JOHNS LYNG GROUP LIMITED (ASX: JLG)

29 August 2023

ASX & Media Release

JOHNS LYNG GROUP REPORTS OUTSTANDING GROWTH RESULTING IN A RECORD FINANCIAL PERFORMANCE FOR FY23

FY24 forecast performance includes 18.5% growth in BaU revenue and 20.1% BaU EBITDA

Johns Lyng Group (ASX: **JLG**) today announced its results for the financial year ended 30 June 2023 (FY23), reporting a record financial performance.

Driven predominantly by a strong performance from the Group's core Insurance Building and Restoration Services (IB&RS) division, revenue increased 43.2% to $1,281.3m and EBITDA increased 42.9% to $119.4m from FY22. IB&RS contributed revenue of $1,146.6m and EBITDA of $136.8m (an increase of 52.6% and 61.2% respectively on FY22).

2023 Financial Year – Financial Performance Highlights

- **Sales Revenue**: $1,281.3m / +43.2% (FY22: $895.0m)
  - **IB&RS BaU Revenue**: $775.3m / +32.2% (FY22: $586.5m)
  - **CAT Revenue:** $371.3m / +125.3% (FY22: $164.8m)
- **Group EBITDA**[1]: $119.4m / +42.9% (FY22: $83.6m)
  - **IB&RS BaU EBITDA**[2]: $92.5m / +39.6% (FY22: $66.3m)
  - **CAT EBITDA:** $44.3m / +137.9% (FY22: $18.6m)
- **Net profit after tax (NPAT)**: $62.8m / +64.3% (FY22: $38.2m)
  - **NPAT (normalised)**[3]: $65.4m / +41.5% (FY22: $46.2m)
  - **NPAT-A (normalised)**[4]: $67.5m / +41.7% (FY22: $47.7m)

EPS[5]**:** 17.94 cents / +75.3% (FY22: 10.24 cents)
  - **EPS (normalised)**[6]: 18.82 cents / +39.5% (FY22: 13.50 cents)
  - **EPS-A (normalised)**[7]: 19.46 cents / +40.0% (FY22: 13.90 cents)
- **Net assets**: $394.2m / +18.4% (FY22: $332.8m)
- **Final dividend of 4.5 cents per share (fully franked)**
  - **Total FY23 dividend of 9.0 cents per share** (fully franked) +57.9% (FY22: 5.7 cents per share) – represents approximately 52% of NPAT for FY23

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[1] EBITDA is defined as earnings before interest, tax, depreciation and amortisation and excludes transaction related expenses of $1.0m (FY22: $9.4m) and a non-recurring bad debt write-off of $2.5m in FY23 in respect of a repairs, maintenance and warranty defect contract with Porter Davis prior to liquidation. JLG does not have any contracts of this nature with any other home builders

[2] Excluding transaction related expenses of $0.8m (FY22: $9.2m) and a non-recurring bad debt write-off of $2.5m in FY23 (noted in footnote 1)

[3] NPAT excluding tax effected transaction related expenses of $1.1m (FY22: $9.5m) and a tax effected non-recurring bad debt write-off of $2.5m in FY23 (noted in footnote 1)

[4] NPAT excluding tax effected transaction related expenses of $1.1m (FY22: $9.5m), a tax effected non-recurring bad debt write-off of $2.5m in FY23 as noted in footnote 1 and tax effected amortisation of acquired identifiable intangible assets of $2.9m (FY22: $2.0m)

[5] Calculated using NPAT attributable to the owners of Johns Lyng Group

[6] Calculated using NPAT attributable to the owners of Johns Lyng Group excluding tax effected transaction related expenses of $1.1m (FY22: $9.5m) and a tax effected non-recurring bad debt write-off of $2.5m in FY23 (noted in footnote 1)

[7] Calculated using NPAT attributable to the owners of Johns Lyng Group excluding tax effected transaction related expenses of $1.1m (FY22: $9.5m), a tax effected non-recurring bad debt write-off of $2.5m in FY23 (noted in footnote 1) and tax effected amortisation of acquired identifiable intangible assets of $2.9m (FY22: $2.0m)

JLG is well placed for another strong year in FY24, with the start of the first quarter maintaining the positive momentum of FY23 and forecast BaU revenue growth of 18.5%.

Group Chief Executive Officer, Scott Didier AM, said: "Johns Lyng has a portfolio of defensive growth businesses. They will continue growing annuity style revenues which are largely immune to underlying economic conditions.

"Our reported and forecast earnings are defensive and resilient and we have confidence that they will continue to grow.

"Testament to our growth and value of the business today, JLG was admitted to the ASX 200 during the period.

"Johns Lyng is first and foremost a people business and these results are a validation of the vision and work-ethic of our staff. I thank them unreservedly.

"Our IB&RS BaU business remains the bedrock of our financial performance and a 32.2% increase in revenue this year was incredibly pleasing given the additional growth opportunities that lie ahead.

"Johns Lyng achieved strong growth in our CAT activity. We are seeing the continuing trends of longer-tail recoveries, coupled with counterparties (especially governments) looking for relationships with service providers that are multi-project and multi-year in nature. Johns Lyng's business model gives us the best opportunity to win a large proportion of this significant and important work.

