

12 November 2024

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

Q3 Trading Update

Franchise Brands plc (AIM: FRAN), an international multi-brand franchise business, provides the following trading update for the three months to 30 September 2024 ("Q3").

Trading in Q3, and Q4 to date has continued the trend of H1 with resilient underlying demand for the Group's essential reactive and planned services. We continue to progress well with the integration of the Group's businesses and driving groupwide efficiencies. However, the anticipated recovery in project work is now not expected until next year due to continued macroeconomic uncertainty and challenging conditions in some markets. This supports the Board's expectation that Group Adjusted EBITDA¹ for the year ending 31 December 2024 will be within the range of market expectations, albeit at the lower end².

Divisional performance

At Pirtek, demand for essential reactive service has continued to be resilient in most sectors. Project work and other discretionary spending has remained subdued, particularly in the construction and plant hire sectors. The early signs of improving macroeconomic sentiment detected over the summer have not yet led to a sustained improvement in demand. This was particularly evident in the UK, which was compounded by uncertainty in relation to the Autumn Budget, and in Germany which continues to be held back by the significant slowdown in the manufacturing sector. However, a growing pipeline of required maintenance work remains available when customers have the confidence to re-start discretionary spending.

In the Water & Waste Services division, demand for essential reactive services has also remained robust. Filta UK continued to successfully transition from a direct labour organisation to a franchise model. Willow Pumps is expanding its customer base to support Filta UK customers and drive efficiency within the core pump service.

Filta North America's core franchise business (excluding used cooking oil) experienced strong growth in system sales, building on the progress made in H1. The used cooking oil price has remained stable all year albeit significantly below the average for 2023 and we continue to focus on driving volume. Franchisees continue to expand the range of services offered, which will reduce reliance on this source of income and help drive our percentage-based management service fee.

The B2C Division continues to trade creditably despite a challenging franchise recruitment environment.

Corporate development

Following recent acquisitions, the Group's strategic focus is on integrating these businesses into the Group and repaying the acquisition debt facilities.

The Group continues with the implementation of a common IT platform that will be managed centrally, and this will be instrumental in driving our operational gearing.

Stephen Hemsley, Executive Chairman, commented:

"Demand for our essential reactive services continues to drive a resilient performance despite softer demand for non-essential work. We expect this deferred work will be required, albeit the exact timing is uncertain and so we are cautiously assuming a recovery beyond the current year.

"All our integration and de-gearing initiatives remain on track, which will enhance our operational gearing and EPS growth, respectively, in future years. Our principal franchise brands have significant growth potential as they grow their small shares of large, fragmented markets, expand their range of services and geographical penetration, and cross-sell to our large customer base. I, therefore, remain confident that our resilient reactive service business will continue to prosper, and that overall system sales growth will accelerate once the macroeconomic environment improves and support the strategic ambitions set out at the Capital Markets Day held earlier this year."

¹Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, impairment losses, exchange differences, share-based payment expense and non-recurring items.

²Current market expectations of Adjusted EBITDA for the financial year ending 31 December 2024 are £35.7m to £37.0m.

Enquiries:

Franchise Brands plc	+ 44 (0) 1625 813231
Stephen Hemsley, Executive Chairman	
Peter Molloy, Group Chief Executive Officer	
Andrew Mallows, Interim Chief Financial Officer	
Julia Choudhury, Corporate Development Director	

Stifel Nicolaus Europe Limited (Nominated Adviser and Joint Broker)	+44 (0) 20 7710 7600
Matthew Blawat	
Nick Harland	

Allenby Capital Limited (Joint Broker)	+44 (0) 20 3328 5656
Jeremy Porter / Liz Kirchner (Corporate Finance)	
Amrit Nahal / Joscelin Pinnington (Sales & Corporate Broking)	

Dowgate Capital Limited (Joint Broker)	+44 (0) 20 3903 7715
James Serjeant (Corporate Broking)	
Malar Velaigam / Colin Climie (Sales)	

MHP Group (Financial PR)
Katie Hunt / Hugo Harris

+44 (0) 20 3128 8100
+44 (0) 7884 494112
franchisebrands@mhpgroup.com

About Franchise Brands plc

Franchise Brands is an international, multi-brand franchisor focused on B2B van-based service with seven franchise brands and a presence in 10 countries across the UK, North America and Europe. The Group is focused on building market-leading businesses primarily via a franchise model and has a combined network of over 625 franchisees.

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: "as they grow, we grow".

Franchise Brands employs over 700 people across the Group.

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

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