



JOHNSON
Service Group PLC

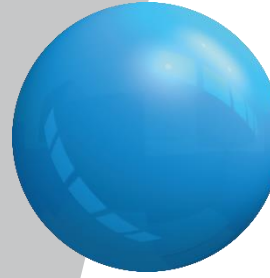
Interim Results

6 months ended
30 June 2022



Peter Egan Chief Executive Officer
Yvonne Monaghan Chief Financial Officer





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Highlights

“Continuing recovery in HORECA.
Confidence for longer term growth.”

Highlights

- Strong commercial momentum in HORECA with volumes continuing to recover as hospitality returns to more normal and predictable levels; Q2 volumes at 91% of 2019 level
- Successfully continued to secure and implement material price increases across our customer base
- Impact of energy price increases being proactively managed
- Increasing sales activity and strengthening pipeline of new business enquiries
- Reinstatement of progressive dividend policy with interim dividend of 0.8 pence per share
- Intention to launch a share buyback programme of up to £27.5 million
- Continued capital investment across the estate to increase production efficiencies and underpin capacity
- Progress made on our sustainability agenda

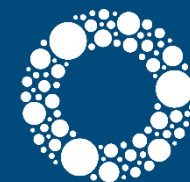
Trading Environment

Workwear

- Remained resilient throughout the pandemic
- Revenue growth of 2.3% YOY
- Strong customer retention at 95%
- Seeing a small contraction in terms of products on rental
- Market remains competitive

HORECA

- Continued recovery in HORECA
- Volumes at 83% of normal in Q1 increasing to 91% in Q2
- Seeing some operational and behavioural changes within the customer base
- Available capacity in the market remains limited
- Ongoing installation of new sites and rooms



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Financials

“...we have achieved a significant improvement in the Group’s financial performance...”

Income Statement

	2022 HY	2021 HY	2021 FY
Revenue (£m)	176.2	99.6	271.4
Adjusted EBITDA (£m) ^{1,2,3}	42.8	16.9	67.9
Adjusted EBITDA margin (%) ^{1,2,3}	24.3	17.0	25.0
Adjusted operating profit / (loss) (£m) ^{2,3,4}	12.8	(9.5)	12.7
Adjusted operating margin (%) ^{2,3,4}	7.3	(9.5)	4.7
Exceptional items (£m)	(0.5)	2.6	6.7
Adjusted PBT / (LBT) (£m) ^{2,3,4}	11.2	(11.1)	9.4
Adjusted EPS (p) ^{2,3,4}	2.3	(1.9)	2.2
Adjusted EPS excluding super deduction (p) ^{2,3,4,5,6}	1.7	(1.9)	1.7
Number of shares used in EPS calc ⁵	445.3	445.1	445.1
Dividend (p)	0.8	-	-

Notes:

- Adjusted operating profit / (loss) plus depreciation charge for property, plant and equipment, textile rental items and right of use assets plus software amortisation.
- 2021 HY includes the benefit of £9.9m from the CJRS grant (2021 FY: £9.9m).
- Before amortisation of intangible assets (excluding software), goodwill impairment and exceptional items and, in the case of earnings per share only, associated taxation.
- 2021 HY has been restated by £0.1m being the reversal of capitalised software amortisation (see Appendix 2).
- Basic number of shares of 445.2m (2021 HY: 444.6m; 2021 FY: £444.9m). Shares in issue at 01/09/22: 445.3m.
- EPS is calculated excluding the benefit of a £2.6m tax credit (2021 FY: £2.5m) due to the 130% super deduction tax allowance. EPS was not impacted by the super deduction in 2021 HY.

