



Final Results for the Year ended 31 December 2013

Acquisition of Bourne

Placing of Equity

Chris Sander, CEO

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Highlights

- Textile Rental Adjusted Operating Profit¹ up 6.8% to £18.9 million
- Drycleaning Adjusted Operating Profit¹ up 23.1% to £1.6 million
- Adjusted Operating Profit¹ up 11.1% to £17.0 million
- Adjusted PBT¹ up 25.2% to £13.4 million
- Adjusted fully diluted EPS¹ up 11.8% to 3.8 pence
- Full year dividend increased by 10% to 1.21 pence
- Acquisition announced in Hotel linen - part financed by Equity

Notes:

1 Before exceptional items and amortisation of customer contracts

Financial Results

Income Statement

Continuing, £m	2013	2012 (restated)	Change
Revenue	193.6	198.7	(2.6)%
Adjusted operating profit ¹	17.0	15.3	11.1%
Adjusted operating margin ¹	8.8%	7.7%	
Exceptional items and amortisation	(1.2)	(26.0)	
Adjusted PBT ¹	13.4	10.7	25.2%
Adjusted fully diluted EPS ¹	3.8p	3.4p	11.8%
Number of shares used in EPS calc. ²	274.5m	254.0m	
Dividend per share	1.21p	1.10p	10.0%

- Notes:
- 1 Before exceptional items and amortisation of customer contracts
 - 2 Basic number of shares of 258.0m for 2013. Potential Ordinary Shares ignored for 2012 under IFRS rules. Fully diluted number in 2012 would have been 272.4m shares. Shares in issue at 3/3/2014 was 262.5m

Cash Flow

£m	2013	2012
Adjusted operating profit	17.0	15.3
Depreciation and software amortisation (excl. exceptionals)	24.1	23.4
Working capital (excl. exceptionals)	1.7	(2.9)
Capital expenditure		
– Fixed assets	(4.6)	(4.5)
– Rental stocks (net)	(16.9)	(18.7)
– Fixed asset proceeds	0.4	0.4
Interest and tax	(3.7)	(4.5)
Exceptional items (cash effect)	(7.0)	(8.3)
Dividends	(2.9)	(2.6)
Additional pension contributions	(1.9)	(1.9)
Other	(2.1)	(2.1)
Net cash inflow / (outflow)	4.1	(6.4)
Equity issue (net)	0.4	0.3
Discontinued operations	0.6	3.2
Disposals/Acquisitions	28.9	(5.9)
Net debt movement	34.0	(8.8)
Net debt	24.5	58.5

Divisional Performance

Textile Rental

Revenue (£m)	2013	2012	Change
Total	136.2	134.4	1.3%
Adjusted operating profit¹ (£m)			
JAM/SLS	17.8	16.6	7.2%
Allocated income	1.1	1.1	-
Total	18.9	17.7	6.8%
Margin	13.9%	13.2%	



- Textile Rental includes the two brands of Johnsons Apparelmaster (JAM), which is predominantly workwear, and Stalbridge (SLS), which is predominantly premium linen

Notes:

1 Before exceptional items and amortisation of customer contracts

Divisional Performance

Textile Rental

- Increased revenue despite decision to withdraw from major customer
- Strong new business sales and additional volume added to existing customers
- Improved margin to 13.9%
- Some capital investment deferred to 2014 as plans are drawn to increase food garment production capacity over the next 12 months
- Workwear customer retention rates continue in excess of 93%
- Over 42,500 accounts serviced by 440 commercial vehicles from 21 laundries across Great Britain



Divisional Performance

Drycleaning

£m	2013	2012	Change
Revenue	57.4	64.3	(10.7%)
Adjusted operating profit ¹	1.6	1.3	23.1%
Margin	2.8%	2.0%	



- Total like for like sales increase was 2.5%
- The second year of positive like for like sales
- Number of shops reduced to 334 (Dec 2012: 351)
- All stores are now rebranded and using GreenEarth® processing
- 2013 media campaign increased brand awareness
- New routes to be developed to access consumers

Notes:

1 Before exceptional items and amortisation of customer contracts

Exceptional Items

Continuing, £m

Restructuring costs – Drycleaning

(1.2)

(22.7)

Restructuring costs – Acquisitions

-

(2.1)

