JOHNSON
Service Group PLC

Final Results

12 months ended 31 December 2021

Peter Egan Chief Executive Officer

Yvonne Monaghan Chief Financial Officer

Operational highlights

"...we have continued to invest in our systems, sites, people and initiatives..."

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Operational highlights

- Workwear continued to service customers throughout the year with volumes reaching pre-COVID levels in November 2021
- New Workwear site in Exeter opened in September increasing capacity in the South West by 20%
- HORECA sites operated at various levels, peaking at 87% of normal volumes in September 2021
- HORECA volumes expected to continue to increase following a slow start in January and into February 2022
- Further mitigating actions are ongoing to offset cost pressures
- 2030 Group sustainability targets set, together with objectives and plans for 2022

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Financials

"These results represent a solid performance for the Group against the challenging background of the COVID-19 pandemic..."

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Financial highlights

	2021	2020
Revenue (£m)	**271.4**	229.8
Adjusted EBITDA (£m)[1,2,3]	**67.9**	53.6
Adjusted EBITDA margin (%)[1,2,3]	**25.0**	23.3
Adjusted operating profit / (loss) (£m)[2,3,4]	**12.7**	(11.9)
Adjusted operating margin (%)[2,3,4]	**4.7**	(5.2)
Exceptional items (£m)	**6.7**	(4.3)
Adjusted PBT / (LBT) (£m)[2,3,4]	**9.4**	(16.8)
Adjusted EPS (p)[2,3,4]	**2.2**	(3.3)
Adjusted EPS excluding super deduction (p)[2,3,4,5,6]	**1.7**	(3.3)
Number of shares used in EPS calc[5]	**445.1**	413.8

Notes:

1. Adjusted operating profit / (loss) plus depreciation charge for property, plant and equipment, textile rental items and right of use assets plus software amortisation.
2. 2021 includes the benefit of £9.9m from the CJRS grant (2020: £28.2m).
3. Before amortisation of intangible assets (excluding software) and exceptional items and, in the case of earnings per share only, associated taxation.
4. Prior year has been restated by £0.2m being the reversal of capitalised software amortisation (see Appendix 2).
5. Basic number of shares of 444.9m (2020: 412.9m). Shares in issue at 7/03/22 were 445.3m (18/03/21: 444.4m).
6. EPS is calculated excluding the benefit of £2.5m of tax credit due to the 130% super deduction tax allowances.

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Exceptional Items

	2021 £m	2020 £m
Business acquisition costs	(0.1)	-
Insurance claims[1,2]	5.9	2.5
Other costs re insurance claims	(0.6)	-
Income from Parent Company Guarantees[3]	1.5	-
Impairment losses re insurance claims	-	(1.0)
Restructuring costs	-	(5.8)
Total Exceptional Items	6.7	(4.3)

Notes:

1. Further interim insurance proceeds of £5.2 million (2020: £1.5 million) and final proceeds of £0.7 million (2020: £1.0 million) have been received in respect of claims for capital items at our Exeter (fire) and Treforest (flood) sites respectively.
2. Negotiations on a final settlement value are ongoing with the insurer and are expected to be concluded in HY1 2022. The Group has disclosed a contingent asset; further insurance proceeds relating to capital items of at least £0.8 million are expected to be received in 2022.
3. As part of the disposal of the SGP division, a clause within the Sale and Purchase Agreement, obligated the purchaser to make an additional one-off payment in the event the business was subsequently sold. The business was sold and therefore a payment of £1.5 million was made to the Group in respect of this obligation.

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Cash Flow

		2021 £m	2020[1] £m
Adjusted operating profit / (loss)		12.7	(11.9)
Depreciation, impairment and software amortisation		55.2	66.2
Working capital		(18.3)	24.4
Capital expenditure	fixed assets and software	(24.4)	(21.4)
	rental stocks (net)	(39.4)	(26.0)
	fixed asset proceeds	-	0.2
Interest		(3.2)	(4.0)
Tax		0.5	(3.4)
Exceptional items (cash effect)		6.7	(2.9)
Additional pension contributions		(1.9)	(1.9)
Other		(2.3)	0.3
Net cash (outflow) / inflow		(14.4)	19.6
Equity issue		0.6	82.9
Discontinued operations (cash effect)		(3.6)	-
Acquisitions / Disposals		(7.0)	(2.1)
New lease liabilities		(2.1)	(6.3)
(Increase) / decrease in Net Debt		(26.5)	94.1
NET DEBT		60.1	33.6
Net Debt / (Net Cash) excluding IFRS16 Leases		22.3	(6.6)

Note 1: Prior year has been restated. See Appendix 2 for more information.

