

# Final Results

12 months ended 31 December 2018



# Highlights

“Our strategy of driving the quality of growth organically by investing in our operations, coupled with selective acquisitions, has delivered another strong year of substantial growth.”

# Highlights

## Financial Highlights

Another consistent and strong financial performance

- Revenue up 10.4% to £321.1m; organic growth of 7.8%
- Adjusted operating profit up 6.2% to £46.0m<sup>1</sup>
- Adjusted profit before taxation up 7.1% to £42.5m<sup>1</sup>
- Adjusted diluted earnings per share up 6.9% to 9.3p<sup>1</sup>
- Proposed final dividend of 2.1p, making a full year dividend of 3.1p (2017: 2.8p)
- Net debt to adjusted EBITDA ratio of 1.6x (2017: 1.6x)

Revenue up  
**10.4%**

## Strategic Highlights

Highly focused textile services business with increasing geographical coverage

- South West Laundry acquisition extends HORECA coverage to the West Country
- Planned new high volume linen plant in Leeds on track for first half of 2020
- Appointment of Peter Egan as CEO from 1 January 2019

Adj. PBT up  
**7.1%**

## Investment Highlights

Continuing capital investment to increase production capacity and efficiency

- Major investments completed across the businesses
- 2019 investment accelerated into Q1 to ensure the business can support the high level of organic new sales
- New and increased bank facilities to support next stages of growth

Adj. EPS up  
**6.9%**

Notes:

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

# Income Statement

	2018	2017	Increase
Revenue (£m)	321.1	290.9	10.4%
Adjusted operating profit (£m) <sup>1</sup>	46.0	43.3	6.2%
Adjusted operating margin (%) <sup>1</sup>	14.3	14.9	n/a
Exceptional items (£m)	(0.6)	(0.5)	n/a
Adjusted PBT (£m) <sup>1</sup>	42.5	39.7	7.1%
Adjusted EPS (p) <sup>1</sup>	9.3	8.7	6.9%
Number of shares used in EPS calc <sup>2</sup>	369.6	369.0	n/a
Dividend (p)	3.1	2.8	10.7%

## Notes:

1. Before amortisation 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 366.5m for 2018. Shares in issue at 01/03/2019 was 367.7m.

# Cash Flow

£m	2018	2017
Adjusted operating profit	46.0	43.3
Depreciation and software amortisation	55.4	49.0
Working capital	(5.9)	(0.8)
Capital expenditure – fixed assets and software	(18.1)	(16.5)
– rental stocks (net)	(46.7)	(41.0)
– fixed asset proceeds	0.2	0.2
Interest	(3.5)	(2.8)
Tax	(7.8)	(6.9)
Dividends	(10.7)	(9.5)
Additional pension contributions	(1.9)	(3.4)
Other	0.6	(0.5)
<b>Net cash inflow</b>	<b>7.6</b>	<b>11.1</b>
Equity issue (net)	0.7	0.3
Discontinued operations	(0.1)	(0.3)
Acquisitions / Disposals	(15.3)	(4.2)
<b>Net debt (increase) / decrease</b>	<b>(7.1)</b>	<b>6.9</b>
<b>Net debt</b>	<b>98.4</b>	<b>91.3</b>

2018 Final Results

# Investment Expenditure

## Key Projects in 2018

Southall (Stalbridge)  
*£3.3m*

Edinburgh (PLS)  
*£1.9m*

Chester (Afonwen)  
*£1.1m*

Wrexham (Stalbridge)  
*£0.9m*

Letchworth (Workwear)  
*£0.8m*

Gateshead (Workwear)  
*£0.4m*

££

£18.1m



# Other Financial Information

## Interest, Bank Facility & Hedging

### Interest

- Interest cost (excluding notional pension interest) of £3.2m (2017: £3.2m)
- Reduction in notional pension interest cost to £0.3m (2017: £0.4m) reflects pension deficit at the start of 2018; expected charge for 2019 is £0.1m

### Bank Facility

- £135.0m RCF expiring August 2022 plus further £15.0m expiring August 2019
- RCF at LIBOR + applicable margin; average margin during 2018 was 1.72% (2017: 1.73%) and will be similar for at least Q1 2019

