JOHNSON
Service Group PLC

Peter Egan Chief Executive Officer

Yvonne Monaghan Chief Financial Officer

Interim Results

6 months ended 30 June 2020

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Impact & Management of COVID-19

"…decisive action to ensure the long-term preservation of the business."

Impact & Management of COVID-19

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- Mothballing of HORECA sites; phased reopening from July as volumes increased
- Proactive implementation of processes to protect the health and wellbeing of our employees and customers
- £16.6m benefit from the Government's CJRS grant
- Non-essential capital and revenue spend curtailed
- Unutilised commercial fleet declared as SORN
- Temporary salary reductions for Board, Senior Management and other admin roles
- Deferral of VAT to preserve cash
- Increased banking facilities to £175m
- Alternative financing available via Bank of England's Covid Corporate Financing Facility
- Net proceeds of £82.7m raised through equity placing
- 2019 final dividend withdrawn; no interim dividend declared in respect of 2020
- Consultation over changes in working practices and utilisation of Job Retention Bonus to minimise any potential headcount reduction

2020 Interim Results

Income Statement

	2020 H1	2019 H1
Revenue (£m)	114.8	167.1
Adjusted EBITDA (£m)[1,2,3]	24.9	55.2
Adjusted EBITDA margin (%)[1,2,3]	21.7	33.0
Adjusted operating (loss) / profit (£m)[2,3]	(9.5)	22.6
Adjusted operating margin (%)[2,3]	(8.3)	13.5
Exceptional items (£m)	(0.5)	-
Adjusted (LBT) / PBT (£m)[2,3]	(12.6)	20.1
Adjusted EPS (p)[2,3]	(2.8)	4.4
Number of shares used in EPS calc[3]	382.5	369.4
Dividend (p)	-	1.15

Notes:
1. Adjusted operating (loss) / profit plus depreciation charge for property, plant and equipment, textile rental items and right of use assets plus software amortisation
2. 2020 H1 includes the benefit of £16.6m from the CJRS grant
3. Before amortisation of intangible assets (excluding software amortisation) and exceptional items and, in the case of earnings per share only, associated taxation
4. Basic number of shares of 381.5m for 2020. Shares in issue at 01/09/20 was 444.0m

Cash Flow

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£m	2020 H1	2019 H1	2019 FY
Adjusted operating (loss) / profit	(9.5)	22.6	52.8
Depreciation and software amortisation	34.4	32.6	66.2
Working capital	16.8	0.2	2.7
Capital expenditure – fixed assets and software	(8.5)	(9.3)	(20.0)
– rental stocks (net)	(16.6)	(21.6)	(45.9)
– fixed asset proceeds	-	0.1	0.3
Interest	(2.4)	(2.3)	(4.6)
Tax	(4.3)	(4.6)	(9.3)
Dividends	-	(7.7)	(12.0)
Additional pension contributions	(0.9)	(0.9)	(1.9)
Other	0.8	-	0.3
Net cash inflow	**9.8**	9.1	28.6
Equity issue	82.7	0.6	0.6
Discontinued operations	-	-	(0.4)
Acquisitions / Disposals	(2.0)	(1.4)	(13.2)
Initial recognition of lease liabilities under IFRS 16	-	(37.2)	(37.2)
New lease liabilities	(2.3)	(3.2)	(7.7)
Decrease / (increase) in Net Debt	**88.2**	(32.1)	(29.3)
NET DEBT	**39.5**	130.5	127.7
NET DEBT (Pre-IFRS 16 Basis)	**0.2**	92.6	87.7

Other Financial Information

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Interest & Bank Facility

Interest

- Interest cost of £3.1m including £0.9m relating to lease liabilities and £0.6m relating to discontinuance of interest hedge accounting (2019 H1: £2.5m, £0.9m and £nil respectively)
- Notional pension interest cost of £0.1m (2019 H1: £0.1m) reflects pension deficit at the start of 2020; expected charge for 2020 is £0.1m (2019: £0.1m)

Bank Facility

- £135.0m RCF expiring August 2023
- £40.0m Accordion expiring May 2022 + 1 year extension option
- RCF at LIBOR + applicable margin; average margin during 2020 was 1.5% (2019 H1: 1.69%). The margin is at 2.0% for H2 2020

