

JOHNSON SERVICE GROUP PLC

FINAL RESULTS

31 DECEMBER 2022



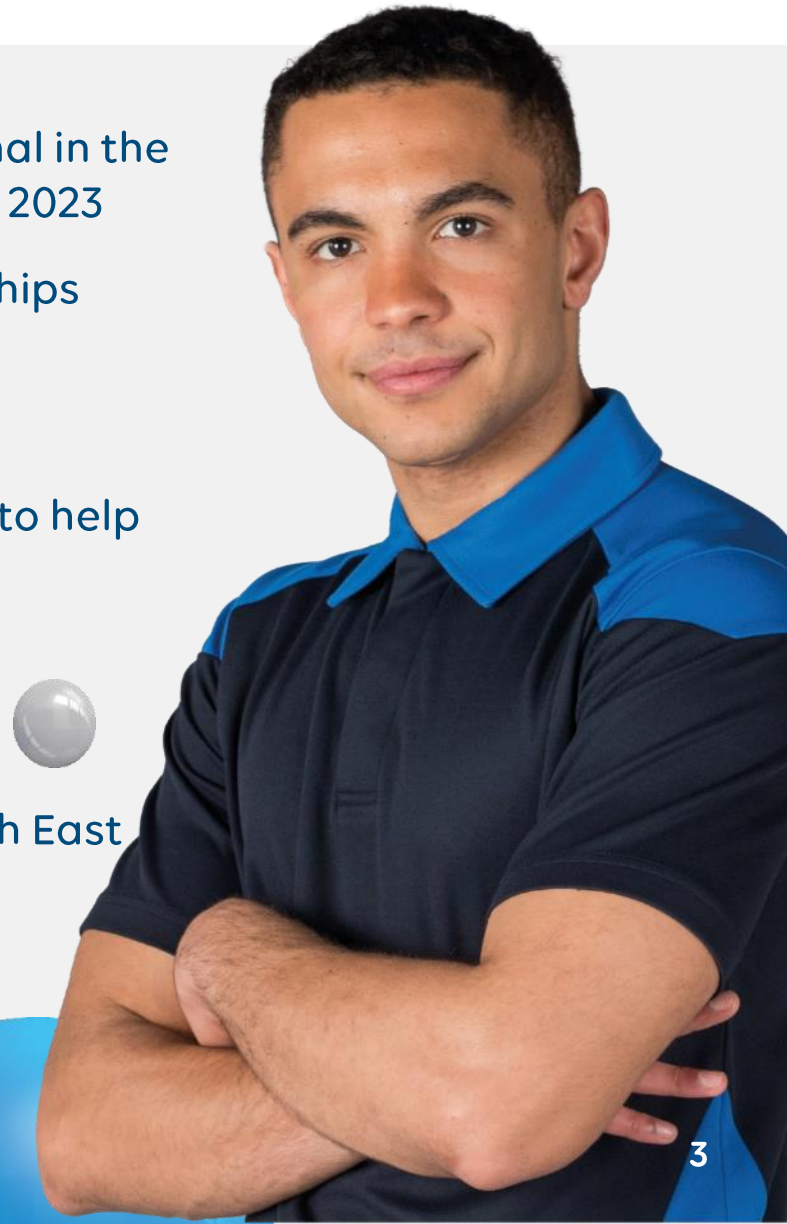
Peter Egan Chief Executive Officer
Yvonne Monaghan Chief Financial Officer

1 OPERATIONAL HIGHLIGHTS

"Our scale, expertise and operational excellence mean that we are well placed to capitalise on opportunities as markets continue to recover."