Management of Cost Pressures

Energy

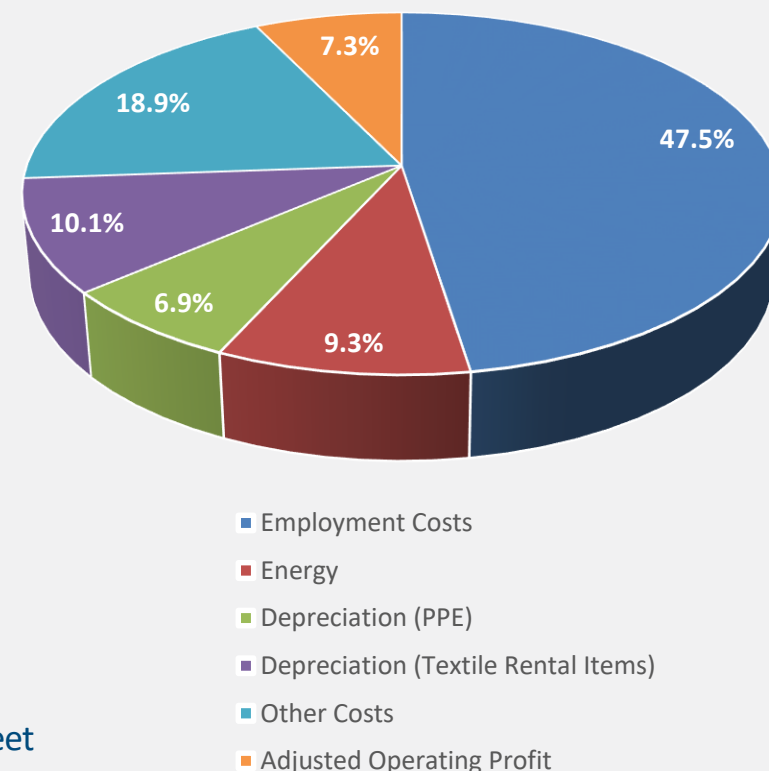
- Highly volatile market with unprecedented day ahead and forward pricing
- 2022 H1 energy costs represented 9.3% of revenue (2019 H1: 6.5%)
- We expect energy costs to increase as a % of revenue in H2 given current fixed pricing
- Material price increases implemented across our customer base to compensate
- Impact of energy prices being proactively managed with various fixed pricing in place:

	Gas	Electricity
2022 Q3	90%	80%
2022 Q4	95%	100%
Thereafter	67% fixed through to September 2023	100% fixed for the first quarter next year with up to 40% thereafter up to and including September 2024

Employee Costs

- Employee costs now represent some 47.5% of revenue (2019 H1: 43.2%)
- Additional cost carried through the winter months impacted margin but enabled us to meet demand as volumes increased
- Additional volume will better utilise our labour resource and improve processing efficiency

2022 H1 Cost Analysis



Cash Flow

		2022 HY £m	2021 HY ¹ £m	2021 FY £m
Adjusted operating profit / (loss)		12.8	(9.5)	12.7
Depreciation, impairment and software amortisation		30.0	26.4	55.2
Working capital		(9.1)	(7.4)	(18.3)
Capital expenditure	Fixed assets and software	(6.7)	(8.7)	(24.4)
	Rental stocks (net)	(23.3)	(13.8)	(39.4)
Interest		(1.7)	(1.7)	(3.2)
Tax		3.5	0.5	0.5
Exceptional items (cash effect)		(0.3)	2.6	6.7
Additional pension contributions		(0.9)	(0.9)	(1.9)
Other		0.1	(0.2)	(2.3)
Net cash inflow / (outflow)		4.4	(12.7)	(14.4)
Equity issue		-	0.6	0.6
Discontinued operations (cash effect)		0.1	-	(3.6)
Acquisitions / Disposals		(1.3)	(0.8)	(7.0)
New lease liabilities		(0.8)	(0.4)	(2.1)
Decrease / (increase) in Net Debt		2.4	(13.3)	(26.5)
NET DEBT		57.7	46.9	60.1
Net Debt excluding IFRS16 Leases		21.9	8.8	22.3

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

Other Financial Information

Interest

- Interest cost of £1.6m, including £0.8m relating to lease liabilities (2021 HY: £1.6m and £0.8m respectively; 2021 FY: £3.3m and £1.6m respectively)
- RCF at SONIA + applicable margin; average margin during 2022 HY was 1.69% (2021 HY: 2.00%; 2021 FY: 2.00%)
- Notional pension interest cost of £nil (2021 HY: £0.1m; 2021 FY: £0.2m)

