JOHNSON SERVICE GROUP PLC

Final Results
31 December 2023

"Strong FY23 performance and well placed for continued growth in FY24."

Peter Egan - Chief Executive Officer
Yvonne Monaghan - Chief Financial Officer

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1 OPERATIONAL HIGHLIGHTS

"We are continuing to focus on expanding the Group through targeted investment in our existing sites together with identifying earnings enhancing acquisition opportunities."

Operational Highlights

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- HORECA volumes continued to improve with increased number of locations being serviced
- Workwear customer retention levels were 91% whilst increased activity from prospective customers will have a positive impact into 2024
- Energy costs remained elevated but less volatile than 2022
- Price increases and other actions implemented throughout 2023 to help offset cost inflation
- Acquisition of Regency (Feb 2023) and Celtic Linen (Aug 2023); both businesses trading well
- New HORECA site in Crawley remains on track to open in the second half of 2024
- New depot to be opened in April to enable further expansion into the London hotel market
- Second Sustainability Report published, building on The Johnsons Way
- Carbon, water and plastic reduction targets set for 2024

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2 FINANCIALS

"We are pleased to report a strong performance for the year, demonstrating the resilience of our business model against a backdrop of macroeconomic pressures...."

Financial Highlights

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	2023	2022
Revenue (£m)	**465.3**	385.7
Adjusted EBITDA (£m)[1,2]	**131.5**	104.9
Adjusted EBITDA margin (%)[1,2]	**28.3**	27.2
Adjusted operating profit (£m)[2]	**50.5**	41.2
Adjusted operating margin (%)[2]	**10.9**	10.7
Adjusted PBT (£m)[2]	**44.5**	38.2
Adjusted diluted EPS (p)[2,3]	**7.8**	8.0
Adjusted diluted EPS excluding super deduction (p)[2,3,4]	**7.7**	7.2
Number of shares used in diluted EPS calc (m)[3]	**424.7**	444.4
Dividend (p)	**2.8**	2.4

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. Operating profit before amortisation of intangible assets (excluding software), goodwill impairment and exceptional items and, in the case of earnings per share only, associated taxation.
3. Weighted average number of shares (undiluted) is 424.3m (Dec 2022: 444.3m). Shares in issue at 04/03/24 were 414.4m.
4. Calculated excluding the benefit of £0.3m (2022: £3.8m) of tax credit due to the 130% capital allowances super-deduction.

Proactive Management of Cost Pressures

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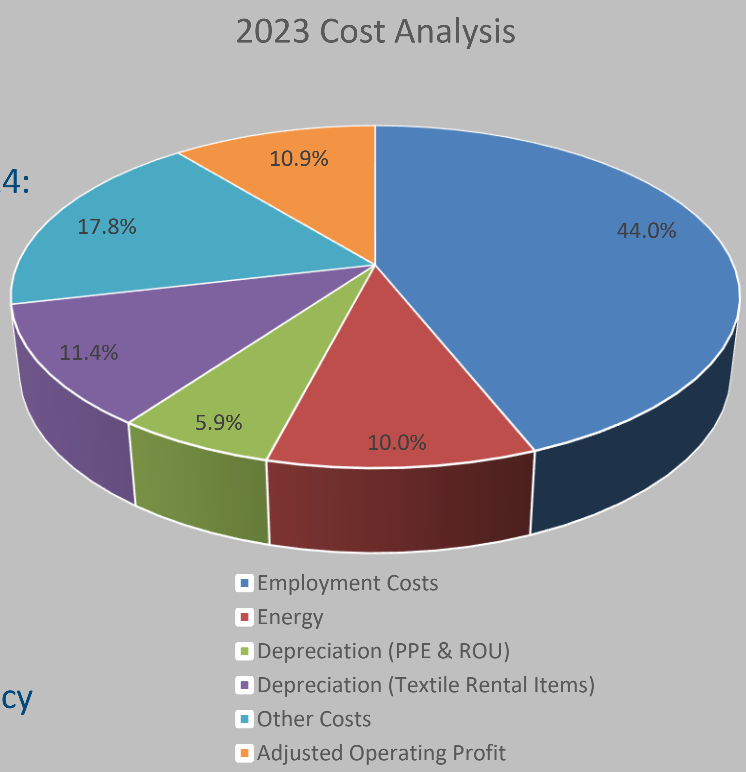
Energy