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Other Financial Information

Interest

- Interest cost of £3.3m including £1.6m relating to lease liabilities and £nil relating to discontinuance of interest hedge accounting (2020: £4.9m, £1.7m and £0.6m respectively)
- Notional pension interest cost of £0.2m (2020: £0.1m) reflects pension deficit at the start of 2021; expected charge for 2022 is £nil

Bank Facility

- £135.0m RCF expiring August 2023
- £40.0m RCF cancelled February 2022
- RCF at LIBOR/SONIA + applicable margin; average margin during 2021 was 2.00% (2020: 1.75%)

Taxation

- Effective tax rate[1] of (5.3)% (2020: 18.5%)
- £2.5m credit relating to 130% super deduction allowance

Pensions

- Net pension deficit of £0.9m (Dec 2020: £11.2m)
- Impact of an increase in discount rate
- Deficit recovery contributions of £1.9m (2020: £1.9m)

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

The Johnsons Way - JSG's refreshed approach to sustainability

The Johnsons way

Change today. Change the future.

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Sustainability

"We believe that embedding a best in class sustainability programme throughout our operations will help position us as a leader in responding to the challenges faced by the textile services industry and prove to be a differentiator for our customers."

Vision 2030 Statement & Targets

JOHNSON Service Group PLC

The Johnsons way
Change today. Change the future.

By 2030 we aim to have:

Our Family

By taking care of our Johnsons family and ensuring everyone feels that they belong we will deliver a first-class employee experience every day.

An effective EDI programme

25% female representation at management levels and above

Developed the Academy to provide life long learning and career paths

Our World

By reducing our natural resource consumption and completing the transition to a fully circular approach for our operations, we will protect and enhance our environment.

Reduced our scope 1 and 2 carbon emissions intensity by 40%

Transitioned company car fleet to EV

Reduced water consumption intensity by 25%

Reduced waste to landfill by 75%

Eliminated all single use plastics

Introduced a process to recycle our end of life textiles

Our Integrity

By continuing to demonstrate our integrity and commitment to responsible business practices we will position the organisation for future stability and growth.

Fully sustainable core products as preferred options

Implemented Supplier Framework and Code of Conduct for customers

Created JSG Code of Conduct training and ethical business training

Our Communities

By further understanding the communities impacted by what we do, we can form better collaborative partnerships to support them as they grow and develop.

Continued to support our colleagues in fundraising

Increased our social value spend as a % of revenue

Developed collaborative partnerships with our communities

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Operations

"We continue to take proactive actions to adapt our operations to ensure the Group can thrive..."

£24.4m Investment

"Automation and best in class equipment will continue to form the foundation of our investment strategy."

Exeter
New processing facility

South West
Upgrade sortation and unloading areas

London Linen
New ironer line

Perth
Automated sortation system

Grantham
Complete re-wire

HORECA
Laundry Management system upgrade

Glasgow
New boiler installation

Bourne
Upgrade of processing facility

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Operational Performance

Workwear

Operational Performance
Workwear

JOHNSON
Service Group PLC

JOHNSONS
Workwear

	2021	2020
Revenue (£m)	**128.9**	129.5
Adjusted EBITDA (£m)[1,2,3]	**46.3**	48.7
Adjusted EBITDA margin (%)[1,2,3]	**35.9**	37.6
Adjusted operating profit (£m)[2,3,4]	**22.5**	23.5
Adjusted operating margin (%)[2,3,4]	**17.5**	18.1

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 includes the benefit of £0.6m from the CJRS grant (2020: £2.9m).
3. Before amortisation of intangible assets (excluding software amortisation) and exceptional items.
4. Prior year restated following reversal of £0.2m charge for capitalised software (see appendix 2).