### Hedging

- Hedging arrangements:
  - £10.0m at 0.55% to Jun 2019
  - £15.0m at 1.67% to Jan 2020
  - £15.0m at 1.07% to Jan 2021
  - £15.0m at 1.14% to Jan 2022

## Return on Capital Employed (ROCE)

- Marginal increase to 16.3% (2017: 16.2%)
- Calculated as adjusted operating profit divided by the average of opening and closing Shareholders' equity, net debt and post-employment benefit obligations

## Taxation

- Effective tax rate on adjusted profit before taxation<sup>1</sup> of 18.9% (2017: 19.1%)
- Benefits from prior year adjustments and changes in UK tax rates offset by the impact of expenses not deductible for tax

## Pensions

- Net pension deficit of £3.0m (Dec 2017: £8.9m)
- Reduction due to deficit recovery contributions and net impact of increase in discount rate and assumed inflation rate
- Deficit recovery contributions of £1.9m (2017: £1.9m) expected to continue to next valuation
- Additional, one-off, payment of £1.5m made in April 2017

Note

1. Based on profit before taxation before amortisation of intangible assets (excluding software amortisation) and exceptional items

# Delivery of Strategic Plan

- Market leading position
- Leading edge customer service
- Delivery of operational efficiencies
- Development of bespoke IT platforms
- Maintaining margin over the medium term
- Launch of a Group-wide brand recognition programme
- New high volume linen site to be ready for first half 2020
- Investing in the training and development of our employees
- Identification of further acquisitions in complementary geographies
- Continued capital investment to increase production capacity & efficiency



# Acquisitions

“The acquisition of South West Laundry was a welcome addition to our coverage for Stalbridge.”

# Acquisition of South West Laundry

- Modern and well equipped facility, located in Hayle, Cornwall
- Predominantly serves the HORECA market in the South West
- Complements existing Stalbridge business; 175 miles from nearest plant
- Processes some 340,000 pieces of linen per week
- 100 employees
- £5.1m revenue and £1.5m PBT in the year to February 2018 (excluding exceptional credit from insurance claim)
- Terms of acquisition: £15.5m on a debt free, cash free basis



# Operational Performance

“Another year of substantial organic growth with both Divisions delivering higher levels of new business wins and maintaining consistently high levels of customer satisfaction scores.”

# Operational Performance

## Workwear



	2018	2017	Increase
Revenue (£m)	128.8	122.4	5.2%
Adjusted operating profit (£m) <sup>1</sup>	22.7	21.1	7.6%
Margin (%)	17.6	17.2	n/a

Notes:

