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# INTERIM RESULTS

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For the 6 months ended 30 June 2016

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**Chris Sander**  
Chief Executive Officer

**Yvonne Monaghan**  
Chief Financial Officer



# Highlights

Strong performance with Adjusted Operating Profit<sup>1</sup> increased by 42.5% to £16.1 million

Adjusted Profit Before Tax<sup>2</sup> increased by 39.6% to £14.1 million

Adjusted fully diluted earnings per share<sup>1</sup> increased by 26.9% to 3.3 pence (2015 H1: 2.6 pence)

Net debt better than anticipated at £108.9 million (Pro-forma<sup>3</sup> December 2015: £115.6 million)

Recent acquisitions delivering synergy benefits and performing ahead of expectations

Significant increase in our presence in the UK Textile Rental market

Textile Rental performing strongly and ahead of management expectations

Continuation of a progressive dividend policy with an interim dividend up 23.1% to 0.8p



## 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 Profit Before Tax" is Adjusted Operating Profit, less finance costs. Statutory Profit Before Tax was £10.4 million (2015 H1: £1.2 million)
- 3) Pro-forma basis after adjusting for the acquisition of Zip Textiles, Afonwen and Chester Textiles (£72.4 million plus £0.7 million costs) and the equity fund raising (net proceeds £28.7 million). Reported net debt was £71.2 million

# Financial Results

## Income Statement

<i>Continuing operations</i>	2016 H1	2015 H1	Change
Revenue	<b>£137.6m</b>	£109.2m	26.0%
Adjusted operating profit <sup>1</sup>	<b>£16.1m</b>	£11.3m	42.5%
Adjusted operating margin <sup>1</sup>	<b>11.7%</b>	10.3%	
Exceptional items	<b>£(0.7)m</b>	£(7.6)m	
Adjusted PBT <sup>1</sup>	<b>£14.1m</b>	£10.1m	39.6%
Adjusted EPS <sup>1</sup>	<b>3.3p</b>	2.6p	26.9%
Fully diluted number of shares <sup>2</sup>	<b>344.9m</b>	312.1m	
Interim dividend per share	<b>0.80p</b>	0.65p	23.1%

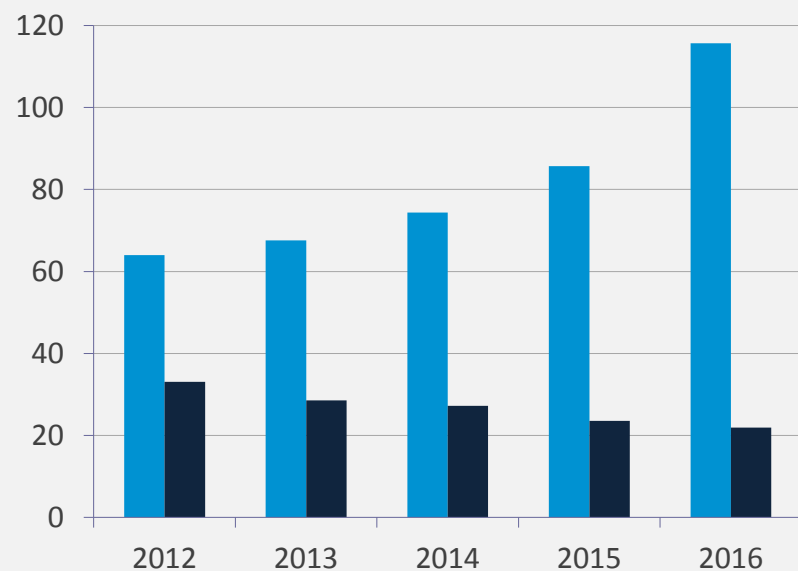
Notes:



- 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 340.9m plus 4.0m potentially dilutive Ordinary Shares re. share options (June 2015: 309.2m plus 2.9m potentially dilutive Ordinary Shares)

