JOHNSON
SERVICE GROUP PLC

FINAL RESULTS

12 months ended 31 December 2016

Chris Sander
Chief Executive Officer

Yvonne Monaghan
Chief Financial Officer

Highlights

- Strong financial performance[1] – reflecting organic growth and recent acquisitions
  - Revenue up 36.4% to 256.7m
  - Adjusted operating profit up 45.6% to £37.7m[2]
  - Adjusted profit before taxation up 45.1% to £33.8m[2]
  - Adjusted fully diluted earnings per share up by 31.0% to 7.6p[2]
- Net debt lower than expected at £98.2m (2015: £71.2m) – target net debt: EBITDA ratio achieved early
- Proposed final dividend of 1.7p, making a full year dividend of 2.5p

- Acquisitions of Zip Textiles, Chester Textiles and Afonwen in H1, significantly increasing the Group's presence in the high volume hotel linen rental market
  - Immediately earnings enhancing
  - Expanded Group's geographic reach
  - Further operational and cost benefits to come as the integration process completes
- Continued investment across all operations – to enhance customer service and operational efficiencies
- Disposal of Drycleaning operations on 4 January 2017

Revenue up 36.4%

Adj. PBT up 45.1%

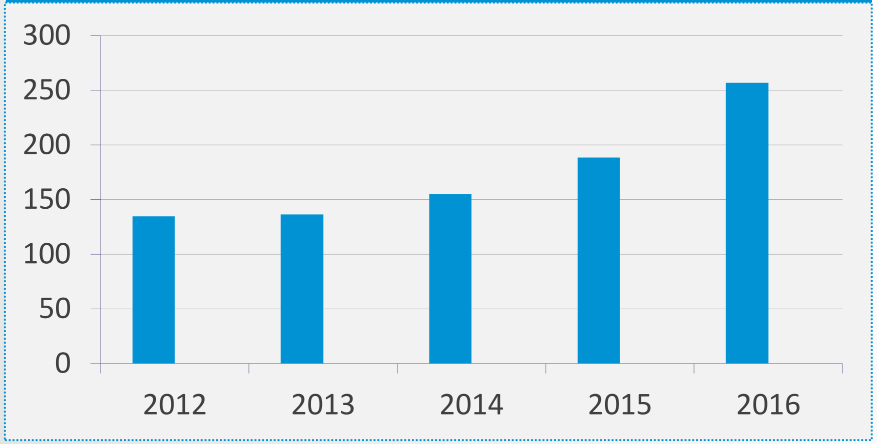
Adj. EPS up 31.0%

Notes:
1) Continuing operations
2) Before amortisation and impairment of intangible assets (excl. software amortisation), exceptional items and, in the case of earnings per share only, associated taxation

