JOHNS LYNG GROUP

JOHNS LYNG GROUP LIMITED
(ASX: JLG)

ASX & Media Release

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Johns Lyng Group Limited Half Year Financial Results FY18

Johns Lyng Group Limited (**JLG**), one of Australia's leading integrated building services providers today announced its financial results for the half year ending 31 December 2017 (**1H18**).

Financial Results (and comparison to 1H17 (**pcp**))

- Sales: $147,791,620 (23.2% increase versus pcp)
- EBITDA[1]: $10,798,190 (45.0% increase versus pcp)
- Pro forma[2] EBITDA: $14,051,340 (88.6% increase versus pcp)
- Net profit after tax including other comprehensive income (NPAT[3]): $9,485,567 (76.1% increase versus pcp)
- NPAT[3] attributable to the owners of JLG: $6,905,793 (66.9% increase versus pcp)
- Net cash[4]: $16,401,396 ($44,150,481 increase versus 30 June 2017)
- There were no dividends paid, recommended or declared

Notes

[1] *EBITDA is defined as earnings before interest, tax, depreciation and amortisation.*

[2] *After adding back $3,253,150 of non-recurring Initial Public Offering (**IPO**) transaction costs expensed to the profit and loss account during 1H18.*

[3] *Includes $3,253,150 of non-recurring IPO transaction costs expensed to the profit and loss account during 1H18 (not allocated to non-controlling interest equity holders) and a net income tax benefit of $326,344 resulting from the initial recognition of Deferred Tax Assets on IPO (predominantly relating to employee provisions and capital raising costs).*

[4] *Net cash includes $4,637,509 of beneficiary entitlements comprising unpaid distributions to unitholders in subsidiary trusts - the balance will be paid during the 6 month period ending 30 June 2018. The significant increase in net cash versus pcp is attributable to the proceeds of JLG's IPO discussed below.*

Key Highlights

Financial Performance

- 1H18 financial outperformance versus pcp and Prospectus Forecast:
  - Sales: $147,791,620 (23.2% increase versus pcp and broadly in-line with Prospectus Forecast); and
  - Pro forma EBITDA: $14,051,340 (88.6% increase versus pcp and 10.1% ahead of Prospectus Forecast).
- JLG's strong financial performance during 1H18 was driven by increased job volumes in the Insurance Building and Restoration Services segment resulting from peak events and Catastrophic (**CAT**) events including:
  - Far North QLD: Cyclone Debbie (CAT) - March/April 2017;
  - Broken Hill (NSW): Hail storms (CAT) - November 2016 (protracted claims processing time);
  - Kalgoorlie (WA), Hail storms (peak event) - November 2017; and
  - Melbourne (VIC), Hail storms (peak event) - December 2017.

Net Cash from Operating Activities

- Net cash from operating activities was $12,779,769 driven by strong EBITDA cash conversion and a reduction in working capital.

Managing Director Scott Didier AM said that Group performance to this point was pleasing and encouraging from a full year outlook perspective.

"We remain driven and focused on maintaining our positive momentum post IPO, this includes thoughtful consideration and action related to our plans for growth and expansion in 2018."

Net Assets

- JLG's balance sheet net asset position was $30,007,337 as at 31 December 2017 representing an increase of $44,325,280 versus 30 June 2017. Net assets were significantly bolstered by the proceeds of the primary capital raising on IPO discussed below.
- JLG's historical balance sheet net liability position was the result of:
  - Accumulated losses arising as a result of JLG's pre-IPO corporate structure i.e. holding and subsidiary entities predominantly comprising unit trusts distributing 100% of profits but not losses; and

– Reserves debit balance (materially comprised of the 'Change in Subsidiary Interests Reserve' (**CSIR**)) - profits/losses and any premium paid over the par (nominal) value of subsidiary equity on all transactions with JLG Business Partners are recognised in the CSIR on accounting consolidation as opposed to the profit and loss account or balance sheet (assets) respectively.

  - For example, the Roll-up on IPO resulted in the issuance of share capital in the amount of $21,270,463 with no change in the value of net assets on accounting consolidation.