- Market remains volatile although to a lesser extent than experienced during 2022
- 2023 energy costs represented 10.0% of revenue (2022: 9.4%; 2019: 6.2%)
- Material price increases implemented across our customer base to compensate
- Impact of energy prices being proactively managed with various fixed pricing in place at Feb 24:

	Gas Fixed %			Electricity Fixed %		
	At Feb 24	At Sept 23	At Feb 23	At Feb 24	At Sept 23	At Feb 23
2024 H1	91%	63%	33%	96%	80%	51%
2024 H2	87%	38%	15%	90%	48%	30%
2025	61%	35%	15%	62%	29%	10%



Employment Costs

- Employment costs now represent some 44.0% of revenue (2022: 47.0%; 2019: 43.0%)
- Additional volumes better utilise our labour resource and further improve processing efficiency

Margin

- Energy and employment represent two significant drivers of cost increase
- Energy cost is reducing as historically higher fixed prices fall out of the average
- Margin of each division can return towards 2019 levels as these higher costs normalise

Cash Flow

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		2023 £m	2022 £m
Adjusted operating profit		**50.5**	41.2
Depreciation, impairment and software amortisation		**81.0**	63.7
Working capital		**(0.3)**	(8.2)
Capital expenditure	fixed assets and software	**(31.1)**	(22.4)
	rental stocks (net)	**(58.6)**	(49.8)
	fixed asset proceeds	**0.2**	0.4
Interest		**(5.7)**	(3.6)
Tax		**(1.6)**	3.5
Exceptional items (cash effect)		**(1.4)**	0.7
Dividends		**(10.6)**	(3.5)
Additional pension contributions		**(1.6)**	(1.9)
Other		**0.1**	0.8
Net cash inflow		**20.9**	20.9
Share buybacks		**(29.9)**	(5.6)
Discontinued operations (cash effect)		**0.1**	0.2
Acquisitions		**(34.8)**	(1.3)
New lease liabilities		**(13.2)**	(2.1)
(Increase) / decrease in Net Debt		**(56.9)**	12.1
NET DEBT		**104.9**	48.0
Net Debt excluding IFRS 16 Leases		**61.7**	13.7

Other Financial Information

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Interest

- Interest cost of £6.0m including £2.1m relating to IFRS 16 lease liabilities (2022: £3.0m and £1.5m respectively)
- Notional pension interest cost of £0.5m (2022: £nil) and expected to be £nil in 2024

Bank Facility

- £120.0m Revolving Credit Facility
  - tenure extended by 12-months to August 2026
  - option to further extend the tenure by 12-months (subject to bank consent)
  - option to increase facility by up to a further £15m (again, subject to bank consent)

Taxation

- Effective tax rate[1] of 25.8% (2022: 6.8%)
- Cash tax payable will remain below the tax charge due to full expensing rules for UK capital expenditure

Pensions

- Net pension deficit of £nil (Dec 2022: £7.1m)
- Results of September 2022 triennial valuation and updated mortality assumptions offset by lower asset returns and higher inflation
- Deficit recovery contributions of £1.6m in 2023 (2022: £1.9m)
- No deficit recovery contributions expected to be paid in 2024

Share Buyback

- Two share buybacks completed; total of £35.4m returned to Shareholders

Dividend

- Continuing progressive dividend policy
- Final proposed dividend for 2023 of 1.9 pence per share (2022: 1.6 pence)
- Dividend cover to reduce from historic level of 3.0x to 2.5x by FY24

ROCE

- Return on Capital Employed 13.9% (2022: 12.2%)
- Calculated as rolling 12-month adjusted operating profit divided by the average of opening and closing Shareholders' equity, net debt and post-employment benefit obligations

Notes:

1. Based on profit before taxation before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items.

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3 Investment

"During the year, significant investment has been made across the business with the improvement of existing sites, a new build to support future growth and the acquisitions of Regency and Celtic Linen."