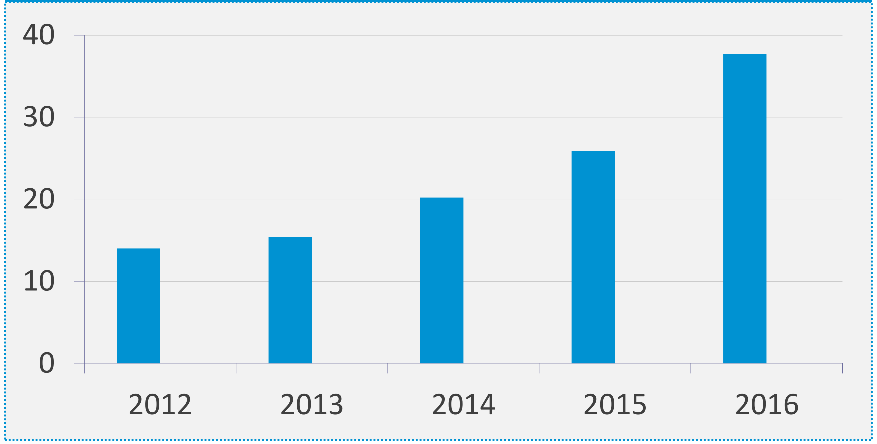
Five Year Record

Continuing operations

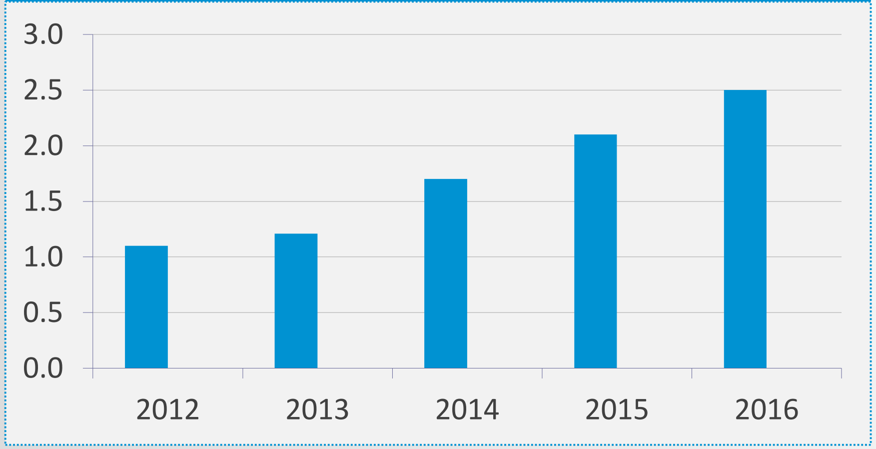
Revenue £m



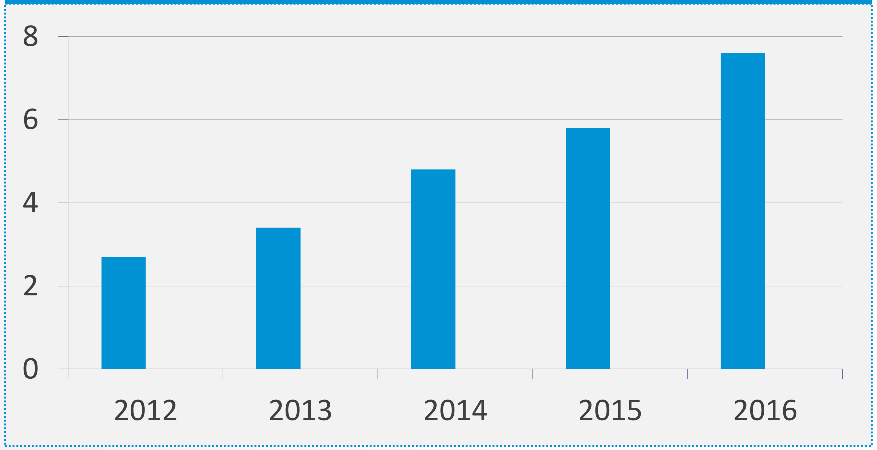
Adj. Operating Profit £m



Dividend - pence per share



Adj. Fully diluted EPS– pence per share (proforma)



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Income Statement

Continuing operations (£m)	2016	2015 Restated	Increase
Revenue	**256.7**	188.2	36.4%
Adjusted operating profit[1]	**37.7**	25.9	45.6%
Adjusted operating margin[1]	**14.7%**	13.8%	
Exceptional items	**(1.0)**	(2.5)	
Adjusted PBT[1]	**33.8**	23.3	45.1%
Adjusted EPS[1]	**7.6p**	5.8p	31.0%
Number of shares used in EPS calc[2]	**356.9**	323.2	n/a
Dividend	**2.5p**	2.1p	19.0%

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 352.5m for 2016. Shares in issuance at 27/02/2017 was 365.2m

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Cash Flow

Continuing Operations (£m)	2016	2015 Restated
Continuing adjusted operating profit	37.7	25.9
Depreciation and software amortisation (excl. exceptionals)	43.3	30.9
Working capital (excl. exceptionals)	3.0	0.9
Capital expenditure – fixed assets	(14.6)	(3.6)
– rental stocks (net)	(31.8)	(25.3)
– fixed asset proceeds	0.1	0.1
Interest and tax	(8.9)	(4.5)
Exceptional items (cash effect)	0.2	(0.6)
Dividends	(7.7)	(5.7)
Additional pension contributions	(1.9)	(1.9)
Other	0.5	-
Net cash inflow	19.9	16.2
New finance leases	-	(5.5)
Equity issue (net)	29.3	21.2
Discontinued operations	(1.7)	(5.1)
Acquisitions / Disposals	(74.5)	(69.5)
Net debt movement	(27.0)	(42.7)
Net debt	98.2	71.2

