

Interim Results

6 months ended 30 June 2021

***"Improving markets, strong balance sheet
and confident of long-term growth."***



Operational Overview

“...focused on protecting the business through this unpredictable period...”

Management Actions Through the COVID-19 Crisis

“We have worked hard to strengthen the long-term prospects of the business and we are well positioned to continue to support our people, customers and the communities in which we operate to emerge stronger from the COVID-19 pandemic...”

Focus on
protecting the
business through
an unpredictable
period

Continued
investment in our
infrastructure

Strengthening
our finances

Safeguarding our
employees and
customers

“...we are well placed to drive growth in our performance as we move through the remainder of the year and beyond”.

Operational Performance Through the COVID-19 Crisis

- Health, safety and wellbeing of our people prioritised at all times
- Workwear continued to operate throughout the various lockdowns with volumes remaining robust
- Majority of HORECA sites were mothballed throughout the first half lockdown with volumes at some 11% of normal in first quarter
- All HORECA sites, including the new Leeds site, were operational by May
- HORECA volumes climbed rapidly from mid-April to reach over 70% in June and over 80% in August; some sites in tourist areas back to 2019 levels
- Government's CJRS grant ceased to be claimed from end of June 2021 with all employees now returned from furlough. £9.9m claimed in 2021 H1 (2020 H1: £16.6m)
- No interim dividend declared
- Head of Sustainability appointed – refreshing and resetting our Sustainability Strategy in early 2022

Financials

“Strong balance sheet and liquidity...”

Income Statement

	2021 H1	2020 H1
Revenue (£m)	99.6	114.8
Adjusted EBITDA (£m) ^{1,2,3}	16.9	24.9
Adjusted EBITDA margin (%) ^{1,2,3}	17.0	21.7
Adjusted operating loss (£m) ^{2,3}	(9.6)	(9.5)
Adjusted operating margin (%) ^{2,3}	(9.6)	(8.3)
Exceptional items (£m)	2.6	(0.5)
Adjusted LBT (£m) ^{2,3}	(11.2)	(12.6)
Adjusted EPS (p) ^{2,3}	(1.9)	(2.8)
Number of shares used in Adjusted EPS calc ³	445.1	382.5

Notes:

1. Adjusted operating loss plus depreciation charge for property, plant and equipment, textile rental items and right of use assets plus software amortisation
2. 2021 H1 includes the benefit of £9.9m from the CJRS grant (2020 H1: £16.6m)
3. Before amortisation of intangible assets (excluding software amortisation) and exceptional items and, in the case of earnings per share only, associated taxation
4. Basic number of shares of 444.6m (2020 H1: 381.5m). Shares in issue at 01/09/21 was 445.3m (02/09/20: 444.0m).

Exceptional Items

	2021 H1 £m	2020 H1 £m	2020 FY £m
Restructuring costs ¹	-	-	(5.8)
Insurance claims ^{2,3}	2.6	-	2.5
Impairment losses re insurance claims	-	(0.5)	(1.0)
Total Exceptional Items	2.6	(0.5)	(4.3)

Notes

- 1) No restructuring costs in 2021 H1. 2020 FY includes £4.7 million of redundancy costs relating to the realignment of the workforce in response to the impact of COVID-19 and £1.1 million in respect of the closure of the Workwear plant in Newmarket.
- 2) Further interim insurance proceeds of £2.0 million (2020 FY: £1.5 million) and final proceeds of £0.6 million (2020 FY: interim proceeds £1.0 million) have been received in respect of claims for capital items at our Exeter (fire) and Treforest (flood) sites, respectively.
- 3) Negotiations on a final settlement value regarding Exeter are ongoing with the insurer and are expected to be concluded in 2021 H2. The Group has disclosed a contingent asset, estimated to be between £4.4 million and £5.4 million, in respect of the finalisation of the claim.