Acquisition of Celtic Linen

- €31.5m acquisition in August 2023
- Operates in the Republic of Ireland's ('ROI') Healthcare and HORECA sectors, delivering over one million items weekly
  - largest linen supplier to ROI's Healthcare sector
  - second largest linen supplier to ROI's HORECA sector
- Diversification of our customer base, with over 50% of Celtic Linen's revenue derived from Healthcare
- Two freehold facilities:
  - Drinagh, County Wexford: 160,000 square feet; Healthcare work and HORECA work; servicing customers around Dublin, Rosslare, Waterford and Cork
  - Naas, County Kildare: 14,000 square feet; HORECA work only; servicing customers in Dublin and the West of Ireland
- Existing and experienced management team to remain with the business
- Acquisition immediately earnings enhancing

Acquisition of Regency Laundry

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Regency
SINCE 1879
LAUNDRY CONCIERGE

- £5.75m acquisition in February 2023
- 26,000 sq ft leasehold processing facility in Corsham
- Operates in the luxury/bespoke segment of the HORECA sector in the South of England
- Regularly delivers c200k pieces of luxury linen per week
- Over 420 net new bedrooms added since acquisition, representing an increase of more than 10%
- £1.4 million capital investment substantially completed:
  - Increase capacity by over 30%
  - Further improve efficiencies and quality
  - Improved site resilience

New Crawley Site

- 46,000 sq ft strategically located leasehold site in the South-East
- £16.0m investment with cash spend of £6.9m in 2023
- Anticipated to open in the second half of 2024
- Highly automated and energy efficient equipment
- Initial capacity to process c600,000 items per week
- Strategic location allows for opportunity to grow in the London and South-East area
- Targeted focus on sales activity ahead of opening
- Transfer in of existing work processed in Dorset provides for significant opportunities to reduce delivery miles and allow for further growth by back filling

Capital Expenditure

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£31.1m

Investment

Perth
Automated sortation system

Corsham
Investment in capacity at site

Hull
Automated sortation system

Glasgow
Additional ironer

Group-Wide
New commercial vehicles

Grantham
Extension and additional ironers

4 Sustainability

"We have continued to build on the foundations of our sustainability strategy with communication and involvement of employees at all levels being a key focus."

Sustainability

- We continue to demonstrate our commitment to sustainability across every area of our business and have made excellent progress against our strategy
- Carbon: 6.9% reduction in TCO_2e / Tonnes processed intensity rate
- Water: 5.6% reduction in M^3 / Tonnes processed intensity rate
- 56% of cotton purchases were Better Cotton sourced
- 95% of Workwear garments recycled
- HORECA continue to recycle end-of-life textiles through the "Infinite Textiles" programme
- Delivered over 1,600 employee volunteering hours
- Reporting of Scope 3 emissions for the first-time

2024 Pillar Focus Areas	
Our Family Embedding our ED&I strategy and commitments into the businesses	**Our World** Continued focus on carbon emissions, water and plastic reduction
Our Integrity Collaborating with our customers to align on sustainability goals	**Our Communities** Developing our approach to community investment

5 OPERATIONAL PERFORMANCE

"…we are encouraged with the Group's performance as we plan to further expand capacity in each of our businesses."

Operational Performance

Workwear

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JOHNSONS Workwear

	2023	2022
Revenue (£m)	**142.6**	134.6
Adjusted EBITDA (£m)[1,2,3]	**48.6**	46.6
Adjusted EBITDA margin (%)[1,2,3]	**34.1**	34.6
Adjusted operating profit (£m)[2,3]	**21.4**	21.9
Adjusted operating margin (%)[2,3]	**15.0**	16.3

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. Operating profit before amortisation of intangible assets (excluding software amortisation) and exceptional items.
3. FY22 includes a £1.1m credit from the finalisation of the Exeter insurance claim in respect of additional revenue cost incurred in FY20 and FY21.