Financial Results – Cash Flow			
£m	2016 H1	2015 H1	2015 FY
Continuing adjusted operating profit	16.1	11.3	27.9
Depreciation and software amortisation (excl. exceptionals)	20.0	15.0	32.4
Working capital (excl. exceptionals)	2.7	2.0	1.7
Capital expenditure – Fixed assets	(5.2)	(3.8)	(4.4)
– Rental stocks (net)	(15.4)	(11.8)	(25.3)
– Fixed asset proceeds (excl. exceptionals)	0.1	0.1	0.1
Interest and tax	(3.5)	(2.1)	(4.5)
Exceptional items (cash effect)	(2.2)	(5.1)	(7.9)
Dividends	(4.8)	(3.6)	(5.7)
Additional pension contributions	(0.9)	(1.0)	(1.9)
Other	0.4	0.4	0.8
Net cash inflow	7.3	1.4	13.2
New Finance Leases	-	(0.8)	(5.1)
Equity issue (net)	28.8	21.2	21.2
Discontinued operations	(0.1)	(0.2)	(1.2)
Acquisitions / Disposals (inc. debt acquired)	(73.7)	(65.5)	(70.8)
Net debt movement	(37.7)	(43.9)	(42.7)
Net debt	108.9	72.4	71.2

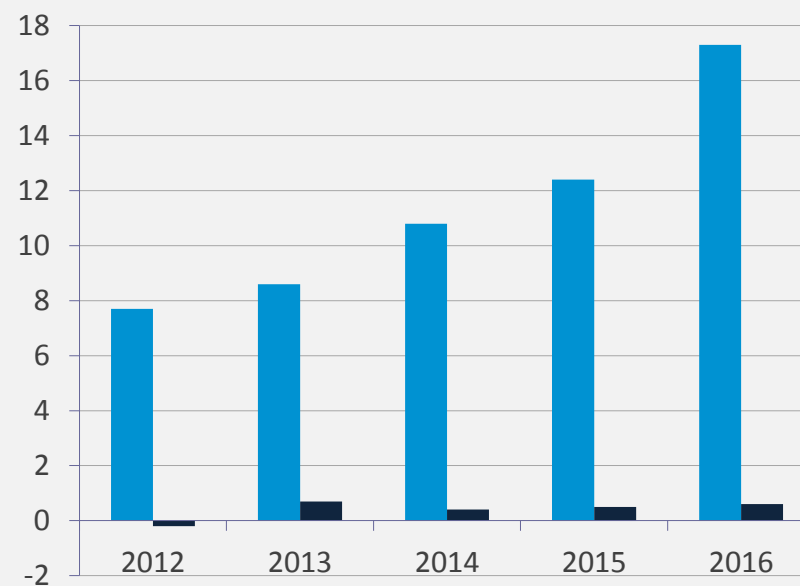
## Divisional Results – First Half



### Revenue £m



 Textile Rental  Drycleaning

### Profit £m



 Textile Rental  Drycleaning

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

# The Group's UK Wide Presence

## Workwear

- 17 laundries
- 5 depots
- 2,100 employees
- 359 commercial vehicles
- 37,000 customers



## Restaurant/Catering

- 6 laundries
- 1 depot
- 1,250 employees
- 160 commercial vehicles
- 10,000 locations serviced



## Hotel Linen

- 6 laundries
- 1 depot
- 1,550 employees
- 150 commercial vehicles
- 5m items processed a week (average)

