productivity, and maintain competitiveness in an ever more demanding environment.



## THREE-YEAR STRATEGIC TARGETS

Since being admitted to AIM in August 2016, we have developed a market-leading portfolio of brands through organic growth and targeted acquisitions: Since IPO:

- 47% compound growth in adjusted EBITDA.
- 59% compound growth in dividends.

We now set out for the first time our strategic financial targets of run-rate revenues of £100m and adjusted EBITDA of £15m by the end of 2023.

Key drivers in the achievement of these targets will be:

- The acceleration of existing initiatives at Metro Rod to widen and deepen the services offered by the franchise network, particularly in pump service and maintenance.
- At Willow Pumps, the acceleration of design-led S&I work which has enormous potential as the country invests more in new infrastructure and housing.
- Our digital transformation plan to meet our customers needs and enhance our operational gearing and profitability.
- Earnings-enhancing acquisitions of complementary B2C franchise businesses and complementary B2B businesses, largely funded from existing facilities.

## SUMMARY AND OUTLOOK



A resilient performance in 2020 driven by strong trading across the Group in Q1, early and decisive action at the start of the Spring lockdown to reduce costs and a strong recovery across most of our businesses in H2.

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Strengthened balance sheet as a result of the successful placing allows us to support our franchisees, focus on organically expanding the business and take advantage of the opportunities we see in the recovery.

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Strategic financial targets set for the first time: run-rate revenues of £100m and adjusted EBITDA of £15m by the end of 2023.

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These targets will be achieved through organic growth and complementary acquisitions largely funded from existing facilities. We will also continue to evaluate the acquisition of franchise businesses of scale that may require additional shareholder support and would be additive to these targets.

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Strong start to 2021 as a result of resilient sales in the B2B division, robust recruitment in the B2C division. We therefore look forward to the remainder of 2021 with confidence.



# CONSENSUS\* FORECASTS

## YEAR TO 31 DECEMBER

	2019A	2020A	2021E	2022E	2021 Change %	2022 Change %
Revenue (£'000)	44,013	49,287	56,710	61,920	12%	9%
Adjusted EBITDA (£'000)	5,182	6,640	7,850	9,250	18%	18%
Adjusted PAT (£'000)	3,382	3,937	4,650	5,900	18%	27%
Adjusted EPS (p)	4.34	4.35	5.07	6.16	16%	21%
Dividend per share (p)	0.95	1.10	1.40	1.80	27%	29%

*\*Consensus of Dowgate Capital and Allenby Capital forecasts  
Excludes acquisitions*



FRANCHISE  
BRANDS

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