

18 January 2024

**FRANCHISE BRANDS PLC**  
**("Franchise Brands", the "Group" or the "Company")**

**Year End Trading Update**

***Another year of strong growth; key divisions trading at record levels and***

***Adjusted EBITDA in line with market expectations***

Franchise Brands plc (AIM: FRAN), an international multi-brand franchise business, provides the following trading update for the financial year ended 31 December 2023.

Following the acquisition of Pirtek Europe in April 2023, the Group now has over 625 franchisees across seven franchise brands in ten countries covering the UK, Continental Europe and North America, resulting in a diversified international footprint.

**Divisional performance**

The divisions serving business customers (Pirtek, Metro Rod, Willow Pumps, Filta UK and Filta International) are trading at record levels, demonstrating the resilient underlying demand for their primarily essential reactive services in challenging macro-economic conditions.

Pirtek traded at record levels, contributing as expected to the Group results in the eight months of ownership, despite a softening in sales in the construction and hire fleet sectors during Q4, particularly in the UK and Germany. Integration of Pirtek into the Group is progressing well, and the Group continues to identify efficiencies, particularly in IT, where the Board foresees significant synergies over the next few years. Work has also started on expanding the range of services and cross-selling across the Group's significantly enlarged customer base.

Metro Rod also delivered a record year with strong momentum, resulting in system sales growth of almost 20%. This growth has been driven by the continuing initiatives to widen and deepen the services offered, particularly in pump service and maintenance. Metro Plumb's system sales increased by over 20%, with this strong growth reflecting the recruitment of new independent franchisees and the broadening of its range of services.

Particularly good progress has also been made in Willow Pumps, assisted by several planned management team changes. The special project department is gathering momentum and with a more extensive sales pipeline, the Board expects further progress in 2024.

At Filta UK, the transition from a direct labour operation to a franchise model has accelerated and, whilst this reduces the gross margin, it is helping the Group to build a more robust and sustainable long-term business model. The previously reported supply issues with the Cyclone grease recovery unit have been resolved by the acquisition of all the intellectual property rights associated with this unit. While this disruption has impacted sales for the year, the Board is confident that full control of the supply chain will enable accelerated growth in 2024.

Filta International's North American business had a record year, with system sales increasing by over 15% and robust levels of activity across all key customer sectors. Used oil volumes increased by 25% but this was mostly offset by a c.20% reduction in the average sale price achieved. The range of services offered to Filta International's commercial kitchen customer base is being expanded with the addition of new bulk virgin oil sales and a kitchen cleaning service, which will drive the management service fee income in future periods.

The B2C division delivered a creditable performance in a challenging recruitment environment, and whilst its contribution to the Group results will be below the prior year, it will exceed the Group's more cautious expectations.

## Balance Sheet

The Group's adjusted net debt on 31 December 2023 was reduced to £74.8m (30 June 2023: £79.1m), comprised of gross debt of £86.8m and cash of £12.0m. Adjusted net debt excludes debt on right-of-use assets and is the debt measure used for testing bank covenants. The Group is trading comfortably within all banking covenants.

The strategic focus of the Group remains on integrating Pirtek, promoting operational synergies, organic expansion of the range of services and repaying acquisition debt. As a result, capital allocation decisions will balance debt reduction, a progressive dividend policy and organic investment. The Board has set a target leverage range of 1.0-1.5 times Adjusted EBITDA before it will consider any further acquisitions of scale.

## Outlook

Despite challenging macro-economic conditions, the resilient underlying demand for the Group's essential reactive services means that the business continues to perform well and grow, with its key divisions all achieving record results in 2023. As a result, and subject to audit, the Board expects the Group's adjusted EBITDA for the year ended 31 December 2023 to be within the range of current market expectations of £29.2m to £30.1m.

### Stephen Hemsley, Executive Chairman, commented:

"In 2023 we once again doubled the size of the Group with the acquisition of Pirtek, having doubled in size in 2022 following the merger with Filta. These acquisitions have transformed the Group from a UK domestic business to a sizeable international business with seven franchise brands in ten countries, and from adjusted EBITDA of £8.5m in 2021 to c. £30m in 2023.

"The integration of these businesses into a single group focused on providing essential business services primarily via a franchised model is progressing well and at pace. We are beginning to share resources internationally, particularly in the area of IT, which will accelerate our operational gearing in the coming years for both us and our franchisees.

"We also see significant potential for growth across our principal franchise brands of Pirtek, Metro Rod and Filta, which have small shares of large markets. As we continue to deliver on our ambition by broadening the range of services offered, increasing the geographical penetration and cross-selling to the larger customer base, I am very confident in the future prospects of the Group."

## Capital Markets Day

The Group will be hosting a Capital Markets Day for institutional investors on 20 February 2024, where it will set out its medium-term strategic model and outline the growth potential of the business. The event will be hosted by Stephen Hemsley, Executive Chairman, and will include presentations from the Group's leadership team. Further details of the Capital Markets Day will be announced shortly.

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#### **About Franchise Brands plc**

Franchise Brands is an international, multi-brand franchisor focused on building market-leading businesses primarily via a franchise model. The Group has a combined network of over 625 franchisees across seven franchise brands in ten countries covering the UK, North America and Europe.

Franchise Brands' focus is on B2B van-based reactive and planned services. The Company owns several market-leading brands with long trading histories, including Pirtek in Europe, Filta, Metro Rod and Metro Plumb, all of which benefit from the Group's central support services, particularly technology, marketing, and finance. At the heart of Franchise Brands' business-building strategy is helping its franchisees grow their businesses: "if they grow, we grow".

Franchise Brands employs over 700 people across the Group.

For further information, visit [www.franchisebrands.co.uk](http://www.franchisebrands.co.uk)

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