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Operational Performance
Workwear

- Processing volumes remained relatively consistent throughout the year
- Customer retention levels remain high at 95% (2020: 94%)
- Existing customer satisfaction at 86.4% (2020: 85.7%), highest ever result
- Sales teams returned in May 2021, increasing sales activity
- Employee engagement survey score of 83% (2019 survey: 82%)
- New product development team, introducing new ranges including garments suitable for healthcare and pharmaceutical sectors
- Development of a more sustainable and recyclable garment
- New plant in Exeter successfully commissioned in September 2021

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Operational Performance

HORECA

Hotel, Restaurant & Catering

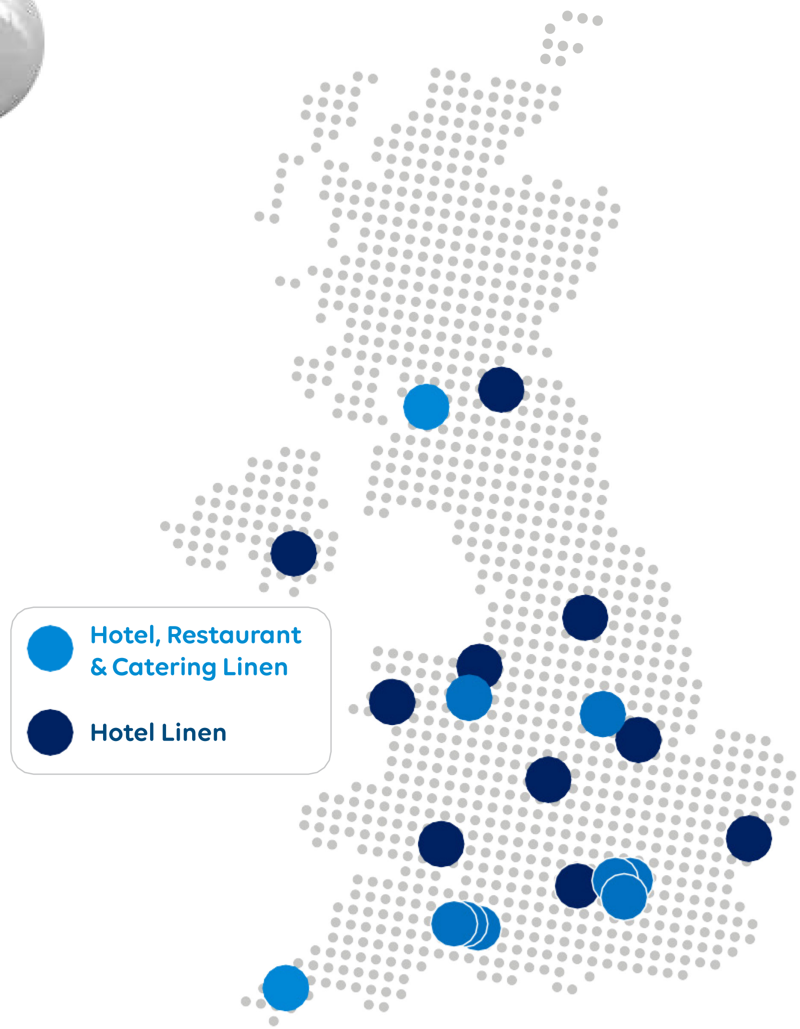
Operational Performance
HORECA
Hotel, Restaurant & Catering

JOHNSON
Service Group PLC

JOHNSONS
Hotel, Restaurant & Catering Linen

JOHNSONS
Hotel Linen

	2021	2020
Revenue (£m)	**142.5**	100.3
Adjusted EBITDA (£m)[1,2,3]	**26.2**	8.7
Adjusted EBITDA margin (%)[1,2,3]	**18.4**	8.7
Adjusted operating loss (£m)[2,3]	**(5.2)**	(31.5)
Adjusted operating margin (%)[2,3]	**(3.6)**	(31.4)



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 includes the benefit of £9.3m from the CJRS grant (2020: £25.3m).
3. Before amortisation of intangible assets (excluding software amortisation) and exceptional items.

