



Final Results for the 12 months ended 31 December 2014

Chris Sander, CEO

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Highlights



- Strong performance for the Group
- Revenue increased by 8.7% to £210.4m
- Adjusted operating profit increased by 28.2% to £21.8m
- Adjusted profit before tax increased by 49.3% to £20.0m
- Net debt £28.5m
- Final dividend of 1.2p making 1.7p for the year, an increase of 40.5%
- In-line with the Group's progressive dividend policy and the Board's confidence in the outlook for 2015
- All Textile Rental businesses ahead of management expectations
- Bourne acquisition completed in March 2014, successfully integrated trading strongly and immediately earnings enhancing

Financial Results: Income Statement



Continuing	2014	2013	Increase
Revenue	210.4	193.6	8.7%
Adjusted operating profit ¹	21.8	17.0	28.2%
Adjusted operating margin ¹	10.4%	8.8%	
Exceptional items and amortisation	(8.4)	(1.2)	
Adjusted PBT ¹	20.0	13.4	49.3%
Adjusted fully diluted EPS ¹	5.2p	3.8p	36.8%
Number of shares used in EPS calc. ²	296.8m	274.5m	
Dividend per share	1.70p	1.21p	40.5%

Notes:

1 Before exceptional items and amortisation of customer contracts

2 Basic number of shares of 291.8m for 2014. Shares in issue as at 3/3/2015 was 300.0m

Financial Results: Cash Flow



£m

Adjusted operating profit

Depreciation and software amortisation (excl. exceptionals)

Working capital (excl. exceptionals)

Capital expenditure – Fixed assets

– Rental stocks (net)

– Fixed asset proceeds

Interest and tax

Exceptional items (cash effect)

Dividends

Additional pension contributions

Other

Net cash inflow / (outflow)

Equity issue (net)

Discontinued operations

Disposals/Acquisitions

Net debt movement

Net debt

2014

2013

21.8

17.0

27.6

24.7

2.4

1.7

(11.7)

(4.6)

(23.0)

(16.9)

0.1

0.4

(2.1)

(3.7)

(3.4)

(7.4)

(3.9)

(2.9)

(2.0)

(1.9)

(0.2)

(2.3)

5.6

4.1

13.5

0.4

(0.7)

0.6

(22.4)

28.9

(4.0)

34.0

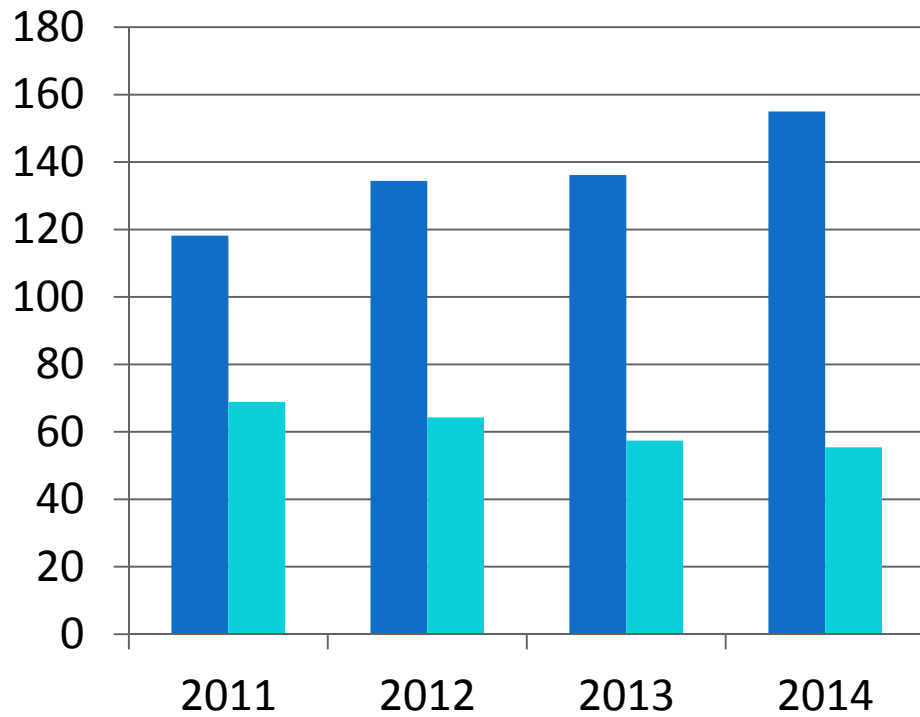
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24.5