Operational Highlights

- HORECA volumes improved during the year to reach 93% of normal in the final quarter; we expect volumes to continue to increase through 2023
- We continue to build strong relationships and strategic partnerships within HORECA, with over 23,500 rooms installed in 2022
- Workwear customer retention levels remained strong at 94.3%
- Price increases and other actions implemented throughout 2022 to help offset cost inflation
- Further mitigating actions are ongoing to offset cost pressures
- Acquisition of Regency Laundry Limited in February 2023
- New leasehold site secured to expand HORECA capacity in South East



2 FINANCIALS

"The improved performance we are reporting today demonstrates the resilience of JSG's business model..."

Financial Highlights

	2022	2021
Revenue (£m)	385.7	271.4
Adjusted EBITDA (£m) ^{1,2,3}	104.9	67.9
Adjusted EBITDA margin (%) ^{1,2,3}	27.2	25.0
Adjusted operating profit (£m) ^{2,3}	41.2	12.7
Adjusted operating margin (%) ^{2,3}	10.7	4.7
Adjusted PBT (£m) ^{2,3}	38.2	9.4
Adjusted diluted EPS (p) ^{2,3,4}	8.0	2.2
Adjusted diluted EPS excluding super deduction (p) ^{2,3,4,5}	7.2	1.7
Number of shares used in EPS calc (m) ⁴	444.4	445.1
Dividend (p)	2.4	-

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 £9.9m from the CJRS grant (2022: nil).
3. Before amortisation of intangible assets (excluding software), goodwill impairment and exceptional items and, in the case of earnings per share only, associated taxation.
4. Weighted average number of shares is 444.3m (2021: 444.9m). Shares in issue at 06/03/23 were 433.8 (07/03/22: 445.3m).
5. Calculated excluding the benefit of £3.8m (2021: £2.5m) of tax credit due to the 130% super deduction tax allowances.

Management of Cost Pressures



Energy

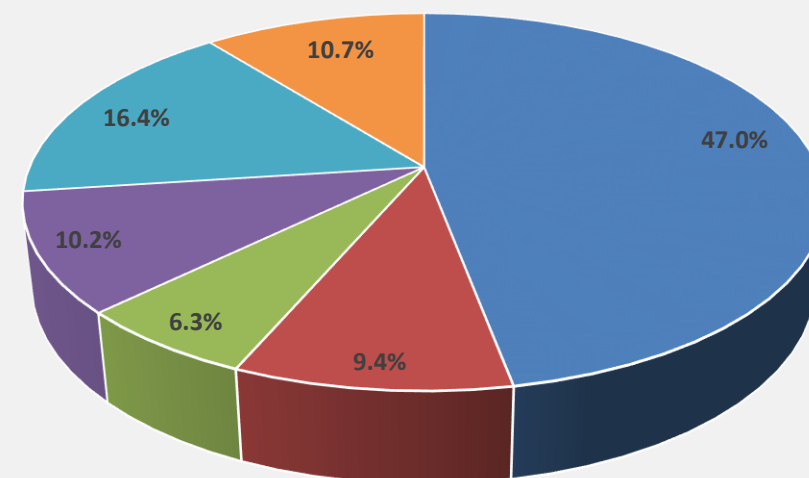
- Highly volatile market with unprecedented day ahead and forward pricing
- 2022 FY energy costs represented 9.4% (H1: 9.3%; H2: 9.5%) of revenue (2019 FY: 6.2%)
- Material price increases implemented across our customer base to compensate
- Impact of energy prices being proactively managed with various fixed pricing in place:

	Gas - % Fixed	Electricity - % Fixed
2023 H1	80%	69%
2023 H2	62%	58%
Thereafter	24% of FY24 fixed with reducing amounts thereafter	41% of FY24 fixed with reducing amounts thereafter

Employee Costs

- Employee costs now represent some 47.0% (H1: 47.5%; H2: 46.6%) of revenue (2019 FY: 43.0%)
- Additional cost carried through Q1 2022 impacted margin but enabled us to meet demand as volumes increased
- Additional volume will better utilise our labour resource and further improve processing efficiency

2022 FY Cost Analysis



- Employment Costs
- Energy
- Depreciation (PPE & ROU)
- Depreciation (Textile Rental Items)
- Other Costs
- Adjusted Operating Profit