Taxation

- Effective tax rate[1] of 16.7% (2019: 18.9%)
- Benefits from prior year adjustments offset by the impact of expenses not deductible for tax

Pensions

- Net pension asset of £1.8m (Dec 2019: Deficit £5.2m)
- Improvement due to higher asset returns net of the impact of a decrease in discount rate
- Deficit recovery contributions of £0.9m (2019 H1: £0.9m)
- Triennial valuation as at 30 September 2019 completed with no change to deficit contributions

Note
1. Based on (loss) / profit before taxation before amortisation of intangible assets (excluding software amortisation) and exceptional items

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JSG’s Continuing Commitment to ESG

- State of the art new Leeds facility completed
- Water recycling plant trials
- Electric vehicle delivery trials in London
- Installation of passive LED lighting
- Employee Engagement Survey
- Academy driving development opportunities for employees

“We are committed to developing our ESG agenda, recognising that it can play a major part in leading and influencing all of our people and operations”.

Capital Investment

£8.5m
Investment in H1

Leeds
New processing facility

Clacton
Washer and dryer upgrades

Basingstoke
Industrial unit upgrade completed

Shaftesbury
Ironing line upgrade

Milborne Port
CBW, dryers & ironers

Grantham
Expansion of site

Perth
Washing machine upgrades

Operational Performance: Workwear

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Operational Performance

Workwear

JOHNSONS
Workwear

	2020 H1	2019 H1
Revenue (£m)	**64.6**	67.5
Adjusted EBITDA (£m)[1,2,3]	**24.4**	24.3
Adjusted EBITDA margin (%)[1,2,3]	**37.8**	36.0
Adjusted operating profit (£m)[2,3]	**11.6**	12.1
Adjusted operating margin (%)[2,3]	**18.0**	17.9

Notes:
1. Adjusted operating profit plus depreciation charge for property, plant and equipment, textile rental items and right of use assets plus software amortisation
2. 2020 H1 includes the benefit of £1.8m from the CJRS grant
3. Before amortisation of intangible assets (excluding software amortisation) and exceptional items

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Operational Performance

Workwear

- All sites continued to operate during lockdown
- Volume reduction of 12% in April gradually improving to 6% reduction in August
- Some 91% of customers who closed have now resumed service
- Customer retention levels modestly down at 94% (2019: 95%)
- Service teams continue to organically grow business with existing customers
- Existing customer satisfaction at 86%, in line with 2019
- Exeter fire:
  - Significant fire damage occurred on 25 January, preventing use for processing
  - Business continuity plan executed with customers currently being serviced by nearby plants
  - Replacement site, to be funded largely from insurance proceeds, identified and expected to be operational in Q3 2021
- Treforest flood:
  - Moderate flood damage occurred on 16 February, temporarily preventing use for processing
  - Business continuity plan executed with customers serviced by nearby plants
  - Site operational again within days and full refurbishment planned for Q4 2020

Operational Performance: HORECA

Hotel, Restaurant & Catering

Operational Performance

HORECA

Hotel, Restaurant & Catering

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JOHNSONS
Hotel Linen

JOHNSONS
Hotel, Restaurant & Catering Linen

	2020 H1	2019 H1
Revenue (£m)	50.2	99.6
Adjusted EBITDA (£m)[1,2,3]	2.7	33.2
Adjusted EBITDA margin (%)[1,2,3]	5.4	33.3
Adjusted operating (loss) / profit (£m)[2,3]	(18.8)	12.9
Adjusted operating margin (%)[2,3]	(37.5)	13.0

Notes:
1. Adjusted operating (loss) / profit plus depreciation charge for property, plant and equipment, textile rental items and right of use assets plus software amortisation
2. 2020 H1 includes the benefit of £14.8m from the CJRS grant
3. Before amortisation of intangible assets (excluding software amortisation) and exceptional items

Operational Performance

HORECA

Hotel, Restaurant & Catering

Hotel, Restaurant & Catering Linen

Hotel Linen

- Organic growth for the first two months particularly strong, aided by Gleneagles and Jurys Inn contract wins
- Division significantly impacted thereafter by COVID-19; majority of sites mothballed April - June
- Some 3,350 employees furloughed; vast majority have now returned to work
- Volumes beginning to recover:
  - July saw revenue at 25% of typical activity levels
  - August revenue climbing to 45% of typical activity levels
  - Rural and coastal locations performing well
  - Metropolitan areas experiencing a slower return, particularly in London
- Small number of hospitality contracts acquired in February 2020; contracts acquired in 2019 now fully integrated into our estate
- Successfully retained our largest customer, Premier Inn
- Construction and fit-out of new Leeds site completed
- Capital investment across the estate to increase capacity and efficiencies at existing plants will ensure we are well placed to exploit market conditions going forward

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Our Customers

"Customer communication maintained in order to foster our strong, long-term relationships."

