



---

# INTERIM RESULTS

---

For the 6 months ended 30 June 2015

---

**Chris Sander**  
Chief Executive Officer

**Yvonne Monaghan**  
Chief Financial Officer



# Highlights

Another strong performance, ahead of expectations and significantly ahead of 2014

Adjusted operating profit increased by 20.2% to £11.3 million (2014 H1: £9.4 million)<sup>1</sup>

Adjusted profit before tax increased by 18.8% to £10.1 million (2014 H1: £8.5 million)<sup>1</sup>

Adjusted fully diluted earnings per share increased by 13.0% to 2.6 pence (2014 H1: 2.3 pence)<sup>1</sup>

Net debt better than expected at £72.4 million (December 2014: £28.5 million, on a pro-forma<sup>2</sup> basis £73.1 million)

Acquisition of London Linen for £64.9 million. Immediately earnings enhancing

Successful placing of 30.0 million new shares at 73p, raising net proceeds of £21.1 million

Textile Rental continues to perform ahead of management expectations

30% increase in interim dividend to 0.65 pence (2014 H1: 0.50 pence) reflecting the earnings accretion from the two recent acquisitions, the Board's confidence in the outlook for the business and a rebalancing of interim and final dividends

## Notes:

- 1) Before amortisation and impairment of intangible assets (excluding software amortisation), exceptional items and, in the case of earnings per share only, associated taxation
- 2) Adjusted for the equity raise and acquisition



# Financial Results

## Income Statement

<i>Continuing operations</i>	2015 H1	2014 H1	Change
Revenue	£109.2m	£101.6m	7.5%
Adjusted operating profit <sup>1</sup>	£11.3m	£9.4m	20.2%
Adjusted operating margin <sup>1</sup>	10.3%	9.3%	
Exceptional items	£(7.6)m	£(1.4)m	
Adjusted PBT <sup>1</sup>	£10.1m	£8.5m	18.8%
Adjusted EPS <sup>1</sup>	2.6p	2.3p	13.0%
Fully diluted number of shares <sup>2</sup>	312.1m	291.7m	
Interim dividend per share	0.65p	0.50p	30.0%

### Notes:

- 1) Before amortisation and impairment of intangible assets (excluding software amortisation), exceptional items and, in the case of earnings per share only, associated taxation
- 2) Basic number of shares of 309.2m plus 2.9m potentially dilutive Ordinary Shares re. share options (June 2014: 284.4m plus 7.3m potentially dilutive Ordinary Shares)

Financial Results – Cash Flow			
£m	2015 H1	2014 H1	2014 FY
Continuing adjusted operating profit	11.3	9.4	21.8
Depreciation and software amortisation (excl. exceptionals)	15.0	12.9	27.6
Working capital (excl. exceptionals)	2.0	0.5	2.4
Capital expenditure – Fixed assets	(3.8)	(4.7)	(11.7)
– Rental stocks (net)	(11.8)	(10.5)	(23.0)
– Fixed asset proceeds	0.1	-	0.1
Interest and tax	(2.1)	(1.6)	(2.1)
Exceptional items (cash effect)	(5.1)	(1.6)	(3.4)
Dividends	(3.6)	(2.4)	(3.9)
Additional pension contributions	(1.0)	(1.0)	(2.0)
Other	0.4	0.8	0.8
Net cash inflow	1.4	1.8	6.6
New Finance Leases	(0.8)	(0.1)	(1.0)
Equity issue (net)	21.2	13.2	13.5
Discontinued operations	(0.2)	0.2	(0.7)
Acquisitions / Disposals	(65.5)	(22.3)	(22.4)
Net debt movement	(43.9)	(7.2)	(4.0)
Net debt	72.4	31.7	28.5

# Acquisition of London Linen

Share purchase of London Linen Supply Limited for £64.9m net of cash acquired

Complements existing Stalbridge business

Usual indemnity and warranty provisions included in SPA



Specialist restaurant and catering linen business

History of YoY revenue growth, with an average growth rate of 8.9% per annum over last 2 years

