JOHNSON Service Group PLC

JOHNSON SERVICE GROUP PLC

Interim Results 30 June 2024

"Confidence for the full year and for longer term growth."

Peter Egan - Chief Executive Officer
Yvonne Monaghan - Chief Financial Officer

CONTENTS

1 OPERATIONAL HIGHLIGHTS

"Continuing strong organic growth and £20.6m acquisition of Empire..."

Operational Highlights

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- Organic revenue up 5.7% compared to H1 2023
- Increasing new sales activity and strengthening pipeline in both HORECA and Workwear
- Energy costs reducing as a % of revenue; costs largely fixed for remainder of 2024
- Margin improvement on track for target of 14% in 2026
- New Crawley site expected to commence processing in Q4 2024
- Enfield depot - improves access to hotel customers in London and the South East
- £20.6m acquisition of Empire on 2 September 2024 expands our service offering to luxury hotels in London and the South East
- Full year outturn, before the benefit from Empire, expected to be in line with current market expectations

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2 FINANCIALS

"Overall, we are encouraged with the Group's performance as we plan to further expand capacity in each of our businesses."

Financial Highlights

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	2024 H1	2023 H1	% Increase	2023 FY
Revenue (£m)	**244.1**	215.0	13.5%	465.3
Adjusted EBITDA (£m)[1,2]	**69.2**	57.7	19.9%	131.5
Adjusted EBITDA margin (%)[1,2]	**28.3**	26.8	-	28.3
Adjusted operating profit (£m)[2]	**25.2**	19.0	32.6%	50.5
Adjusted operating margin (%)[2]	**10.3**	8.8	-	10.9
Adjusted PBT (£m)[2]	**21.5**	16.4	31.1%	44.5
Adjusted diluted EPS (p)[2,3,4]	**3.9**	2.9	34.5%	7.8
Number of shares used in EPS calc (m)[3]	**414.8**	429.3	-	424.7
Dividend (p)	**1.3**	0.9	44.4%	2.8

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. Operating profit before amortisation of intangible assets (excluding software) and exceptional items and, in the case of earnings per share only, associated taxation.
3. Weighted average number of shares (undiluted) is 414.4m (June 2023: 429.2m; Dec 2023: 424.3m). Shares in issue at 03/09/24 were 414.5m.
4. Calculated excluding the benefit of £nil (June 2023: £nil; Dec 2023: £0.3m) of tax credit due to the 130% capital allowances super-deduction.