Operational Performance

Workwear

- Organic revenue increased by 5.9%
- New sales during the year at highest level since COVID-19 impacted in 2020; wins in Q4 2023 positively impacting 2024
- 25% of all new sales sold in the period came from new-to-rental
- Customer retention levels remain strong at 91.0%
- Existing customer satisfaction at 86.2% and new customers at 87.0%
- Successful implementation of a state-of-the-art sortation system at our Hull and Perth sites, boosting capacity and increasing efficiency

Operational Performance

HORECA

JOHNSONS Hotel Linen

JOHNSONS Hotel, Restaurant & Catering Linen

Regency Laundry Concierge

CELTIC LINEN

JOHNSONS Belfast

	2023	2022
Revenue (£m)	**322.7**	251.1
Adjusted EBITDA (£m)[1,2]	**89.7**	63.0
Adjusted EBITDA margin (%)[1,2]	**27.8**	25.1
Adjusted operating profit (£m)[2]	**36.0**	24.1
Adjusted operating margin (%)[2]	**11.2**	9.6

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. Operating profit before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items.

Operational Performance

HORECA

- Organic revenue increased by 21.9%
- New sales remain strong: achieved above target independent sales and signed and installed some multi-site group business, particularly in Restaurant and Catering
- Focus on sales activity within London and the South-East ahead of the opening of our new site in Crawley
- Management of Johnsons Belfast integrated with the recent acquisition of Celtic Linen
- New depot to be opened in April to enable further expansion into the London hotel market
- Roll out of Hotel Linen's on-line customer portal has continued with positive feedback
- Continued investment in several site locations to create extra space and processing capacity
- Ongoing investment in energy efficient / water recycling equipment continues to support our sustainability objectives
- Six fully electric commercial vehicles now operating in Central London
- HORECA addressable market in GB estimated to be £1.3bn

6 OUTLOOK

"We remain focused on organic growth initiatives, optimising operational efficiencies and continuing to expand our geographical coverage through the successful execution of our strong M&A pipeline."

Outlook

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- Encouraging trading momentum
- Proactive management of costs
- Divisional EBITDA margin will continue to improve
- Integration and expansion of recent acquisitions underway
- Expansion strategy being delivered through new Crawley site, depot and targeted investment
- Focus on expanding the Group through targeted investment in existing sites together with identifying acquisition opportunities
- Strong Balance Sheet to support organic investment, M&A and enhanced returns to Shareholders
- Confident in medium and long-term growth prospects
- Board expects 2024 adjusted operating profit to be in line with current market expectations

7 INVESTMENT CASE

"The Group's objective is to employ a disciplined approach to investment, returns and capital efficiency to deliver sustainable compounding growth whilst also maintaining a strong balance sheet."

Repositioned as a Dedicated Textile Services Provider

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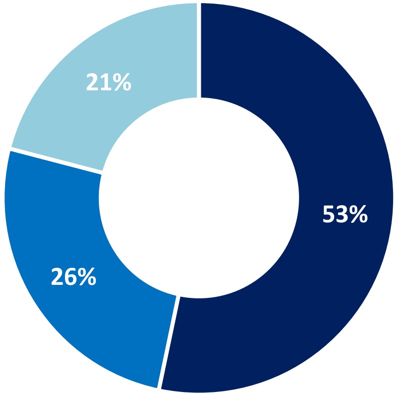
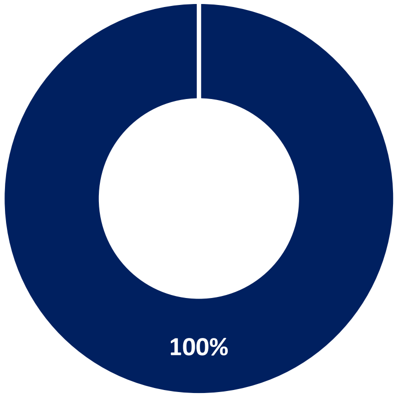
Revenue previously derived from three distinct sources...now derived from one focused business

2012 Revenue



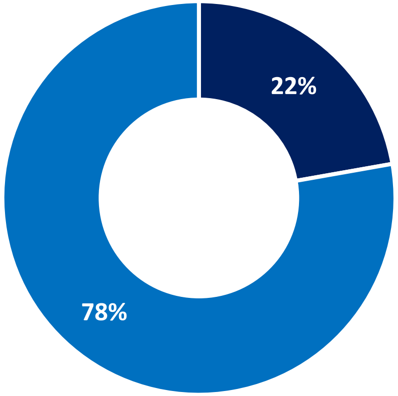
2023 Revenue



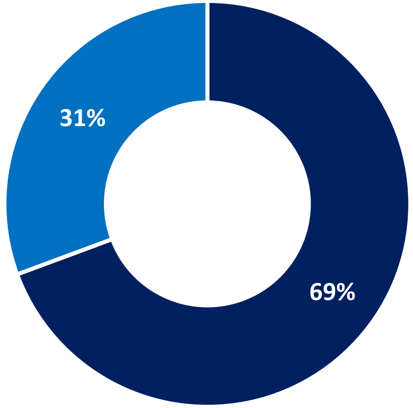
- Textile Services
- Drycleaning
- Facilities Management