Increased focus on the growing London restaurant market

Provides opportunities for brand consolidation and operational efficiencies

## London Linen financial information

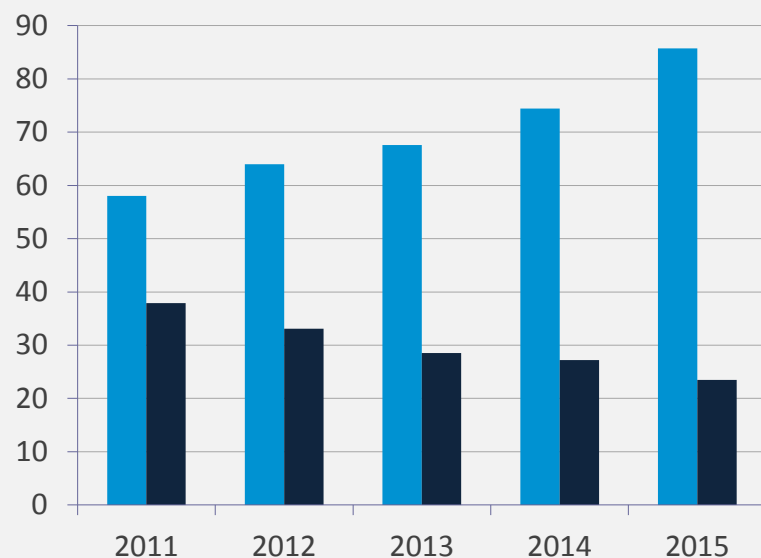
Year to	Oct 14	Oct 13
	£m	£m
Revenue	29.4	27.2
EBITDA*	6.3	5.7
PBT**	5.5	4.9
PBT margin	18.7%	18.0%


\* EBITDA is Operating profit before PPE depreciation and the remuneration of the highest paid director (£2.9m in 2014 and £4.8m in 2013) but after charging rental stock depreciation

\*\* PBT is Profit before tax per the statutory accounts but before charging the remuneration of the highest paid director (£2.9m in 2014 and £4.8m in 2013)

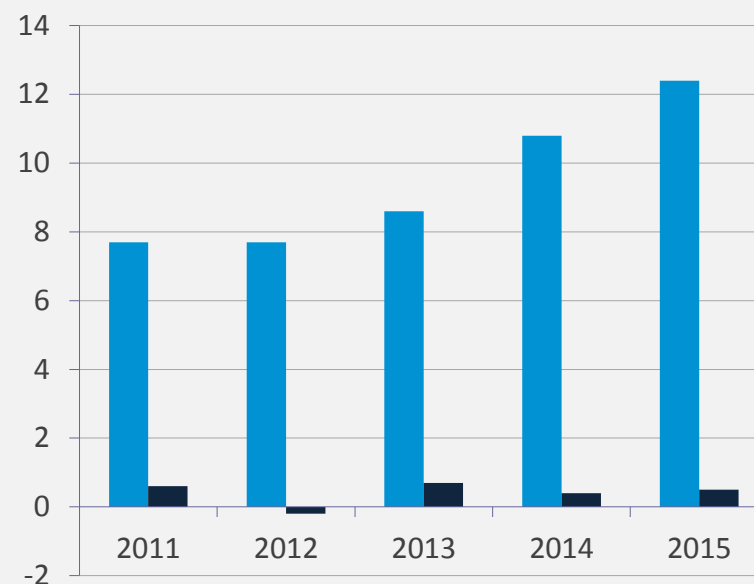
## Divisional Results – First Half



### Revenue £m



 Textile Rental  Drycleaning

### Profit £m



 Textile Rental  Drycleaning

Note: Profit is stated before exceptional items and amortisation of customer contracts

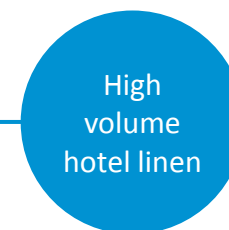
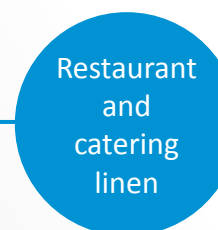


# Divisional Performance

## Textile Rental

£m	2015 H1	2014 H1	Increase
Revenue	85.7	74.4	15.2%
Adjusted operating profit <sup>1</sup>	12.4	10.8	14.8%
Margin	14.5%	14.5%	

Textile Rental includes four recognised brands



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

# Divisional Performance

## Textile Rental

Overall revenue growth of 15.2%, including £5.6m from London Linen

Strong new sales to both existing and new Apparelmaster customers

Customer retention in Apparelmaster maintained at 95%

Stalbridge new sales targeted in vicinity of Dorset plants

Stalbridge and London Linen working together to streamline customer relationships and transport links

London Linen has performed as expected in first two months and integration ongoing and proceeding to plan

Bourne traded well in face of continuing strong price competition and some contract churn in the UK hotel market

Significant on going capital investment in all businesses targeting improved productivity and reduced energy consumption





# Textile Rental Market

The UK Textile Rental market can be segmented as follows:

Segment	Market Participants	JSG Representation	Estimated total market	Estimated JSG Share
Workwear	<b>JSG</b> , Berendsen	Apparelmaster	£190.0m	45.0%
Hotels and Restaurants	Berendsen, Brilliant, Afonwen, <b>JSG</b> , AAA Linen	Bourne, Stalbridge, London Linen	£540.0m	15.0%
Healthcare	Berendsen, Synergy Healthcare, NHS in house laundries	No presence	£200.0m	-
Washroom Services	PHS, Rentokil, Cannon	Partnership with Cannon	£300.0m	6.0%

# Textile Rental – Market and Strategy

Diverse customer base with over 45,000 accounts serviced by over 550 commercial vehicles