A Platform for Sustainable Growth

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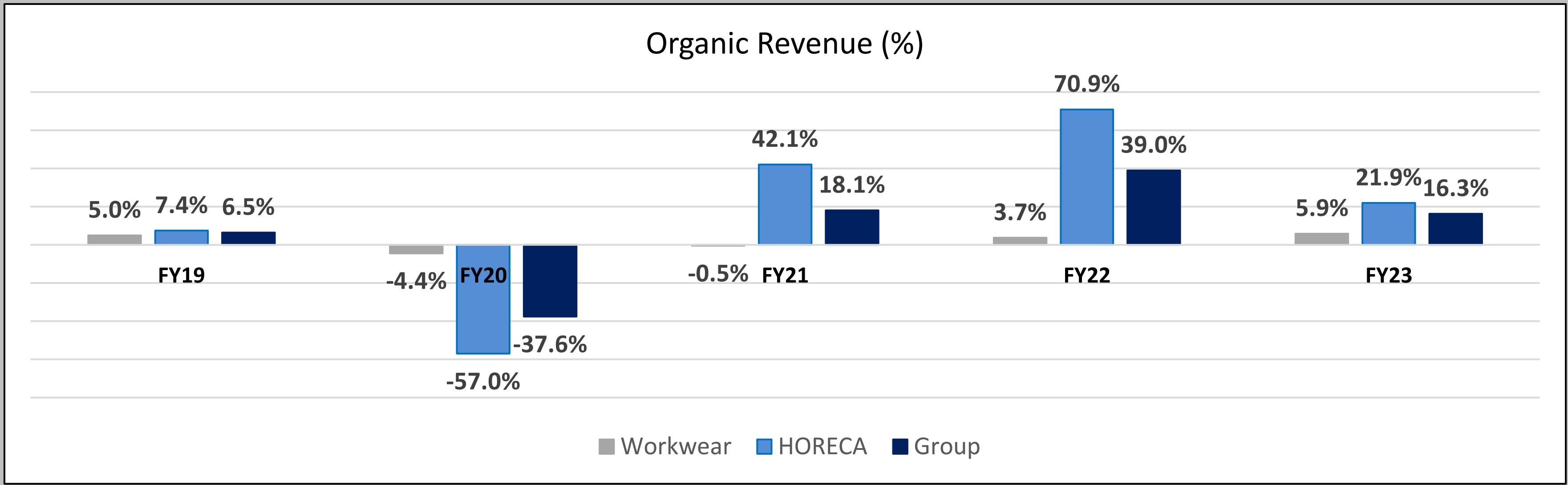
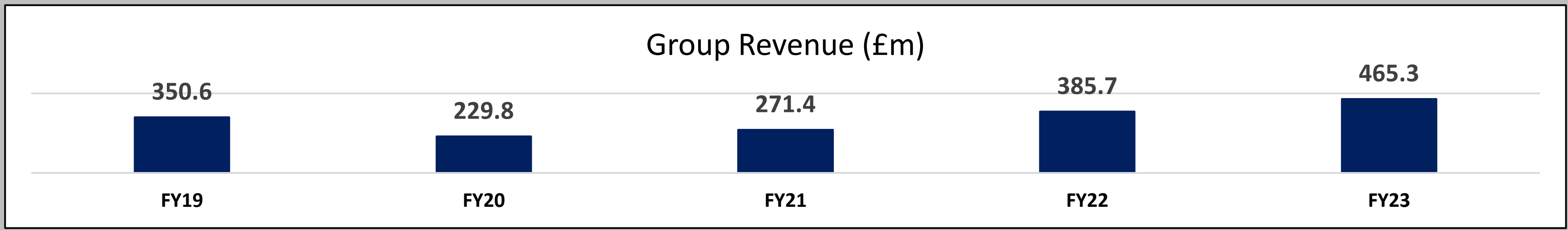
Excluding FY20 (impacted by Covid) the Group has delivered strong and sustainable organic growth…



…which has been supplemented by targeted M&A activity.



Proactive Management of Cost Pressures

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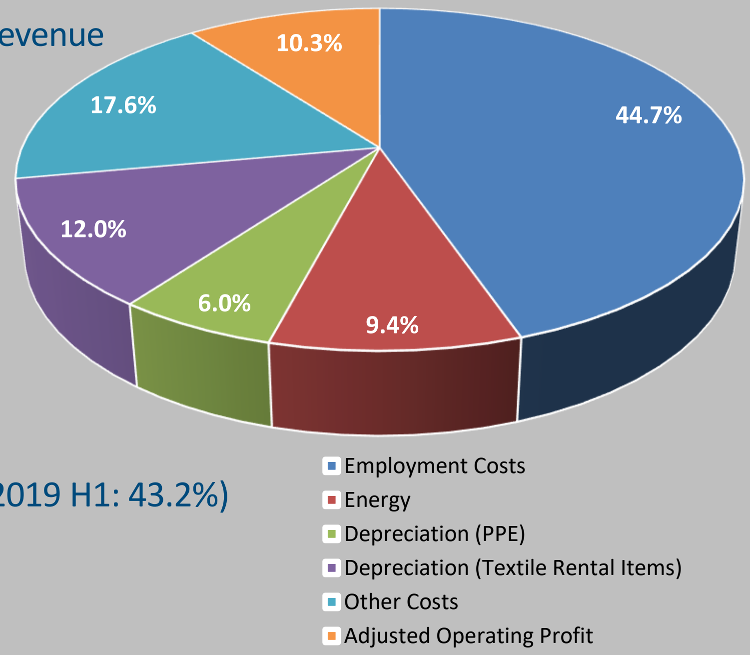
Energy

