Peter Egan Chief Executive Officer

Yvonne Monaghan Chief Financial Officer

Tim Morris Group Financial Controller

JOHNSON
Service Group PLC

Final Results

12 months ended 31 December 2019

JOHNSON
Service Group PLC

Highlights

"We have continued to deliver strong organic growth complimented by the impact of our recent acquisitions."

Highlights

Strategic Highlights

Highly focused textile services business with increasing nationwide geographical coverage

- Fresh Linen acquisition increases HORECA coverage to the South East
- A number of customer contracts acquired in January and July 2019
- On 28 February 2020, we purchased a further number of contracts which will be transferred into our Shaftesbury site, adding an estimated annualised revenue of £1.6 million

Investment Highlights

Continuing capital investment to increase production capacity, quality and efficiency

- Major investments completed across the business
- New hotel linen plant in Leeds on track for first half of 2020

Operational Highlights

Focused on maintaining customer service levels and investing in our employees

- Consistently high customer satisfaction rating, with our highest ever for Hotel Linen
- Customer retention levels remain high (circa 95%). Our largest customer, Premier Inn, has renewed
- Recognition of our investment in training and development through Princess Royal Training Award

Revenue up
9.2%

Organic Growth
6.5%

Adj. PBT[1] up
13.4%

Notes:
1. Before amortisation of intangible assets (excluding software amortisation) and exceptional items but including a £0.4m charge in relation to the adoption of IFRS 16, Leases

Income Statement

	2019	2018	*Increase*
Revenue (£m)	**350.6**	321.1	*9.2%*
Adjusted operating profit (£m)[1,2]	**52.8**	46.0	*14.8%*
Adjusted operating margin (%)[1,2]	**15.1**	14.3	*n/a*
Exceptional items (£m)	**-**	(0.6)	*n/a*
Adjusted PBT (£m)[1,3]	**48.2**	42.5	*13.4%*
Adjusted EPS (p)[1,3]	**10.5**	9.3	*12.9%*
Number of shares used in EPS calc[4]	**371.9**	369.6	*n/a*
Dividend (p)	**3.5**	3.1	*12.9%*

Notes:
1. Before amortisation of intangible assets (excluding software amortisation) and exceptional items but including the impact of IFRS 16 lease accounting and, in the case of earnings per share only, associated taxation
2. 2019 includes £1.1m benefit resulting from IFRS 16 lease accounting changes
3. 2019 includes £0.4m charge resulting from IFRS 16 lease accounting changes
4. Basic number of shares of 369.1m for 2019. Shares in issue at 28/02/20 was 369.8m

2019 Final Results

IFRS 16 Impact

	Pre IFRS 16 at December 2019	Impact	Post IFRS 16 at December 2019
Revenue (£m)	350.6	-	350.6
Adjusted operating profit (£m)[1]	51.7	1.1	52.8
Adjusted operating margin (%)[1]	14.7	-	15.1
Finance costs (£m)	(3.1)	(1.5)	(4.6)
Adjusted PBT (£m)[1]	48.6	(0.4)	48.2
Adjusted EPS (p)[1]	10.4	-	10.5
Net debt (£m)	87.7	40.0	127.7

- Operating lease payments replaced with depreciation charge
- Finance cost associated with recognition of lease liabilities
- Right of use asset and lease liabilities recognised on balance sheet at 1 January 2019
- Bank covenants continue to be measured excluding impact of IFRS 16

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

Cash Flow

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£m	2019	2018
Adjusted operating profit	52.8	46.0
Depreciation and software amortisation	66.2	55.4
Working capital	2.7	(5.9)
Capital expenditure – fixed assets and software	(20.0)	(18.1)
– rental stocks (net)	(45.9)	(46.7)
– fixed asset proceeds	0.3	0.2
Interest	(4.6)	(3.5)
Tax	(9.3)	(7.8)
Dividends	(12.0)	(10.7)
Additional pension contributions	(1.9)	(1.9)
Other	0.3	0.6
Net cash inflow	**28.6**	7.6
Equity issue	0.6	0.7
Discontinued operations	(0.4)	(0.1)
Acquisitions / Disposals	(13.2)	(14.0)
Initial recognition of lease liabilities under IFRS 16	(37.2)	-
New lease liabilities	(7.7)	(1.3)
Increase in Net Debt	**(29.3)**	(7.1)
NET DEBT	**127.7**	98.4