Cash Flow

		2022 £m	2021 £m
Adjusted operating profit		41.2	12.7
Depreciation, impairment and software amortisation		63.7	55.2
Working capital		(8.2)	(19.8)
Capital expenditure	fixed assets and software	(22.4)	(24.4)
	rental stocks (net)	(49.8)	(39.4)
	fixed asset proceeds	0.4	-
Interest		(3.6)	(3.2)
Tax		3.5	0.5
Exceptional items (cash effect)		0.7	6.7
Dividends		(3.5)	-
Additional pension contributions		(1.9)	(1.9)
Other		0.8	(0.8)
Net cash inflow / (outflow)		20.9	(14.4)
Equity issue		-	0.6
Share buybacks		(5.6)	-
Discontinued operations (cash effect)		0.2	(3.6)
Acquisitions / Disposals		(1.3)	(7.0)
New lease liabilities		(2.1)	(2.1)
Decrease / (increase) in Net Debt		12.1	(26.5)
NET DEBT		48.0	60.1
Net Debt excluding IFRS 16 Leases		13.7	22.3



Other Financial Information

Interest

- Interest cost of £3.0m including £1.5m relating to lease liabilities (2021: £3.3m and £1.6m respectively)
- Notional pension interest cost of £nil (2021: £0.2m) reflects pension deficit at the start of 2022; cost in 2023 expected to be £0.5m

Bank Facility

- New £85m Revolving Credit Facility agreed in August 2022
 - expires August 2025
 - two, one-year, term extension options (subject to bank consent)
 - option to increase facility by up to a further £50m (again, subject to bank consent)

Taxation

- Effective tax rate¹ of 6.8% (2021: tax credit of 5.3%)
- £3.8m credit (2021: £2.5m credit) relating to permanent benefit of 130% super deduction allowance

Notes:

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

Pensions

- Net pension deficit of £7.1m (Dec 2021: £0.9m)
- Impact of an increase in discount rate on liabilities offset by a reduction in asset values
- Deficit recovery contributions of £1.9m (2021: £1.9m)

Share Buyback

- Return of capital launched in September 2022 for up to £27.5m
- £11.4m of cash utilised to date (including expenses)
- Programme to run to 2023 AGM

Dividend

- Reinstatement of progressive dividend policy
- Dividend for 2022 of 2.4 pence per share
- Current intention to reduce dividend cover from the current level of 3 times to 2.5 times by financial year 2024

3 Investment



"Through the improving cash flow,
we have been able to support our
capital investment plans..."