Cash Flow

£m	2021 H1	2020 H1	2020 FY
Adjusted operating loss	(9.6)	(9.5)	(12.1)
Depreciation, impairment and software amortisation	26.5	34.4	66.4
Working capital	(7.4)	16.8	24.4
Capital expenditure – fixed assets and software	(8.7)	(8.5)	(21.4)
– rental stocks (net)	(13.8)	(16.6)	(26.0)
– fixed asset proceeds	-	-	0.2
Interest	(1.7)	(2.4)	(4.0)
Tax	0.5	(4.3)	(3.4)
Exceptional items (cash effect)	2.6	-	(2.9)
Additional pension contributions	(0.9)	(0.9)	(1.9)
Other	(0.2)	0.8	0.3
Net cash (outflow) / inflow	(12.7)	9.8	19.6
Equity issue	0.6	82.7	82.9
Acquisitions / Disposals	(0.8)	(2.0)	(2.1)
New lease liabilities	(0.4)	(2.3)	(6.3)
(Increase) / decrease in Net Debt	(13.3)	88.2	94.1
NET DEBT	46.9	39.5	33.6

Other Financial Information

Interest & Bank Facility

Interest

- Interest cost of £1.6m including £0.8m relating to lease liabilities (2020 H1: £3.1m including £0.9m relating to lease liabilities and £0.6m relating to the discontinuance of interest hedge accounting)
- Notional pension interest cost of £0.1m (2020 H1: £0.1m) reflects pension deficit at the start of 2021; expected charge for 2021 is £0.2m (2020: £0.1m)

Bank Facility

- £135.0m RCF expiring August 2023
- £40.0m RCF expiring May 2022 (plus one-year extension option)
- RCF at LIBOR + applicable margin; average margin was 2.0% (2020 H1: 1.5%). The margin is at 2.0% for H2 2020

Taxation

- Effective tax rate¹ of 23.1% (2020 H1: 16.7%) based on expected rate for the full year
- Impact of expenses not deductible for tax
- Cash receipt of £0.5m in 2021 H1 with further receipts expected in 2021 H2

Pensions

- Net pension deficit of £5.6m (Dec 2020: Deficit £11.2m)
- Improvement due to the net impact of an increase in discount rate net of lower asset returns
- Deficit recovery contributions of £0.9m (2020 H1: £0.9m)

Note

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

Operations

“We continue to take pro-active actions to adapt our operations to ensure the Group can thrive...”

2021 Interim Results

Capital Investment

£8.7m
Investment in H1

Leeds
New
processing
facility

Glasgow
New boiler

Hinckley
New garment
finishing tunnel

Exeter
New
processing
facility

Grantham
Complete rewire
of factory

Southall
New ironing
lines

Sturminster
Newton
New ironing
lines

Perth
Double decker
trailer & tractor
unit

Operational Performance: Workwear



Operational Performance

Workwear



	2021 H1	2020 H1
Revenue (£m)	64.5	64.6
Adjusted EBITDA (£m) ^{1,2,3}	23.0	24.4
Adjusted EBITDA margin (%) ^{1,2,3}	35.7	37.8
Adjusted operating profit (£m) ^{2,3}	11.2	11.6
Adjusted operating margin (%) ^{2,3}	17.4	18.0

Notes:

1. Adjusted operating profit plus depreciation charge for property, plant and equipment, textile rental items and right of use assets plus software amortisation
2. 2021 H1 includes the benefit of £0.6m from the CJRS grant (2020 H1: £1.8m)
3. Before amortisation of intangible assets (excluding software amortisation) and exceptional items



2021 Interim Results

- All sites continued to operate during lockdown
- Volumes remained robust and reached 98% of normal levels in June 2021
- Customer retention levels remain high at 95% (2020: 94%)
- Existing customer satisfaction at 87%, the highest score ever achieved
- Sales team all returned from temporary furlough
- Eight of our sites have now successfully achieved certification EN14065
- Development and installation of new laundry management IT platform on track
- Updating and rebranding of commercial fleet continues
- Soft opening of new Exeter site expected in late September

Operational Performance: Workwear



Operational Performance: HORECA

Hotel, Restaurant & Catering



HORECA

Hotel, Restaurant & Catering

- Hotel, Restaurant & Catering Linen
- Hotel Linen



	2021 H1	2020 H1
Revenue (£m)	35.1	50.2
Adjusted EBITDA (£m) ^{1,2,3}	(3.5)	2.7
Adjusted EBITDA margin (%) ^{1,2,3}	(10.0)	5.4
Adjusted operating loss (£m) ^{2,3}	(18.2)	(18.8)
Adjusted operating margin (%) ^{2,3}	(51.9)	(37.5)

Notes:

1. Adjusted operating loss plus depreciation charge for property, plant and equipment, textile rental items and right of use assets plus software amortisation
2. 2021 H1 includes the benefit of £9.3m from the CJRS grant (2020 H1: £14.8m)
3. Before amortisation of intangible assets (excluding software amortisation) and exceptional items