Source of revenue within Textile Services significantly changed

2012 Revenue



2023 Revenue



- HORECA
- Workwear

Disposals	Acquisitions
SGP property & facilities management; Johnsons The Cleaners	bourne textile services; London Linen Group; ZiP Textile Services Ltd; afonwen laundry & linen hire; Regency Laundry Concierge; PLS; Ashbon Laundry; Chester Textile Services CTS; StarCounty; South West Laundry; fresh linen; Lilliput Services ... delivering Quality Linen; Celtic Linen

An Essential Service Provider

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An Essential Service Provider
The services we provide to our customers are essential to their business

Quality Service
We provide our customers with a quality service which they can rely upon

A Local Service
Our proximity to customers enables us to quickly respond to their needs

Sustainable
Working in partnership with our customers and suppliers to reduce environmental impact

Substitution
Limited alternatives to our offering in a market that has tight capacity

A High-Quality Compounder

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Market Leader with Scale Advantages

- Consistently organically extending market leadership
- High barriers to entry
- Scale and depth to provide nationwide coverage
- Investment in automation reduces labour intensity
- Route density builds efficiency; difficult to replicate
- Strong reputation as the best-in-class operator
- Excellent track record of customer satisfaction

Balance Sheet Strength Provides Flexibility

- Leverage ratio expected to remain below management's target range of 1.0-1.5x
- Strong cash generation gives significant scope for further M&A and/or additional shareholder returns

Strong M&A Track Record & Future Opportunities

- Reputation for acquiring good businesses at attractive multiples
- Proven track record of integrating and optimising acquisitions
- Fragmented UK and ROI market provides future opportunities
- UK adjacent markets

Proven Compounding Model

- Virtuous circle of high and sustainable free cash flow generation which can be reinvested either organically or inorganically
- Supplemented by sustainable annual dividend growth, with progressive policy and ongoing reduction in dividend cover
- Creating strong shareholder returns over the long-term

Strong Organic Growth → Disciplined M&A Strategy → Strong Free Cash Flow → Reinvest

Clear Capital Allocation Framework

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Clear Priorities for use of Capital

- The Group maintains a strong Balance Sheet
- Medium to long-term leverage target of 1x – 1.5x, other than for short term specific exceptions
- Framework remains unchanged and will continue to take into account the following criteria as part of a periodic review of capital structure:
  - maintaining a strong balance sheet
  - continuing capital investment to increase processing capacity and efficiency
  - appropriate accretive acquisitions
  - operating a progressive dividend policy
  - distributing any surplus capital to Shareholders

"The Group's objective is to employ a disciplined approach to investment, returns and capital efficiency to deliver sustainable compounding growth whilst also maintaining a strong balance sheet. We continue to see exciting opportunities to deploy capital organically and have a good M&A pipeline. "

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Appendices

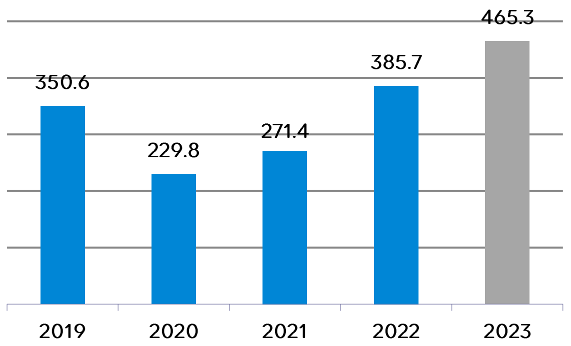
Appendix 1
Segmental Analysis

	2023			2022		
	Revenue £m	Adjusted Operating Profit [1] £m	Adjusted EBITDA[1,2] £m	Revenue £m	Adjusted Operating Profit [1] £m	Adjusted EBITDA[1,2] £m
Workwear	142.6	21.4	48.6	134.6	21.9	46.6
HORECA	322.7	36.0	89.7	251.1	24.1	63.0
Textile Rental	**465.3**	**57.4**	**138.3**	**385.7**	**46.0**	**109.6**
Group Costs	-	(6.9)	(6.8)	-	(4.8)	(4.7)
Total	465.3	50.5	131.5	385.7	41.2	104.9