"We announced the acquisitions of Smoke Alarms Australia and Linkfire, which set the foundation for JLG's 5th Strategic Growth Pillar – "Essential Home Services". Given the number of jobs we complete through our IB&RS and Strata businesses, Johns Lyng has a unique insight into this market and we are very excited about the cross-sell opportunities. Both companies provide non-discretionary services that are underpinned by regulation and compliance requirements with annuity style revenue models which further supports Johns Lyng's defensive growth investment thesis.

"We have now owned Reconstruction Experts in the US for 18 months. In this short period, we have already leveraged our US network to cross-sell RE's and Steamatic's services and we have commenced the roll-out of JLG's Business Partner equity model. Hurricane Ian was our inaugural CAT response and we expect our work to continue in respect of this major CAT event through FY24 and beyond. We expect to see work emanating from Hurricane Hilary and the devastating Hawaiian fires. There is further detail in our results presentation on our US business, but we are excited about its future prospects."

Insurance Building & Restoration Services (ANZ) - Organic Growth and Geographical Expansion

During FY23, Johns Lyng made further progress in its IB&RS segment with a number of new contract wins and extensions across its blue chip client base. These include new contract wins with Youi and Austbrokers, along with contract extensions with Suncorp, QBE, Allianz, Comminsure, IAG and RACQ.

To support our strong organic growth, the Group opened a number of new offices including: Davenport, Shepparton, Moruya Heads, Noosa Heads and Auckland (NZ).

Entry into New Zealand

Our entry into the New Zealand market during the year allowed us to assist communities affected by Cyclone Gabrielle, which impacted wide areas of the North Island resulting in severe flooding. Our emergency response has now evolved into a significant rebuild effort.

To support the Group's entry into New Zealand, effective 1 May 2023, Johns Lyng acquired an 80% equity interest in Christchurch-based Mainland Building Services, extending our footprint into the South Island.

Acquisition of A1 Estimates

Key to our growth strategy, we continue to look for great businesses and Business Partners. In FY23, this included the acquisition of a 60% equity interest in A1 Estimates (A1), which provides expert insurance repair estimating services.

Prior to the acquisition, Johns Lyng built a strong working relationship with A1 as a key subcontractor to the Group's "Flood Property Assessment Program" in Northern NSW. Going forward, A1's pool of estimating resources will support the Group's ability to scale-up and respond to rapid increases in work volume – especially beneficial from a CAT response perspective.

Johns Lyng Disaster Management

The growth in CAT revenue is in part attributable to the success of Johns Lyng's dedicated Disaster Management division.

Johns Lyng Disaster Management is Australia's market leading national disaster response company.

Launched in FY22 to specifically assist State and Local Governments with major event preparation, response and resiliency, we proudly continued working for the Victorian and New South Wales Governments during the year and signed new contracts with the Queensland and South Australian State Governments.

The recent contract wins are a testament to JLG's track record and reputation in response to natural disasters - this is an important business, carrying out essential work for communities when they are affected by serious weather-related events including bushfires, floods, cyclones and storms.

Strata Services

Strata Services comprises strata management and strata building services and is a key pillar of the Group's growth strategy. There are 2 key growth drivers in this segment:

1. Consolidation of the highly fragmented strata management market - there are approximately 3.1m strata lots nationally with Johns Lyng holding the second largest market share at less than 4%; and
2. Growth in strata building services – there is a significant opportunity to provide building and restoration works for strata insurers and directly to strata managers/body corporates – this includes cross-sell from Johns Lyng-owned strata management companies.

To support this growth, the Group acquired an 80% equity interest in North Shore Strata Management and a 100% equity interest in Adpen Strata Management and Advanced Community Management during FY23. Post year-end, on 23 August 2023, Bright & Duggan signed a binding agreement to acquire a 100% equity interest in Your Local Strata (effective 1 September 2023).

The acquisitions manage a combined total of 7,462 lots across 551 buildings/strata schemes.

Additionally, we acquired the 44.5% equity interest in Bright & Duggan owned by Trevor Bright on his retirement. We thank Trevor and congratulate him for his outstanding contribution to the Strata Industry.

Johns Lyng USA

Johns Lyng acquired Reconstruction Experts on 1 January 2022 as its platform acquisition in the US. The Group's long-term strategic plan for the US market is to develop a fully integrated national service offering including Makesafe, Insurance Building, Restoration and Disaster Management through organic growth and the pursuit of select M&A opportunities.

During FY23, Johns Lyng made significant strategic and operational progress in the US including:

- Successful integration of Reconstruction Experts;
- Development and finalisation of the strategic plan for the US market in collaboration with Management;
- Launch of new service lines/brands including Makesafe and Express Builders;
- Implementation of Johns Lyng's Business Partner equity model - Johns Lyng USA had 13 Business Partners as at 30 June 2023; and
- Inaugural US CAT response. In October 2022, Hurricane Ian made landfall in Florida and devastated communities along the east coast. Reconstruction Experts was able to render practical assistance

including emergency makesafe and water restoration services via Steamatic as a precursor to the longer term rebuild program now in progress.

