JOHNS LYNG GROUP

BUILDING AUSTRALIA

Valuing People | 65 YEARS STRONG

Bell Potter Securities

Emerging Leaders Conference

25 October 2018

JOHNS LYNG GROUP

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At the heart of our business is an **entrepreneurial desire** to continue to **develop and grow** – without limits, anything is possible.

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1.1 Company Background & History

JOHNS LYNG GROUP

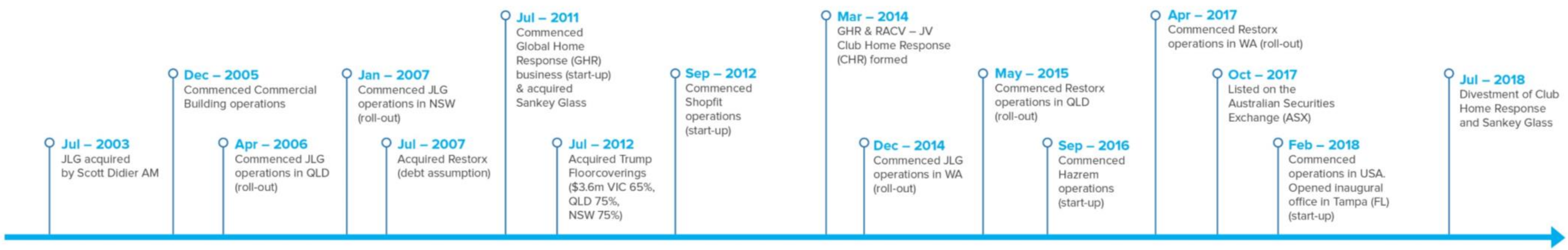
1953

Beginning as Johns & Lyng Builders in 1953, our core business was originally built on our ability to remediate most building types, especially after major events such as floods and fires

2018+

65 years later, having grown the business exponentially, we continue to provide specialist building services for which we have become nationally renowned. Over the years, we have diversified and expanded our service offering, while remaining focused on our clients and core values of respect, integrity, courtesy and honesty

OUR HISTORY



1.2 Strategically Aligned Business Portfolio

- JLG is a market leading integrated building services group, delivering building and restoration services across Australia
- Focused on recurring revenues and deep client relationships: JLG's strategically aligned businesses deliver >30k discrete jobs p.a.

Insurance Building & Restoration Services (IB&RS)

JLG's most significant business is built on its ability to rebuild and restore a variety of properties and contents after damage from insured events including: impact, weather and fire.

FY18 Revenue: $222.8m (77% cont'n) / FY18 EBITDA: $25.1m

JOHNS LYNG MAKESAFE BUILDERS | JOHNS LYNG EXPRESS BUILDERS | JOHNS LYNG INSURANCE BUILDERS | RESTORX SERVICES | JOHNS LYNG REGIONAL BUILDERS | JOHNS LYNG HAZREM

Commercial Construction (CC)

JLG's commercial construction division undertakes projects typically ranging from $3m to $6m.

FY18 Revenue: $23.3m (8% cont'n) / FY18 EBITDA: ($1.6m)

JOHNS LYNG COMMERCIAL BUILDERS

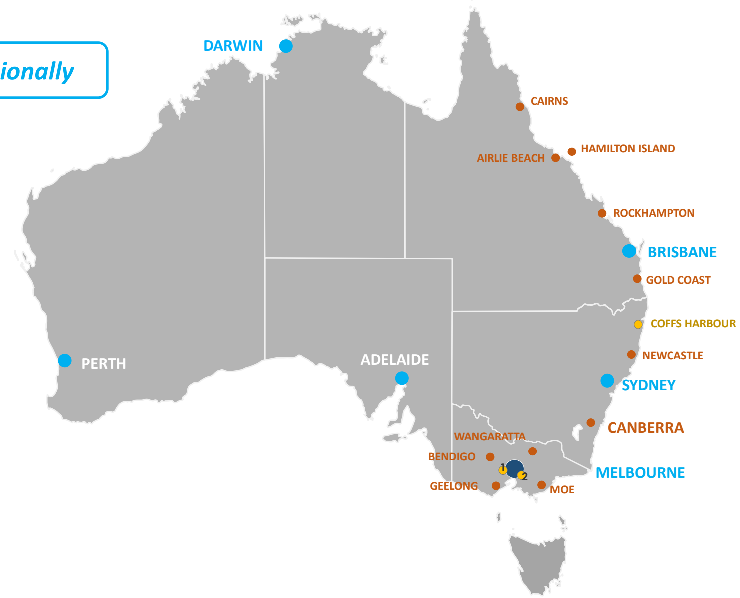
Commercial Building Services (CBS)

JLG provides an extensive suite of commercial building services including: commercial flooring, shop-fitting and emergency domestic (household) repairs.