- Energy continued to be a significantly higher cost than experienced historically
- 2024 H1 energy costs represented 9.4% of revenue (2023 H1: 10.3%; 2023 FY: 10.0%; 2019 H1: 6.5%)
- Anticipate further reduction in this % in H2, such that 2024 FY will be approximately 9.0% of revenue
- Impact of energy prices being proactively managed with various fixed pricing in place:

	Gas	Electricity
FY24 H2	87%	90%
FY25	61%	62%
FY26	25%	30%

2024 HY Cost Analysis



Employment Costs

- Employment costs now represent some 44.7% of revenue (2023 H1: 45.1%; 2023 FY: 44.0%; 2019 H1: 43.2%)
- We are confident that labour, as a % of revenue, will remain stable for FY 2024

Margin

- Cost pressures remain, particularly in relation to energy and, to a lesser extent, labour
- We continue to improve the recovery of these costs, through increasing volumes, efficiencies and price increases
- The Board remains of the opinion that the overall Group adjusted operating margin will reach at least 14.0% by 2026

Cash Flow

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		2024 H1 £m	2023 H1 £m	2023 FY £m
Adjusted operating profit		**25.2**	19.0	50.5
Depreciation, impairment and software amortisation		**44.0**	38.7	81.0
Working capital		**(7.3)**	(2.6)	(0.3)
Capital expenditure	fixed assets and software	**(29.8)**	(12.9)	(31.1)
	rental stocks (net)	**(29.6)**	(29.6)	(58.6)
	fixed asset proceeds	**0.1**	0.2	0.2
Interest		**(3.8)**	(2.3)	(5.7)
Tax		**(1.1)**	(1.6)	(1.6)
Exceptional items (cash effect)		**-**	(0.2)	(1.4)
Dividends		**(7.9)**	(6.8)	(10.6)
Additional pension contributions		**-**	(0.9)	(1.6)
Other		**1.1**	0.2	0.1
Net cash (outflow) / inflow		**(9.1)**	1.2	20.9
Share buybacks		**-**	(19.8)	(29.9)
Discontinued operations (cash effect)		**-**	-	0.1
Acquisitions		**-**	(6.9)	(34.8)
New lease liabilities		**(3.7)**	(10.2)	(13.2)
Increase in Net Debt		**(12.8)**	(35.7)	(56.9)
NET DEBT		**117.7**	83.7	104.9
Net Debt excluding IFRS 16 Leases		**74.1**	40.5	61.7

Other Financial Information

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Interest

- Interest cost of £3.7m including £1.1m relating to IFRS 16 lease liabilities (2023 H1: £2.6m and £1.0m respectively; 2023 FY: £6.0m and £2.1m respectively)
- Notional pension interest cost of £nil (2023 H1: £0.2m; 2023 FY: £0.5m)

Bank Facility

- £120.0m Revolving Credit Facility
  - tenure extended by 12-months to August 2027
  - option to increase facility by up to a further £15.0m (subject to bank consent)

Taxation

- Effective tax rate[1] of 24.7% (2023 H1: 25.1%; 2023 FY: 25.8%)
- Cash tax payable will remain below the tax charge due to full expensing rules for UK capital expenditure

Pensions

- Net pension asset of £2.6m (Dec 2023: £nil)
- Improvement due to a higher discount rate assumed on liabilities offset, to a lesser extent, by higher assumed inflation
- Deficit recovery contributions of £nil in 2024 (2023 H1: £0.9m)
- No deficit recovery contributions expected until the results of the next triennial valuation

Dividend

- Continuing progressive dividend policy
- Interim dividend increased by 44.4% to 1.3p (2023 H1: 0.9p)
- Dividend cover to reduce from historic level of 3.0x to 2.5x by FY24

ROCE

- Return on Capital Employed 14.8% (2023 H1: 13.5%; 2023 FY: 13.9%)
- Calculated as rolling 12-month adjusted operating profit divided by the average of opening and closing Shareholders' equity, net debt and post-employment benefit obligations

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

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3 Investment

"We continue to see exciting opportunities to deploy capital organically and have a strong M&A pipeline."