Acquisition related costs

-

(0.4)

Pension credit/(costs)

0.6

(0.3)

Total

(0.6)

(25.5)

Bank Facilities

Facility at March 2014 is £70.0m (December 2013: £50.0m)

- New Facility signed on 21 February 2014 comprising £60.0m RCF to May 2018 and £10.0m 364 day facility
- Initial RCF margin of 2.0% from date of drawing, future adjustment depending on gearing initially tested June 2014
- Initial short term facility margin of 1.5%
- Hedging swaps LIBOR for an average fixed rate on £20.0m of debt of 1.79% for 2014 to 2015.
- Significant headroom under bank covenants
- Net debt level at 31 December 2013 £24.5m (December 2012: £58.5m)

Interest cost (excluding notional interest) reduced to £2.8m (2012: £3.5m)

- 2013 interest cover 4.7 times (2012: 3.3 times) based on continuing adjusted operating profit
- Notional interest charge for 2014 reduced to £0.2m

£m	2013	2012
Bank / lease interest and fees	2.8	3.5
Notional pension interest	0.8	1.1
Total	3.6	4.6

Pensions and Tax

Pensions

- Net IAS 19 Pension liability of £2.4m (Dec 2012: £12.9m)
 - additional pension contributions of £1.9m from continuing Group in 2013 and £2.1m expected in 2014
 - contributions will be reviewed following results of triennial valuation
 - significantly higher than assumed return on assets achieved
 - 3 original DB schemes now replaced by one new scheme
 - £5.1m of liabilities removed from the schemes by the payment of wind up lump sums

Tax

- Underlying tax rate¹, of 22.6% (2012: 20.7%) compared to substantially enacted rate of 23.25% (2012: 24%)
 - includes prior year credits, net of impact of tax rate changes, of £0.5m (2012: £0.7m)
- No quarterly payments expected in the first half of 2014

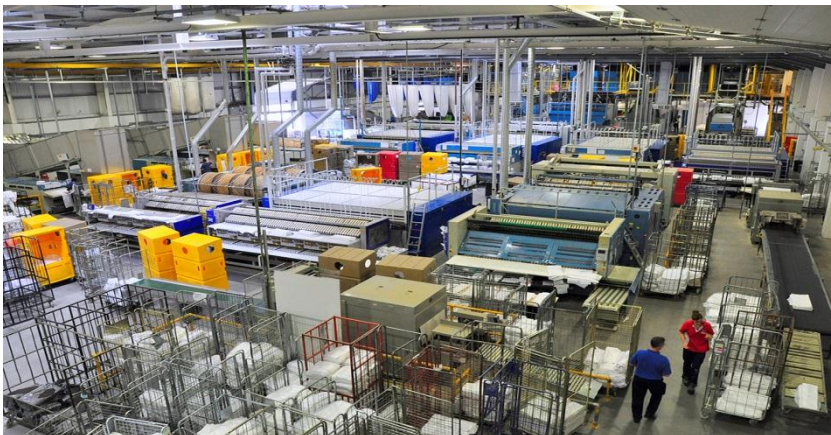
Notes:

- 1 Before tax on exceptional items and amortisation of customer contracts

Acquisition of Bourne

Business overview

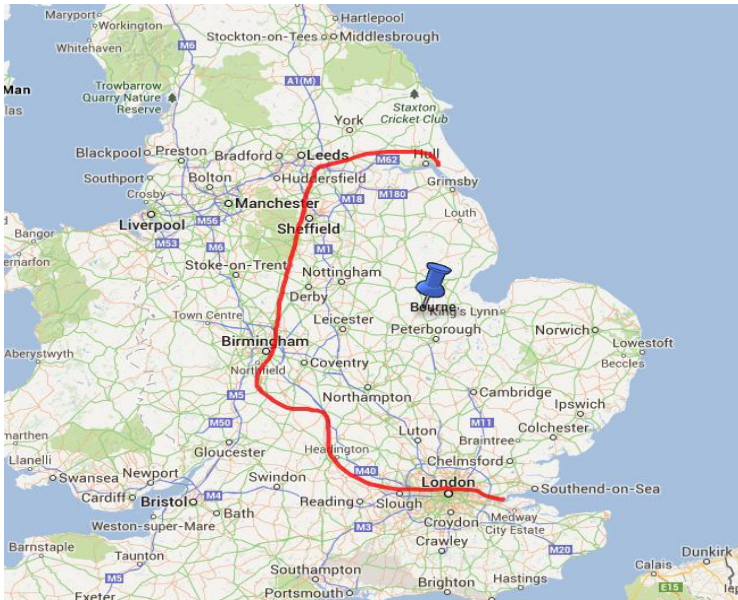
- Bourne Textile Services is a specialist hotel linen business
- Supplies approximately 350 hotels, servicing 28,000 bedrooms
- Top 10 customers represent over 55% of revenue
- Freehold factory site covers 4 acres with a total of 90,000 sq ft of production capacity
- Includes 30,000 sq ft extension costing £4.4m fitted with new laundry equipment which was completed in July 2013
- Laundry processes 1.1m pieces of linen per week and has 30% additional capacity
- Business is very well invested with modern, efficient and well maintained equipment