Our Customers

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2 sisters Food Group
ACCOR HOTELS
CAPRICE restaurants
citizen M hotels
CÔTE BRASSERIE
CROWNE PLAZA HOTELS & RESORTS
DOUBLETREE BY HILTON
FULLER'S
GLENEAGLES
Holiday Inn
HOVIS BAKERY
MARSTON'S
Morrisons Since 1899
Premier Inn
PRINCES
Samworth Brothers QUALITY FOODS
VILLAGE HOTELS
Weetabix

The Future

"Continued focus on growing the business through targeted investment."

Outlook – Post COVID-19

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Workwear Market

- Gradual reopening of customers who had temporarily closed operations and we expect that to continue
- We remain vigilant as to the potential impact of ongoing employment levels

HORECA Market

- July and August have benefitted from summer staycations which have been slightly ahead of our initial expectations
- Too early to forecast the anticipated volumes for the remainder of this year; Q4 performance will remain closely correlated with the wider level of economic activity

Resourcing

- We continue to assess the anticipated volumes as we move into the autumn with a view to matching our resources to processing requirements
- We have entered into consultation with employees at some of our HORECA sites with a view to changing working practices to minimise potential headcount reduction

Guidance

- Adjusted EBITDA margin for the full year expected to be similar to H1
- Strong balance sheet, significant covenant headroom, established market position, reputation for quality service
- It remains very difficult to predict with any accuracy the timing of a recovery to pre-Covid levels
- In view of the ongoing impact of COVID-19, particularly within HORECA, we remain unable to give guidance

Unchanged Strategic Plan

Organic | Investment | M&A

- Market leading position within Workwear & HORECA
- National coverage; local service
- Dedicated to providing first class customer service
- Maintaining margin over the medium term
- Implementation of a Group-wide brand recognition programme
- Investment in Group IT systems
- New hotel linen site to be operational in October 2020
- Investment in the training and development of our employees
- Continuing capital investment to increase production capacity & efficiency
- Identification of further acquisitions; current challenging market conditions may provide additional opportunities

The Future – Confident of Medium-Term Growth

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"With our strong balance sheet, established market position and reputation for quality service, we remain confident in the Group's medium-term growth prospects as the economy and markets we serve recover."

Organic Growth Opportunities

- Strong customer retention
- Focus on new sales
- Boosted by:
  - increased geographic coverage
  - increased capacity
  - high customer satisfaction scores

Investment Programme

- To create a market-leading, best in class, modern estate to support:
  - further operational efficiencies
  - increased throughput
  - high customer service levels
- New operational facility in Leeds to open October 2020
- Replacement Exeter Workwear site to open H2 2021

Acquisitions

- Ongoing expansion of geographic footprint in under-represented regions
- Additional complementary opportunities
- Further synergy gains, including scale efficiencies, anticipated from recent acquisitions

Continued strong financial performance

Strategic objective to build a fully nationwide business

Balance sheet strength supports growth strategy

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Appendix 1

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Segmental Analysis

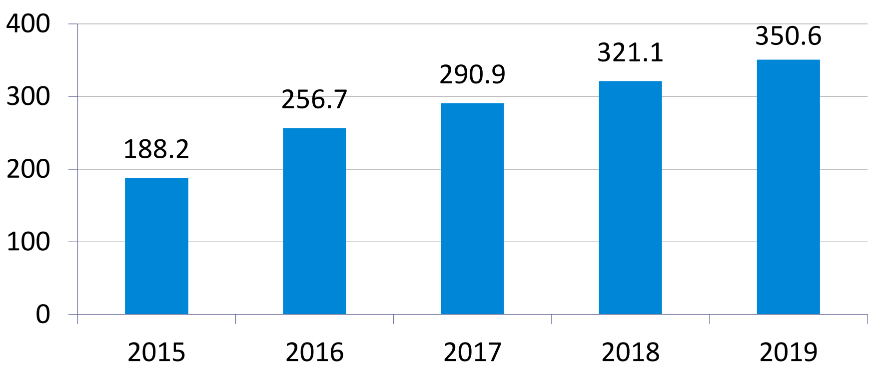
	2020 H1		2019 H1	
	Revenue £m	**Adjusted Operating Profit / (Loss)[1] £m**	Revenue £m	Adjusted Operating Profit[1] £m
Workwear	**64.6**	**11.6**	67.5	12.1
HORECA	**50.2**	**(18.8)**	99.6	12.9
Textile Rental	**114.8**	**(7.2)**	167.1	25.0
Group Costs	**-**	**(2.3)**	-	(2.4)
TOTAL	**114.8**	**(9.5)**	167.1	22.6