Acquisition of Empire Linen Services

- Transaction completed on 2 September 2024
- £20.6m consideration on a debt free, cash free, basis
- Provides linen services to luxury hotels in London and the South East
- 26,000 sq ft leasehold processing facility in Tottenham
- Revenue and PBT for YE 30 June 2024 of £13.9m and £2.8m, respectively
- Transaction expected to be immediately earnings enhancing
- Will allow us to collaboratively share best practice across the enlarged Group and implement operational synergies with the Regency business acquired in 2023

empirelaundry™

Crawley Opening

- £16.0m investment now completed
- Expected to commence processing in the final quarter of 2024
- One of the most sustainable and energy efficient laundries of scale in the UK
- Additional costs of some £1.0m incurred in H1, expected to be some £3.5m in FY24
- Encouraging initial results of marketing campaign in terms of new sales
- Accelerates growth and gives greater access to London and the South East for our HORECA business

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Capital Expenditure

£29.8m

Investment

Bourne
Investment in capacity

Corsham
Investment in capacity

Manchester
Automated sortation system

Southall
New continuous batch washer

Edinburgh
Wash system upgrades

Group-Wide
New commercial vehicles

4 SUSTAINABILITY

"We are committed to developing our responsible business agenda and continue to make excellent progress with embedding our sustainability programme across the Group and establishing the standards to which others aspire."

Sustainability

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- Working with customers and prospects to promote the sustainability benefits of our service as being a differentiator which can help reduce their own carbon footprint
- Recently published our third Sustainability Report
- Implemented a new internal assurance process for non-financial data and finalising plans to obtain independent limited assurance
- Enhanced employee engagement activity remains ongoing
- Successfully transitioned to a single waste management provider for the majority of our UK operations
- Workwear has successfully trialled a reusable bag which is being rolled out to eliminate single use plastic bags for garments
- Exploring new technologies and partnerships to help develop innovative solutions for end-of-life textile management

2024 Pillar Focus Areas

Our Family
- Embedding sustainability into job roles
- Businesses to develop ED&I action plans in alignment with the Group's ED&I Strategy

Our World
- Reduce Scope 1 and 2 CO_2e emissions intensity
- Reduce water consumption intensity
- Reduction of single use plastics purchased

Our Integrity
- Increasing the percentage of sustainable content in our products
- Publishing our roadmap for sustainable content

Our Communities
- Delivering 3,000 employee volunteering hours
- Increase our social value contribution by 40%

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5 OPERATIONAL PERFORMANCE

"We have had some significant independent and group sales wins during the second quarter of 2024 which will positively impact the remainder of the year and into 2025."

Operational Performance

HORECA

	2024 H1	2023 H1	2023 FY
Revenue (£m)	**172.9**	143.9	322.7
Adjusted EBITDA (£m)[1,2]	**48.1**	36.3	89.7
Adjusted EBITDA margin (%)[1,2]	**27.8**	25.2	27.8
Adjusted operating profit (£m)[2]	**18.4**	10.9	36.0
Adjusted operating margin (%)[2]	**10.6**	7.6	11.2

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. Operating profit before amortisation of intangible assets (excluding software amortisation) and exceptional items.

Operational Performance

HORECA

- Organic revenue increased by 8.5%
- Significant independent and group sales wins during Q2 2024 will positively impact the remainder of the year and into 2025
- Sales pipeline remains strong
- 2023 acquisitions (Regency and Celtic Linen) continue to perform in line with our expectations
- Transfer in of contracts previously operated by a chefs' wear provider, with effect from 1 July 2024, adding annualised revenue of some £4.5m
- New Crawley site, due to begin processing in Q4 2024, will be one of the most sustainable and energy efficient laundries of scale in the UK, allowing for accelerated growth
- New Enfield depot improves access to hotel customers in London and the South East
- Ongoing investment in energy efficient / water recycling equipment continues to support our sustainability objectives

Operational Performance

Workwear

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JOHNSONS Workwear

	2024 H1	2023 H1	2023 FY
Revenue (£m)	**71.2**	71.1	142.6
Adjusted EBITDA (£m)[1,2]	**24.5**	24.4	48.6
Adjusted EBITDA margin (%)[1,2]	**34.4**	34.3	34.1
Adjusted operating profit (£m)[2]	**10.2**	11.1	21.4
Adjusted operating margin (%)[2]	**14.3**	15.6	15.0

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. Operating profit before amortisation of intangible assets (excluding software amortisation) and exceptional items.