1. Before amortisation of intangible assets (excluding software amortisation) and exceptional items



17

Laundries

2,250

Employees

375

Vehicles

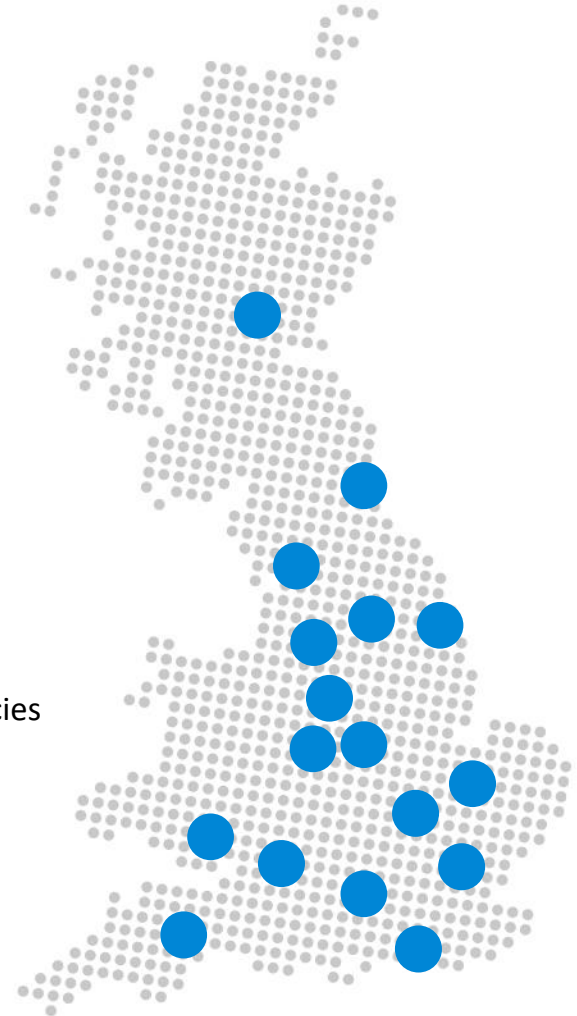
1.3m

Wearers

# Operational Performance

## Workwear

- Record level of new sales wins
- Underlying revenue growth of 5.2%
- Increased sales to existing customers
- Encouraging level of Direct Sales of £4.6m (2017: £3.5m)
- Customer retention maintained at 95%
- Production efficiencies and strong cost control led to further improvement in margin at 17.6%
- Existing customer satisfaction at a high of 86%
- Improved garment lead times for customers
- Continued high levels of capital investment across the estate to increase capacity and efficiencies
- Ongoing investment in training and development



# Operational Performance

## HORECA

- Hotel, Restaurant & Catering Linen
- High Volume Hotel Linen (HVL)



	2018	2017	Increase
Revenue (£m)	192.3	168.5	14.1%
Adjusted operating profit (£m) <sup>1</sup>	28.0	26.8	4.5%
Margin (%) <sup>2</sup>	14.6	15.9	n/a

Notes:

1. Before amortisation of intangible assets (excluding software amortisation) and exceptional items

2. The margin in 2017 excluding the benefit from the work processed on behalf of a private laundry was 15.2%



17

Laundries

3,400

Employees

390



Vehicles

8.5m

items

# Operational Performance

## HORECA

-  Hotel, Restaurant & Catering Linen
-  High Volume Hotel Linen (HVL)

- Overall revenue growth of 14.1% with all brands trading ahead of 2017
- Strong underlying revenue growth of 9.6%
- Consistently high customer satisfaction rating
- Stalbridge new sales significantly ahead of expectations
- London Linen generating efficiencies from the capital investment in 2017
- HVL benefited from closure of small competitor in the Midlands
- Number of large hotel contracts signed
- HVL plants nearing capacity in the summer months but service maintained at a high level
- Construction of new HVL laundry in Leeds has commenced
  - anticipated capital investment is £10.0m over 2 years
  - commissioned and on stream in first half of 2020



# Our Customers

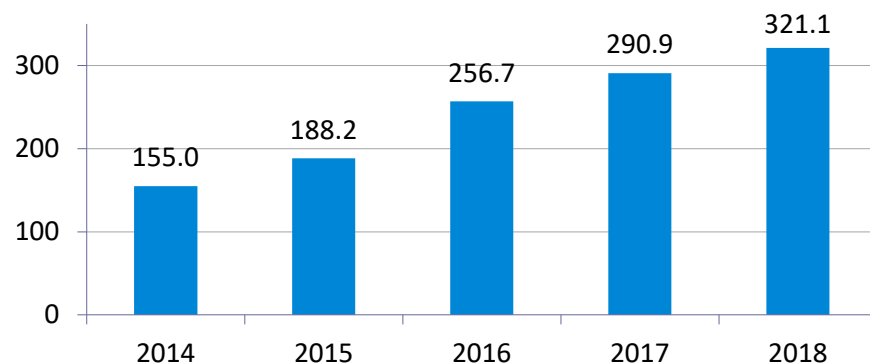
“Our continual investment in the business allows us to provide an excellent service to our customer base.”