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

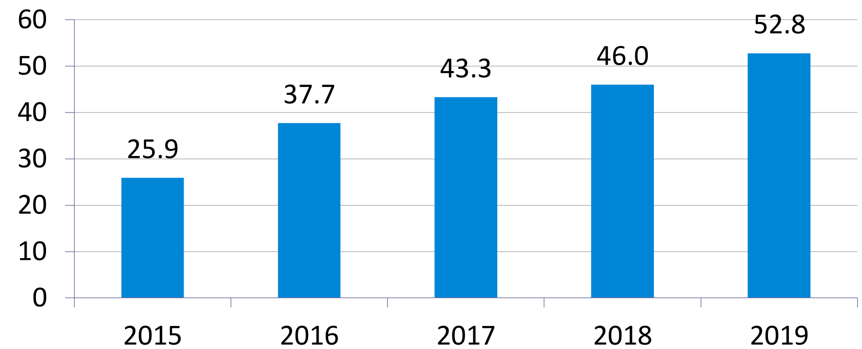
Appendix 2

Financial Track Record

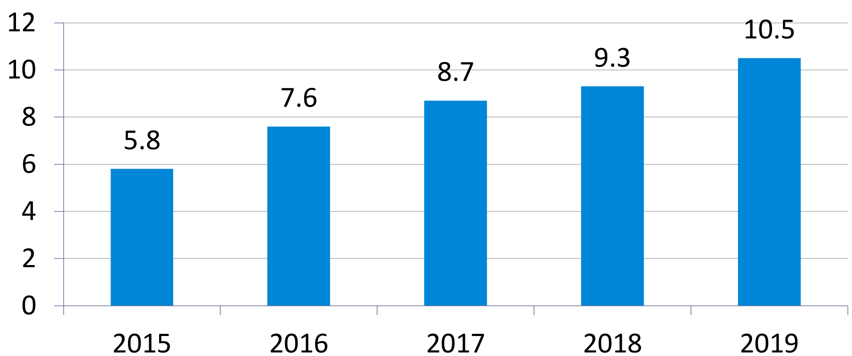
Revenue (£m)



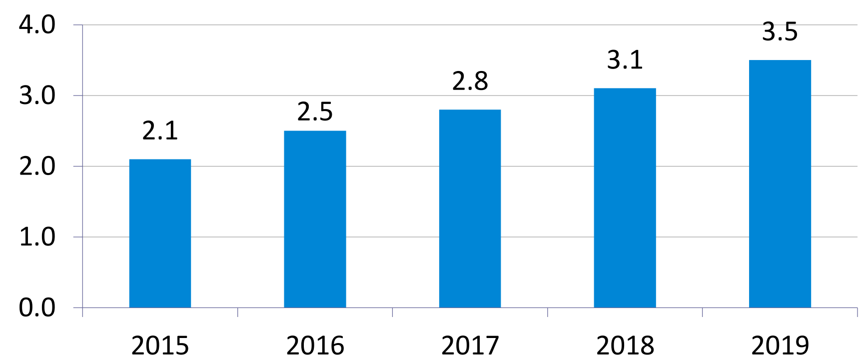
Adjusted Operating Profit (£m)



Adjusted Diluted EPS (p)