Other Financial Information

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Interest, Bank Facility & Hedging

Interest

- Interest cost of £4.6m including £1.8m relating to lease liabilities (2018: £3.5m including £0.3m relating to lease liabilities)
- Reduction in notional pension interest cost to £0.1m (2018: £0.3m) reflects pension deficit at the start of 2019; expected charge for 2020 is £0.1m

Bank Facility

- £135.0m RCF expiring August 2023
- RCF at LIBOR + applicable margin; average margin during 2019 was 1.625% (2018: 1.72%). The margin will be lower at 1.50% for at least Q1 2020

Hedging

- Hedging arrangements for 2020:
  - £15.0m at 1.07% to Jan 2021
  - £15.0m at 1.144% to Jan 2022
  - £15.0m at 0.805% to Jan 2023

Return on Capital Employed (ROCE)

- Marginal increase to 16.6% (17.4% excluding the impact of IFRS 16) (2018: 16.3%)
- Calculated as adjusted operating profit divided by the average of opening and closing Shareholders' equity, net debt (including lease liabilities under IFRS 16 for 2019) and post-employment benefit obligations

Taxation

- Effective tax rate on adjusted profit before taxation[1] of 18.8% (2018: 18.9%)
- Benefits from prior year adjustments offset by the impact of expenses not deductible for tax

Pensions

- Net pension deficit of £5.2m (Dec 2018: £3.0m)
- Increase due to the net impact of a decrease in discount rate and assumed inflation rate (RPI)
- Deficit recovery contributions of £1.9m (2018: £1.9m) expected to continue to conclusion of next valuation
- Triennial valuation as at 30 September 2019 underway

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

Investment Expenditure

£20m
Investment

Leeds
New operational facility

Glasgow
Ironing line upgrade

Shaftesbury
Ironing line upgrade

Wrexham
Mezzanine floor

Bourne
Power Press

Basingstoke
Industrial unit upgrade

Southall
Dispatch extension

Manchester
Garment folder upgrades

Aberdeen
Relocation to larger site

Birmingham
Garment folder upgrades

Sturminster
Ironing line upgrade

Grantham
Soiled sort extension

Pwllheli
Feeder upgrade

Leeds Plant

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On plan, to budget and timetable….

- 45,000 sq. feet site in Gildersome, Leeds
- Equipment installation underway
- c300,000 pieces per week of volume from current Leeds distribution hub; c200,000 pieces per week from other sites
- Opportunity to deliver logistics benefits and higher productivity rate over time
- Strengthened sales team on nationwide basis to help build additional sales and backfill other plants
- Encouraging level of interest from existing customers

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Acquisitions

"The acquisition of Fresh Linen is part of our continuing strategy to increase the size and scale of our hospitality service in the UK and extend our geographical reach."

Acquisition of Fresh Linen

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- Main site is a large freehold located in Clacton-on-Sea, Essex
- Distribution hub located in Rainham, London
- Predominantly serves 4 star hotels, budget hotels and gym clubs in the hospitality market in the South East
- Processes some 900,000 pieces of linen per week
- 340 employees
- £16.7m revenue and £1.1m PBT in the year to June 2019
- Terms of acquisition: Acquired 30 November 2019 for a consideration of £12.5m on a debt free, cash free basis
- Planned investment of £3.0m to refit the wash-house and finishing line in 2020 to improve efficiencies

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Operational Performance

"Both divisions have delivered high levels of new business wins and maintained consistently high levels of customer satisfaction scores."