# Our Customers

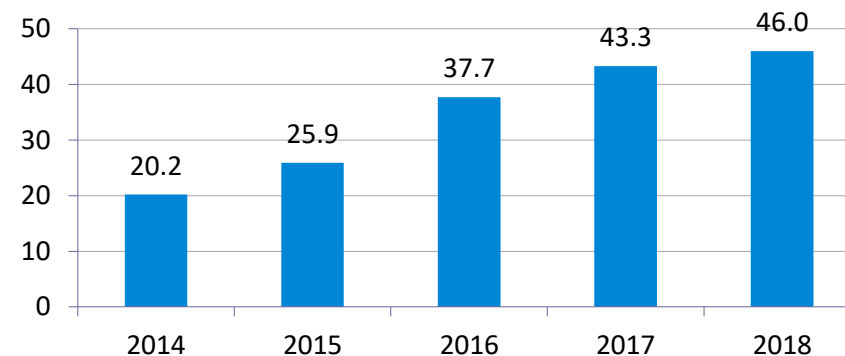


# Five Year History

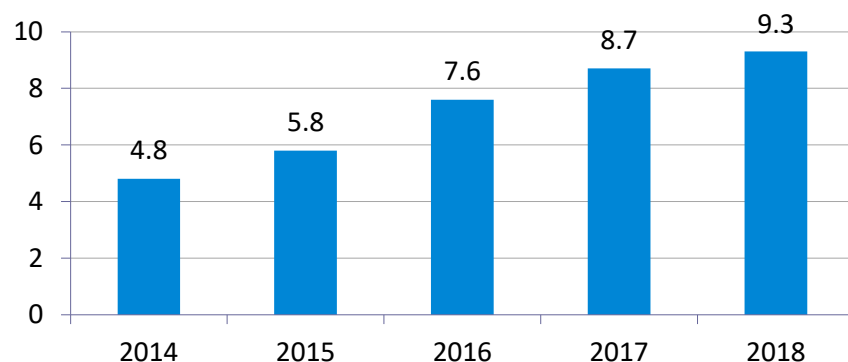
## Revenue (£m)



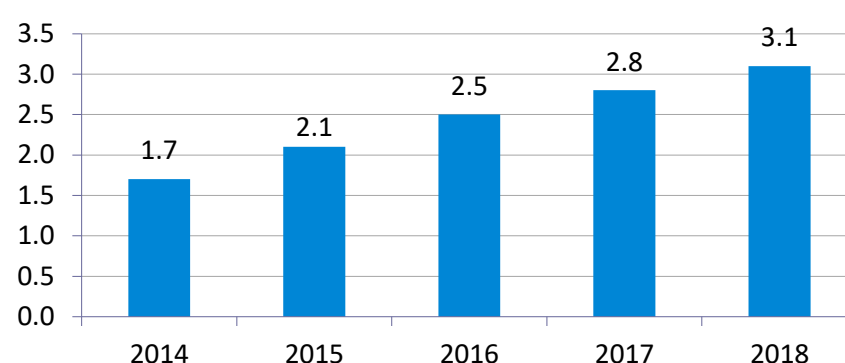
## Adjusted Operating Profit (£m)



## Adjusted Diluted EPS (p)



## Dividend per Share (p)



# Our Executive Team



Peter Egan  
Chief Executive Officer

Industry Experience: 26 Years



Yvonne Monaghan  
Chief Financial Officer

Industry Experience: 34 Years



Mark Woolfenden  
MD, Hotel Linen

Industry Experience: 15 Years



Donald Smith  
MD, Stalbridge

Industry Experience: 32 Years



Gerry Moore  
MD, Workwear

Industry Experience: 26 Years



Tim Morris  
Group Financial Controller

Industry Experience: 14 Years



Gary Collis  
Group IT Director

Industry Experience: 24 Years

A combined industry experience of over 170 years.

# The Future

“Continued focus on growing the business through targeted investment.”

# The Future

## Organic Growth Opportunities

- Strong new sales and customer retention
- Boosted by:
  - increased geographic coverage
  - increased capacity
  - high customer satisfaction scores

## Investment Programme

- To create a market-leading, best in class, modern estate to support:
  - further operational efficiencies
  - increased throughput
  - high customer service levels
- New green field site in Leeds

## Acquisitions

- Further synergy gains, including scale efficiencies, anticipated from recent acquisitions
- Ongoing expansion of geographic footprint in under-represented regions
- Additional complementary opportunities