High proportion of contract based revenues

Average workwear customer spend by location c£36 p/w

23 strategically sited and well invested UK laundries

Further expansion into wider Textile Rental market

Identify further strategic locations for our restaurant and catering business

Continued capital investment in all facilities to increase productivity and reduce energy consumption

Optimising synergies and value from acquisitions

# Divisional Performance

## Drycleaning

£m	2015 H1	2014 H1	Change
Revenue	23.5	27.2	(13.6%)
Adjusted operating profit <sup>1</sup>	0.5	0.4	25.0%
Margin	2.1%	1.5%	



Reorganisation announced 6 Jan 2015 successfully implemented with 99 branches closed in the first half

210 branches and 128 Waitrose locations trading at June 2015

Partnership with Waitrose working well, 50 service desks added in HY1 and anticipate that further locations will be added in the second half

Continuing development of alternative, more convenient collection and delivery routes to reach customers at their place of work or on line

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

# Exceptional Items

Continuing, £m	2015 H1	2014 H1	2014 FY
Restructuring costs – Textile Rental	0.6	0.8	1.3
Restructuring costs – Drycleaning	6.2	-	-
Acquisition related costs (fees)	0.8	0.6	0.6
Pension costs	-	-	4.9
<b>Total</b>	<b>7.6</b>	<b>1.4</b>	<b>6.8</b>

Restructuring costs - Textile Rental in 2015 and 2014 relate to the relocation of the Leeds workwear plant. A further £0.4m is expected to be incurred in the next 6 months

Restructuring costs - Drycleaning relates to the announced reorganisation with a further £0.3m expected to be incurred in the next 6 months



# Bank Facility, Hedging & Interest

## Bank Facility

- New £120.0m facility: £100.0m RCF expiring April 2020; £20.0m 364 Day Facility expiring April 2016
- RCF at LIBOR + applicable margin; 364 Day Facility at LIBOR + 1.25% margin
- RCF margin ranges from 1.25% to 2.25%; 1.57% average during 2015 H1; H2 initially 1.75%
- Net debt at 30 June 2015: £72.4m (December 2014: £28.5m, Pro forma: £73.1m)
- Significant headroom under existing facilities

## Hedging

- Hedging swaps LIBOR for a fixed rate of 1.79% on £20.0m of debt until Jan 2016
- New Hedging swaps in place from Jan 2016 which hedge £15.0m at 1.47% to Jan 2019 and £15.0m at 1.665% to Jan 2020

## Interest

- Interest cost (excluding notional pension interest costs) increased to £0.9m (2014 H1: £0.8m)
- Increase in notional pension interest cost

£m	2015 H1	2014 H1
Bank / lease interest	0.9	0.8
Notional interest	0.3	0.1
Total	1.2	0.9



# Pensions and Tax

## Pensions

- Net IAS 19 Pension liability of £11.4m (Dec 2014: £13.8m)
- Liabilities reduced partly due to the increase in discount rate assumption
- Additional pension contributions of £1.0m from Group in H1 with a further £0.9m expected in H2

## Tax

- Underlying tax rate<sup>1</sup> of 20.7% (2014: 22.2%) compared to a weighted average rate of 20.25% (2014: 21.5%)
- No credit or charge in respect of prior years
- Total tax payments of £0.9m (2014: £0.2m)

Note: 1) Before tax relating to amortisation and impairment of intangible assets (excluding software amortisation) and exceptional items

# The Group Moving Forward

## Textile Rental

- Continued expansion of our presence in the Textile Rental market
- Identify further earnings accretive acquisition opportunities
- Ongoing investment in our processing facilities to drive efficiencies and increase capacity
- Drive operational benefits from the London Linen acquisition

## Drycleaning

- Streamlined branch portfolio focusing on service and convenience
- Develop partnership with Waitrose
- Identify additional routes to market

## Financials

- Full year results expected to be slightly ahead of current market expectations
- Significant headroom for future investment plans
- Sustainable gearing level of not more than 2x net debt/EBITDA
- Maintain our progressive dividend policy



---

THANK YOU

---

# Appendix 1 - Segmental Results

	2015 H1		2014 H1	
	Revenue £m	Operating Profit <sup>1</sup> £m	Revenue £m	Operating Profit <sup>1</sup> £m
<b>Textile Rental</b>				
- Trading	85.7	11.9	74.4	10.3
- Allocated Income	-	0.5	-	0.5
	<b>85.7</b>	<b>12.4</b>	<b>74.4</b>	<b>10.8</b>
<b>Drycleaning</b>				
- Retail Drycleaning	23.5	0.5	27.2	0.4
<b>Unallocated Costs</b>				
- Group Costs	-	(1.6)	-	(1.8)
<b>TOTAL</b>	<b>109.2</b>	<b>11.3</b>	<b>101.6</b>	<b>9.4</b>

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