Initial Public Offering and Listing on the ASX

On 26 October 2017, JLG successfully completed an IPO and was admitted to the official list of the ASX.

The purpose of the IPO was to:

- Provide access to capital markets to fund growth opportunities including the expansion of JLG's service offering and geographical footprint;

- Reduce and restructure existing debt obligations; and

- Allow existing equity holders to realise part of their investment.

As a result of the IPO, JLG:

- Issued new shares realising gross proceeds of $46,902,236;

- Materially repaid existing third-party borrowings and beneficiary entitlements; and

- Incurred IPO related transaction costs in the order of $6,500,000 (per the Prospectus), of which, during 1H18:

  – $3,253,150 was expensed to the profit and loss account; and

  – $2,901,500 was recognised in equity (pre-tax).

Appointment of Robert Kelly as Non-executive Director

Robert Kelly joined the Board as a Non-executive Director on 1 December 2017.

Mr Kelly has over 45 years' experience in the insurance industry and was co-founder of the ASX listed Steadfast Group, the largest general insurance broker network and underwriting agency group in Australasia with growing operations in Asia, London and Europe.

Mr Kelly has been named by the Insurance News magazine as one of the most influential people in the Australian general insurance industry. In 2014, he received the ACORD Rainmaker Award in recognition of his outstanding achievements in championing exemplary standards in the insurance industry in Australia and overseas. In 2016, he was awarded the National Insurance Brokers Association's (NIBA) 'Lex McKeown' Trophy for outstanding service to the Association and contribution to the profession over an extended period. Robert won best CEO for an S&P ASX 101-200 financials company at the East Coles awards in September 2017.

JLG Chairman Peter Nash said Mr Kelly's vast insurance industry experience will complement the current Board's skills and expertise.

"Robert is a terrific appointment for JLG who'll add a great deal of substance to the capacity of the Board. He will sit alongside current JLG Non-executive Director, Paul Dwyer who is Group Managing Director of the ASX listed PSC Insurance Group".

FY18 Outlook

The Board of JLG is pleased to advise it continues to trade above Prospectus Forecast based on key financial metrics year-to-date FY18.

Sales and EBITDA are expected to outperform the Prospectus Forecast in the order of 10% on a normalised basis.

Domestic Growth

JLG continues to make good progress with the expansion of its geographical footprint and national roll-out of its full service suite:

- NT (Darwin) office opened (July 2017);
- SA (Adelaide) office opened (November 2017);
- Makesafe service offering launched in NSW; and
- Organic growth in WA job volumes is tracking in-line with expectations.

The Board is pleased with the progress of organic growth initiatives and encouraged by the level of 'Business as Usual' (**BaU**) job volumes from existing and new clients including: Major Insurers, Loss Adjusters, Insurance Brokers, Corporates and Government.

International Expansion

JLG opened its first US office in Tampa (FL) in February 2018.

Business development initiatives are currently underway with JLG's highly experienced and credentialed Business Partners (General Managers) currently building relationships with Major Insurers and Loss Adjusters in the US market.

M&A

JLG continues to see numerous opportunities in the market for consolidation in its core business and diversification into 'complimentary adjacencies'. The Board will consider select acquisitions in an orderly and controlled manner.

Dividend

As per the Prospectus, JLG's target dividend payout ratio is 40% to 60% of NPAT attributable to the owners of JLG.

The Board's current intention is to declare a final dividend in respect of FY18 (pro rata from the IPO date).

Any future dividend payment is at the discretion of the Board having regard to JLG's earnings, overall financial condition and future capital requirements. Future dividends will be franked to the extent of available franking credits.

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About Johns Lyng Group Limited Johns Lyng Group Limited is an integrated building services group delivering building and restoration services across Australia. The Group's core business is built on its ability to rebuild and restore a variety of property and contents after damage by insurable events (e.g. impact, weather and fire events).

Beginning in 1953, the Group has grown into a national business with over 475 employees servicing a diversified client base comprising major insurance companies, commercial enterprises, local and state government and retail customers. The Group defines itself by seeking to deliver exceptional customer service outcomes every time.