

JOHNS LYNG GROUP LIMITED (ASX: JLG)

ASX & Media Release

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Johns Lyng Group Limited reports 31.6% increase in first half EBITDA and advises +11.0% full year forecast upgrade

Johns Lyng Group Limited (ASX: **JLG**) is pleased to provide an 11.0% forecast revenue and EBITDA upgrade for FY22, after delivering strong earnings growth for the first half of the 2022 Financial Year (1H22).

Full year forecast Group EBITDA has been upgraded to \$78.7 million and forecast Sales Revenue to \$802.4 million, both an 11.0% increase on original guidance provided in August 2021 (excluding the impact of the recent Reconstruction Experts acquisition).

The earnings upgrade is driven by a record volume of Business as Usual (BaU) and Catastrophe (CAT) job registrations resulting in a strong pipeline of work in the Group's core Insurance Building and Restoration Services (IB&RS) segment.

This BaU and CAT activity drove robust first half earnings growth, with Group EBITDA up 31.6% on the previous corresponding period (1H21) to \$36.5 million. Group Sales Revenue for the period also increased by 33.6% on 1H21 to \$371.3 million.

Workflows from several CAT events during FY21, plus a number of severe weather events in 1H22, continue to contribute and are expected to carry through into the second half.

2022 Financial Year - First Half Result Highlights

- **Sales Revenue:** \$371.3m / +33.6% (1H21: \$277.8m)
 - **IB&RS BaU Revenue:** \$231.3m / +29.5% (1H21: \$178.6m)
 - **CAT Revenue:** \$66.7m / +74.8% (1H21: \$38.2m)
- **Group EBITDA¹:** \$36.5m / +31.6% (1H21: \$27.7m)
 - **IB&RS BaU EBITDA²:** \$26.4m / +20.4% (1H21: \$21.9m)
 - **CAT EBITDA:** \$7.6m / +62.4% (1H21: \$4.7m)
- **Net Profit After Tax (NPAT):** \$18.6m / +32.4% (1H21: \$14.0m)
 - **NPAT (Normalised)³:** \$20.6m / +29.0% (1H21: \$16.0m)
- **EPS:** 5.15 cents / +20.2% (1H21: 4.29 cents)
 - **EPS (Normalised)³:** 6.05 cents / +17.3% (1H21: 5.16 cents)
- **Net Assets:** \$306.9m
 - **Net Assets (Adjusted)⁴:** \$85.6m / +16.6% (FY21: \$73.4m)

- **Interim dividend of 2.7 cents per share (fully franked) +22.7%** (1H21: 2.2 cents per share). Represents approximately 60% of NPAT attributable to JLG shareholders for 1H22

¹ EBITDA is defined as earnings before interest, tax, depreciation and amortisation and excludes transaction related expenses of \$2.5m (1H21: \$0.2m) and \$1.8m non-recurring goodwill written off in 1H21

² Excluding transaction related expenses of \$2.3m (1H21: \$0.1m)

³ NPAT excluding tax effected (30%) transaction related expenses of \$2.5m (1H21: \$0.3m) and \$1.8m non-recurring goodwill written off in 1H21

⁴ Net assets excluding \$221.3m funds received from the accelerated component of JLG's equity capital raising completed and announced 13 December 2021

1H22 Overview

Group Chief Executive Officer Scott Didier AM said the first half results reflect the strength of the Group's offering and its strategy of pursuing organic and strategic growth opportunities, including its recent acquisition of US-based Reconstruction Experts.

"We are pleased to report another period of robust earnings growth, during which JLG was admitted to the ASX 300 companies index" Mr Didier said.

"This strong performance was again driven primarily by our core IB&RS division, with IB&RS BaU EBITDA increasing by over 20% on the first half of FY21.

"This performance would not be possible without our strong culture and driven, talented people, that have together enabled our business to deliver outstanding service outcomes and retain customers, even as the COVID-19 pandemic continues to impact the world.

"With a significant volume of both BaU and CAT job registrations underway, we are expecting this performance to continue into 2H22 and have therefore issued a forecast upgrade.

"The recent acquisition of Reconstruction Experts presents a unique transformational growth opportunity that enables the Group to leverage its core competencies in insurance building and restoration services in the large US market.

"This acquisition is one of the most significant moments for JLG since listing in 2017 and we are excited to be working with Reconstruction Experts' experienced and high calibre management team in pursuing an aggressive growth strategy to drive value for all our stakeholders well into the future.

"Revenue from CAT-related weather events was strong during this period, up approximately 75% on 1H21. This was fuelled by workflows stemming from several major weather events across this period and during the previous year.

Strategic Acquisitions

During 1H22 the Group completed several strategic acquisitions that strengthened its market position.

The Group continued its ongoing expansion into the strata market with the acquisition of four businesses including Change Strata Management, Structure Building Management, Shift Facilities Management and BrisBay plus management agreements acquired from Aligned Property Group. Together the acquisitions manage over 11,800 lots and present a significant cross-sell opportunity.