Bank Facility

- New facility agreed 8 August 2022 comprising an £85m RCF
 - expires August 2025
 - two, one-year, term extension options
 - option to increase facility by a further £50m
 - ambitious sustainability performance targets to be agreed in order to convert to a Sustainability Linked Loan

Taxation

- Effective tax rate¹ of 9.7% (2021 HY: 23.1%; 2021 FY: (5.3%))
- £2.6m credit relating to 130% super deduction allowance (2021 HY: n/a; 2021 FY: £2.5m)

Pensions

- Net pension surplus £5.9m (2021 HY: £5.6m deficit; 2021 FY £0.9m deficit)
- Improvement mainly due to an increase in discount rate
- Deficit recovery contributions of £0.9m (2021 HY: £0.9m; 2021 FY: £1.9m)

Notes:

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

Capital Structure

Capital Allocation Policy

- Maintaining a strong balance sheet
- Continuing capital investment to increase processing capacity and efficiency
- Appropriate accretive acquisitions
- Operating a progressive dividend policy
- Distributing any surplus cash to Shareholders

Dividend

- Interim dividend of 0.8 pence per share
- Intention to reduce cover from 3x to 2.5x by FY2024

Share Buyback

- £27.5m return of capital announced
- Launch in September 2022
- Share buyback programme to run to 2023 AGM



Operations

“Our organic growth is underpinned by increased sales activity and a strengthening pipeline of new business enquiries...”

Capital Expenditure
£6.7m
Investment

“Focusing on capital investment to improve energy and production efficiencies and underpin capacity.”

Hinckley

Automated
sortation
system

**Northern
Ireland**

Upgrade of
processing
facility

Workwear

Laundry
Management
system
upgrade

Shaftesbury

Carbon Trust
backed
water recycling
system

Bourne

Upgrade of
processing
facility

HORECA

Laundry
Management
system
upgrade



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Operational Performance

Workwear

Operational Performance

Workwear



	2022 HY	2021 HY	2021 FY
Revenue (£m)	66.0	64.5	128.9
Adjusted EBITDA (£m) ^{1,2,3}	22.2	23.0	46.3
Adjusted EBITDA margin (%) ^{1,2,3}	33.6	35.7	35.9
Adjusted operating profit (£m) ^{2,3,4}	10.0	11.3	22.5
Adjusted operating margin (%) ^{2,3,4}	15.2	17.5	17.5

Notes:

- Adjusted operating profit plus depreciation charge for property, plant and equipment, textile rental items and right of use assets plus software amortisation.
- 2021 HY includes the benefit of £0.6m from the CJRS grant (2021 FY: £0.6m).
- Before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items.
- 2021 HY has been restated by £0.1m being the reversal of capitalised software amortisation (see Appendix 2).

Operational Performance Workwear

- Organic revenue growth of 1.7%
- Purchase of small number of contracts in Feb 2022
- Customer retention levels remained at 95% (2021: 95%)
- Existing customer satisfaction at 85%, maintaining our position of providing first class service
- Sales team continuing to gain momentum with increased activity and pipelines
- Employee engagement survey score of 83%
- Launch of new, more sustainable and recyclable garment - the “Flex-Collection”