Operational Performance

Workwear

- Trading remained stable during H1
- Positive momentum on sales to both new and existing customers
- 25% of new sales in the period came from new-to-rental
- Customer retention for the 12 months to June 2024 was 92.4% and is trending positively for the year end
- Enhanced customer service is evident in the latest customer survey result of 86.2%, up from 82.9% in early 2023
- £4.0 million capital investment project has started in our Manchester site, fully automating the production process and adding an extra 40% capacity
- Ongoing commercial fleet replacement programme to maintain service reliability and reduce carbon emissions

6 OUTLOOK

"We expect to exit 2024 with strong progression towards previous levels of adjusted operating margin and adjusted operating profit for the year, before the benefit from Empire, in line with current market expectations."

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Outlook

- Strong financial and operational performance
- Strengthening new sales pipeline in both HORECA and Workwear, although softer HORECA market in some regions
- Investing in our estate gives us an advantage in the market in delivering unrivalled service to our customers in the most efficient way
- Empire acquisition, in conjunction with Regency, provides opportunity to expand our servicing of London luxury hotels
- Strong Balance Sheet to support organic investment, M&A and enhanced returns to Shareholders
- Expect to exit 2024 with strong progression towards previous levels of adjusted operating margin
- Overall Group adjusted operating margin of at least 14.0% expected in 2026
- Adjusted operating profit for the year, before the benefit from Empire, expected to be in line with current market expectations
- London-based investor event, to update the market on the future growth and financial plans for the Group, to be held in the first half of 2025

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7 INVESTMENT CASE

"The Group's objective is to employ a disciplined approach to investment, returns and capital efficiency to deliver sustainable compounding growth whilst also maintaining a strong balance sheet."

Repositioned as a Dedicated Textile Services Provider

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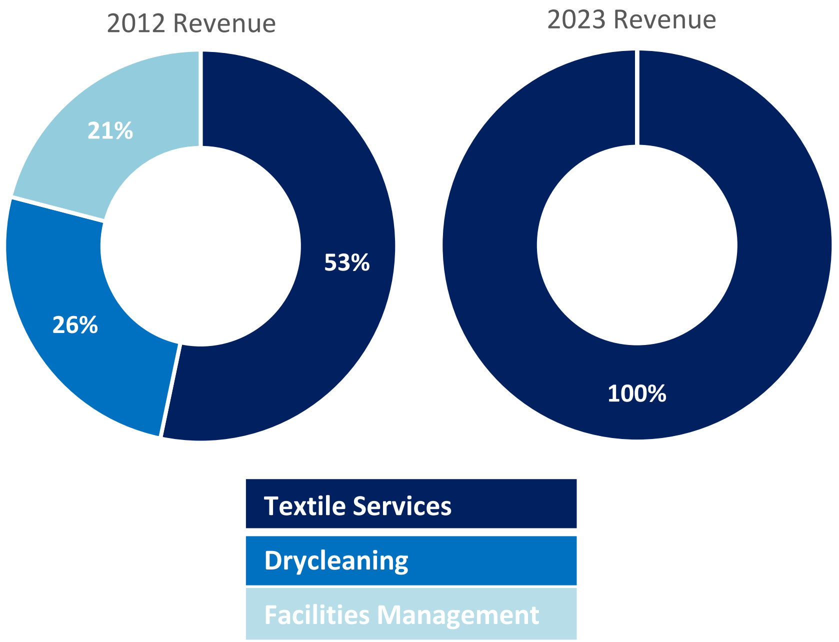
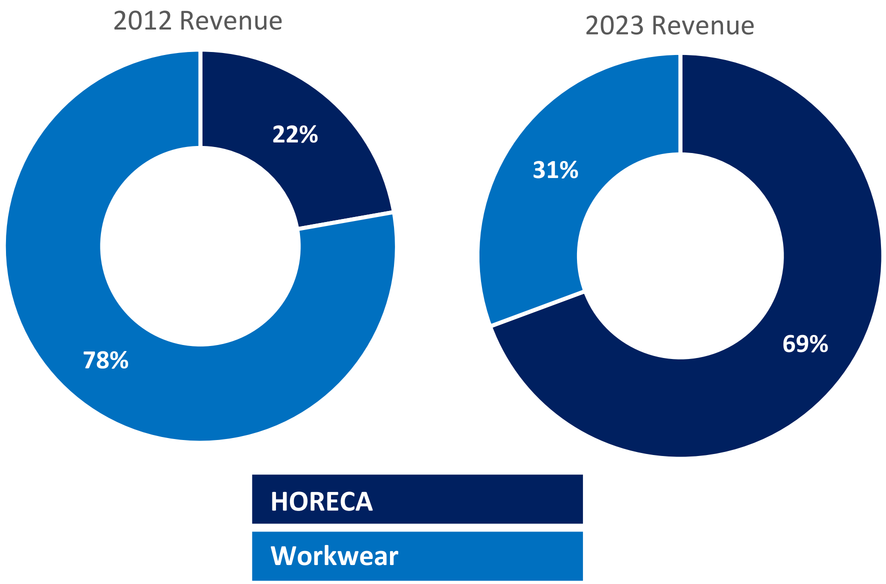
Revenue previously derived from three distinct sources...now derived from one focused business