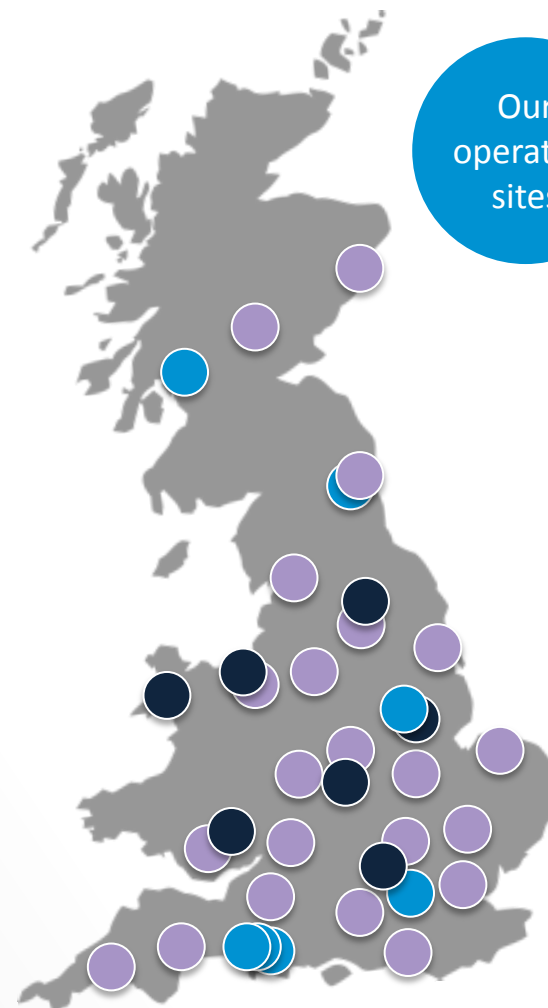


## Drycleaning

- 203 branches
- 154 Waitrose locations
- 1,250 employees
- 50 commercial vehicles
- 300,000 Priority Club members



Our  
operating  
sites



# Divisional Performance

## Textile Rental

	2016 H1	2015 H1	Increase
Revenue	£115.7m	£85.7m	35.0%
Adjusted operating profit <sup>1</sup>	£17.3m	£12.4m	39.5%
Margin	15.0%	14.5%	

Textile Rental includes five recognised brands



Workwear

Premium  
linen and  
chefs' wear

Restaurant  
and  
catering  
linen

High  
volume  
hotel linen

High  
volume  
hotel linen

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



## Divisional Performance

### Textile Rental

Revenue growth of 35.0%, including £12.3m from Zip, Afonwen and Chester

Zip, Afonwen and Chester acquisitions, expanding volume hotel linen

Apparelmaster organic growth from new business wins, existing customers and continued good retention

Zip rebranded as Bourne and Chester as Afonwen at end of June 2016

Stalbridge performing ahead of expectations with encouraging organic growth. Ashbon completely rebranded as Stalbridge plant

Hotel linen businesses working well together with improved logistical benefits and synergies expected in the future

London Linen performing well. Capital investment project of £4.5m to increase capacity commenced, with expected completion second half 2017

Overall Textile Rental has performed ahead of expectations with good underlying organic growth





## Divisional Performance

### Drycleaning

	2016 H1	2015 H1	Change
Revenue	<b>£21.9m</b>	£23.5m	<b>(6.8%)</b>
Adjusted operating profit <sup>1</sup>	<b>£0.6m</b>	£0.5m	<b>20.0%</b>
Margin	<b>2.7%</b>	2.1%	



Since the restructure in early 2015, performance has been solid with a small increase in profit and margin

203 branches and 154 Waitrose locations trading at June 2016

Partnership with Waitrose continues to expand and we anticipate a small number of additional locations opening in late 2016

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

## Exceptional Items

Continuing, £m	2016 H1	2015 H1
Acquisition related costs	0.9	0.8
Pension costs	0.3	-
Textile Rental property disposal	(0.5)	-
Restructuring costs – Textile Rental	-	0.6
Restructuring costs – Drycleaning	-	6.2
<b>Total</b>	<b>0.7</b>	<b>7.6</b>

### ***Acquisition related costs***

Include professional fees and subsequent restructuring costs for Textile Rental acquisitions

### ***Pension costs***

Costs incurred in flexible retirement exercise in respect of DB scheme

### ***Property disposal***

Gain on the sale of the former Textile Rental plant in Leeds

### ***Restructuring costs***

Costs incurred in relocating Leeds Plant (Rental) and January 2015 restructuring (Drycleaning)