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Operational Performance

HORECA

Hotel, Restaurant & Catering

Operational Performance

HORECA

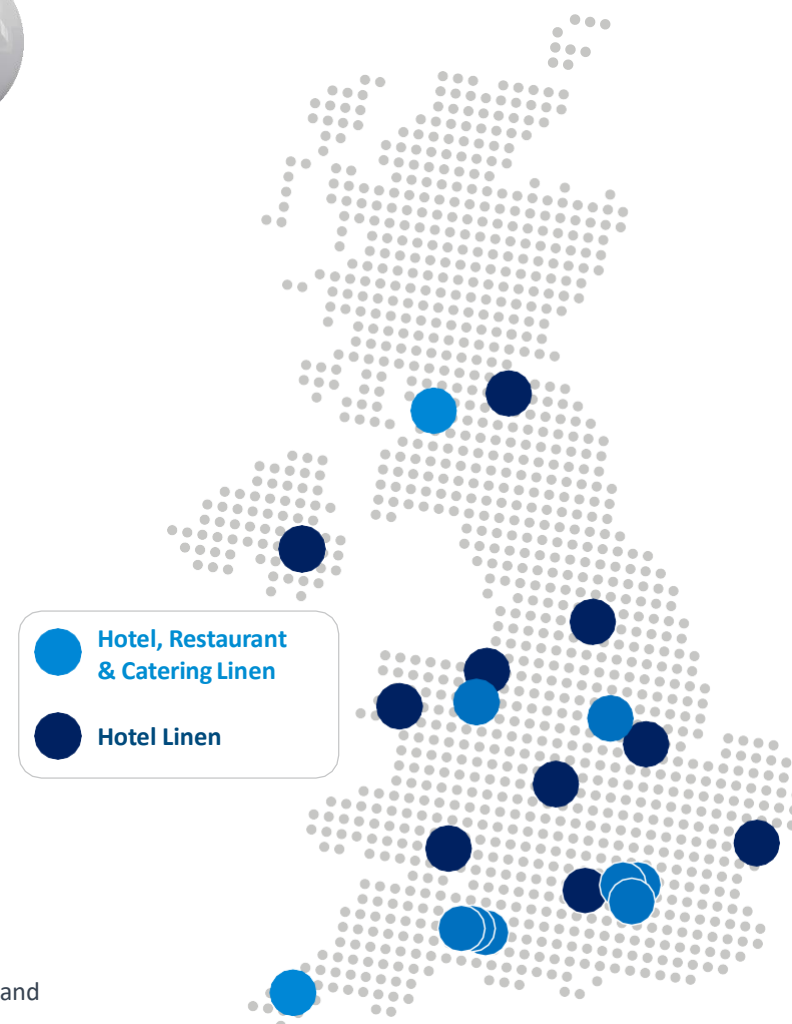
Hotel, Restaurant & Catering



	2022 HY	2021 HY	2021 FY
Revenue (£m)	110.2	35.1	142.5
Adjusted EBITDA (£m) ^{1,2,3}	23.3	(3.5)	26.2
Adjusted EBITDA margin (%) ^{1,2,3}	21.1	(10.0)	18.4
Adjusted operating profit / (loss) (£m) ^{2,3}	5.5	(18.2)	(5.2)
Adjusted operating margin (%) ^{2,3}	5.0	(51.9)	(3.6)

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 HY includes the benefit of £9.3m from the CJRS grant (2021 FY: £9.3m).
3. Before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items.



Operational Performance

HORECA

Hotel, Restaurant & Catering

- Volumes were 83% of normal in first quarter, improving to 91% in the second quarter
- Additional employee cost carried through the winter months impacted margin but enabled us to meet demand as volumes increased
- Encouraging new business pipeline – over 6,700 additional rooms and 75 restaurants installed in July and August 2022; at least a further 5,000 rooms are anticipated to be installed before the end of the year with further rooms under discussion
- Achieved commercially improved terms with many customers and increased initial pricing with new customers
- National accounts team successful in retaining key customers and continue to build strong business relationships
- £4.2m investment in largest facility in Bourne completed on time in spring 2022, improving working processes and underpinning capacity
- £4.0m investment in our Belfast site to increase capacity, providing a new unit and improved working processes

The Johnsons Way

JSG's refreshed approach to sustainability



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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.”



The
Johnsons
way

Change today. Change the future.

Sustainability

- Launch of “Johnsons Way” in February 2022
- Inaugural Sustainability Report published with overview of progress made on the “Johnsons Way”
- Successful conclusion of the wastewater recycling pilot at our Shaftesbury site with installation also planned for our Cornwall site later this year
- Improvements made to how we collate and manage our waste streams which has identified opportunities to reduce our waste to landfill
- We anticipate achieving 25% of our company car fleet being electric or hybrid by the end of 2022 (subject to continuing availability of new vehicles)





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Outlook

“We will continue to identify opportunities for us to invest to strengthen our position in the market and enhance our competitive advantage.”

An Essential Service Provider

“...delivering outstanding customer service...”