Operational Performance

Workwear

JOHNSONS
Workwear

	2019	2018	Increase
Revenue (£m)	**135.3**	128.8	5.0%
Adjusted operating profit (£m)[1,2]	**24.4**	22.7	7.5%
Margin (%)[2]	**18.0**	17.6	n/a

Notes:
1. Before amortisation of intangible assets (excluding software amortisation) and exceptional items
2. 2019 includes the benefit of £0.4m resulting from IFRS 16 lease accounting changes

17
Laundries

2,300
Employees

375
Vehicles

1.7m
Garments per week

Workwear

Operational Performance

Workwear

- Underlying revenue growth of 5.0%
- Sales to ‘new to rental’ customers accounted for 17.6% of new business won
- Increased sales to existing customers
- Customer retention maintained at 95%
- Existing customer satisfaction at 86%, in line with 2018
- Production efficiencies and strong cost control led to further improvement in margin at 18.0%
- Continued high levels of capital investment across the estate to increase capacity and efficiencies
- Recognition of our investment in training and development through Princess Royal Training Award
- On 25 January 2020 a fire occurred at our site in Exeter resulting in significant damage and preventing its use for processing. Business continuity plan executed with customers currently being serviced by nearby plants

Operational Performance

HORECA

Hotel, Restaurant & Catering

JOHNSONS Hotel Linen

JOHNSONS Hotel, Restaurant & Catering Linen

JOHNSON Service Group PLC

Hotel, Restaurant & Catering Linen

Hotel Linen

	2019	2018	Increase
Revenue (£m)	**215.3**	192.3	12.0%
Adjusted operating profit (£m)[1,2]	**33.1**	28.0	18.2%
Margin (%)[2]	**15.4**	14.6	n/a

Notes:
1. Before amortisation of intangible assets (excluding software amortisation) and exceptional items
2. 2019 includes the benefit of £0.7m resulting from IFRS 16 lease accounting changes