## Bank Facility, Hedging & Interest

### Bank Facility

- Amended Bank Facility signed in April 2016 and set to mature in April 2020
- Amounts to £120.0m with an additional £30.0m short term facility available to April 2017
- Interest cover based on adjusted operating profit was 8.1 times (June 2015: 9.4 times)
- Significant headroom for future investment

### Hedging

- Hedging swaps 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 swaps 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 costs) increased to £1.7m (2015 H1: £0.9m)
- Notional pension interest cost unchanged and will be £0.5m for the full year

£m	2016 H1	2015 H1
Bank / lease interest	1.7	0.9
Notional interest	0.3	0.3
Total	2.0	1.2

## Pensions and Tax

### Pensions

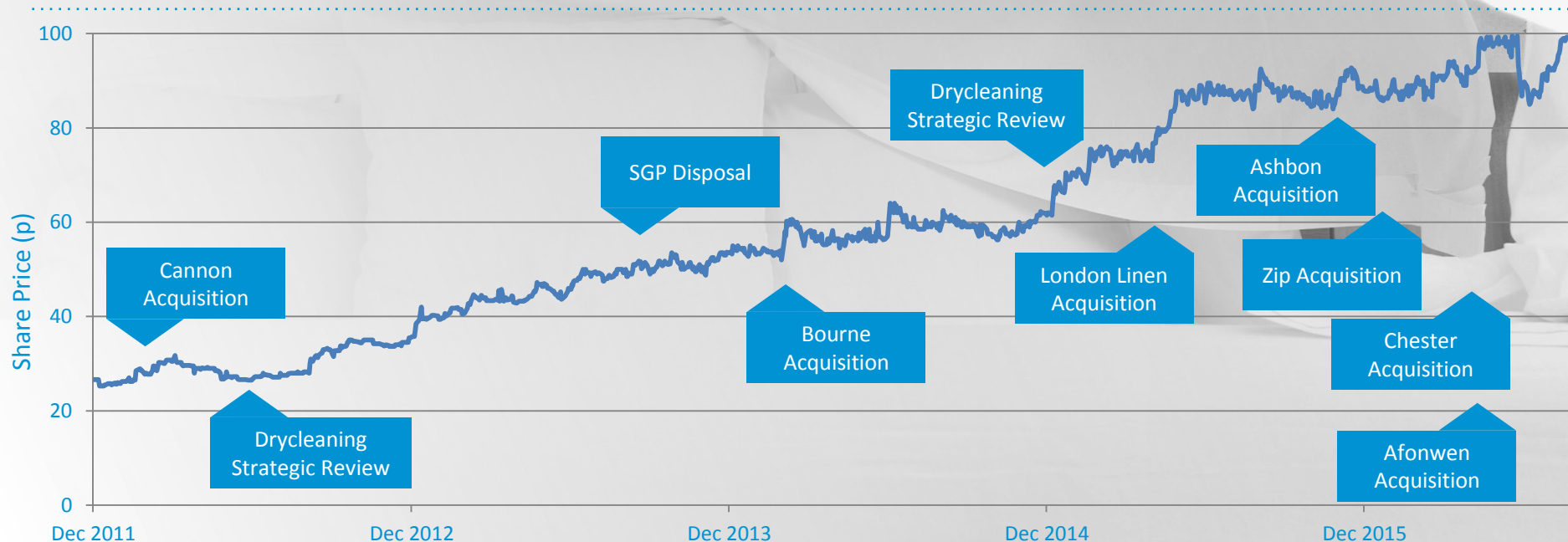
- Net IAS 19 Pension deficit reduced to £10.1m (Dec 2015: £11.9m):
  - Liabilities increased partly due to the reduction in discount rate assumption
  - Higher than expected return on assets more than offsetting liability increase
- Additional pension contributions in 2016 will be £1.9m (2015: 1.9m), of which £0.9m was paid during H1