An Essential Service Provider

The services we provide to our customers are essential to their business

Cost Effective

The cost of our service is generally not significant to the customer

Substitution

Limited alternatives to our offering in a market that has tight capacity

A Local Service

Our proximity to customers enables us to quickly respond to their needs

Sustainable

Working in partnership with our customers to reduce environmental impact

Quality Service

We provide our customers with a quality service which they can rely upon

Outlook

"Trading momentum since June 2022 remains encouraging"

Workwear

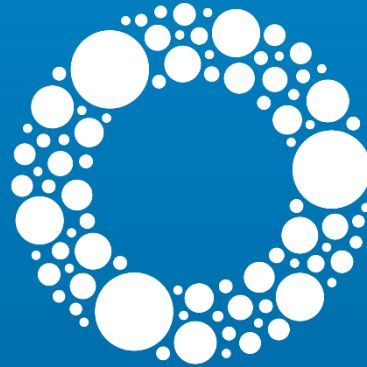
- Focus remains on continuous improvement of our processes and delivering further enhancements to our operational efficiencies
- Continue the implementation of our new laundry management system
- Focus on Employee Engagement

HORECA

- Volumes for the six weeks to the middle of August increasing to 92%
- Continue to benefit from ongoing sales and referrals for new business
- Installation of at least a further 5,000 new rooms and restaurant locations by the end of 2022
- Focus on Employee Engagement

Outlook

- Trading momentum remains encouraging
- Expect full year outturn to be in line with current market expectations
- Confident in medium and long term growth prospects
- EBITDA margin will continue to improve towards pre-COVID levels over the medium term
- However, despite implementing material price increases across our customer base we do expect some margin pressure in the short term
- M&A to further strengthen our position in the market
- Ongoing capital investment to increase efficiency and underpin capacity



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Appendices

Appendix 1

Segmental Analysis

	2022 HY			2021 HY			2021 FY		
	Revenue £m	Adjusted Operating Profit / (Loss) ¹ £m	Adjusted EBITDA ^{1,4} £m	Revenue £m	Adjusted Operating Profit / (Loss) ^{1,2,3} £m	Adjusted EBITDA ^{1,2,3,4} £m	Revenue £m	Adjusted Operating Profit / (Loss) ^{1,2} £m	Adjusted EBITDA ^{1,2,4} £m
Workwear	66.0	10.0	22.2	64.5	11.3	23.0	128.9	22.5	46.3
HORECA	110.2	5.5	23.3	35.1	(18.2)	(3.5)	142.5	(5.2)	26.2
Textile Rental	176.2	15.5	45.5	99.6	(6.9)	19.5	271.4	17.3	72.5
Group Costs	-	(2.7)	(2.7)	-	(2.6)	(2.6)	-	(4.6)	(4.6)
Total	176.2	12.8	42.8	99.6	(9.5)	16.9	271.4	12.7	67.9

Notes:

1. Before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items.
2. 2021 HY and 2021 FY include the benefit of £9.9m from the CJRS grant (Workwear: £0.6m; HORECA: £9.3m).
3. 2021 HY results for Workwear have been restated by £0.1m 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 Period Restatement

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 £0.1m expensed in Workwear during 2021 HY has subsequently been reversed.

	As Originally Reported June 2021	Prior Period Restatement	Revised June 2021
Adjusted operating loss ¹ (£m)	(9.6)	0.1	(9.5)
Operating loss (£m)	(12.4)	0.1	(12.3)
Adjusted PBT ¹ (£m)	(11.2)	0.1	(11.1)
Adjusted EPS ¹ (p)	(1.9)	-	(1.9)

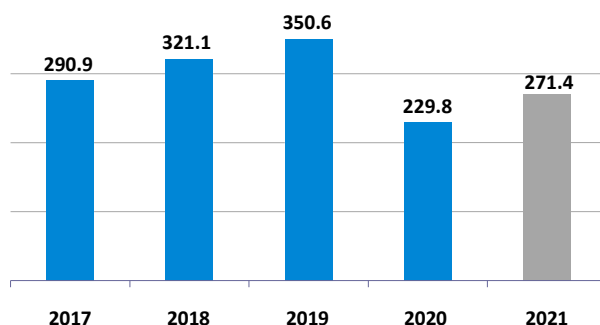
Notes:

