Peter Egan Chief Executive Officer

Yvonne Monaghan Chief Financial Officer

JOHNSON
Service Group PLC

Final Results

12 months ended 31 December 2020

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Impact & Management of COVID-19

"…the decisive actions taken have protected the future of the business…"

Impact & Management of COVID-19

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Workwear

- Continued to operate and service customers throughout the various lockdowns
- 12% volume reduction in April 2020 steadily improved to pre-COVID volumes in October
- Current volumes at 96% of normalised levels, reflective of customers closed during the current lockdown

HORECA

- Sites mothballed where necessary / production and resourcing curtailed to match fluctuating volumes
- From a low of 3% in Q2, volumes increased to around 55% of normalised activity by the end of Q3
- Current volumes at 9% of normalised levels
- HORECA plants primed to ramp up in response to customer demand as lockdown restrictions ease in the coming months

Combined Group

- At all times, our priority has remained the health, safety and wellbeing of our people
- Coronavirus Job Retention Scheme utilised to enable continued employment where practicable and ensure we have sufficient resource to respond to demand as volumes return; 2020 P&L benefit of £28.2m
- Strengthened balance sheet and liquidity with increased bank facilities of £175.0m and £82.7m equity placing in June 2020
- Cash preservation measures include:
  - curtailment of non-essential capital and revenue spend
  - deferral of VAT payments into 2021
  - 2019 final dividend withdrawn; no dividend declared in respect of 2020

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Financials

"Strengthened balance sheet and liquidity…"

Income Statement

	2020	2019
Revenue (£m)	**229.8**	350.6
Adjusted EBITDA (£m)[1,2,3]	**53.6**	119.0
Adjusted EBITDA margin (%)[1,2,3]	**23.3**	33.9
Adjusted operating (loss) / profit (£m)[2,3]	**(12.1)**	52.8
Adjusted operating margin (%)[2,3]	**(5.3)**	15.1
Exceptional items (£m)	**(4.3)**	-
Adjusted (LBT) / PBT (£m)[2,3]	**(17.0)**	48.2
Adjusted EPS (p)[2,3]	**(3.4)**	10.5
Number of shares used in EPS calc[4]	**413.8**	371.9
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 includes the benefit of £28.2m 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 412.9m for 2020. Shares in issue at 18/03/21 was 444.4m.

Exceptional Items

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	2020 £m
Restructuring costs[1]	(5.8)
Insurance claims[2,3]	2.5
Impairment losses re insurance claims	(1.0)
Total Exceptional Items	(4.3)

Notes

1) Includes £4.7 million of redundancy costs relating to the realignment of the workforce in response to the impact of COVID-19 and £1.1 million in respect of the closure of the Workwear plant in Newmarket.

2) Interim insurance proceeds of £1.5 million and £1.0 million have been received in respect of claims for capital items at our Exeter (fire) and Treforest (flood) sites, respectively.

3) Negotiations on a final settlement value are ongoing with the insurer and are expected to be concluded in 2021. The Group has disclosed a contingent asset, estimated to be between £7.0 million and £8.0 million, in respect of the finalisation of the claims.

Cash Flow

£m	2020	2019
Adjusted operating (loss) / profit	(12.1)	52.8
Depreciation, impairment and software amortisation	66.4	66.2
Working capital	24.4	2.7
Capital expenditure – fixed assets and software	(21.4)	(20.0)
– rental stocks (net)	(26.0)	(45.9)
– fixed asset proceeds	0.2	0.3
Interest	(4.0)	(4.6)
Tax	(3.4)	(9.3)
Exceptional items (cash effect)	(2.9)	-
Dividends	-	(12.0)
Additional pension contributions	(1.9)	(1.9)
Other	0.3	0.3
Net cash inflow	**19.6**	28.6
Equity issue	82.9	0.6
Discontinued operations	-	(0.4)
Acquisitions / Disposals	(2.1)	(13.2)
Initial recognition of lease liabilities under IFRS 16	-	(37.2)
New lease liabilities	(6.3)	(7.7)
Decrease / (increase) in Net Debt	**94.1**	(29.3)
NET DEBT	**33.6**	127.7