HORECA

Hotel, Restaurant & Catering

18
Laundries

3,800
Employees

480
Vehicles

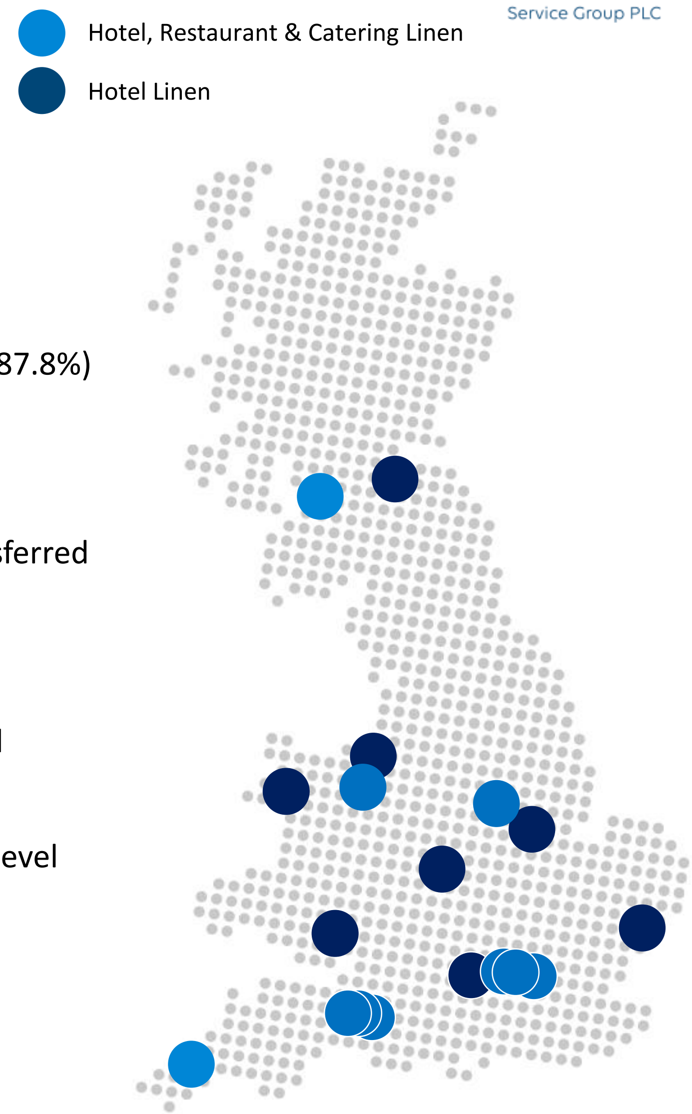
600m
Pieces per Year

Operational Performance

HORECA

Hotel, Restaurant & Catering

- Overall revenue growth of 12.0% with all brands trading ahead of 2018
- Strong underlying organic growth of 7.4%
- Consistently high customer satisfaction rating, with our highest ever for Hotel Linen (87.8%)
- Small number of hospitality contracts acquired in January and July 2019 were fully integrated into our estate
- On 28 February 2020 we purchased a further number of contracts which will be transferred into our Shaftesbury site, adding an estimated annualised revenue of £1.6 million
- Successfully retained our largest customer, Premier Inn
- Continued high levels of capital investment across the estate to increase capacity and efficiencies at existing plants ahead of summer peak
- Hotel Linen neared capacity in the summer months but service maintained at a high level
- Construction of new laundry in Leeds completed; machinery installation on schedule
    - Total capital investment is £10.0m over 2019 and 2020
    - Commissioned and operational in first half of 2020



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Our Customers

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

Our Customers

JOHNSON Service Group PLC

- 2 sisters Food Group
- ACCOR HOTELS
- CAPRICE restaurants
- COPTHORNE HOTELS AND RESORTS
- CÔTE BRASSERIE
- CROWNE PLAZA HOTELS & RESORTS
- DOUBLETREE BY HILTON
- FULLER'S
- GLENEAGLES
- Holiday Inn
- HOVIS BAKERY
- MARSTON'S
- Morrisons Since 1899
- Premier Inn
- PRINCES
- Samworth Brothers QUALITY FOODS
- VILLAGE HOTELS
- Weetabix

Five Year History

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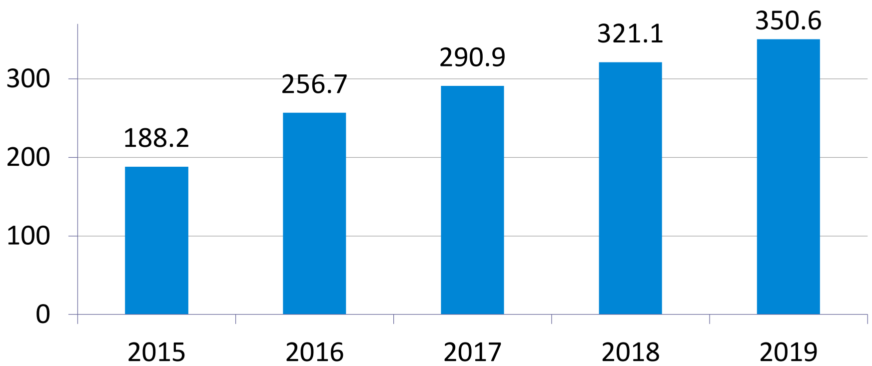
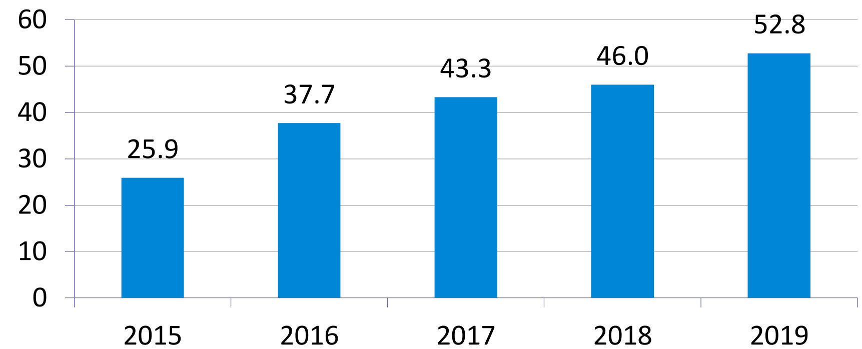
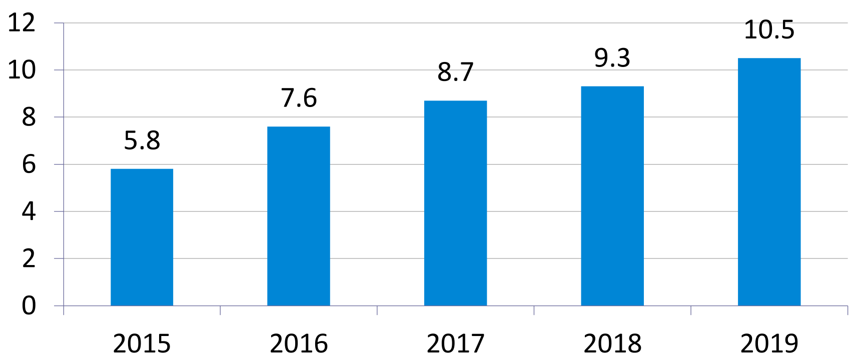
Revenue (£m)



