

28 January 2025

FRANCHISE BRANDS PLC
("Franchise Brands", the "Group" or the "Company")
Year-end Trading Update
Capital Markets Day

Franchise Brands plc (AIM: FRAN), an international multi-brand franchise business, provides the following trading update for the financial year ended 31 December 2024.

2024 saw resilient underlying demand for the Group's essential reactive and planned services, resulting in record system sales in all key divisions, despite the challenging macroeconomic conditions in several key markets that we have previously referred to. However, slightly moderated system sales growth combined with the relatively fixed nature of the cost base of the Group's key franchise businesses, leads the Board to expect Adjusted EBITDA¹ for the year ended 31 December 2024 to be very marginally below the current range of market expectations of £35.5m - £36.0m², subject to audit.

Divisional performance

One Franchise Brands

Following the appointment of Peter Molloy as Group CEO, a new group wide strategic initiative, "One Franchise Brands", was launched to focus on integrating the Group into one business with the objective of enhancing sales, creating an efficient overhead structure and driving operational gearing. Progress is being made on integrating all the Group's businesses and the opportunities remain significant.

UK and Continental Europe

Pirtek grew system sales to record levels, with 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.

In the Water & Waste Services division, good demand for essential reactive services resulted in system sales growing to record levels at Metro Rod and Metro Plumb, with growth of 6% and 16%, respectively. Filta UK made good progress transitioning from a direct labour organisation to a franchise model, with franchisees now carrying out all fats, oil and grease servicing. The delivery of all Filta Pump services is now being completed through Willow Pumps, driving efficiencies.

North America

Filta International's North American business performed strongly. System sales increased by 17% excluding used cooking oil sales (14% increase in sterling). Solid traction was made with the FiltaMax strategic growth initiatives, with franchisees continuing to expand their range of services. In local currency, used oil volumes increased by 14%; however, the average price fell by 23% year-on-year, resulting in a revenue reduction of 11%. Overall, system sales increased by 12% in local currency (9% increase in sterling).

B2C

The B2C Division continued to trade creditably despite a subdued franchisee recruitment and retention environment.

Balance Sheet

The Group's adjusted net debt on 31 December 2024 was £65.1m (31 December 2023: £74.7m), comprised of gross debt of £78.0m and cash of £12.9m. Adjusted net debt is the measure used for testing bank covenants and Group is trading comfortably within these.

Outlook

At this early stage of the year, the Board is mindful of the macroeconomic uncertainty in many of the markets in which we operate, with higher levels of confidence in the US where robust growth is expected to continue. We anticipate continued resilient demand for our essential reactive and planned services, but we retain a more cautious view on the timing of the recovery in project and other discretionary work.

The Group's well established, market-leading businesses and experienced management team have navigated many periods of challenges over the past over 30 years. The Management team is focused on controlling what it can control, taking appropriate actions and has a strategy to manage the impact of market and cost challenges. There remains considerable opportunity ahead as we integrate the Group, enhance system sales and drive cost efficiencies. This will be the clear focus in 2025 through the "One Franchise Brands" strategic initiative.

Stephen Hemsley, Executive Chairman, commented:

"The Group's key divisions achieved record system sales in 2024 despite a challenging macroeconomic background. This is a testament to the resilience of our underlying business, experienced management teams, entrepreneurial franchisees and dedicated Support Centre teams.

"Our clear focus in 2025 is to accelerate the pace of the integration of all the Group's businesses following a period of rapid expansion. Our aim is to create one connected group with an efficient overhead structure, operating on a secure and effective IT platform, that enhances system sales through maximising Group-wide sales opportunities, including cross selling. The 'One Franchise Brands' strategic initiative is the key to unlocking and maximising these opportunities.

"Reducing leverage remains a strategic priority. Together with the tailwind we anticipate from continuing reductions in interest rates, this should allow us to drive earnings per share at a faster pace than over the last couple of years. I therefore look forward to 2025 with cautious optimism".

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 ended 31 December 2024 are £35.5m to £36.0m

Capital Markets Day

The Group will be hosting a Capital Markets Day for institutional investors on 20 February 2025, where it will provide an update on 2024 strategic developments and introduce "*One Franchise Brands*", a group wide strategic initiative launched in 2024 to focus on integrating the group into one business to enhance sales, operational efficiency and drive operational gearing. 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 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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