2021 Interim Results

- Significant proportion of employees furloughed or flexi-furloughed in Q1
- Many sites mothballed in first quarter of the year
- Some sites remained open to service hotels for key workers and those acting as quarantine hotels
- All employees returned from furlough
- Recruitment of over 700 employees
- All sites operational by May including new Leeds site
- Strong recovery of volumes post lockdown easing:
 - climbed rapidly from mid-April to reach over 70% in June and over 80% in August
 - some sites in tourist areas back to 2019 levels
- Strategic marketing campaign, timed to coincide with hospitality reopening, resulting in significant new sales in Q2
- Continued benefit from on-going sales and referrals for business, especially new build hotels
- 8 of our 9 Hotel Linen sites now upgraded to our new laundry management IT platform

Operational Performance: **HORECA** Hotel, Restaurant & Catering



Our Customers

“Customer communication maintained in order to foster our strong, long-term relationships.”

Our Customers



Resetting and refreshing our sustainability approach

“Sustainability must be used in the widest possible way to encompass all our environmental and social impacts...”

Sustainability Approach

Current Activities

- Appointment of Head of Sustainability in April 2021
- Review of current activities and completion of sustainability materiality assessment
- Data reviews underway (diversity, carbon, waste)
- Business in the Community (BiTC) membership agreed
- Development of Sustainability programme framework, strategy and governance underway
- Refreshing and resetting our Sustainability Strategy in early 2022

Sustainability Approach

Key Priority Focus Areas

Environment

- Low Carbon Transition
- Water Management
- Waste Management (particularly end of life textiles and single use plastic)

People

- Reward & Recognition
- Equality, Diversity & Inclusion (ED&I)
- Culture & Engagement

Social

- Supplier Framework

Governance

- Ethical Conduct
- Board Ownership and Programme Governance

The Future

“...we are well placed to drive growth in our performance as we move through the remainder of the year and beyond.”

Strategic Plan

■ Organic ■ Investment ■ M&A ■ Social & Sustainability

- Market leading position within Workwear & HORECA
- National coverage; local service
- Dedicated to providing first class customer service
- Recovery of divisional margins over the medium term
- Continuing capital investment to increase production capacity & efficiency
- Investment in the training and development of our employees
- Ongoing investment in Group IT systems
- Completion of a Group-wide brand recognition programme
- Identification of further acquisitions in Textile Services; recent challenging market conditions may provide additional opportunities
- “Sustainability Strategy” to be launched in early 2022:
 - Provide details of our long-term commitments
 - Development and setting of targets in key priority areas



Post COVID-19

Workwear

- Maintain our high levels of customer retention and satisfaction
- Continued rollout of new laundry management IT platform throughout 2021
- Majority of remaining estate to apply for EN 14065¹ certification

HORECA

- Outlook continues to be positive as the sales pipeline remains strong
- In the absence of further lockdowns or local restrictions, volumes should continue to improve

Resourcing

- Management action taken to address short term recruitment challenges
- Expectations of improvement in the labour market as COVID-19 unemployment relief measures come to an end

Outlook

- Strong balance sheet and significant covenant headroom
- Established market leading position, national coverage and a reputation for quality and service
- Scale and focus on operational excellence means we are well placed to proactively address current inflationary pressures on some of our costs
- Proven track record of delivering on strategic growth targets
- In the absence of increased restrictions, the Group expects to announce full year results towards the higher end of current market expectations
- We remain confident in our medium and long-term growth prospects