Operational Performance
HORECA
Hotel, Restaurant & Catering

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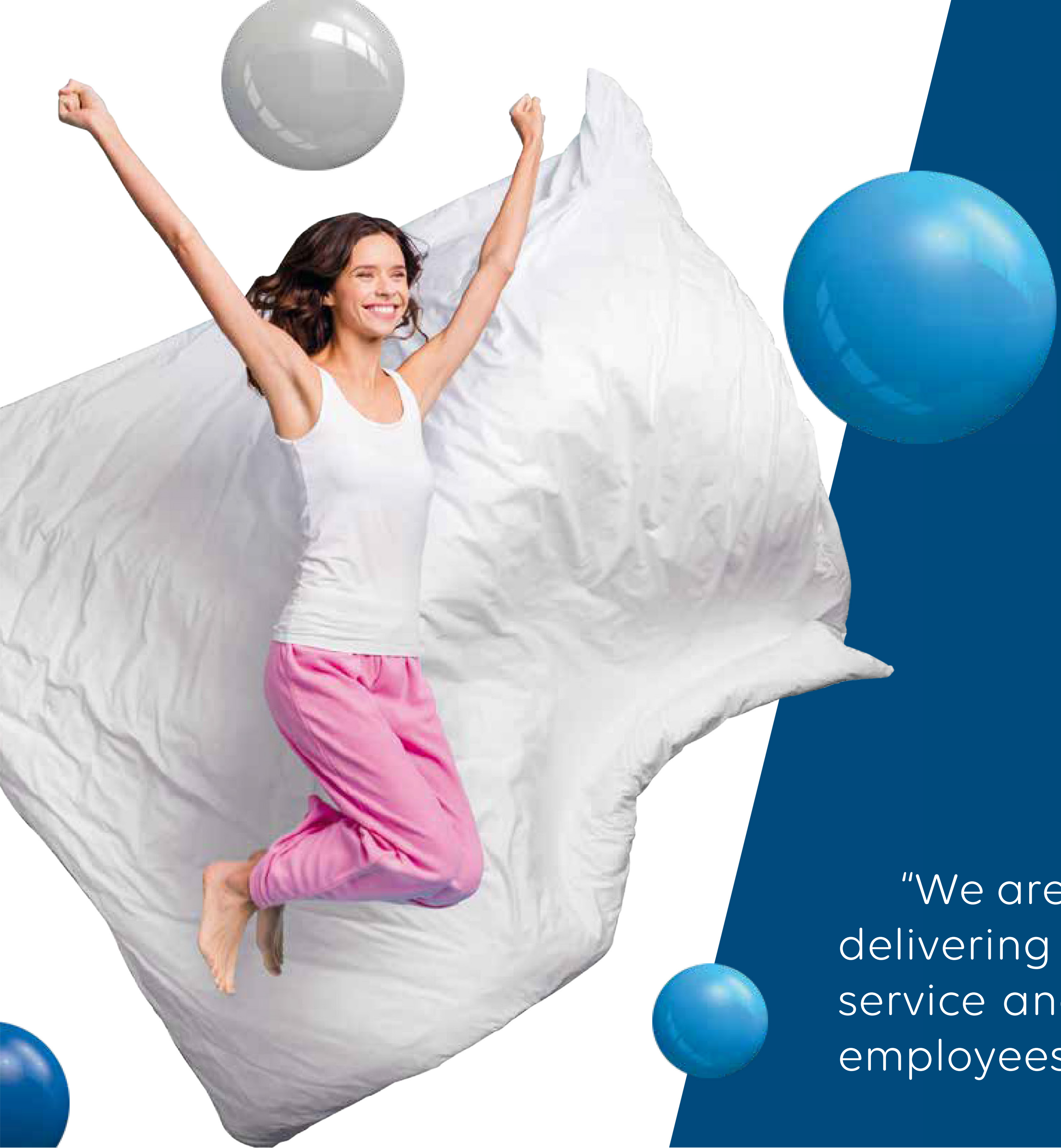
- Volumes varied throughout the year reaching a summer peak of 87% in September 2021, falling to 60% of normal in the final two weeks of the year
- Number of significant new wins at Stalbridge and London Linen in second half of 2021, with the sales pipeline remaining strong
- Customer survey scores of 84.4% for Stalbridge and London Linen, and 84.2% for Hotel Linen
- Employee engagement scores of 79% for Stalbridge and London Linen, and 83% for Hotel Linen
- New production facility in Leeds is fully operational and focused on improving efficiency
- £4.1m investment in largest facility in Bourne due to be completed on time in spring 2022
- Purchase of Lilliput laundry business based in Belfast in September 2021
  - Annualised pre-Covid revenue of £7.3m
  - Investment of £4.0m planned



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The Future

"We are continuing to focus on delivering outstanding customer service and investing in both our employees and laundry facilities."