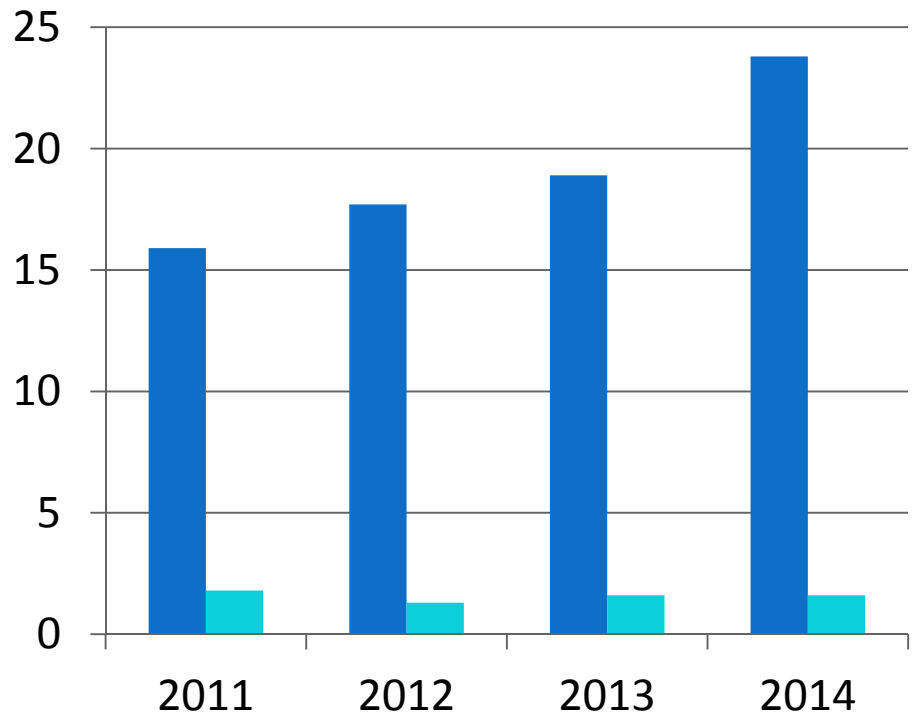
Divisional Results



Revenue £m



Profit £m



■ Textile Rental ■ Drycleaning

Note: Profit is stated before exceptional items and amortisation of customer contracts

Divisional Results – Textile Rental



£m	2014	2013	Increase
Revenue	155.0	136.2	13.8%
Adjusted operating profit	23.8	18.9	25.9%
Margin	15.4%	13.9%	

- Textile Rental includes three brands:
 - Apparelmaster – workwear
 - Stalbridge – premium linen and chefs’ wear
 - Bourne – volume hotel linen



Divisional Results – Textile Rental



- Strong new sales and additional volume added to existing customers in all three businesses
- Overall revenue growth of 13.8% including £16.1m from ten months trading from Bourne
- Improved margin to 15.4%
- New Leeds workwear plant costing £8.5m completed on time with transfer of production commencing January 2015
- Workwear customer retention rates continue in excess of 95%
- Over 43,000 accounts serviced by 496 commercial vehicles from 22 laundries across the UK

Textile Rental – Market and Strategy



- UK Textile Rental market estimated to be worth over £1.2bn in annual sales

	Estimated total market	Estimated JSG share
Workwear	£190m	45%
Hotels and Restaurants	£540m	8%
Healthcare (NHS)	£200m	-
Washroom Services	£300m	6%

- Large target market, particularly in Hotels & Restaurants
- High proportion of contract based revenues

Textile Rental – Market and Strategy



- Diverse customer base with over 43,000 customers
- Average workwear spend by location is approx. £35 per week
- Continued investment in facilities to increase processing capacity and productivity
- Further expansion into volume hotel linen market
- Development of new product ranges
- Enhanced utilisation of mobile technology to aid customer communication



Divisional Results – Drycleaning



£m	2014	2013	Change
Revenue	55.4	57.4	(3.5)%
Adjusted operating profit	1.6	1.6	-
Margin	2.9%	2.8%	



- Number of shops reduced to 311 (Dec 2013: 326)
- 78 Waitrose locations at December 2014 with 122 now open
- New routes to be developed to access consumers