Acquisition of Regency Laundry

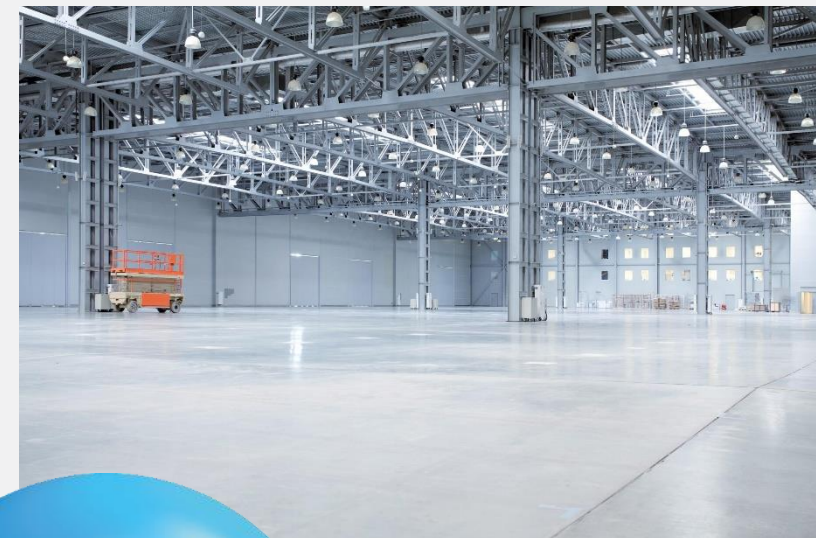


- Acquisition of the entire issued share capital of Regency for a cash consideration of £5.75 million on a debt free, cash free basis and subject to an adjustment for normalised working capital
- 26,000 sq ft leasehold processing facility in Corsham with some 90 employees
- Operates in the luxury/bespoke 4 and 5 star hotel market in the South of England
- Regularly delivers c200k pieces of luxury linen per week
- Exciting opportunities to expand capacity on site and continue to grow its presence in luxury/bespoke sector
- FY22 revenue of £6.1 million



New HORECA Site

- 46,000 sq ft strategically located leasehold site in the South East
- Capital investment:
 - c£16.0m in FY23/FY24
 - Highly automated and energy efficient equipment
- Anticipated to open in the second half of 2024
- Initial capacity to process c600,000 items per week
- Strategic location allows for opportunity to grow in the London and South East area
- Transfer in of existing work processed in Dorset provides for significant opportunities to reduce delivery miles and allow for further growth by back filling



Capital Expenditure

£22.4m Investment

"We have invested £22.4m in our plants to not only improve productivity and processes within our sites but also to attract and retain employees with enhanced working environments."

Hinckley
Automated
sortation
system

Bourne
Upgrade of
processing
facility

HORECA
Laundry
management
system
upgrade

**Northern
Ireland**
Upgrade of
processing
facility

Shaftesbury
Carbon Trust
backed water
recycling
system

Workwear
Laundry
management
system
upgrade

4 Sustainability

"We are tackling sustainability not because we have to, but because it is the right thing to do."



The
Johnsons
way

Change today. Change the future.

Sustainability

2022 Highlights

- Significant reduction in our carbon emission intensity rates:
 - 18% reduction against revenue
 - 24% reduction against weight processed
- Achieved a 10% reduction in water usage intensity rate
- Successful completion of our first Employee Diversity Monitoring Survey
- Ongoing trials of alternative fuel solutions for our commercial fleet
- Almost 20% of company car fleet now transitioned to EV

2023 Objectives

Our Family

- Group-wide ED&I strategy
- Diversity awareness training to be rolled out

Our World

- 5% reduction in CO2e intensity
- 2% reduction in water intensity
- 5% reduction of all waste to landfill
- 40% of company car fleet transitioned to EV

Our Integrity

- Develop strategy for transitioning to sustainable materials across our product range
- Supplier and Customer Guiding principles to be rolled out

