Final Results for the Year ended 31 December 2012

John Talbot, Executive Chairman
Yvonne Monaghan, Finance Director

Highlights

- Textile Rental Adjusted Operating Profit[1] up 11.3%
- Drycleaning like for like sales up 1.5% in second half
- FM delivered strong growth
- Acquired Cannon and Nickleby businesses contributed to Group's improved performance
- Adjusted PBT[2] up 10.1% to £16.3 million
- Adjusted fully diluted EPS[2] up 19% to 5.0 pence
- Full year dividend increased by 10% to 1.1 pence

Notes:
1 Before intangibles, amortisation and impairment (excluding software amortisation) and exceptional items
2 Before intangibles, amortisation and impairment (excluding software amortisation), exceptional items and exceptional finance costs

Financial Results

JOHNSON SERVICE GROUP PLC

Income Statement

Continuing, £m	2012	2011 (restated)	Change
Revenue[1]	244.2	228.6	6.8%
Adjusted operating profit[2]	19.8	18.3	8.2%
Adjusted operating margin[2]	8.1%	8.0%	
Exceptional items	(27.7)	1.6	
Adjusted PBT[3]	16.3	14.8	10.1%
Adjusted fully diluted EPS[3]	5.0p	4.2p	19.0%
Number of shares used in EPS calc.[4]	254.0m	270.8m	
Dividend per share	1.10p	1.00p	10.0%

Notes:

1 Excluding costs recharged to customers

2 Before intangibles, amortisation and impairment (excluding software amortisation) and exceptional items

3 Before intangibles, amortisation and impairment (excluding software amortisation), exceptional items and exceptional finance costs

4 Basic number of shares of 254,039,462. Potential Ordinary Shares re. warrants and share options ignored for 2012 under IFRS rules. Fully diluted number would have been 272,444,276 shares.

Cash Flow at 31 December 2012

£m		2012	2011
Adjusted operating profit		19.8	18.3
Depreciation and software amortisation (excl. exceptionals)		24.0	20.8
Working capital (excl. exceptionals)		(2.5)	(1.2)
Capital expenditure	– Fixed assets	(5.3)	(5.5)
	– Rental stocks (net)	(18.7)	(16.5)
	– Fixed asset proceeds	0.4	0.3
Interest and tax		(4.9)	1.9
Exceptional items (cash effect)		(10.0)	(1.5)
Dividends		(2.6)	(2.2)
Additional pension contributions		(1.9)	(1.5)
Other		(1.7)	(3.4)
Net cash (outflow) / inflow		(3.4)	9.5
Equity issue (net)		0.3	0.5
Acquisitions less disposals		(5.7)	(0.2)
Net debt movement		(8.8)	9.8
Net debt		58.5	49.7

Divisional Performance

Textile Services

Revenue[1] (£m)	2012	2011	Change
Textile Rental	134.4	118.2	13.7%
Drycleaning	64.3	68.9	(6.7%)
Total	**198.7**	**187.1**	**6.2%**
Adjusted operating profit[2] (£m)			
Textile Rental	17.7	15.9	11.3%
Drycleaning	1.3	1.8	(27.8%)
Total	**19.0**	**17.7**	**7.3%**
Margin	9.6%	9.5%	

Notes:
1 Excluding costs recharged to customers
2 Before intangibles, amortisation and impairment (excluding software amortisation) and exceptional items

Divisional Performance

Textile Rental

Revenue[1] (£m)	2012	2011	Change
Existing Business	124.5	118.2	5.3%
Cannon	9.9	-	
Total	**134.4**	**118.2**	**13.7%**
Adjusted operating profit[2] (£m)			
Existing Business	15.6	14.8	5.4%
Cannon	1.0	-	-
Allocated income	1.1	1.1	-
Total	**17.7**	**15.9**	**11.3%**
Margin	13.2%	13.5%	

- Textile Rental includes the two brands of Johnsons Apparelmaster, which is predominantly workwear rental, and Stalbridge, which is predominantly linen rental

Notes:
1 Excluding costs recharged to customers
2 Before intangibles, amortisation and impairment (excluding software amortisation) and exceptional items

Divisional Performance

Textile Rental

Johnsons Apparelmaster

- Increased revenue reflecting higher spend by existing customers and new wins
- Additional capital spend to accommodate Cannon acquisition into existing plants
- Higher rental stock spend as a result of increased new business wins and the renewal of several major accounts

Stalbridge Linen Services

- Improved revenue and adjusted operating profit
- Focus on providing premium linen service to high end customers reducing throughput of low margin work

Combined Business

- Over 10% more items processed in December 2012 than 2011
- Energy consumption reduced by 22% over last 3 years
- Investment in additional energy efficient equipment to continue
- Our 470 commercial vehicles travel 14.6 million miles in a year

Divisional Performance

JOHNSON SERVICE GROUP PLC

Drycleaning

Retail

£m	2012	2011	Change
Revenue[1]	64.3	68.9	(6.7%)
Adjusted operating profit[2]	1.3	1.8	(27.8%)
Margin	2.0%	2.6%	

- Total like for like sales increase was almost 1.0%
- Like for like sales growth of 1.5% in second half for branches open at December 2012
- Continuing strong growth in laundry revenue
- Back office relocated in December
- GreenEarth® processing machines and branding to be fully in place during 2013
- Number of shops reduced to 351 (Dec 2011: 463)

Alex Reid Ltd (drycleaning consumables and machine supply) was disposed of in December 2012 for £2.1m and is included in Discontinued Operations