### Tax

- Underlying tax rate<sup>1</sup> of 20.3% (2015: 20.7%) compared to a weighted average rate of 20.0% (2015: 20.25%)
- No credit or charge in respect of prior years
- Total tax payments of £1.9m (2015: £0.9m)

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

# Successful Implementation of Our Strategy

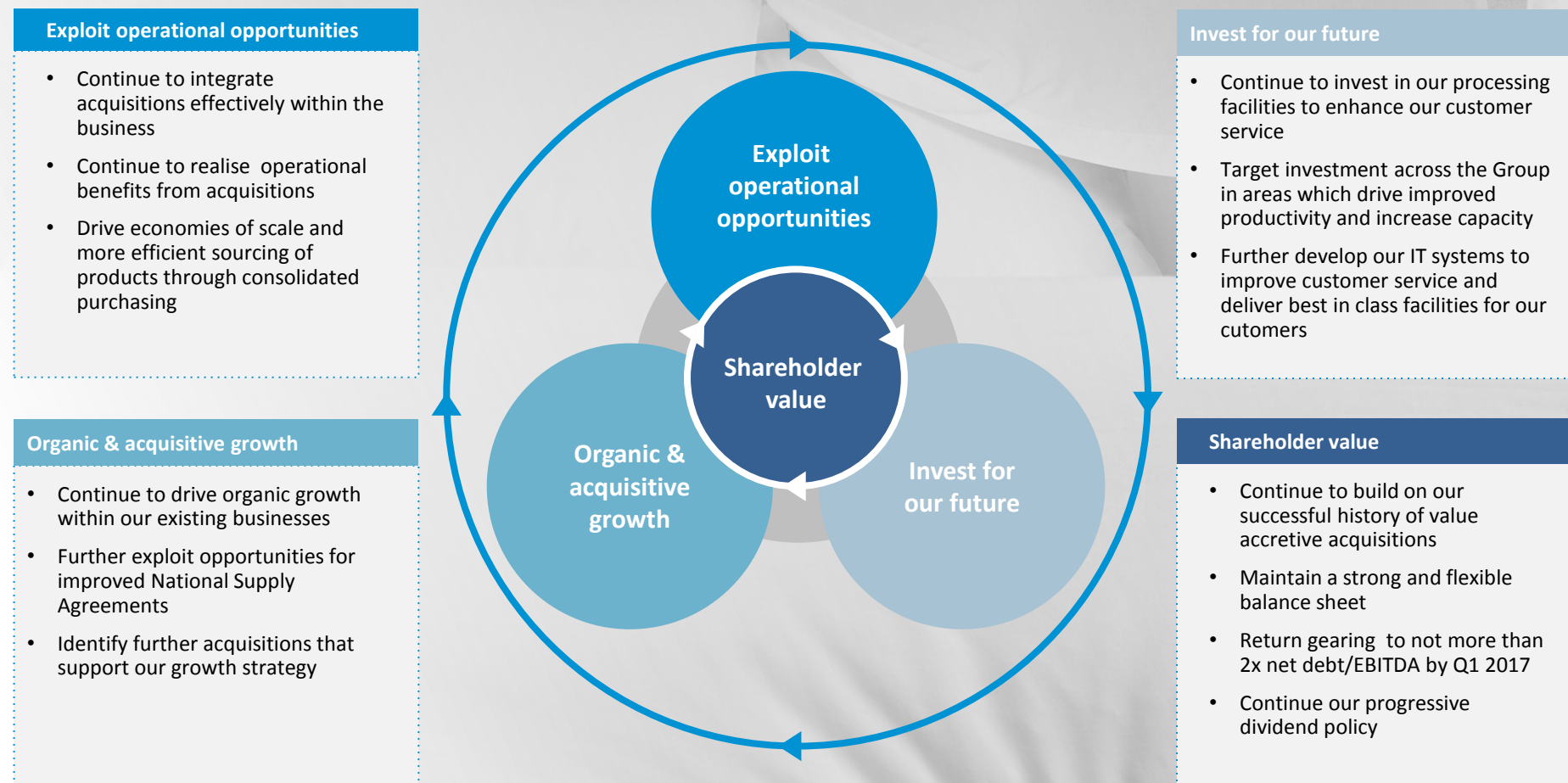


Results	2012 <sup>1</sup>	2015
Revenue	£198.7m	£234.4m
Adjusted Operating Profit	£15.3m	£27.9m
Adjusted Profit Before Tax	£10.7m	£25.2m
Adjusted EPS	4.7p	6.3p

## Notes:

1 As restated in the 2013 Annual Report to reflect the disposal of SGP in 2013

# The Group Moving Forward







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THANK YOU

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## Appendix 1 - Segmental Results

	2016 H1		2015 H1	
	Revenue £m	Operating Profit <sup>1</sup> £m	Revenue £m	Operating Profit <sup>1</sup> £m
<b>Textile Rental</b>				
- Trading	115.7	16.7	85.7	11.9
- Allocated Income	-	0.6	-	0.5
	<b>115.7</b>	<b>17.3</b>	<b>85.7</b>	<b>12.4</b>
<b>Drycleaning</b>				
- Retail Drycleaning	21.9	0.6	23.5	0.5
<b>Unallocated Costs</b>				
- Group Costs	-	(1.8)	-	(1.6)
<b>TOTAL</b>	<b>137.6</b>	<b>16.1</b>	<b>109.2</b>	<b>11.3</b>

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

## Strategic Acquisition of Zip and Chester

### Acquisition of Zip

Acquired on 31 January 2016 for £15.0m and additional debt of £2.7m, including freehold site

Facilitates logistical synergies and growth within existing customer base