Delivery of Strategic Plan

- Focus on growth markets in Textile Rental
  - Increase presence in HORECA market
- Exploit market opportunities for organic growth
- Identify and acquire quality businesses to increase geographic coverage
- Restructure and divest Drycleaning activities
- Continued investment in processing equipment
- Focus on delivering excellent customer service
- Deliver logistical and purchasing synergies across all brands
- Continuously improve IT platforms

UK Wide Presence

Workwear

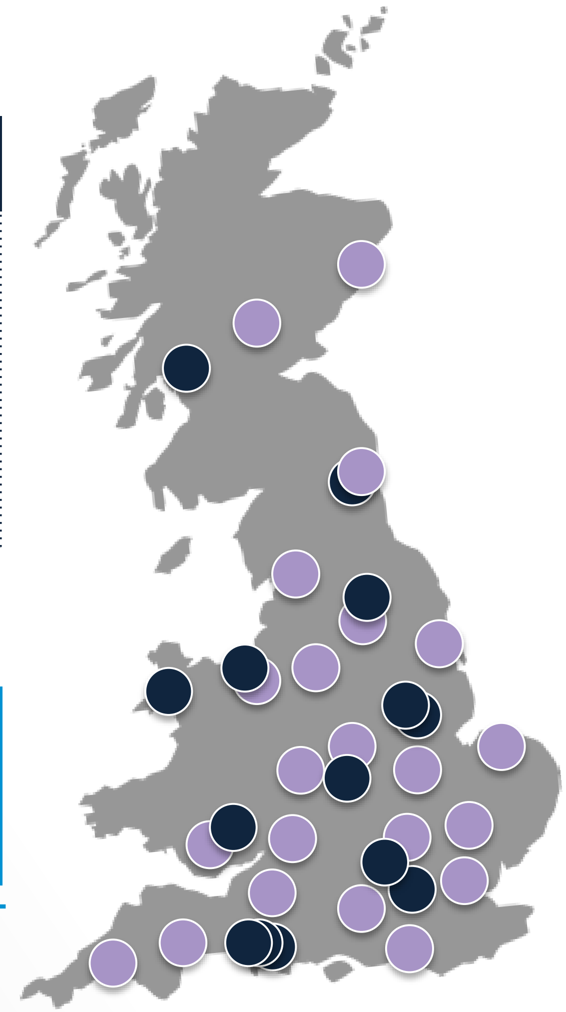
- 17 laundries
- 5 depots
- 2,150 employees
- 378 commercial vehicles
- 37,500 customers

HORECA (hotels, restaurants & catering)

- 12 laundries
- 2 depots
- 2,850 employees
- 350 commercial vehicles
- 8m items processed a week (average)

Workwear	Premium linen & chefs' wear	Restaurant & catering linen	High volume hotel linen	High volume hotel linen