Other Financial Information

Interest & Bank Facility

Interest

- Interest cost of £4.9m including £1.7m relating to lease liabilities and £0.6m relating to discontinuance of interest hedge accounting (2019: £4.6m, £1.8m and £nil respectively)
- Notional pension interest cost of £0.1m (2019: £0.1m) reflects pension deficit at the start of 2020; expected charge for 2021 is £0.2m

Bank Facility

- £135.0m RCF expiring August 2023
- £40.0m RCF expiring May 2022 + 1 year extension option
- RCF at LIBOR + applicable margin; average margin during 2020 was 1.75% (2019: 1.63%). The margin is set at 2.0% for 2021

Taxation

- Effective tax rate[1] of 18.5% (2019: 18.8%)
- Benefits from prior year adjustments offset by the impact of expenses not deductible tax

Pensions

- Net pension deficit of £11.2m (Dec 2019: £5.2m)
- Impact of a decrease in discount rate offset partially by asset returns
- Deficit recovery contributions of £1.9m (2019: £1.9m)
- 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

Operations

"We continue to take pro-active actions to adapt our operations to ensure the Group can thrive…"

JSG's Continuing Commitment to ESG

- We aim to "Remove, Reduce, Reuse, Recycle" wherever we can
- Carbon Trust sponsored wastewater recycling solution
- Investment in state-of-the-art energy efficient equipment
- Actively recruiting in-house sustainability resource
- Ongoing employee engagement initiatives
- Electric vehicle feasibility study

"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".

"The Group's continuous investment in state-of-the-art energy efficient capital equipment…not only gives us a competitive advantage but allows us to reduce our environmental impact when compared to using older and less efficient machinery."

£21.4m
Investment

Leeds
New processing facility

Clacton
Washer and dryer upgrades

Basingstoke
Industrial unit upgrade completed

HORECA
Laundry Management system upgrade

Shaftesbury
Ironing line upgrade

Milbourne Port
New CBW, dryers & ironers

Grantham
Expansion of site

Perth
Washing machine upgrades

Operational Performance: Workwear

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Operational Performance

Workwear

JOHNSONS
Workwear

	2020	2019
Revenue (£m)	**129.5**	135.3
Adjusted EBITDA (£m)[1,2,3]	**48.7**	49.2
Adjusted EBITDA margin (%)[1,2,3]	**37.6**	36.4
Adjusted operating profit (£m)[2,3]	**23.3**	24.4
Adjusted operating margin (%)[2,3]	**18.0**	18.0

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 includes the benefit of £2.9m from the CJRS grant
3. Before amortisation of intangible assets (excluding software amortisation) and exceptional items

Operational Performance:
Workwear

- All sites continuing to operate during lockdown
- Volumes slowly returned to pre-Covid levels from a low of 88%
- Customer retention levels remain high at 94% (2019: 95%)
- Existing customer satisfaction at 86%, in line with 2019
- New to rental sales represent 33.5% of 2020 sales activity
- Service teams continue to organically grow business with existing customers
- Newmarket site closed with successful transfer of customers to neighbouring sites
- Additional unit in Basingstoke increases site processing capacity by 40% and utilises state of the art automation
- 70 vehicles now rebranded
- Following the Exeter fire, a brand new site is secured and due to open towards the end of 2021

Operational Performance: HORECA

Hotel, Restaurant & Catering

Operational Performance

JOHNSON Service Group PLC

HORECA

Hotel, Restaurant & Catering

JOHNSONS Hotel Linen

JOHNSONS Hotel, Restaurant & Catering Linen

	2020	2019
Revenue (£m)	**100.3**	215.3
Adjusted EBITDA (£m)[1,2,3]	**8.7**	74.5
Adjusted EBITDA margin (%)[1,2,3]	**8.7**	34.6
Adjusted operating (loss) / profit (£m)[2,3]	**(31.5)**	33.1
Adjusted operating margin (%)[2,3]	**(31.4)**	15.4

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 includes the benefit of £25.3m from the CJRS grant
3. Before amortisation of intangible assets (excluding software amortisation) and exceptional items