Our Communities

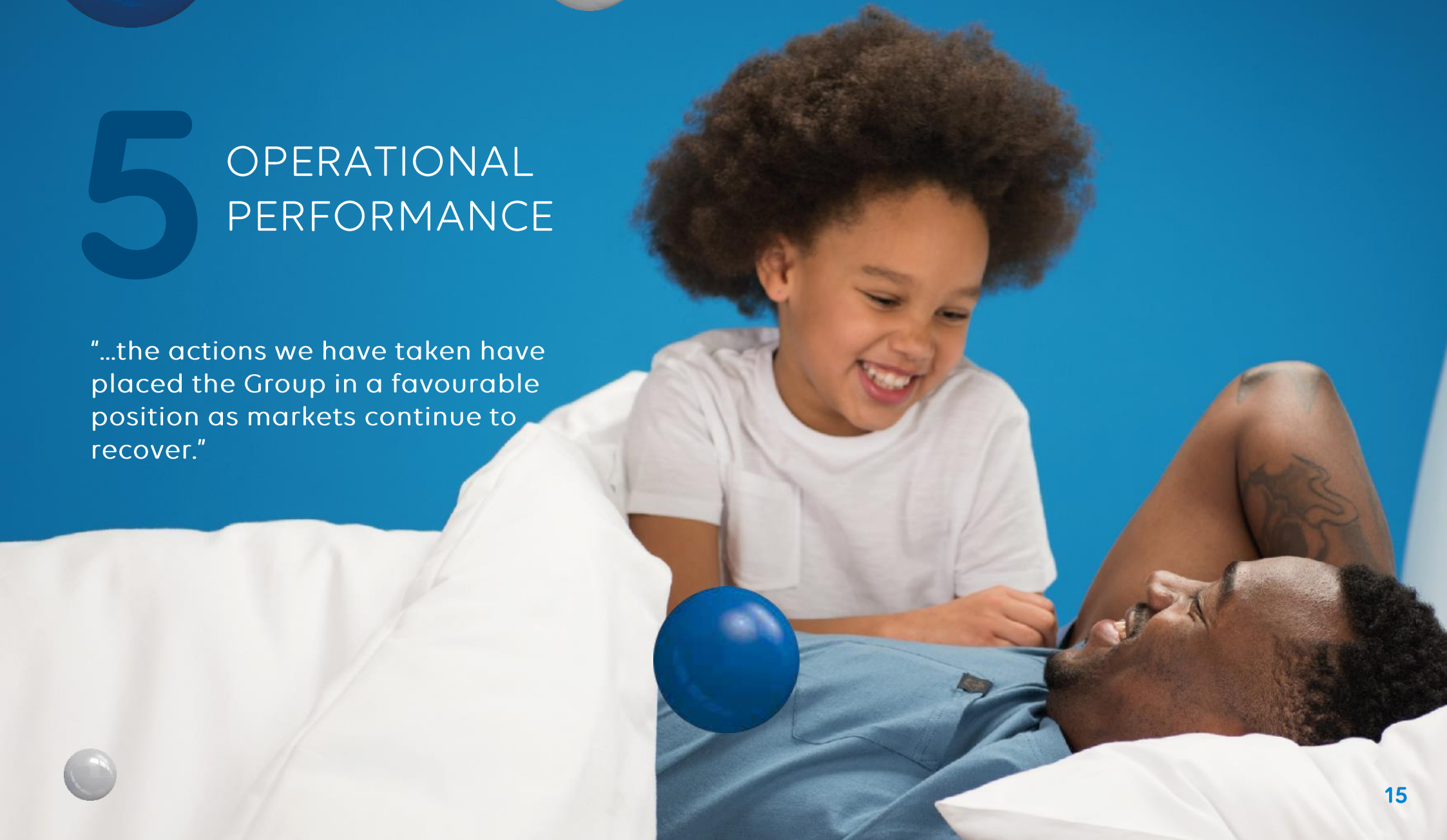
- Formalise employee volunteering policy and increase employee volunteering hours
- Increased direct financial donations



5

OPERATIONAL PERFORMANCE

"...the actions we have taken have placed the Group in a favourable position as markets continue to recover."



Operational Performance

Workwear



JOHNSONS
Workwear

	2022	2021
Revenue (£m)	134.6	128.9
Adjusted EBITDA (£m) ^{1,2,3,4}	46.6	46.3
Adjusted EBITDA margin (%) ^{1,2,3,4}	34.6	35.9
Adjusted operating profit (£m) ^{2,3,4}	21.9	22.5
Adjusted operating margin (%) ^{2,3,4}	16.3	17.5

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. 2022 includes a £1.1m credit from the finalisation of the Exeter insurance claim in respect of additional revenue cost incurred in 2020 and 2021.
3. 2021 includes the benefit of £0.6m from the CJRS grant (2022: £nil).
4. Before amortisation of intangible assets (excluding software amortisation) and exceptional items.