Source of revenue within Textile Services significantly changed



Disposals	Acquisitions
SGP property & facilities management; Johnsons The Cleaners	bourne textile services; London Linen Group; ZiP Textile Services Ltd; afonwen laundry & linen hire; Regency; PLS; Ashbon Laundry; CTS Chester Textile Services; Celtic Linen; Star County; South West Laundry; fresh linen; Lilliput Services; empirelaundry

An Essential Service Provider

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An Essential Service Provider

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

Quality Service

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

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

Substitution

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

A Consistent and Proven Strategy

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	Key Components of Our Medium-Term Outlook	Supported By
Organic Revenue Growth	▪ Value-added proposition and market leading service supports above market growth ▪ Consistent track record of delivering organic growth	Exceptional service underpinned by quality and reliability Long-term relationships and customer partnerships driving a market leading position
Operating Margin	▪ Line of sight on reducing energy costs ▪ Margin accretion from capacity utilisation	Structural growth market with consolidation opportunities
Capital Allocation	▪ Strong balance sheet provides scope to invest in additional organic capacity and targeted M&A opportunities ▪ Track record of returning excess cash to shareholders	Attractive business model with high returns on capital Strong sustainability credentials and talented people

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Appendices

Appendix 1
Segmental Analysis

	2024 HY			2023 HY			2023 FY		
	Revenue £m	Adjusted Operating Profit [1] £m	Adjusted EBITDA[1,2] £m	Revenue £m	Adjusted Operating Profit [1] £m	Adjusted EBITDA[1,2] £m	Revenue £m	Adjusted Operating Profit [1] £m	Adjusted EBITDA[1,2] £m
HORECA	172.9	18.4	48.1	143.9	10.9	36.3	322.7	36.0	89.7
Workwear	71.2	10.2	24.5	71.1	11.1	24.4	142.6	21.4	48.6
Textile Rental	**244.1**	**28.6**	**72.6**	**215.0**	**22.0**	**60.7**	**465.3**	**57.4**	**138.3**
Group Costs	-	(3.4)	(3.4)	-	(3.0)	(3.0)	-	(6.9)	(6.8)
Total	244.1	25.2	69.2	215.0	19.0	57.7	465.3	50.5	131.5

Notes:
1. Operating Profit before amortisation of intangible assets (excluding software amortisation) and exceptional items.
2. Adjusted operating profit plus depreciation charge for property, plant and equipment, textile rental items and right of use assets, plus software amortisation.