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Outlook
Post COVID-19

Workwear

- Volumes reached pre-COVID levels in November 2021
- Continued focus on new to rental activity
- Innovative development of garment range
- Focus on Employee Engagement

HORECA

- January 2022 normalised volumes of 70% improved to 85% in February
- Further recovery of volumes as hospitality, business travel and office working return
- Key investments in Bourne and Belfast to be completed
- Focus on Employee Engagement

Guidance

- Confident in medium and long term growth prospects
- Lower HORECA demand in January and February 2022 impacted revenue by some £3.0m
- Margin also impacted as a result of carrying additional costs through winter
- Expect recovery in HORECA volumes to continue during 2022
- Further mitigating actions to offset cost pressures ongoing
- EBITDA margin will continue to improve towards pre-COVID levels

The Future
Confident of Medium Term Growth

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Organic Growth Opportunities

- Strong customer retention
- Market leading position within Workwear and HORECA
- Recovery of divisional margins over the medium term
- Focus on new sales
- Boosted by:
  - increased national coverage
  - increased capacity
  - first class customer service

Continued strong financial performance

Investment Programme

- To create a market leading, best in class, modern estate to support:
  - further reduction of the Group's environmental impact
  - further operational efficiencies
  - increased throughput
  - high customer service levels
- Continuing capital investment to increase production capacity & efficiency
- Investment in the training and development of our employees

Strategic objective to build a fully nationwide business

Acquisitions

- Ongoing expansion of geographic footprint in under represented regions
- Additional complementary opportunities
- Further synergy gains, including scale efficiencies, anticipated from recent acquisitions
- Identification of further acquisition activities in Textile Services: recent challenging market conditions may provide additional opportunities

Balance sheet strength supports growth strategy

Sustainability

Drive the implementation of our sustainability strategy 'The Johnsons Way' to deliver positive impacts on our business, people, environment and communities

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Appendices

Appendix 1
Segmental Analysis

	2021			2020		
	Revenue £m	Adjusted Operating Profit / (Loss)[1,2] £m	Adjusted EBITDA[1,2,4] £m	Revenue £m	Adjusted Operating Profit / (Loss)[1,2,3] £m	Adjusted EBITDA[1,2,4] £m
Workwear	128.9	22.5	46.3	129.5	23.5	48.7
HORECA	142.5	(5.2)	26.2	100.3	(31.5)	8.7
Textile Rental	**271.4**	**17.3**	**72.5**	**229.8**	**(8.0)**	**57.4**
Group Costs	**-**	**(4.6)**	**(4.6)**	**-**	**(3.9)**	**(3.8)**
Total	**271.4**	**12.7**	**67.9**	**229.8**	**(11.9)**	**53.6**

Notes:
1. Before amortisation of intangible assets (excluding software amortisation) and exceptional items.
2. 2021 includes the benefit of £9.9m from the CJRS grant (Workwear: £0.6m; HORECA: £9.3m) (2020: £28.2m (Workwear: £2.9m; HORECA: £25.3m)).
3. 2020 results for workwear have been restated by £0.2m software amortisation which has been reversed (see Appendix 2).
4. Adjusted operating profit plus depreciation charge for property, plant and equipment, textile rental items and right of use assets plus software amortisation.

Appendix 2
Prior Year Restatement

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	As originally reported Dec 2020	Prior year adjustment	Revised Dec 2020
Adjusted operating loss[1] (£m)	(12.1)	0.2	(11.9)
Adjusted operating margin[1] (%)	(5.3)	-	(5.2)
Operating loss[1] (£m)	(27.4)	0.2	(27.2)
Adjusted PBT[1] (£m)	(13.8)	0.2	(13.6)
Adjusted EPS[1] (p)	(3.4)	0.1	(3.3)
Workwear adjusted operating profit[1] (£m)	23.3	0.2	23.5
Workwear adjusted operating margin[1] (%)	18.0	-	18.1

Following an IFRIC agenda decision clarifying the accounting for configuration and customisation costs incurred in implementing Software-as-a Service, the Group identified £1.5m of capitalised software costs which have now been expensed to the Income Statement in prior years. Amortisation of £0.2m expensed in Workwear during 2020 have subsequently been reversed.

Notes:

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

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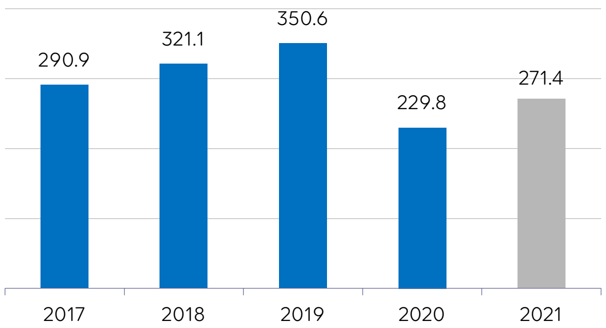
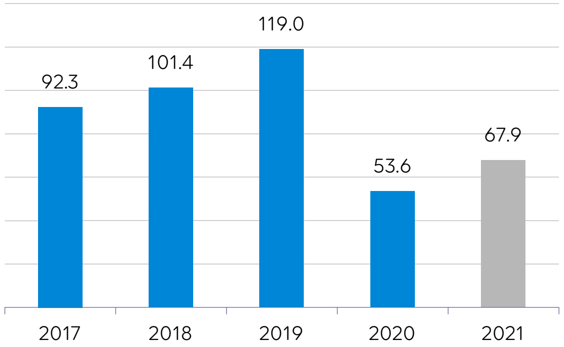
Appendix 3
Financial Track Record