Drycleaning – Strategy - Reorganisation



- Reorganisation announced 6 Jan 2015 – cost not included in 2014 results
- 109 Branches to close
- Continued roll out of Waitrose collection and delivery location
- Rationalisation of support infrastructure to support leaner network
- Evaluation of improved IT system
- Our strategy to develop alternative, more convenient collection and delivery locations has progressed particularly well through our partnership with Waitrose. 122 now open
- The remaining 198 better performing branches are large, in more convenient locations and with an infrastructure capable of receiving Drycleaning from various collection and delivery points
- Estimated exceptional charge to the Group's income statement is approximately £6.5 million net
- Of the estimated charge, £0.4 million is non-cash and only £1.4 million is an additional cash requirement relating to the restructuring cost, remainder is property costs



BY APPOINTMENT TO
H.M. THE PRINCE OF WALES
DRY CLEANERS

Exceptional Items



Continuing, £m

Restructuring costs – Drycleaning

2014 **2013**

- (1.2)

Restructuring costs – Textile Rental

(1.3) -

Acquisition related costs

(0.6) -

Pension (costs) / credits

(4.9) 0.6

Total

(6.8) **(0.6)**

Exceptional costs to be incurred in 2015 include £1.0 million to complete the relocation to the new Leeds plant and a charge of £6.5 million in respect of the announced restructuring of the Drycleaning business

Bank Facilities



- Current facility signed on 21 February 2014 comprising £60.0m RCF to May 2018
- Margin on RCF ranges from 1.5% to 2.25% with initial margin for 2015 at 1.5%
- Hedging swaps LIBOR for an average fixed rate on £20.0m of debt of 1.79% for 2015
- Significant headroom under bank covenants
- Net debt level at 31 December 2014 £28.5m (December 2013: £24.5m)
- Interest cost reduced to £1.8m (2013: £3.6m)

£m	2014	2013
Bank / lease interest and fees	1.6	2.8
Notional pension interest cost	0.2	0.8
Total	1.8	3.6

Pensions



- Net IAS 19 Pension liability of £13.8m (Dec 2013: £2.4m)
- Additional pension contributions of £2.0m in 2014 and £1.9m expected in 2015
- Significantly higher than assumed return on assets achieved
- Remaining DB scheme closed to future accrual from December 2014
- Exceptional cost and liability increase of £4.7m arises on closure to future accrual

Tax



- Underlying tax rate¹, of 22.4% (2013: 22.6%) compared to effective rate of 21.5% (2013: 23.25%)

Notes:

1 Before tax on exceptional items and amortisation of customer contracts

The Group Moving Forward



- Continued investment in facilities to drive efficiencies and increase capacity
- Increase market share in targeted sectors within Textile Rental
- Identify further acquisitions within Textile Rental
- Waitrose partnership
- On-line and work place collection & delivery service
- Continued focus on branch portfolio
- Deliver value for Shareholders
- Maintain progressive dividend policy

Conclusion



- Strong overall performance
- Textile Rental ahead of management expectations
- Successful completion of Bourne acquisition
- Restructuring of Drycleaning business underway
- Organic growth supported by continued investment in infrastructure
- Scope to make further acquisitions
- Group well positioned for future success

Appendix



Divisional Results



	2014		2013	
	Revenue £m	Operating Profit ¹ £m	Revenue £m	Operating Profit ¹ £m
Textile Rental				
- Trading	155.0	22.7	136.2	17.8
- Allocated Income	-	1.1	-	1.1
	155.0	23.8	136.2	18.9
Drycleaning				
- Retail Drycleaning	55.4	1.6	57.4	1.6
Unallocated Costs				
- Group Costs	-	(3.6)	-	(3.5)
TOTAL	210.4	21.8	193.6	17.0

Notes:

1 Before amortisation and impairment of intangible assets (excluding software amortisation) and exceptional items

Acquisition - Bourne

- Share purchase of Bourne Holding Company and trading subsidiary
- Consideration in cash on completion of £21.8m on a debt free, cash free basis
- Included freehold building in Bourne with a fair value of £3.9m
- Goodwill and Customer Contracts valued at £14.0m
- Usual indemnity and warranty provisions included in SPA
- Management remain within Bourne



Equity Raising



- Placing of 26.3 million shares at a price of 51p raising £12.8m net
- Representing approximately 10% of the issued share capital
- Used increase headroom in banking facility to maintain balance sheet strength and flexibility