Notes:
1 Excluding costs recharged to customers
2 Before intangibles, amortisation and impairment (excluding software amortisation) and exceptional items

Divisional Performance

JOHNSON SERVICE GROUP PLC

Facilities Management

SGP (£m)	2012	2011	Change
Revenue[1]	45.5	41.5	9.6%
Adjusted operating profit[2]	4.5	4.1	9.8%
Margin	9.9%	9.9%	

- Increase in revenue and profit with improved second half performance
- Integration of Nickleby now complete and further enhanced presence in retail
- 55% of revenue derived from long term PPP contracts
- Strong bid pipeline

Notes:
1 Excluding costs recharged to customers, 2011 restated
2 Before intangibles, amortisation and impairment (excluding software amortisation) and exceptional items

Group Costs

£m	2012	2011
Administration costs	2.7	2.6
Management incentive costs	0.9	0.7
Carbon Reduction Commitment (CRC)	0.1	0.2
Total	3.7	3.5

- Underlying cost base held at 2011 levels

Exceptional Items

Continuing, £m	2012	2011
Restructuring costs – Drycleaning	(22.7)	-
Restructuring costs - Acquisitions	(4.0)	-
Acquisition related costs (fees)	(0.7)	-
Pension (costs) / credit	(0.3)	1.6
Total	(27.7)	1.6

- Drycleaning restructuring announced in July 2012 is still expected to cost £23.9m of which £22.7m has been recognised in 2012, with the balance expected in 2013
- Cash impact of Drycleaning restructuring in 2012 was £5.6m excluding tax payment benefit
- Restructuring costs of acquisitions relate to Cannon plant closure costs and integration of Nickleby
- Pension costs are in respect of further enhanced transfer value exercises

Bank Facilities

Facility at March 2013 is £77.0m (December 2012: £77.0m) and expires in May 2015

- Term loan: £52.0m at LIBOR + margin, reducing by £1.5m in June 2013, £3.0m in December 2013 and by £3.0m per half year thereafter
- Revolver: £25.0m at LIBOR + margin, reducing by £2.5m in December 2013
- Margin of 2.50% or 2.75% for 2012, with future adjustment depending on gearing
- Hedging swaps LIBOR for an average fixed rate on £40.0m of debt of 3.0% in 2012 and 1.79% for 2013 to 2015.
- Significant headroom under bank covenants

Net debt level at 31 December 2012 £58.5m (December 2011: £49.7m, June 2012: £57.5m)

Interest cost (excluding notional interest) reduced to £3.5m (2011: £4.2m[1])

£m	2012	2011
Bank / lease interest and fees	3.5	4.2
Notional pension interest credit	-	(0.7)
Total	3.5	3.5

- 2012 interest cover 5.7 times (2011: 5.2 times)
- Change in pension accounting for 2013 – would have been a charge of £1.1m in 2012 on new basis

Notes:
1 Excludes £0.3m of exceptional interest cost

Pensions and Tax

Pensions

- Net IAS 19 Pension liability of £12.9m (Dec 2011: £14.1m):
  - additional pension contributions of £1.9m from continuing Group in 2012 and expected in 2013
  - higher than assumed return on assets achieved
  - lower discount rate assumption increasing liabilities
  - £1.7m of liabilities removed from the schemes by the payment of transfer values

Tax

- Underlying tax rate[1], of 21.6% (2011: 24.6%) compared to statutory rate of 24% (2011: 26%)
  - Includes prior year credits of £0.7m (2011: £0.7m)
- Tax repayment of £5.0m received in February 2011 now agreed with £0.4m repaid to HMRC in July 2012. £3.1m credit to Income Statement in 2012 within Discontinued Operations (2011: £1.5m).
- No quarterly payments expected in relation to 2012 earnings

Notes:
1 Before tax on exceptional items.

The Group Moving Forward

- Textile Rental
  - Continue focus on driving revenue
  - Drive further synergies from Cannon acquisition
  - Increase geographical spread of Stalbridge

- Drycleaning
  - Conversion of all stores to GreenEarth® processing
  - Promotion of additional services
  - Enhanced marketing campaign

- Facilities Management
  - Large proportion of revenue from long term PPP contracts
  - Focused management effort to convert bid pipeline
  - Further investment in IT systems for customers

Conclusion

- Strong trading performance
- Bank facilities in place to May 2015
- Two strong Divisions with leading market positions
- Benefits from full year of 2012 acquisitions to be realised
- Targeted investment in the businesses to continue
- Confident that the Group will continue its progress in 2013

Segmental Results

Appendix I

Segmental Results

£m	2012		2011 Restated	
	Revenue[1]	Operating Profit[2]	Revenue[1]	Operating Profit[2]
Textile Rental				
- Existing business	124.5	15.6	118.2	14.8
- Cannon	9.9	1.0	-	-
- Allocated income / (costs)	-	1.1	-	1.1
	134.4	**17.7**	**118.2**	**15.9**
Drycleaning				
- Retail drycleaning	**64.3**	**1.3**	**68.9**	**1.8**
Facilities Management				
- SGP and SPCs	**45.5**	**4.5**	**41.5**	**4.1**
- Head Office Overheads		-3.7		-3.5
Total	**244.2**	**19.8**	**228.6**	**18.3**

Notes:
1 Excluding costs recharged to customers
2 Before intangibles, amortisation and impairment (excluding software amortisation) and exceptional items