FY18 Revenue: $42.9m (15% cont'n) / FY18: EBITDA: $1.6m

TRUMP FLOORCOVERINGS | JOHNS LYNG Shopfit SERVICES | GLOBAL HOME RESPONSE

20 Locations Nationally



- Head Office (1)
- State Offices (5)
- Regional Offices (11)
- Operational Warehouse & Office (3)

1. Sunshine (office & warehouse)
2. Carrum Downs (office & warehouse)

1.3 IB&RS Industry Overview – Job Cycle Flow Chart

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Damage Incident

- **Regular Damage Events[1]**
- **Peak Events**
  eg. hailstorms, floods etc.
- **Catastrophic Events (‘CAT’)**
  e.g. cyclones, bushfires etc.

Insured Party

- **Government**
- **Large Enterprise**
- **SME**
- **Household**

Insurance Sector

- **Insurance Company**
- **Loss Adjuster**
- **Insurance Broker**

Insurance Building & Restoration Services

- **Building & Restoration**
- **Builders/Constructors**
- **Specialist Services/ Products**

[1] **Regular damage events - referred to as Business as Usual (‘BaU’) include:**

- Escape of liquid (flood);
- Fire;
- Malicious damage;
- Impact;
- Storm; and
- Emergency domestic (household) repairs

High barriers to entry:

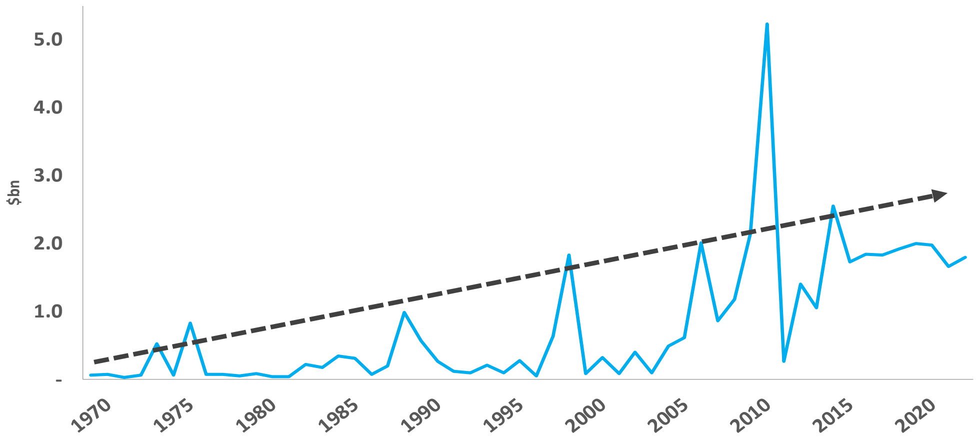
IB&RS industry characteristics create high barriers to entry:

- Industry is **relationship driven**:
  - Insurance companies, loss adjusters and insurance brokers
- **Trust and credibility** take years to establish
- **Service quality**, track record and ability to scale (CAT response) while maintaining standards are critical success factors
- JLG’s **high performance culture** is a key differentiator
  - Service quality, client relationships, project management and expedience are JLG’s core competencies

1.4 CAT Events: Increasing Frequency & Magnitude

JLG is well positioned to capitalise on future CAT and peak events when they occur

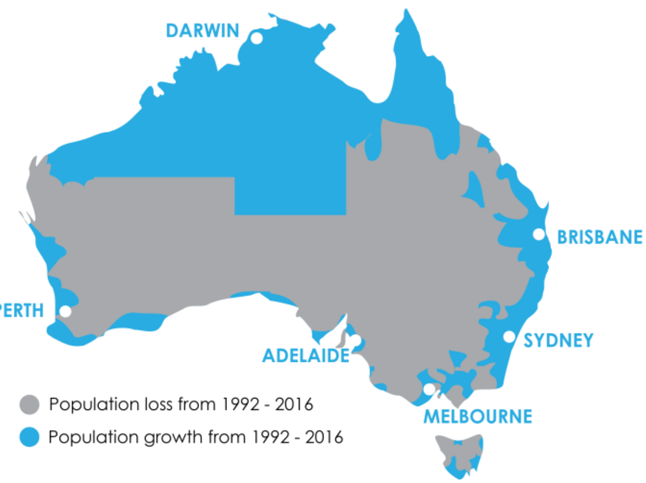
Cost of Natural Disasters in Australia ($bn)