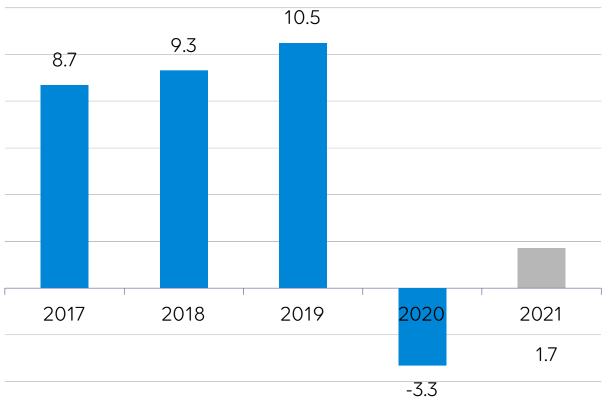
Revenue (£m)



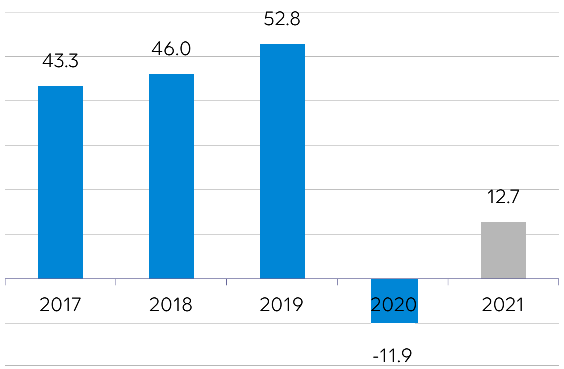
Adjusted EBITDA (£m)



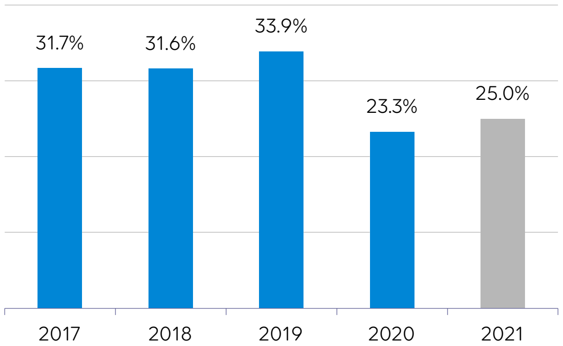
Adjusted Diluted EPS excluding super deduction (p)



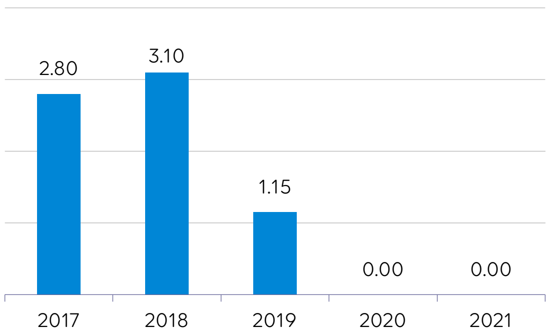
Adjusted Operating Profit (£m)



Adjusted EBITDA Margin (%)



Dividend per Share (p)



Appendix 4

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

Appendix 5
Our Executive Team

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Peter Egan
Chief Executive Officer
Industry Experience: 29 Years

Yvonne Monaghan
Chief Financial Officer
Industry Experience: 37 Years

Paul Carr
MD, Workwear
Industry Experience: 38 Years

Donald Smith
MD, Stalbridge & London Linen
Industry Experience: 35 Years

Helen Wood
MD, Hotel Linen
Industry Experience: 31 Years

Tim Morris
Group Financial Controller
Industry Experience: 17 Years

Steve McKeever
Group IT Director
Industry Experience: 22 Years

A combined industry experience of over 200 years.

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