Essential Home Services

Aligned with our core IB&RS business, we are focused on defensive growth opportunities – markets that are materially insulated from economic uncertainty including higher interest rates and inflation.

JLG's existing Strategic Growth Pillars include IB&RS (ANZ), Strata Services, Disaster Management and Johns Lyng USA.

The recent acquisition of Smoke Alarms Australia and Linkfire (effective 1 July 2023), set the foundation for JLG's 5th Strategic Growth Pillar – "Essential Home Services".

Both acquisitions are strong standalone businesses providing non-discretionary services that are underpinned by regulation and compliance requirements with annuity style revenue models.

Both acquisitions present significant cross-sell and industry consolidation opportunities via follow-on M&A.

- **Smoke Alarms Australia** is a Sydney-based national provider of smoke alarm, electrical and gas compliance, testing and maintenance services.
  - Founded in 2005, SAA is the second largest provider in Australia completing c.284,000 jobs p.a. under a subscription-model for customers predominantly consisting of landlords (via real estate agents).
  - Johns Lyng acquired a 100% equity interest at Completion with key senior management to acquire a c.10% equity interest post-Completion in-line with JLG's Business Partner equity model.
- **Linkfire** is a provider of fire and essential safety services in Victoria and Newcastle (NSW).
  - Founded in 1998, Linkfire has grown to become a market leader in its existing markets servicing more than 8,500 buildings – primarily on behalf of strata managers and owners' corporations.
  - Johns Lyng acquired a 70% equity interest at Completion with existing senior management retaining 30% - in-line with JLG's Business Partner equity model.

Johns Lyng ANZ Chief Executive Officer, Nick Carnell, said: "We are targeting defensive, annuity style opportunities in very large addressable markets where compliance and regulation supports growth. We look for verticals where we have significant existing relationships and where there are multiple cross-selling opportunities.

"In Essential Home Services, the ability to leverage our adjacencies is manifold. That is why we are so excited about the Smoke Alarms Australia and Linkfire acquisitions.

"These acquisitions will drive further organic BaU revenue growth plus M&A upside."

Capital Management

Johns Lyng continues to maintain a strong a balance sheet - net assets increased by $61.4m to $394.2m.

Group Chief Financial Officer, Matthew Lunn, said: "The outlook for JLG is very strong and we see further opportunities for bolt-on and strategic M&A. The ability to react to opportunities and move quickly is paramount. Our strong balance sheet gives us flexibility and execution optionality – it's a key facet of our competitive advantage."

To fund the recent acquisitions of Smoke Alarms Australia and Linkfire, the Company raised $70m via a successful and oversubscribed Institutional Placement and Share Purchase Plan. The capital raise ensures JLG retains sufficient balance sheet capacity and flexibility to execute on near-term organic and inorganic growth opportunities.

FY24 Forecast

Johns Lyng is well placed for another strong year in FY24, with the start of the first quarter maintaining the positive momentum of FY23. We have a solid BaU job registration pipeline which continues to support the strength of our BaU activities with forecast revenue growth of 18.5%. This business has a significant annuity style earnings profile, is defensive in nature and continues to grow year-on-year. Additionally, we expect strong revenues from FY23 CAT related activity to flow through FY24 and beyond.

We will continue to assess further acquisitions and growth opportunities across all Strategic Growth Pillars.

- **FY24 (F) Sales Revenue:** $1.176bn
  - Includes BaU Revenue[8]: $1.005bn (18.5% increase vs. FY23)
- **FY24 (F) EBITDA[9]:** $128.0m
  - Includes BaU EBITDA[10]: $113.0m (20.1% increase vs. FY23)

Dividend

On 29 August 2023, the Board declared a final dividend of 4.5 cents per share (fully franked). This final dividend is in addition to the previously announced half year (interim) dividend of 4.5 cents per share (fully franked), totalling 9.0 cents per share (fully franked) and representing approximately 52% of NPAT attributable to the owners of Johns Lyng Group for FY23.

The final dividend will be paid on 18 September 2023 with a record date of entitlement of 4 September 2023.

Reconciliation to Statutory Results	FY22	FY23
Sales Revenue		
BaU	730.2	910.1
CAT	164.8	371.3
Sales Revenue - Statutory	**895.0**	**1,281.3**
EBITDA		
BaU	64.9	75.1
CAT	18.6	44.3
EBITDA - Normalised	**83.6**	**119.4**
Transaction related expenses	(9.4)	(1.0)
Porter Davis Bad Debt Write-off	-	(2.5)
EBITDA - Statutory	**74.1**	**115.9**

[8] *Excluding Commercial Construction*
[9] *EBITDA is defined as earnings before interest, tax, depreciation and amortisation and excludes transaction related expenses of $1.0m in FY23 and a non-recurring bad debt write-off of $2.5m in FY23 (noted in footnote 1)*
[10] *Excluding Commercial Construction*

ENDS

This announcement was authorised by the Board of Johns Lyng Group Limited.

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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 2,300 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.