Continued strong  
financial performance

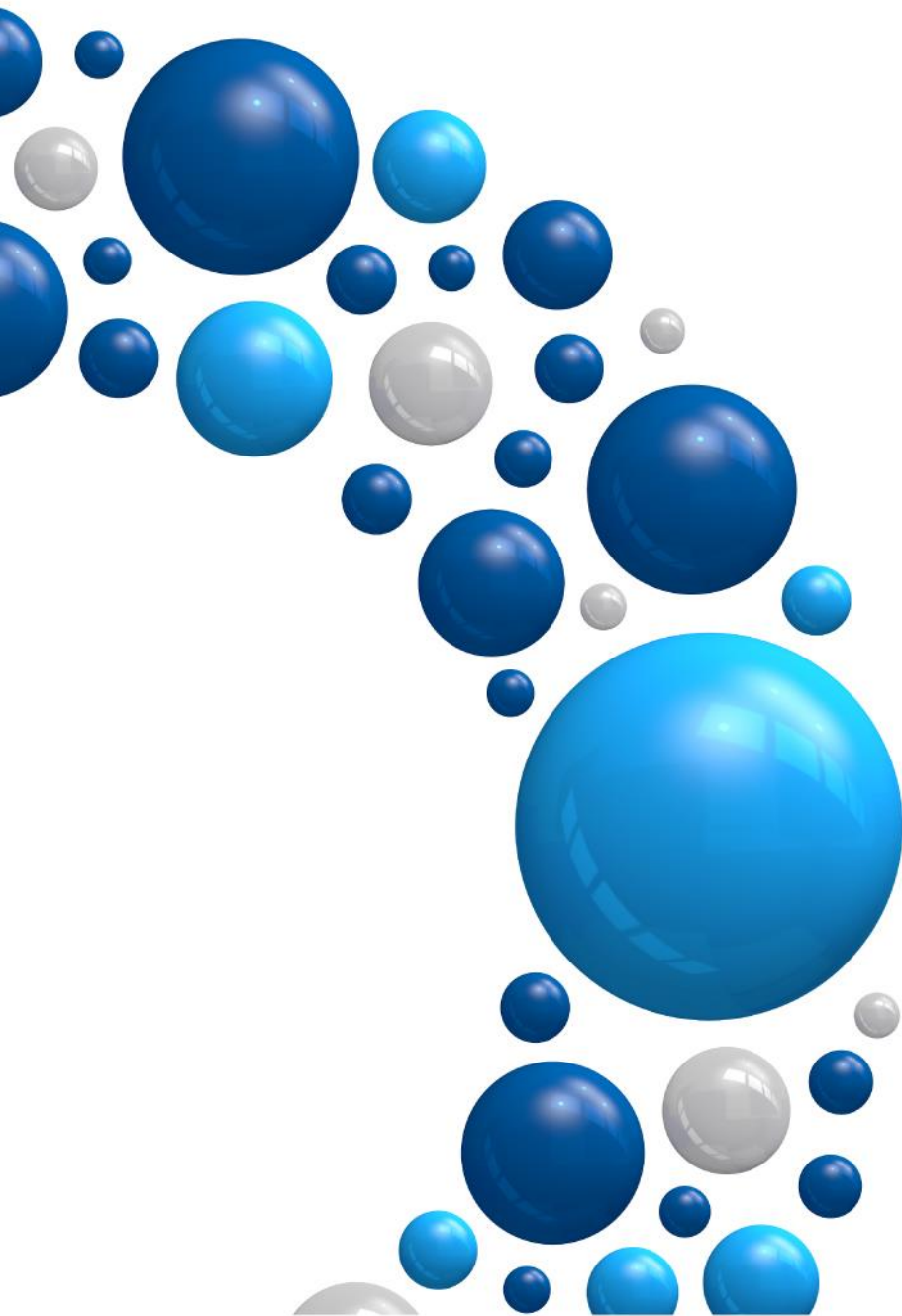


Strategic objective to build  
a fully nationwide business



Balance sheet supports  
growth strategy





**JOHNSON**

Service Group PLC

# Appendix 1

## Segmental Analysis

	2018	
	Revenue £m	Adjusted Operating Profit <sup>1</sup> £m
Workwear	128.8	22.7
HORECA	192.3	28.0
Textile Rental	321.1	50.7
Group Costs	-	(4.7)
<b>TOTAL</b>	<b>321.1</b>	<b>46.0</b>

	2017	
	Revenue £m	Adjusted Operating Profit <sup>1</sup> £m
	122.4	21.1
	168.5	26.8
	290.9	47.9
	-	(4.6)
	290.9	43.3

Note

1. Before amortisation of intangible assets (excluding software amortisation) and exceptional items