Operational Performance: HORECA

Hotel, Restaurant & Catering

- Organic growth for the first two months particularly strong at 9.1%, aided by Gleneagles and Jurys Inn contract wins in 2019
- Volumes varying throughout the year dependent on restrictions, reaching a return to c55% of pre-Covid levels in Q3
- Some 1,900 employees remain partly or fully furloughed
- 5 sites currently mothballed or closed pending a recovery of volumes in 2021, with the remaining sites operating on significantly reduced hours
- Small number of hospitality contracts purchased in February 2020; contracts purchased in 2019 now fully integrated into our estate
- Successfully renewed our largest customer, Premier Inn, adding over 100 additional hotels during 2021
- Construction and fit-out of new Leeds site completed; site is yet to be commissioned
- 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
citizenM hotels
CÔTE BRASSERIE
CROWNE PLAZA HOTELS & RESORTS
FULLER'S
GLENEAGLES
Holiday Inn
HOVIS BAKERY
MARSTON'S
Morrisons Since 1899
Premier Inn
PRINCES
Samworth Brothers QUALITY FOODS
VILLAGE HOTELS
Warburtons
Weetabix

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The Future

"We continue to take proactive actions to adapt our operations to ensure the Group can thrive and is well placed for the recovery"

Outlook – Post COVID-19

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Workwear

- Volumes are 96% of normal and all sites continue to operate and service our customers
- Continued focus on 'new to rental' sales activity
- Remaining estate to apply for EN 14065[1] certification

HORECA

- Volumes in January and February 2021 were some 9% of normal and many of our employees continue to be furloughed
- Hospitality restrictions expected to be gradually lifted in the coming months with a number of our customers reporting increased bookings
- Intention to open the Leeds site and return the remainder of the other plants to production as demand increases

Resourcing

- We are confident in our ability to be agile and rapidly respond to increasing volumes and pent-up demand

Guidance

- Strong balance sheet, significant covenant headroom, established market position, reputation for quality service
- Whilst it remains difficult to predict the timing of a recovery to pre-Covid levels, current expectations are during H2 2022
- In view of the ongoing impact of COVID-19, particularly within HORECA, we remain unable to give guidance

Note:
1. EN 14065 certification relates to Biocontamination Control System for Laundry processed Textiles

Strategic Plan

Organic | Investment | M&A | Social & Sustainability

- Market leading position within Workwear & HORECA
- National coverage; local service
- Dedicated to providing first class customer service
- Maintaining divisional margins over the medium term
- Continuing capital investment to increase production capacity & efficiency
- New hotel linen site to be operational in 2021
- Investment in the training and development of our employees
- Investment in Group IT systems
- Completion of a Group-wide brand recognition programme
- Identification of further acquisitions in Textile Services; recent challenging market conditions may provide additional opportunities
- Develop a social and environmental sustainability strategy in order to set meaningful and realistic Greenhouse Gas reduction targets

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

Continued strong financial performance

Investment Programme

- To create a market-leading, best in class, modern estate to support:
  - further reduction of the Group's environmental impact
  - further operational efficiencies
  - increased throughput
  - high customer service levels
- New processing site in Leeds to open in 2021
- Replacement Exeter Workwear site to open in H2 2021

Strategic objective to build a fully nationwide business

Acquisitions

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

Balance sheet strength supports growth strategy

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Appendices

Appendix 1

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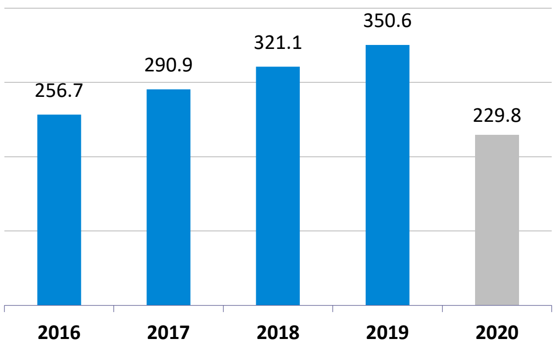
Segmental Analysis

	2020			2019		
	Revenue £m	Adjusted Operating Profit / (Loss)[1,2] £m	Adjusted EBITDA[1,2,3] £m	Revenue £m	Adjusted Operating Profit[1] £m	Adjusted EBITDA[1,3] £m
Workwear	**129.5**	**23.3**	**48.7**	135.3	24.4	49.2
HORECA	**100.3**	**(31.5)**	**8.7**	215.3	33.1	74.5
Textile Rental	**229.8**	**(8.2)**	**57.4**	350.6	57.5	123.7
Group Costs	**-**	**(3.9)**	**(3.8)**	-	(4.7)	(4.7)
TOTAL	**229.8**	**(12.1)**	**53.6**	350.6	52.8	119.0