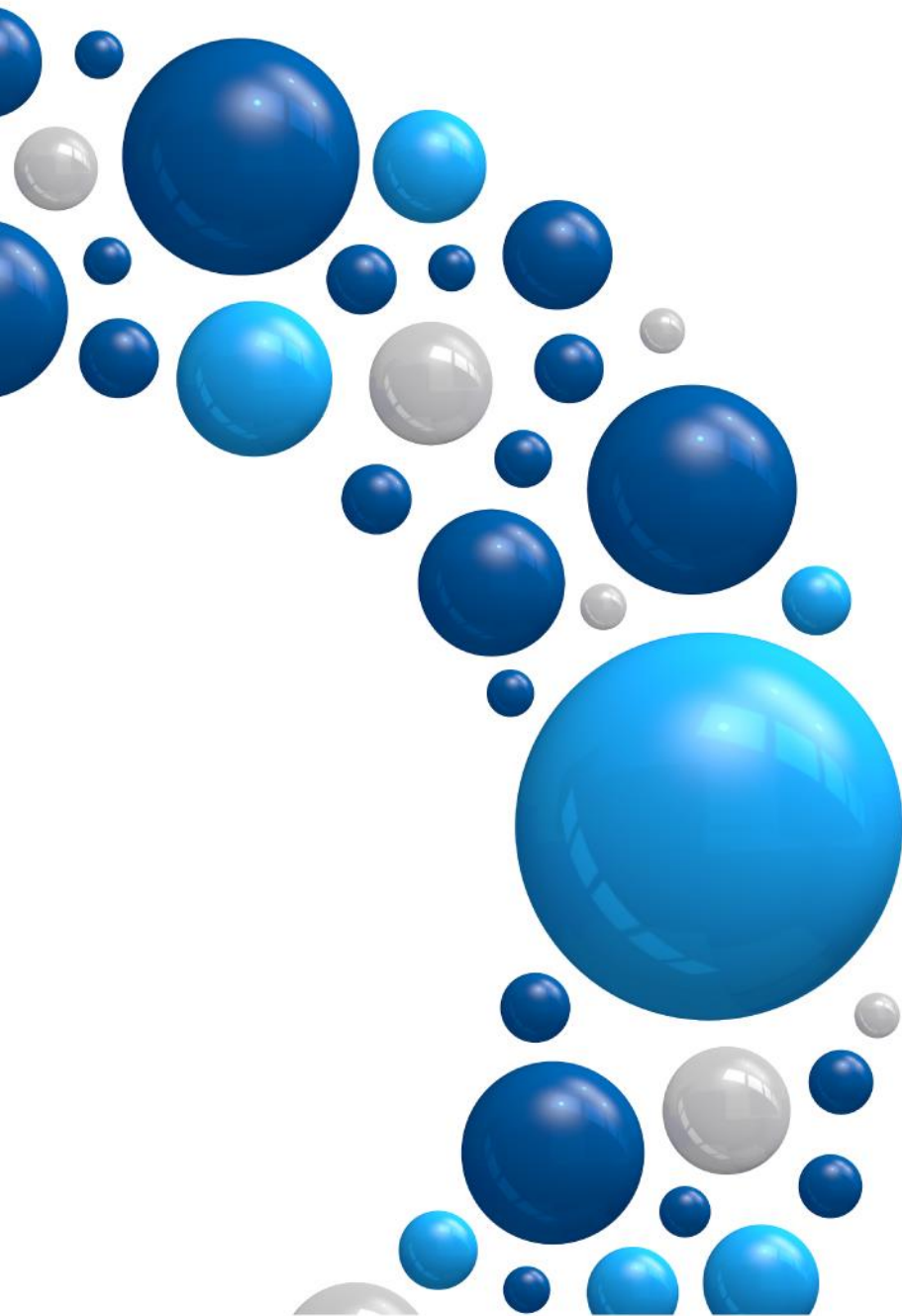
Note:

1. EN 14065 certification relates to Biocontamination Control System for Laundry Processed Textiles

The Future – Confident of Medium-Term Growth

“With our strong balance sheet, established market position and reputation for quality service, we remain confident in the Group’s medium-term growth prospects as the economy and markets we serve recover.”





JOHNSON

Service Group PLC

Appendices

Appendix 1

Segmental Analysis

	2021 H1		
	Revenue £m	Adjusted Operating Profit / (Loss) ^{1,2} £m	Adjusted EBITDA ^{1,2,3} £m
Workwear	64.5	11.2	23.0
HORECA	35.1	(18.2)	(3.5)
Textile Rental	99.6	(7.0)	19.5
Group Costs	-	(2.6)	(2.6)
TOTAL	99.6	(9.6)	16.9

	2020 H1		
	Revenue £m	Adjusted Operating Profit/ (Loss) ^{1,2} £m	Adjusted EBITDA ^{1,2,3} £m
Workwear	64.6	11.6	24.4
HORECA	50.2	(18.8)	2.7
Textile Rental	114.8	(7.2)	27.1
Group Costs	-	(2.3)	(2.2)
TOTAL	114.8	(9.5)	24.9