Acquisition of Bourne

Business overview

- Main customer types are:
 - 46% budget hotels; 30% three star hotels; 13% four star hotels
- New factory extension currently dedicated to Premier Inn
- Bourne currently services customers in Midlands, South Yorkshire, East Anglia, North London and Home Counties
- Fleet of 36 fully owned delivery vehicles all on KPI tracking system
- Employs 350 staff



Acquisition of Bourne

Business opportunities

- *Bourne has a:*
 - History of year on year growth
 - Strong history of capital investment
 - Reputation for operational excellence
 - Low operational cost base
- *The Directors believe that the acquisition:*
 - Establishes Johnsons in the volume hotel market
 - Complements Stalbridge trading area and customer base
 - Provides access to a growing sector of the textile services market (18,000 new hotel bedrooms under construction in trading area)



Acquisition of Bourne

Acquisition details

- Share purchase of Bourne Holding Company and trading subsidiary
- Consideration in cash on completion of £22m on a debt free, cash free basis and subject to normalised working capital adjustment through a completion account mechanism
- Includes freehold building in Bourne with a net book of £5.3m (to be reduced by an estimated fair value of between £1 million to £2 million)
- An amount held in escrow pending agreement of completion accounts
- Usual indemnity and warranty provisions to be included in SPA
- Largest customer contacted pre-completion
- Vendor retiring and leaving the business
- Remaining Management to continue

Bourne financial information

Year to	Feb 13 £m	Feb 12 £m
Revenue	15.4	14.1
PBT	2.4	2.2
EBITDA ¹	3.5	3.3
<i>PBT margin</i>	15.6%	15.6%

Notes:

1 EBITDA refers to operating profit before charging depreciation in respect of property, plant and equipment

Placing

- Placing of 26.3 million shares at a price of 51p raising £12.8m net
- Representing approximately 10% of the issued share capital
- Proceeds to part fund the acquisition of Bourne to maintain balance sheet strength and flexibility
- Placing shares will rank pari passu with existing ordinary shares
- Including the right to receive the FY 2013 final dividend payable in May 2014, subject to Shareholder approval at the Company's AGM

The Group Moving Forward

- Continued investment in Textile Rental
- Organic growth from existing services
- Increase geographical spread of Stalbridge
- Identify additional complementary market sectors within Textile Rental
- Build on market awareness of GreenEarth® advantages in Drycleaning
- Develop new routes to Drycleaning consumers
- Maintain gearing at reasonable levels and with adequate bank facilities for acquisition plans

Conclusion

- Strong trading performance
- Bank facilities in place to May 2018
- Two strong businesses with market leading positions
- Significant step made in expanding range of services in Textile Rental
- Targeted investment in the businesses to continue

Segmental Results

Appendix I

Segmental Results

£m	2013		2012 Restated	
	Revenue	Operating Profit ¹	Revenue	Operating Profit ¹
Textile Rental				
- JAM/SLS	136.2	17.8	134.4	16.6
- Allocated income / (costs)	-	1.1	-	1.1
	136.2	18.9	134.4	17.7
Drycleaning				
- Retail drycleaning	57.4	1.6	64.3	1.3
- Head Office Overheads		-3.5		-3.7
Total	193.6	17.0	198.7	15.3

Notes:

1 Before exceptional items and amortisation of customer contracts