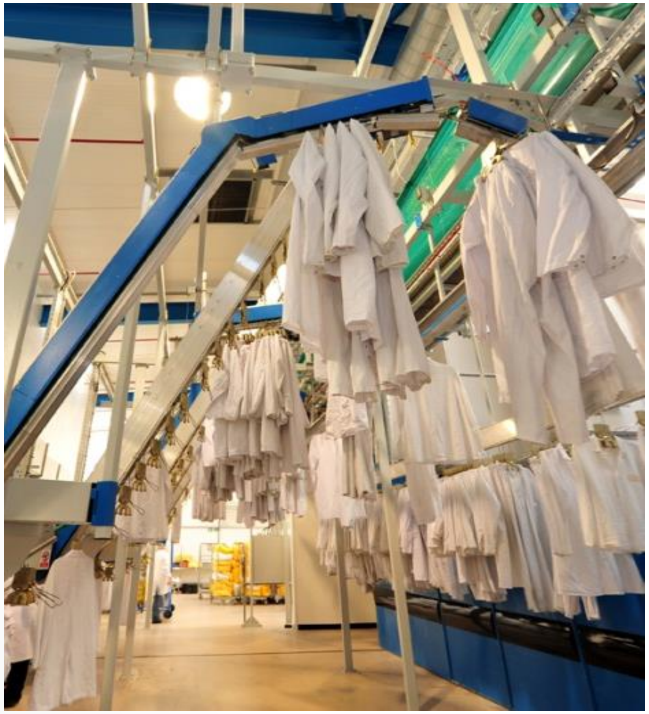
Textile Rental - Five Leading Brands



Operational Performance – Textile Rental

£m	2016	2015	Increase
Revenue	**256.7**	188.2	36.4%
Adjusted operating profit[1]	**41.7**	29.4	41.8%
Margin	**16.2%**	15.6%	

- Revenue growth of 36.4%, including £42.7m from 2016 acquisitions
- Apparelmaster - continued investment to enhance capacity, particularly in food processing
- Stalbridge - strong performance with record new sales wins
- London Linen - £4.5m capital investment programme almost complete
- Zip and Chester acquisitions - rebranded as ‘*Bourne*’ and ‘*Afonwen*’
- Hotel linen processing being aligned to optimise customer service to most localised production facility
- Improved level of sales to new and existing customers in all businesses



Notes:
1) Before amortisation and impairment of intangible assets (excl. software amortisation), exceptional items and, in the case of earnings per share only, associated taxation

Exceptional Items

Continuing, £m	2016	2015 Restated
Restructuring costs	-	1.0
Acquisition related costs	1.2	1.5
Pension costs	0.3	-
Gain on disposal of vacated Textile Rental property	(0.5)	-
Total	1.0	2.5

Restructuring costs

- Final costs arising in 2015 from successful relocation to the new workwear processing facility in Leeds

Acquisition related costs

- Includes professional fees and subsequent restructuring costs for Zip, Chester Textiles and Afonwen

Pension costs

- Professional fees in respect of liability management exercises

Gain on property

- Gain on sale of freehold site in Leeds

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Bank Facility, Hedging & Interest

Bank Facility

- New £120.0m RCF expiring April 2020
- RCF at LIBOR + applicable margin
- RCF average margin during 2016 was 1.67% and will be similar for at least Q1 2017
- Net debt at 31 Dec 2016: £98.2m (December 2015: £71.2m)
- Gearing (net debt/EBITDA[1]) at December 2016 of 1.8x
- Gearing will remain at not more than 2x following disposal of Drycleaning

£m	2016	2015 Restated
Bank / lease interest	3.3	2.0
Notional interest	0.6	0.6
Total	3.9	2.6

Hedging

- Hedging arrangements in place from Jan 2016 which hedge £15.0m at 1.47% to Jan 2019 and £15.0m at 1.67% to Jan 2020
- New hedging arrangements in place from June 2016 which hedge £10.0m at 0.49% to June 2018 and £10.0m at 0.55% to June 2019

Interest

- Interest cost (excluding notional pension interest) of £3.3m (2015: £2.0m)
- Increase in notional pension interest cost reflects pension deficit at the start of 2016. The expected charge for 2017 is £0.5m

Note 1: Adjusted operating profit plus depreciation of PPE

Pensions and Tax

Pensions

- Net deficit of £13.8m (Dec 2015: £11.9m)
- Increase largely due to a reduction in the discount rate applied to liabilities
- Deficit recovery payments of £1.9m were paid (2015: £1.9m). Normal payments at the same rate will continue until the results of the triennial valuation are agreed
- An additional contribution of £1.5m is to be paid on 3 April 2017 funded from the disposal proceeds of the Drycleaning business

Tax

- Effective tax rate[1] on adjusted profit before tax of 19.8% (2015: 19.7%)

Note 1: Based on continuing profit before tax before amortisation and impairment of intangible assets (excl. software amortisation) and exceptional items

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Disposal of Drycleaning Activities

- Transaction completed on 4 January 2017 for consideration of £8.25m on a debt free, cash free basis
- Drycleaning activities reported as Discontinued Operations and net assets classified as “held for sale” as at 31 December 2016
- Impairment of Goodwill of £2.0m recognised within Discontinued Operations at 31 December 2016
- Disposal leaves Group focused on Textile Rental operations
- Initial proceeds used to repay debt and fund an additional £1.5m payment into the Defined Benefit pension scheme
- Contingent consideration of up to £1.0m receivable by 27 December 2017
- Liability for closed shops with a lease expiry before 30 June 2016 remains with the Group and is estimated at £1.8m