Operational Performance

Workwear



- Organic revenue increased by 3.7%
- Customer retention levels remain high at 94.3%
- Existing customer satisfaction at 85.0%
- We maintain our position of market sector leader in providing a first-class service to our customers
- 27.5% of all new sales won came from new to rental
- Employee engagement survey score of 81%
- Introduction of a more sustainable and recyclable garment
- Several initiatives implemented to reduce water and energy use including a continuous heat and water recovery unit in Lancaster

Operational Performance

HORECA



Hotel, Restaurant
& Catering Linen

Hotel Linen

Regency Laundry

	2022	2021
Revenue (£m)	251.1	142.5
Adjusted EBITDA (£m) ^{1,2,3}	63.0	26.2
Adjusted EBITDA margin (%) ^{1,2,3}	25.1	18.4
Adjusted operating profit / (loss) (£m) ^{2,3}	24.1	(5.2)
Adjusted operating margin (%) ^{2,3}	9.6	(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 includes the benefit of £9.3m from the CJRS grant (2022: £nil).
3. Before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items.



Operational Performance

HORECA

- Organic revenue increased by 70.9%
- Hotel Linen installed over 23,500 rooms in 2022, bringing the total rooms now serviced to over 200,000
- Strong customer demand and sales opportunities
- Improved customer survey scores of 86.5% for Stalbridge and London Linen, and 85.2% for Hotel Linen
- Employee engagement scores of 85% (2021: 79%) for Stalbridge and London Linen, and 82% (2021: 83%) for Hotel Linen
- Roll out of the new 'Linen Room', an online customer portal giving access to our linen ordering system
- Belfast investment completed, creating further capacity and efficiencies





6 OUTLOOK

"After considering the current economic environment, including the recent, and possibly further, increases in UK interest rates and the subsequent impact on our cost of borrowing, the Board expects the result for the year to be in line with market expectations."