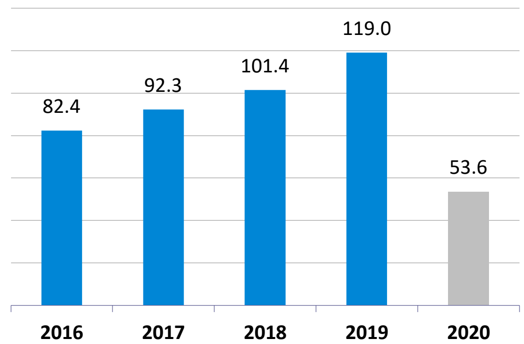
Note
1. Before amortisation of intangible assets (excluding software amortisation) and exceptional items
2. Includes the benefit of £28.2m from the CJRS grant (Workwear: £2.9m; HORECA: £25.3m)
3. Adjusted operating profit plus depreciation charge for property, plant and equipment, textile rental items and right of use assets plus software amortisation

Appendix 2
Financial Track Record

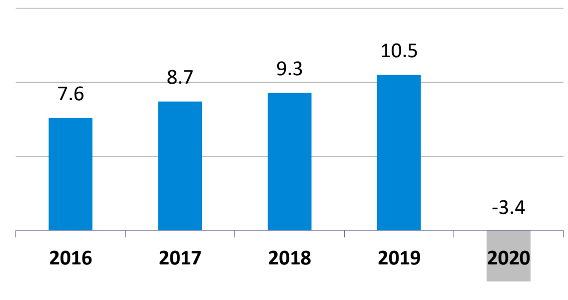
Revenue (£m)



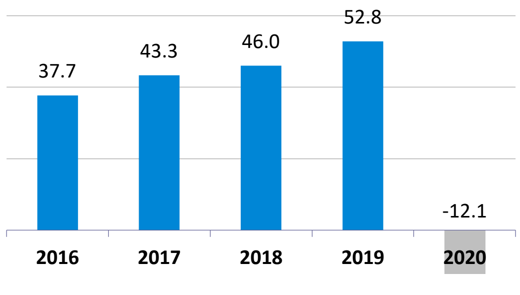
Adjusted EBITDA (£m)



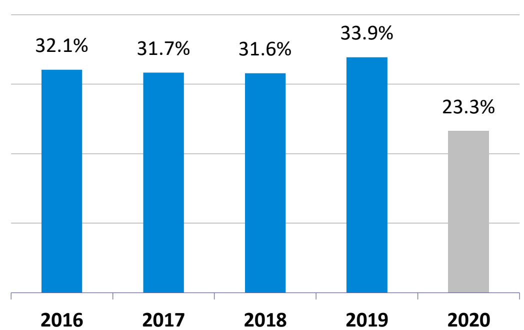
Adjusted Diluted EPS (p)



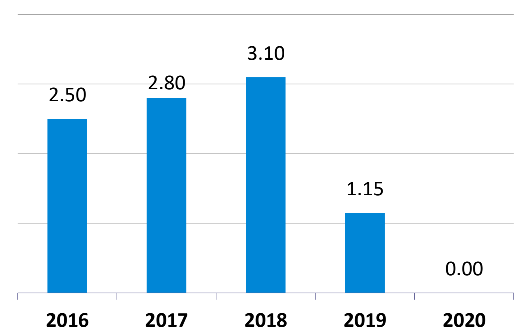
Adjusted Operating Profit (£m)



Adjusted EBITDA Margin (%)