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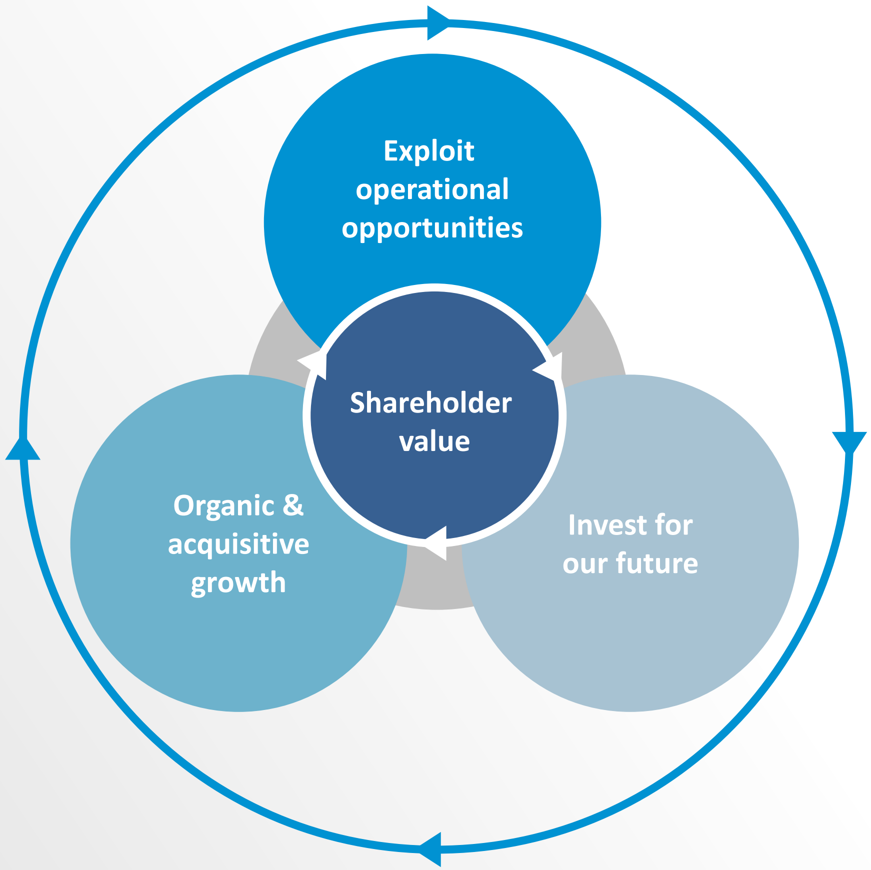
Moving Forward

Exploit operational opportunities

- Continue to integrate acquisitions effectively within the business
- Continue to realise operational benefits from acquisitions
- Drive economies of scale and more efficient sourcing of products through consolidated purchasing

Organic & acquisitive growth

- Continue to drive organic growth within our existing businesses
- Further exploit opportunities for improved National Supply Agreements
- Identify further acquisitions that support our growth strategy



Invest for our future

- Continue to invest in our processing facilities to enhance our customer service
- Target investment across the Group in areas which drive improved productivity and increase capacity
- Further develop our IT systems to improve customer service and deliver best in class facilities for our customers

Shareholder value

- Continue to deliver strong earnings growth
- Maintain a strong and flexible balance sheet
- Maintain gearing of not more than 2x net debt/EBITDA
- Continue our progressive dividend policy

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THANK YOU

Appendix 1 – Segmental Results (Continuing)

	2016		2015	
	Revenue £m	Operating Profit[1] £m	Revenue £m	Operating Profit[1] £m
Textile Rental				
- Trading	256.7	40.4	188.2	28.2
- Allocated Income	-	1.3	-	1.2
	256.7	41.7	188.2	29.4
Unallocated Costs				
- Group Costs	-	(4.0)	-	(3.5)
TOTAL	**256.7**	**37.7**	**188.2**	**25.9**

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