Source: IBIS World Business Environment Profiles- Natural Disasters

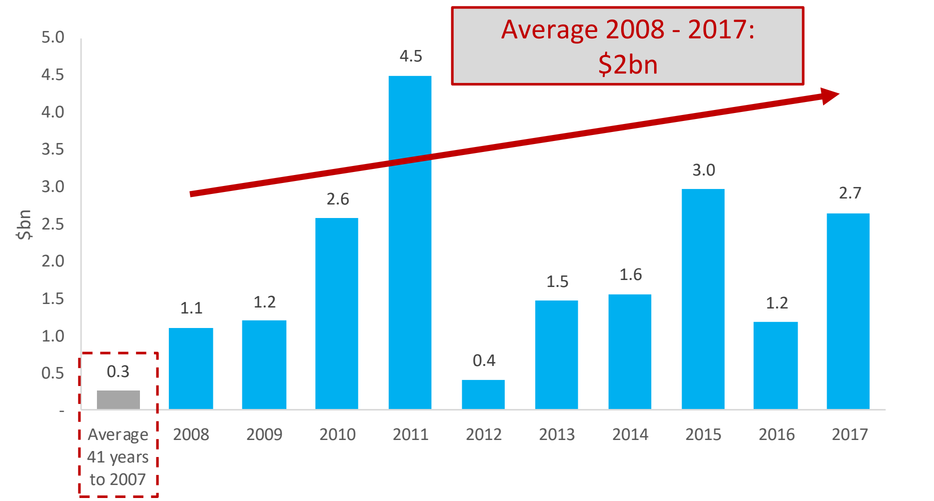
- **Rising CAT and extreme weather events due to changing weather patterns** is expected to continue to drive **higher demand** for Insurance Building and Restoration Services
- On average, there are **13 major Australian cyclones p.a.** primarily affecting coastal regions
- Population migration is trending towards coastal regions – hence an **increase in the number of households impacted is expected**
- Average estimated historical insured loss value[1]:
  - **Average 41 years to 2007 - $0.3bn**
  - **Average 2008 to 2017 - $2bn**

Population Movements Across Australia (1992 - 2016)



Source: The Australian

Historical CAT Events in Australia (Estimated Insured Loss Value ($bn))



Source: Insurance Council of Australia

1. Includes estimated insured loss value attributable to motor vehicles

2. Investment Highlights – Robust Platform for Growth

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1 **Annuity Style Revenues, CAT upside & Low Operating Costs**	• BaU represents >30k discrete jobs / 'everyday claim events' p.a. • Recurring BaU revenues are robust & generally insulated from macro-economic conditions • CAT events offer significant revenue & margin upside (recurring but unpredictable) • Low fixed costs mitigate business risk – JLG scales up via national panel of >5k subcontractors
2 **Experienced Management Team & Enduring Client Relationships**	• Long-standing key executive team with material equity ownership • Management is committed to the business going forward – leadership succession plan in place • Business Partners report monthly vs. Business Plan & KPI's (Group Operations ('GO') meetings)
3 **Market Dynamics - Attractive Industry Fundamentals**	• Market growth drivers: population, insured property value & CAT frequency/magnitude • Highly fragmented IB&RS industry (M&A consolidation opportunity) • Increasing service requirements from large national, state & regional clients • High barriers to entry (relationships, brand equity, credibility, trust & admin)
4 **Strong Organisational Culture & Equity Partnership Model Alignment**	• Embedded values driven, meritocratic organisational culture • Key employees (Business Partners) aligned with company performance via business unit & JLG Ltd equity ownership
5 **Diversified & Strategically Aligned Service Offering**	• JLG has a market leading position with a strategically aligned portfolio of businesses • National footprint enables rapid & efficient client outcomes
6 **Strong Track Record of Financial Performance & Control**	• c.26% Revenue CAGR from acquisition in FY04-FY18 (c.$12m to c.$290m) • c.$23.5m FY18 EBITDA[1] • c.76% FY18 Group revenue from BaU activities
7 **Organic Growth**	• Market growth drivers: population, insured property value & CAT frequency/magnitude • Increasing panel representation, key Loss Adjuster relationships & service suite roll-out • Royal Commission expected to drive lower cash settlement rates & increased job volumes • 'Right sizing' domestic market – deeper penetration in NSW, QLD & WA
8 **M&A Opportunities**	• Consolidation of fragmented IB&RS domestic market • Diversification into strategically aligned 'complementary adjacencies' • International opportunities (NZ & USA)