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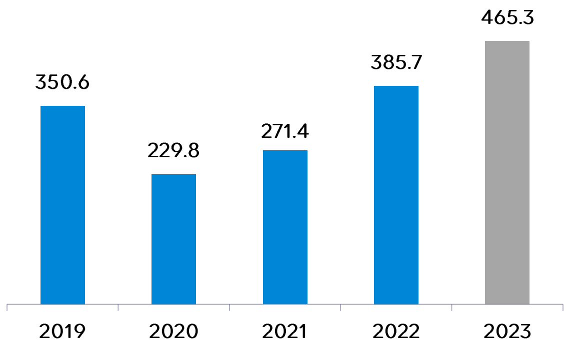
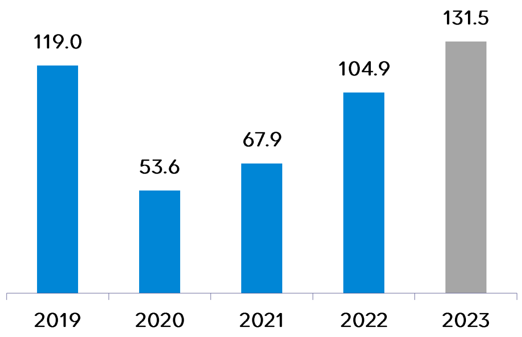
Appendix 2
Financial Track Record

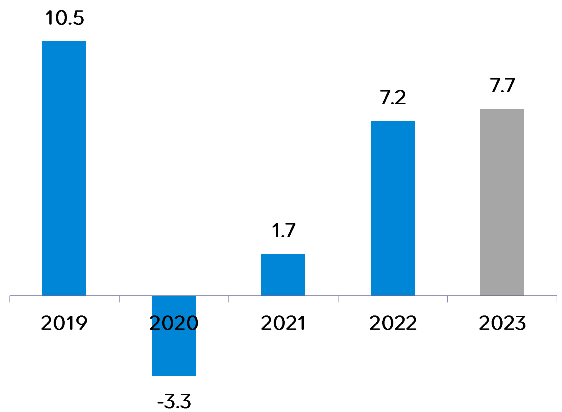
Revenue (£m)



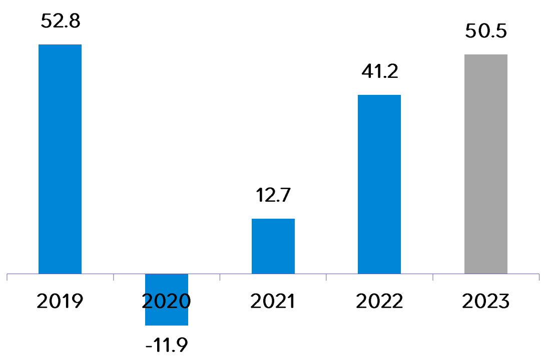
Adjusted EBITDA (£m)



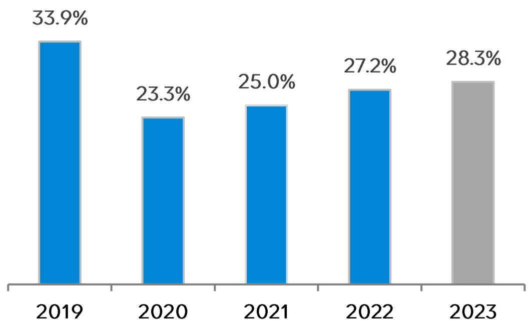
Adjusted Diluted EPS excluding super deduction (p)



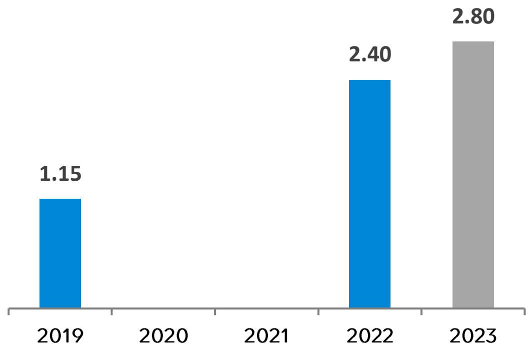
Adjusted Operating Profit (£m)



Adjusted EBITDA Margin (%)



Dividend per Share (p)



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