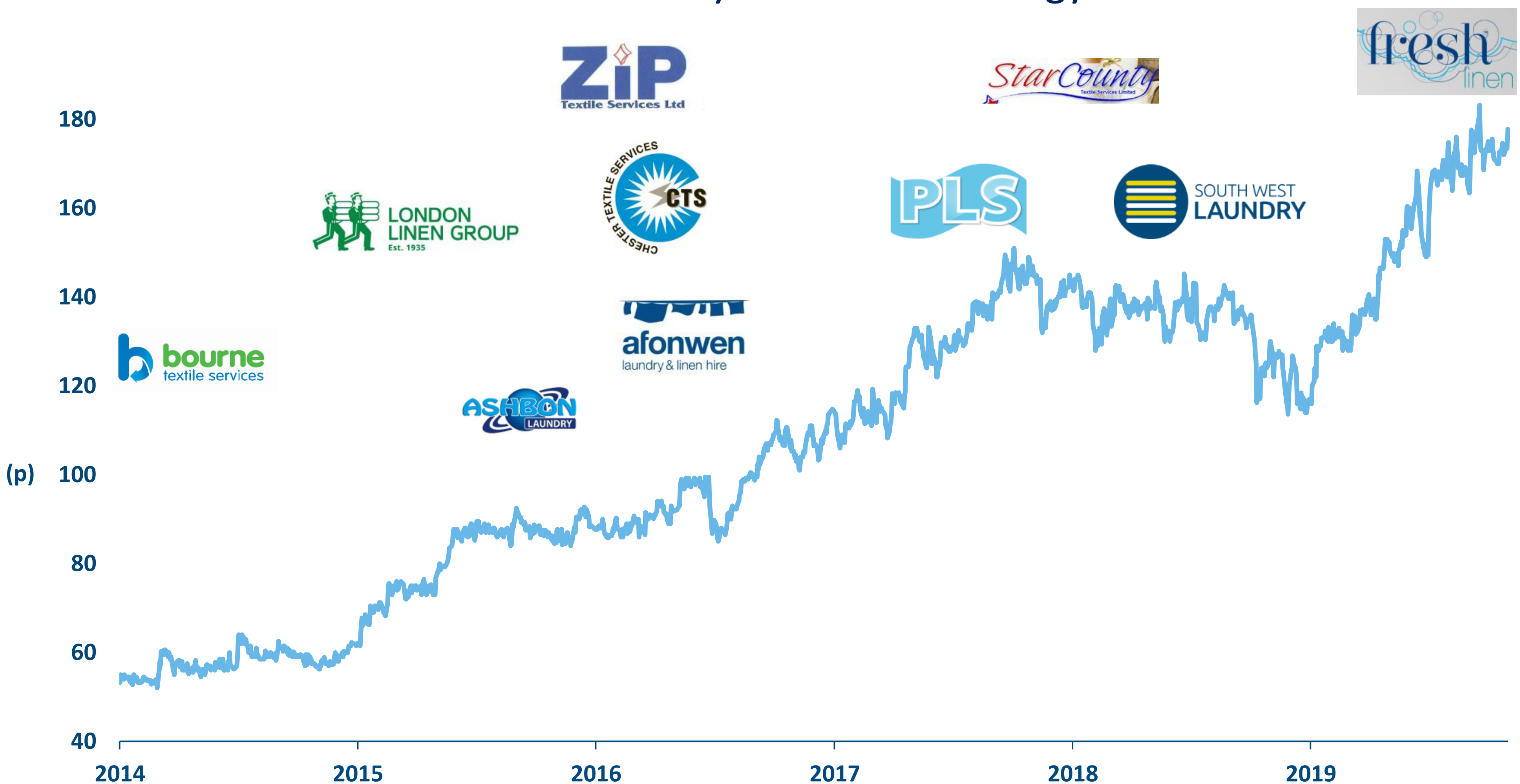


Dividend per Share (p)



Appendix 3

Consistent Performance Built on Buy-and-Build Strategy



Appendix 4

Our Executive Team

Peter Egan
Chief Executive Officer

Industry Experience: 27 Years

Yvonne Monaghan
Chief Financial Officer

Industry Experience: 36 Years

Mark Woolfenden
MD, Hotel Linen

Industry Experience: 16 Years

Donald Smith
MD, Stalbridge & London Linen

Industry Experience: 33 Years

Helen Wood
MD, Workwear

Industry Experience: 29 Years

Tim Morris
Group Financial Controller

Industry Experience: 15 Years

Steve McKeever
Group IT Director

Industry Experience: 20 Years

A combined industry experience of over 170 years.