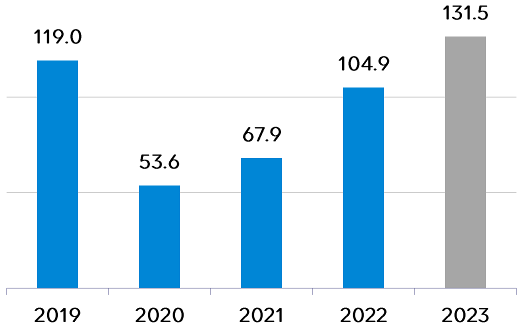
Notes:
1. Operating Profit before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items.
2. Adjusted operating profit plus depreciation charge for property, plant and equipment, textile rental items and right of use assets, plus software amortisation.

Appendix 2
Financial Track Record

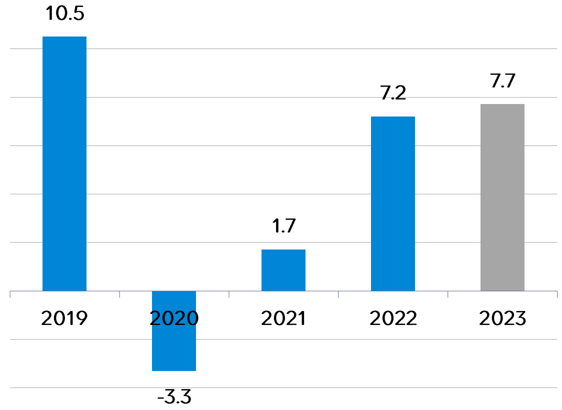
Revenue (£m)



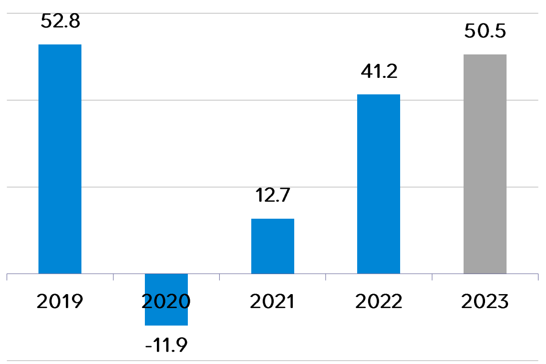
Adjusted EBITDA (£m)



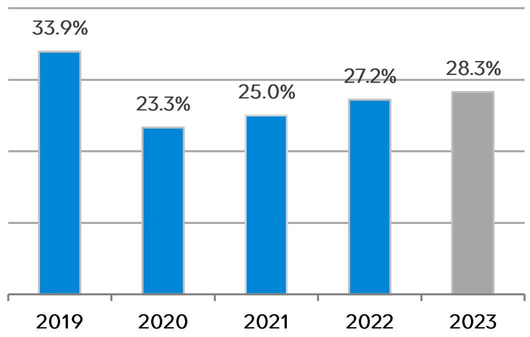
Adjusted Diluted EPS excluding super deduction (p)



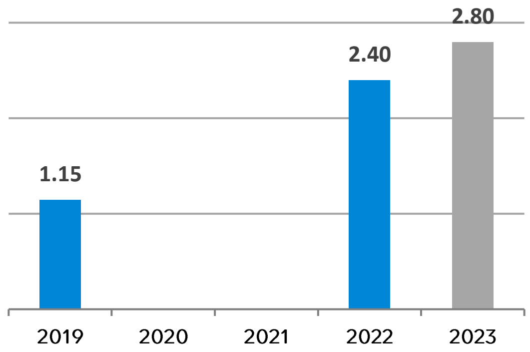
Adjusted Operating Profit (£m)



Adjusted EBITDA Margin (%)



Dividend per Share (p)



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