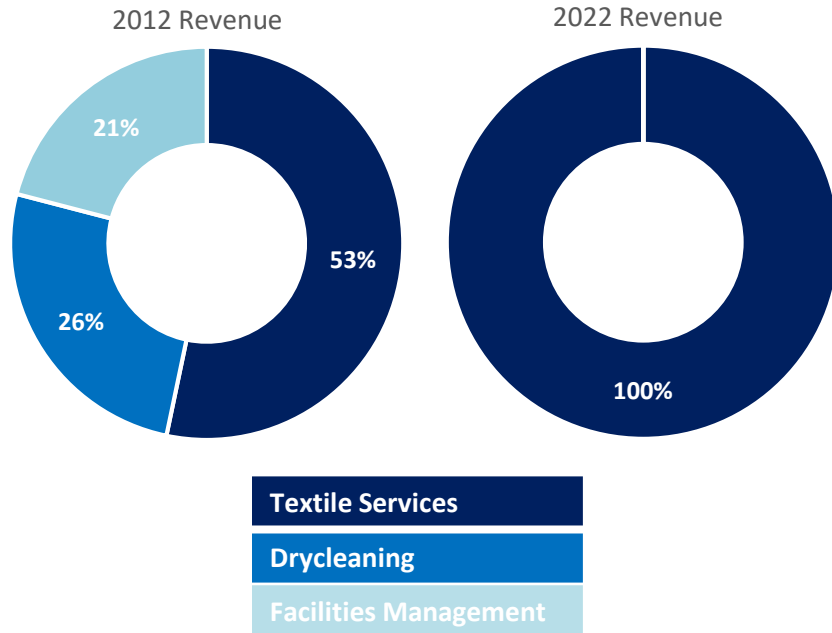
2022 Final Results

Repositioned as a Dedicated Textile Services Provider

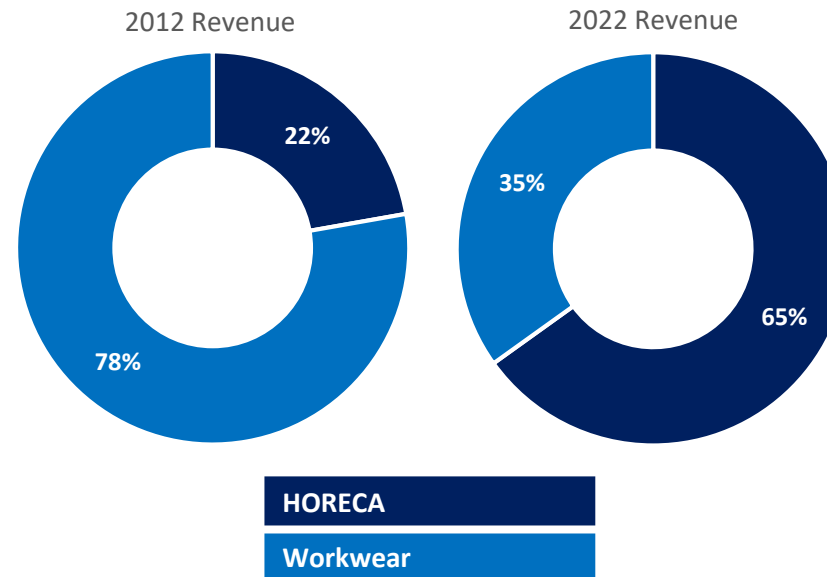


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Revenue previously derived from three distinct sources...now derived from one focused business



Source of revenue within Textile Services significantly changed over the previous decade



Disposals



Acquisitions



An Essential Service Provider



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

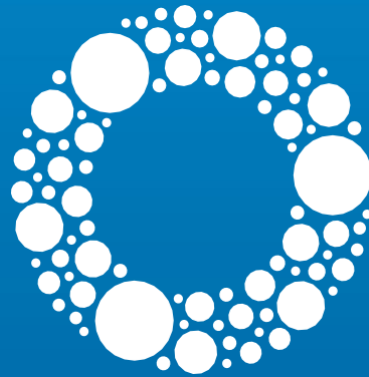
Working in partnership with our customers and suppliers to reduce environmental impact

Quality Service

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

Outlook

- Trading momentum remains encouraging
- Confident in medium and long term growth prospects
- Further mitigating actions to offset cost pressures ongoing
- EBITDA margin will continue to improve towards pre-COVID levels over the medium term
- £27.5m share buy back programme on-going
- Integration and expansion of recently acquired Regency business
- Development of recently acquired site in the South East
- Ongoing capital investment to increase efficiency and underpin capacity
- M&A to further strengthen our positions in the market
- The Board expects the result for 2023 to be in line with market expectations



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Appendices

Appendix 1

Segmental Analysis

	2022			2021		
	Revenue £m	Adjusted Operating Profit / (Loss) ^{1,2} £m	Adjusted EBITDA ^{1,2,3} £m	Revenue £m	Adjusted Operating Profit / (Loss) ^{1,2} £m	Adjusted EBITDA ^{1,2,3} £m
Workwear	134.6	21.9	46.6	128.9	22.5	46.3
HORECA	251.1	24.1	63.0	142.5	(5.2)	26.2
Textile Rental	385.7	46.0	109.6	271.4	17.3	72.5
Group Costs	-	(4.8)	(4.7)	-	(4.6)	(4.6)
Total	385.7	41.2	104.9	271.4	12.7	67.9

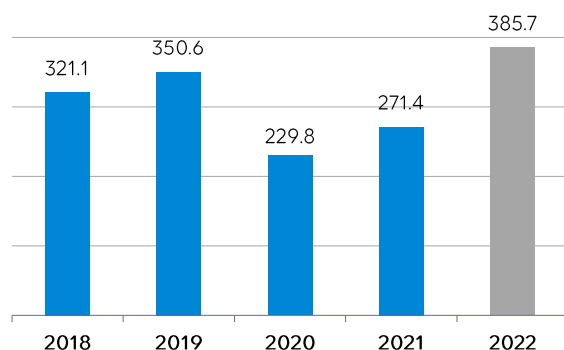
Notes:

1. Before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items.
2. 2021 includes the benefit of £9.9m from the CJRS grant (Workwear: £0.6m; HORECA: £9.3m) (2022: £nil).
3. Adjusted operating profit plus depreciation charge for property, plant and equipment, textile rental items and right of use assets plus software amortisation.

