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12 January 2023

FRANCHISE BRANDS PLC

("Franchise Brands", the "Group" or the "Company")

Year End Trading Update

Another year of strong growth, driven by Metro Rod and Filta North America

The Board of Franchise Brands plc (AIM:FRAN), a multi-brand franchisor, is pleased to provide the following trading update for the financial year ended 31 December 2022.

The Board expects the Group's revenue, adjusted EBITDA, and adjusted EPS for the year ended 31 December 2022 to be slightly ahead of recently-increased current consensus market expectations*.

Trading in the second half of year remained strong in the B2B division (which includes Metro Rod, Willow Pumps, and Filta UK) and Filta North America, our two largest businesses.

Filta Group Holdings plc ("Filta"), which was acquired in March 2022, has performed strongly and ahead of expectations, driven by the full recovery in Filta's key commercial customer sectors of hospitality, education and sporting venues in North America post-Covid. Demand for the FiltaFry oil filtration service has also been driven by the elevated price of virgin cooking oil. This, in turn, has driven the value of used cooking oil, which is collected from customers, and sold for reprocessing into biofuel. As a result, Filta North America system sales increased 51% in 2022 from \$61m to reach \$92m and exited the year with a record run-rate of \$100m per annum. The additional income generated has been used by many franchisees to expand their businesses by investing in new equipment, which will further drive both sales and income in the coming years.

The B2B division in the UK has had an excellent year with system sales in Metro Rod and Metro Plumb growing by 19% to reach £60m. This growth was underpinned by continuing initiatives to widen and deepen the services offered by franchisees. The development of Metro Plumb is also accelerating with system sales increasing by 31% in 2022. Franchisees experienced strong growth in their businesses, with one of the 42 Metro Rod franchisees exceeding £3m in sales for the first time, another five exceeding £2m in sales (2019: 1), and 27 exceeding £1m in sales (2019: 18).

Willow Pumps has made an increased contribution benefiting from a recovery in its supply and installation work and the refocusing of the business following the early settlement of the earn-out consideration, as announced on 25 May 2022. The acquisition of Filta resulted in the addition of a significant, if somewhat underperforming, direct labour organisation into this division. This group of businesses has now been integrated and is beginning to make a valuable contribution to divisional profits.

The B2C division (which comprises ChipsAway, Ovenclean and Barking Mad) continued to face headwinds in the last six months, with reduced levels of franchise recruitment and retention due to the current robust employment market. While the Board considers that these headwinds are temporary in nature, it is undertaking a strategic review of the Group's B2C operations given the greater opportunities for both organic and acquisitive growth within the B2B sector.

Stephen Hemsley, Executive Chairman of Franchise Brands, commented:

"I am particularly pleased with our performance in 2022 which has been another year of strong growth for the Group. The Filta businesses have been integrated faster than expected and have made an excellent contribution in the year, with many more opportunities identified for development in the future. It is a credit to the team at Metro Rod and Metro Plumb that they have now achieved £60m in system sales in 2022, up from £50m in 2021, together with significant growth in profitability."

"Following the successful integration of Filta, our B2B businesses offer a significant opportunity to capture an increasing share of their large, fragmented markets where scale and our ability to serve customers through our one-stop range of services is becoming more of a competitive advantage. In the B2B markets we are also able to leverage our core central services, in particular technology, increase our international footprint and selectively acquire businesses that extend and complement our existing portfolio."

"We look forward to 2023 and beyond with considerable confidence".

** Consensus market expectations for the financial year ended 31 December 2022 are revenue of £98.75m, adjusted EBITDA of £14.73m and adjusted EPS of 7.70p.*

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About Franchise Brands plc

Franchise Brands is focused on building market-leading businesses primarily via a franchise model. The Group currently has a combined network of 570 franchisees across six principal franchise brands in the UK, North America and Europe. Our focus is on established brands which can benefit from our central support services, in particular technology, management experience and group resources.

Our B2B brands are Metro Rod, Metro Plumb, Filta, Willow Pumps and Azura, and our B2C brands are ChipsAway, Ovensclean and Barking Mad. Each of our brands are leaders in their respective markets. The combined trading history of all the Group's brands is over 190 years. Franchise Brands employs 420 people from 5 principal offices in the UK as well as Orlando, Florida and the Netherlands.

For further information, visit www.franchisebrands.co.uk

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