Transfer of work facilitates further growth at Bourne

Reported revenue of £7.0m for the year to 31 January 2015



### Acquisition of Chester

Acquired on 26 April 2016 for £3.3m on a debt free, cash free basis, including freehold site

Spare production capacity to allow re-distribution of processing

Close proximity to Afonwen provides potential transport synergies

Reported revenue of £7.1m (after adjusting for lost supply partnership contract) for the year to 31 December 2015



## Strategic Acquisition of Afonwen

Acquired on 28 April 2016 for £52.6m on a debt free, cash free basis including one freehold site

Laundries in Cardiff, Reading and Pwllheli and a depot in Leeds

History of annual revenue growth and reputation for excellent service

Capital investment of over £9.0m over the previous 30 months

Geographical coverage complements previous acquisitions

Provides further opportunities for logistical efficiencies

Additional processing capacity available

Reported revenue of £38.4m for the year to 31 August 2015



# Strategic Development of JSG High Volume Linen Business

## Bourne (2014)

- Employs c450 people
- Processes 1,300,000 pieces per week<sup>1</sup>
- Over 210 customers
- 44 commercial vehicles



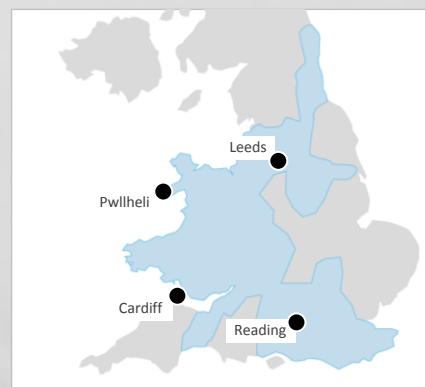
## Zip Textiles (2016)

- Employs c145 people
- Processes 465,000 pieces per week<sup>1</sup>
- Over 130 customers
- 14 commercial vehicles



## Afonwen (2016)

- Employs c750 people
- Processes 2,600,000 pieces per week<sup>1</sup>
- Over 280 customers
- 80 commercial vehicles