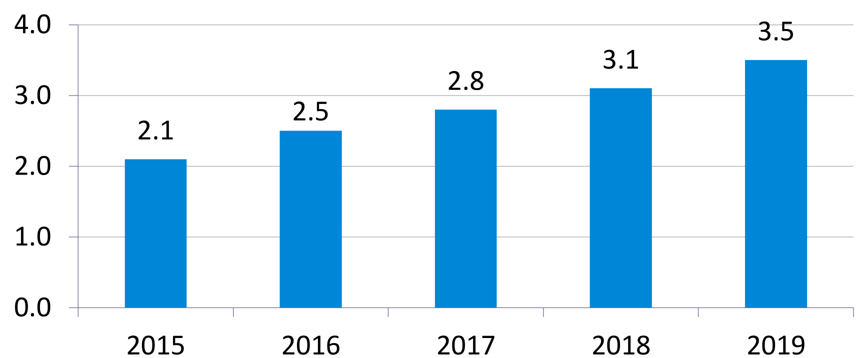
Adjusted Operating Profit (£m)



Adjusted Diluted EPS (p)



Dividend per Share (p)



Our Executive Team

JOHNSON
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Peter Egan
Chief Executive Officer

Industry Experience: 27 Years

Yvonne Monaghan
Chief Financial Officer

Industry Experience: 35 Years

Mark Woolfenden
MD, Hotel Linen

Industry Experience: 16 Years

Donald Smith
MD, Stalbridge

Industry Experience: 33 Years

Helen Wood
MD, Workwear

Industry Experience: 29 Years

Tim Morris
Group Financial Controller

Industry Experience: 15 Years

Steve McKeever
Group IT Director

Industry Experience: 20 Years

A combined industry experience of over 170 years.

JSG's Commitment to ESG

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- Investments in ironing equipment to reduce energy use
- Trialling water recycling plant
- Reduced the weight of clear wrap
- Trialling electric vehicle delivery in London
- Investment in heat exchangers to reduce energy use
- Academy driving development opportunities for employees

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The Future

"Continued focus on growing the business through targeted investment."

Delivery of Strategic Plan

Organic | Investment | M&A

- Market leading position within Workwear & HORECA
- National coverage; local service
- Dedicated to providing first class customer service
- Maintaining margin over the medium term
- Implementation of a Group-wide brand recognition programme
- Investment in Group IT systems
- New hotel linen site to be operational in first half 2020
- Investment in the training and development of our employees
- Continuing capital investment to increase production capacity & efficiency
- Identification of further acquisitions in complimentary geographies

The Future

"We anticipate that the Group will deliver organic growth across both divisions, whilst continuing to focus on customer satisfaction and investment to optimise operational efficiencies. Trading performance since the year end has been in line with our expectations."

Organic Growth Opportunities

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

Continued strong financial performance

Investment Programme

- To create a market-leading, best in class, modern estate to support:
  - further operational efficiencies
  - increased throughput
  - high customer service levels
- New operational facility in Leeds to open Q2 2020
- New laundry management system

Strategic objective to build a fully nationwide business

Acquisitions

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

Balance sheet strength supports growth strategy

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Appendix 1

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Segmental Analysis

	2019		2018	
	Revenue £m	Adjusted Operating Profit[1,2] £m	Revenue £m	Adjusted Operating Profit[1] £m
Workwear	**135.3**	**24.4**	128.8	22.7
HORECA	**215.3**	**33.1**	192.3	28.0
Textile Rental	**350.6**	**57.5**	321.1	50.7
Group Costs	**-**	**(4.7)**	-	(4.7)
TOTAL	**350.6**	**52.8**	321.1	46.0

Note
1. Before amortisation of intangible assets (excluding software amortisation) and exceptional items
2. Includes £1.1m benefit as a result of IFRS 16 lease accounting changes (£0.4m Workwear, £0.7m HORECA)