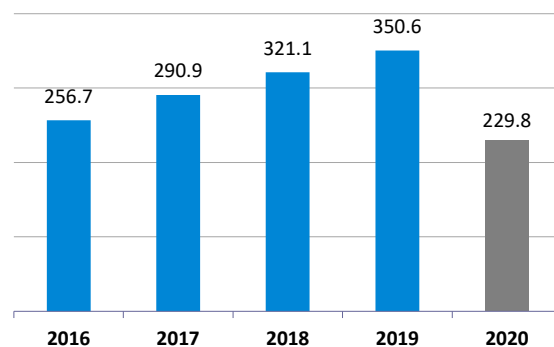
Note

1. Before amortisation of intangible assets (excluding software amortisation) and exceptional items
2. 2021 H1 Includes the benefit of £9.9m from the CJRS grant (Workwear: £0.6m; HORECA: £9.3m) (2020 H1: £16.6m (Workwear: £1.8m; HORECA: £14.8m))
3. Adjusted operating profit/(loss) plus depreciation charge for property, plant and equipment, textile rental items and right of use assets plus software amortisation

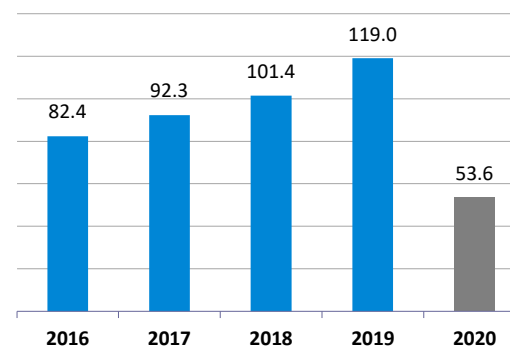
Appendix 2

Financial Track Record

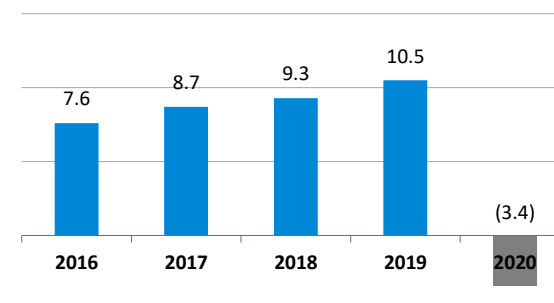
Revenue (£m)



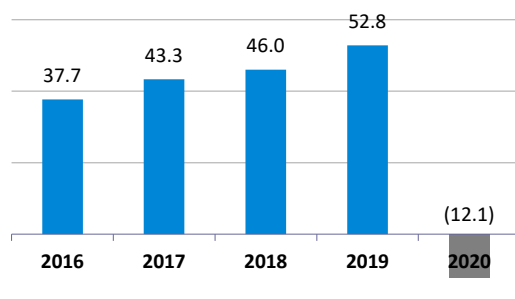
Adjusted EBITDA (£m)



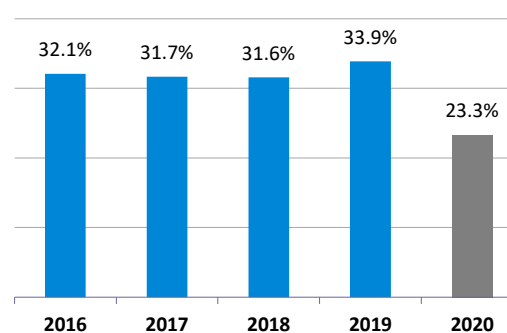
Adjusted Diluted EPS (p)



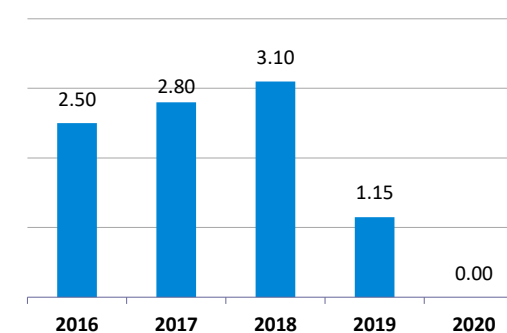
Adjusted Operating Profit (£m)



Adjusted EBITDA Margin (%)



Dividend per Share (p)



Appendix 3

Pre-COVID Performance Built on Buy-and-Build Strategy