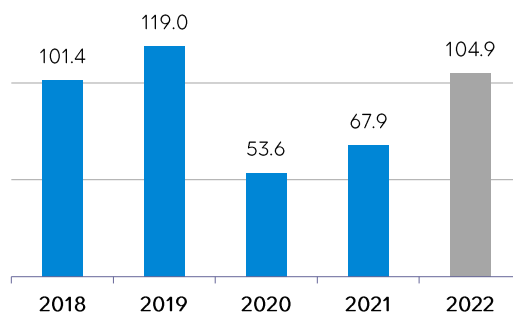
Appendix 2

Financial Track Record

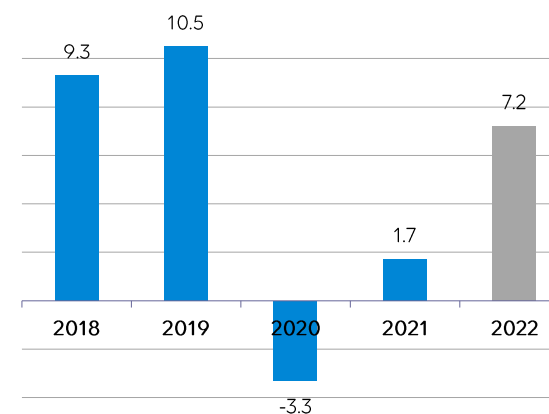
Revenue (£m)



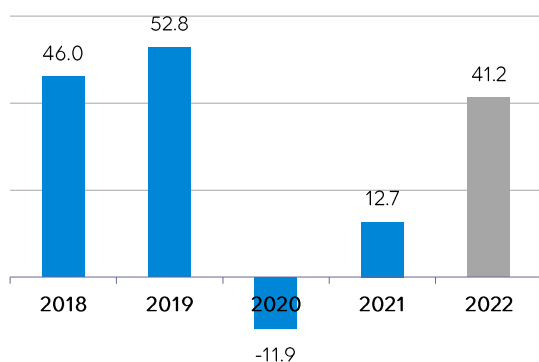
Adjusted EBITDA (£m)



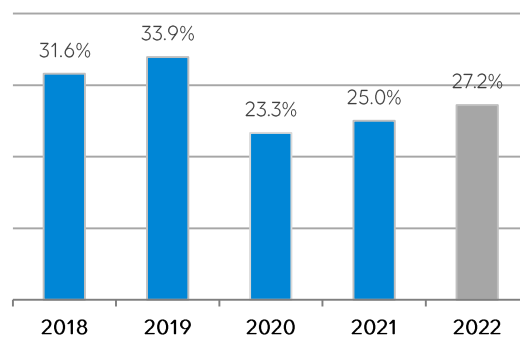
Adjusted Diluted EPS
excluding super deduction (p)



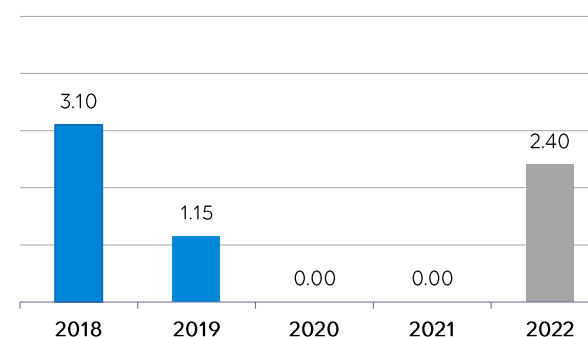
Adjusted Operating Profit (£m)



Adjusted EBITDA Margin (%)



Dividend per Share (p)





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