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

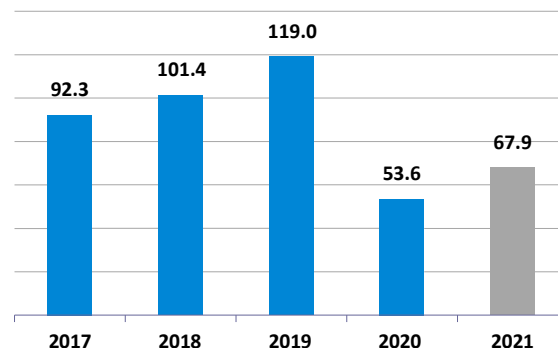
Appendix 3

Financial Track Record

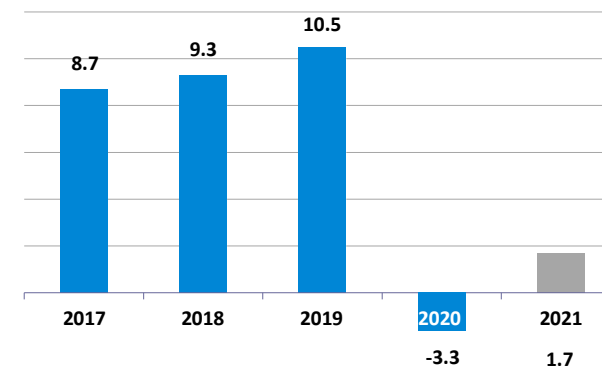
Revenue (£m)



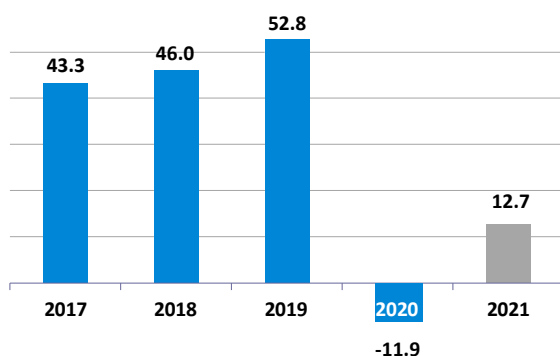
Adjusted EBITDA (£m)



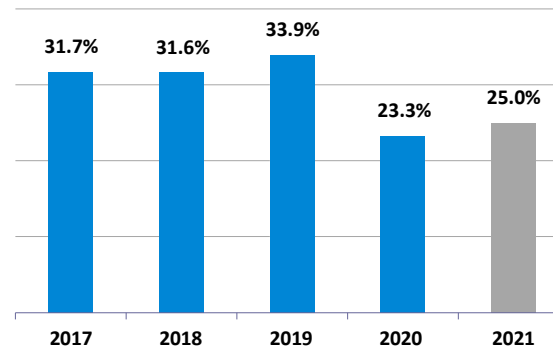
Adjusted Diluted EPS
- excluding super deduction (p)



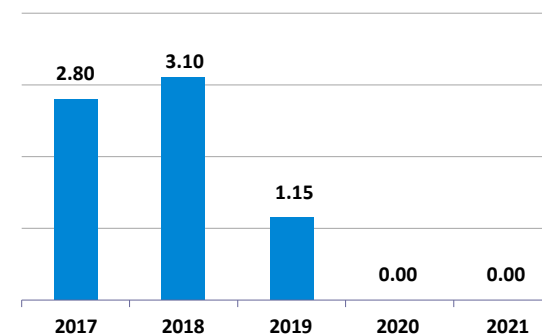
Adjusted Operating Profit (£m)

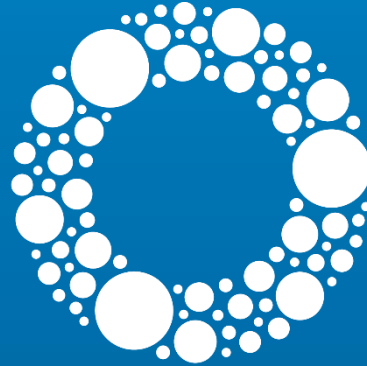


Adjusted EBITDA Margin (%)



Dividend per Share (p)





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