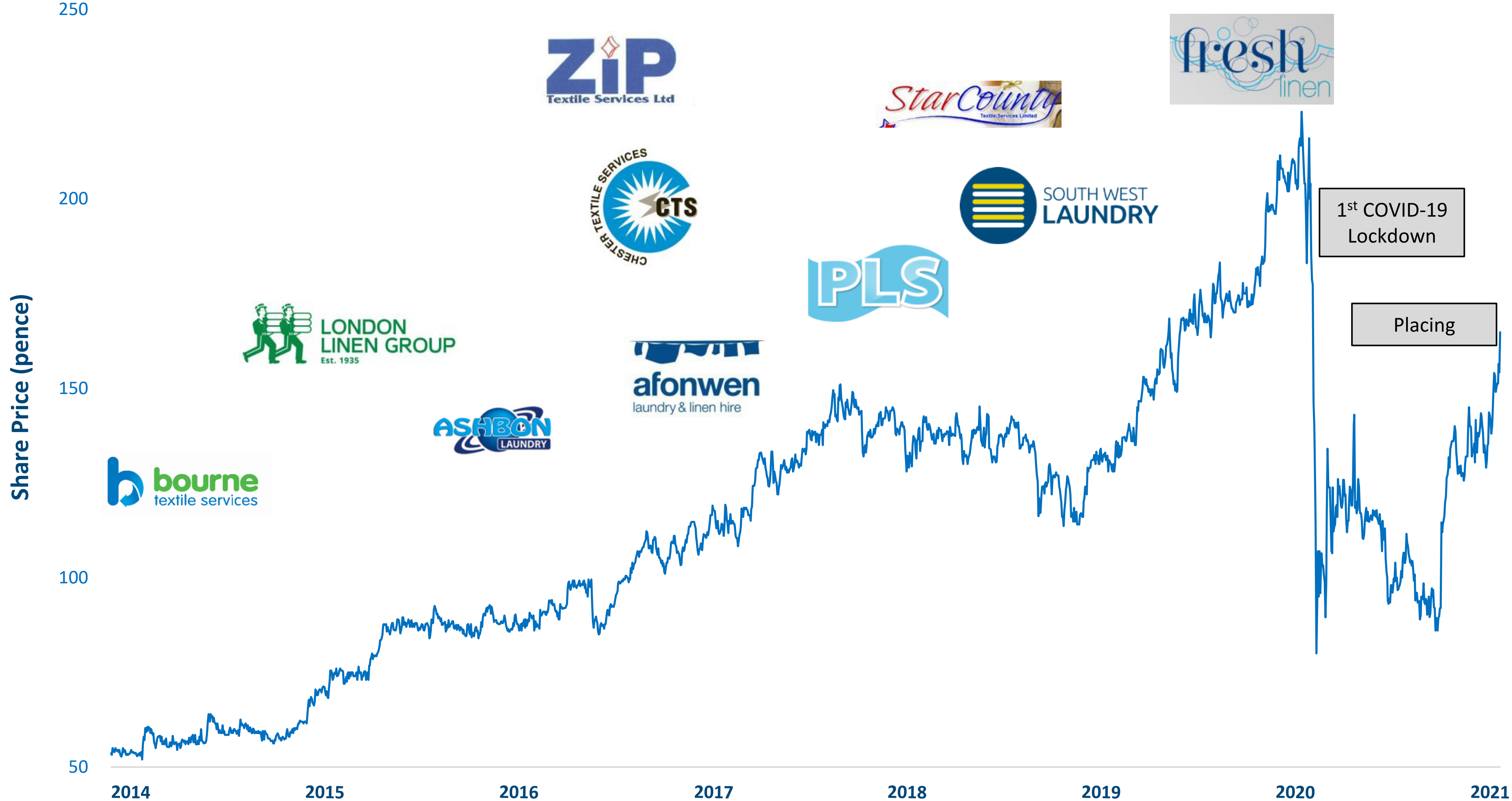


Dividend per Share (p)



Appendix 3

Pre-COVID Performance Built on Buy-and-Build Strategy



Appendix 4

Our Executive Team

Peter Egan
Chief Executive Officer

Industry Experience: 28 Years

Yvonne Monaghan
Chief Financial Officer

Industry Experience: 36 Years

Mark Woolfenden
MD, Hotel Linen

Industry Experience: 17 Years

Donald Smith
MD, Stalbridge & London Linen

Industry Experience: 34 Years

Helen Wood
MD, Workwear

Industry Experience: 30 Years

Tim Morris
Group Financial Controller

Industry Experience: 16 Years

Steve McKeever
Group IT Director

Industry Experience: 21 Years

A combined industry experience of over 180 years.

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