## Chester Textiles (2016)

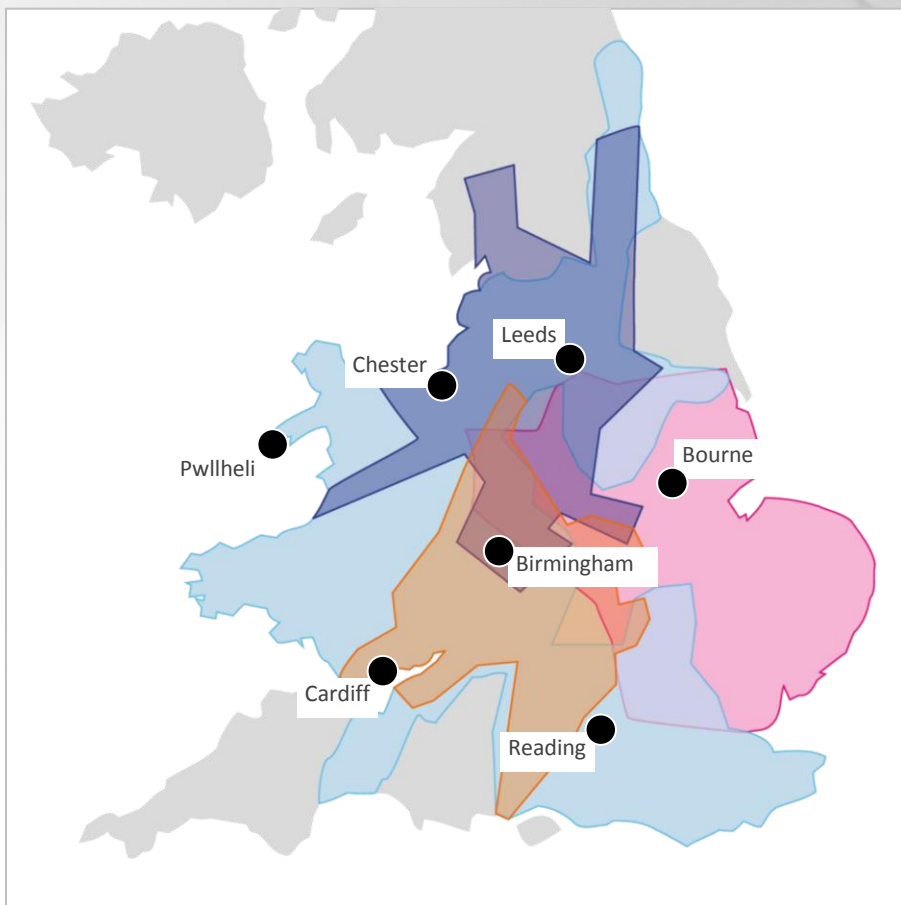
- Employs c130 people
- Processes 500,000 pieces per week<sup>1</sup>
- Over 110 customers
- 14 commercial vehicles



### Notes:

- 1 Pieces per week are average quantities processed over a twelve month period and are not peak processing volumes.
- 2 All figures as at April 2016

# Strategic Development of JSG High Volume Linen Business



## The Enlarged JSG Hotel Linen Business

- Comprises six well invested processing facilities and a substantial depot in Leeds
- Provides extensive national coverage to customers throughout England and Wales
- Each site exclusively focused on high volume hotel linen
- Combined revenue of £71.8m<sup>1</sup>

## Benefits and Opportunities

- Logistical efficiencies
- Purchasing efficiencies
- Operational efficiencies
- Administration / finance efficiencies
- National contract development
- Improved contingency planning

### Notes:

- 1 Afonwen revenue is as per the statutory accounts for the year to 31 August 2015; Chester revenue is per the statutory accounts for the year to 31 December 2015; Bourne revenue is as per JSG management accounts for FY2015; Zip revenue is per the statutory accounts for the year to 31 January 2015.