

JOHNS LYNG GROUP LIMITED (ASX: JLG)

ASX Announcement

23 November 2023

CEO Australia's Address 2023 Annual General Meeting

Good morning, I am Nick Carnell, and I am CEO for Johns Lyng Group Australia. As Peter and Scott have already emphasised, FY23 was another outstanding year for Johns Lyng.

In my presentation today, I'll provide an overview of our Australian business, highlight some key achievements across our pillars – including the establishment of our new Essential Home Services pillar – and update you on our progress in New Zealand.

Our first pillar, Insurance Building and Restoration Services, is the bedrock of JLG and comprises our traditional insurance related repair and restoration work, supported by Catastrophe (CAT) related work.

Revenue for IB&RS increase by 52.6% during FY23 to \$1.147bn while EBITDA rose by 61.2% to \$136.8m. It's important to also emphasise that of that revenue, Business as Usual (BaU) activities contributed \$775.3m with the remaining \$371.3m coming from CAT work.

We see significant runway for growth. Organically we do this by cross selling our end-to-end IB&RS services and developing new client relationships where we can again leverage these cross-sell opportunities.

Those client relationships and focus on customer service are central to our record growth and during FY23 we were pleased to announce new contract wins with Youi and Austbrokers and contract extensions with Suncorp, QBE, Allianz, Comminsure, IAG and RACQ. Stemming from this activity and growth, we also opened a number of new offices around the country, including in Davenport, Shepparton, Moruya Heads, Noosa Heads and Auckland – our first New Zealand location.

In alignment with our proven growth strategy, we were pleased to acquire a 60% interest in A1 Estimates, a trusted and proven provider of insurance repair estimating services.

As with all our acquisitions, A1 is a great cultural fit – something we knew, having developed a strong working relationship with them as a key subcontractor to our "Flood Property Assessment Program" in Northern NSW.

The acquisition of A1 will enable us to scale up – and speed up – our response, particularly in response to CAT events.

I mentioned our Auckland office earlier, which marked our entry into the New Zealand market. This has allowed us to assist communities affected by Cyclone Gabrielle, which impacted wide areas of the North Island resulting in severe flooding. This initial emergency response has now evolved into a significant rebuild effort which will continue into the current year.

In order support our entry into New Zealand, on 1 May 2023 we acquired an 80% equity interest in Christchurch-based Mainland Building Services, thereby extending our footprint into the South Island.

In recent days we have executed a national agreement with Tower Insurance New Zealand to provide insurance rectification services across the country. We are delighted to partner with one of New Zealand’s premier insurance brands and this is a further demonstration that our business model can be implemented in markets outside Australia.

We are excited for this new chapter in JLG’s global history and will continue to expand our operations in New Zealand through FY24 and beyond.

Our second pillar, Strata Services, is another foundation of the Group’s growth strategy and one where we see immense opportunity for both cross-selling of building and restoration works and consolidation within the highly fragmented sector. For context, there are approximately 3.1m strata lots nationally with Johns Lyng holding the second largest market share at less than 4%.

During FY23, the Group made several strata acquisitions, including North Shore Strata Management, Adpen Strata Management and Advanced Community Management. Additionally, we acquired the 44.5% equity interest in Bright & Duggan following the retirement of Executive Chairman, Trevor Bright.

Moving now to our Disaster Management pillar, which encompasses our Disaster Management Australia business. DMA is Australia’s market leading national disaster response company, carrying out essential work for communities following serious weather-related events including bushfires, floods, cyclones and storms.

These events are becoming more frequent, more intense and the post-event work, bigger and longer lasting. As such, Governments are increasingly exploring options for mitigation and we look forward to applying our expertise and capability to support them in this work.

During FY23 and due to our extensive experience, proficiency and longstanding relationships with Government and insurers, we were engaged by three state governments and numerous local authorities to support the recovery efforts following natural disasters.

One area I'd like to highlight is that of Indigenous engagement within our Disaster Management business, which was at 9% during FY23 – significantly higher than the industry average. We also partnered with indigenous recruitment organisation, A2B Personnel, to develop a market-leading methodology of identifying sites of cultural significance in disaster-affected landscapes and ensure they're not disturbed by our operations. This methodology, which has successfully detected and protected multiple culturally sensitive sites, has garnered significant government attention and is another example of our holistic approach to disaster recovery.

As I mentioned in my opening remarks, during FY23 we established our new pillar, Essential Home Services. This new pillar followed the acquisition of Smoke Alarms Australia and Linkfire Services and I'd like to provide some commentary around the strategic reasoning behind these acquisitions and this new pillar for growth.

Both these businesses have systemic defensive growth characteristics, something we're particularly attracted to. Insurers, Owners Corporations, Government and Regulators are increasingly mandating that essential prevention and monitoring services are delivered by reputable and registered service providers. Occupancy and completion certificates and a raft of other regulatory mandates rest on providing evidence of working smoke and fire alarms amongst other services. Not only are these required in the new build and restoration environment, they are required to be completed with mandated regularity. The revenue model is annuity style and subscription based, meaning we have forward visibility as to the earnings we should see from our existing client base. These earnings are defensive and growing. We think that is a very powerful combination to generate returns for our shareholders.

These businesses are highly complementary to Johns Lyng's existing portfolio and we see wonderful growth opportunities from these adjacencies. Let me give you two examples. As I mentioned, we are now the second largest manager of strata-titled properties in Australia. This provides us with a wonderful entrée to provide these services. We manage in excess of 95000 lots across 3800 buildings or schemes. Many of these require mandated essential services. In our IB&RS business we complete more than 135,000 jobs per annum. All these touch points give us an opportunity to introduce our repairs and maintenance services.

We are very excited about the prospects for Essential Home Services and look forward to talking about its success in periods to come.

These are just a handful of our recent achievements, but I hope they give you a sense of the momentum within the business and the many opportunities we see for the future.

It won't surprise you then if I report that our workflows in the first quarter of this new financial year have been incredibly strong and show no signs of slowing. This is testament to our business model and the global Johns Lyng team who understand that our clients – and their clients – come first.

Accordingly, I am pleased to confirm that the guidance we provided to the market on 23 August 2023 holds – that was FY24 performance which includes 18.5% growth in BaU revenue and 20.1% BaU EBITDA.

Before I welcome our Chair to conduct the Annual General Meeting, I'd like to thank our team for their hard and continued work that and our shareholders for their ongoing support. Thank you.

ENDS

This announcement was authorised for release by the Board of Directors.

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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.