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ASX Announcement

2 December 2015

Spotless (ASX: SPO) Trading update

- EBITDA to be flat year on year and NPAT 10% below last year
- Excluding one-off charges, FY16 EBITDA up 5% on FY15 with NPAT flat year on year
- Revenue FY16 to materially exceed FY15
- New business growth slower with tender decisions delayed or deferred
- Acquisitions contributing positively, but synergy benefits delivery taking longer than expected
- Excluding acquisitions, business performing well with margins being maintained

General business performance and trading conditions

Spotless' business (excluding acquisitions) continues to perform well with margins being maintained. However, the profit growth from new business wins experienced in the second half of FY15 has slowed, reflecting tighter economic conditions and tender decisions being delayed or deferred.

Recent acquisitions are contributing positively to FY16 results, however it is taking longer than anticipated to fully integrate some of these businesses and realise synergies. This is particularly the case for laundries where changes to the mix of products are requiring more restructuring than anticipated.

One-off and other charges

Spotless' full year FY16 results will be impacted by a series of one-off and other charges.

One-off charges

- Bid costs written off on tenders; and
- Acquisition transaction and restructuring costs.

Other charges

- Higher depreciation, amortisation and interest costs associated with acquisitions, contract mobilisations and IT implementation costs.

It was anticipated that new business wins and recent acquisitions would off-set the impact of these items, however integration benefits and new business wins have been slower than expected.

The combination of these factors will mean that whilst revenue in FY16 will materially exceed FY15, EBITDA will be flat year on year, with NPAT approximately 10% below last year.

Excluding one-off charges, FY16 EBITDA is expected to exceed FY15 by approximately 5% with NPAT to be flat year on year.

Revenue in first half FY16 will materially exceed first half FY15, EBITDA will be flat half on half, with NPAT 15-20% below first half FY15. This is driven by the bid and acquisition transaction costs expensed in the first half of FY16 and the increased depreciation, amortisation and interest costs.

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