During the first half of FY22, JLG also acquired a 60% controlling equity interest in Unitech Building Services, a South Australian-based insurance building services company, and completed the acquisition of a 60% controlling equity interest in the well-respected restoration services company, Steamatic Australia. With Steamatic Australia's national footprint, particularly within regional areas, this acquisition has increased the Group's reach and capacity to respond to CAT events, wherever they may strike.

On 1 January 2022, the Group's North American growth strategy was accelerated through the acquisition of Reconstruction Experts, a leading provider of defect and damage insurance focused repair services in the United States.

With its strong financial profile, expert team, and deep relationships with key stakeholders, including Homeowners Associations and property managers, the acquisition presents a transformational opportunity to expand in the large US insurance building and restoration services market.

The acquisition was funded by a successful and very well supported A\$230m equity capital raising announced 9 December 2021.

Organic Growth

During 1H22, the Group opened new offices in Launceston, Echuca, Coffs Harbour and Wollongong and continued to strengthen partnerships with key stakeholders in the insurance sector, enabling it to reach more customers and increase its market share.

Johns Lyng signed a 3-year contract extension with Suncorp Group for the provision of domestic building insurance repairs across New South Wales, Victoria, Queensland, South Australia, the Australian Capital Territory, and the Northern Territory. JLG also expanded its building services agreement with CHU Underwriting Agencies to include Victoria, Western Australia and Tasmania.

Strategy

With a strong pipeline of job registrations in the Group's core business and several CAT projects continuing to contribute, JLG is well positioned for a strong financial performance in the second half of FY22.

The scale and magnitude of such CAT responses emphasise the value of the national scale JLG has built over recent years. CAT-related activity is expected to carry on into forthcoming periods.

As previously stated, the Group's intent is to continue growing its presence and capability in the strata market through its Bright & Duggan subsidiary including exploring opportunities for further consolidation.

Expanding JLG's presence in the North American market remains a key focus. The Group made significant progress with the recent acquisition of Reconstruction Experts and is in a strong position to begin working towards establishing a national footprint through organic growth, strategic M&A opportunities, and leveraging JLG's core competencies in insurance building and restoration services.

In-line with the Group's overall strategy, JLG will continue to seek and assess further acquisitions and strategic growth opportunities in Australia and the US.

Management Restructure

JLG undertook a major management restructure in 1H22, with Scott Didier AM assuming the role of Group CEO, Lindsay Barber assuming the role of Group Chief Operating Officer and Nick Carnell becoming Australian CEO.

This restructure, which was effective from 1 January, will ensure the Group has the capacity and bandwidth required to further its expansion into the US market, while its Australian operations continue to build on the momentum of recent years in delivering sustainable growth.

Interim Dividend

The Board of JLG is pleased to announce an interim dividend of 2.7 cents per share (fully franked), with a record date of entitlement of 28 February 2022. The interim dividend will be paid on 15 March 2022 and represents approximately 60% of NPAT.

The interim dividend is in-line with JLG's previous guidance and Dividend Policy (40%-60% of NPAT).

FY22 Outlook

- **FY22 (F) Sales Revenue: \$802.4m** (+11.0%¹ upgrade vs. August 2021 Forecast)
 - FY22 (F) BaU Revenue: \$702.4m +45.8% (FY21: \$481.8m)
- **FY22 (F) Operating EBITDA²: \$78.7m** (+11.0%¹ upgrade vs. August 2021 Forecast)
 - FY22 (F) BaU EBITDA²: \$67.2m +57.3% (FY21: \$42.7m)

¹ Excluding acquisition of Reconstruction Experts

² EBITDA is defined as earnings before interest, tax, depreciation and amortisation and excludes transaction related expenses of \$2.5m (FY21: \$0.4m) and \$1.8m non-recurring goodwill written off in 1H21

Financial Reconciliation to Statutory Results

Reconciliation to Statutory Results	1H21	1H22
Sales Revenue		
BaU	239.7	304.6
CAT	38.2	66.7
Sales Revenue - Statutory	277.8	371.3
EBITDA		
BaU	23.0	28.9
CAT	4.7	7.6
EBITDA - Normalised	27.7	36.5
Transaction related expenses	(0.2)	(2.5)
Goodwill written off	(1.8)	-
EBITDA - Statutory	25.7	34.0

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About Johns Lyng Group Limited

Johns Lyng Group Limited (JLG) is an integrated building services group delivering building and restoration services across Australia and the US. JLG's core business is built on its ability to rebuild and restore a variety of properties and contents after damage by insured events including impact, weather and fire events. Beginning in 1953, JLG has grown into an international business with over 1,800 employees servicing a diversified client base comprising major insurance companies, commercial enterprises, local and state governments, body corporates/owners' corporations and retail customers. JLG defines itself by delivering exceptional customer service outcomes every time.