1. EBITDA reconciled to Statutory results per Appendix 1

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Consolidated Group FY18 EBITDA: $23.5m +36.7% vs. FY17

Consolidated Profit & Loss ($m)	Actual FY17	Actual FY18	Forecast FY19	YoY % FY17-18	YoY % FY18-19
Revenue - BaU	233.7	221.2	272.0	(5.4%)	23.0%
Revenue - CAT	16.0	69.2	13.5	>100%	(80.5%)
Revenue - Total	**249.7**	**290.4**	**285.5**	**16.3%**	**(1.7%)**
EBITDA - BaU	15.6	13.3	17.5	(14.7%)	31.4%
Margin (%)	*6.7%*	*6.0%*	*6.4%*		
EBITDA - BaU (Normalised)	**15.6**	**15.4**	**17.5**	(1.6%)	14.0%
Margin (%)	*6.7%*	*7.0%*	*6.4%*		
EBITDA - CAT	1.6	10.2	0.9		
Margin (%)	*9.9%*	*14.8%*	*6.8%*		
EBITDA - Total	**17.2**	**23.5**	**18.5**		
Margin (%)	*6.9%*	*8.1%*	*6.5%*		
Other Items					
CHR/Sankey gain on disposal	**-**	**-**	**4.0**		
Public Company Opex	-	(0.6)	(0.5)		
Executive & KMP Incentive Plan	-	(1.6)	(2.5)		
Capital Expenditure	(5.3)	(4.6)	(5.6)		

- JLG does not forecast for CAT events - $0.9m EBITDA represents run-off from Cyclone Debbie (QLD) and Cyclone Marcus (NT). These are actual historical events which are estimable in-line with BaU
- CAT events present significant and proven upside – JLG is well placed to capitalise on these opportunities when they occur (FY18: $10.2m)

Note: Earnings derivations reconciled to Statutory results per Appendix 1

3.2 Financial Summary - Segmental Analysis

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Segmental Analysis ($m)	Actual FY17	Actual FY18	Forecast FY19	YoY % FY17-18	YoY % FY18-19
Insurance Building & Restoration Services					
Revenue - BaU	136.4	153.6	186.2	12.6%	21.2%
Revenue - CAT	16.0	69.2	13.5	>100%	(80.5%)
Revenue - Total	**152.4**	**222.8**	**199.7**	46.2%	(10.4%)
EBITDA - BaU	**12.2**	**14.9**	**17.8**	22.2%	19.4%
Margin (%)	*8.9%*	*9.7%*	*9.5%*		
Start-up costs (USA/Suncorp)	-	1.2	-	-	(100.0%)
EBITDA - BaU (Normalised)	**12.2**	**16.1**	**17.8**	**32.1%**	**10.4%**
Margin (%)	*8.9%*	*10.5%*	*9.5%*		
EBITDA - CAT	1.6	10.2	0.9	>100%	(91.0%)
Margin (%)	*9.9%*	*14.8%*	*6.8%*		
EBITDA - Total	**13.8**	**25.1**	**18.7**	82.3%	(25.5%)
Margin (%)	*9.0%*	*11.3%*	*9.4%*		
Commercial Building Services					
Revenue	**53.2**	**42.9**	**40.6**	(19.2%)	(5.5%)
EBITDA	**1.8**	**1.6**	**2.5**	(13.6%)	60.1%
Margin (%)	*3.4%*	*3.6%*	*6.2%*		
Project write-downs (Trump) & divested earnings (CHR/Sankey)	-	0.8	-	-	(100.0%)
EBITDA (Normalised)	**1.8**	**2.4**	**2.5**	**32.4%**	**4.5%**
Margin (%)	*3.4%*	*5.6%*	*6.2%*		
Commercial Construction					
Revenue	**41.6**	**23.3**	**40.5**	(44.0%)	73.9%
EBITDA	**(1.1)**	**(1.6)**	**-**	43.1%	(100.0%)
Margin (%)	*(2.7%)*	*(7.0%)*	*-*		

FY18 Peak & CAT Events

Mildura Hail Storm (Nov-16)	Melbourne Floods (Dec-17)
Broken Hill Hail Storm (Feb-17)	Victoria Hail Storm (Dec-17)
Cyclone Debbie (Mar-17)	Cyclone Marcus (Mar-18)
Kalgoorlie Hail Storm (Nov-17)	Tasmania Floods (May-18)

Historical Revenue ($m)	FY15	FY16	FY17	FY18
BaU	210.1	218.8	233.7	221.2
CAT	17.8	23.6	16.0	69.2
Total Revenue	**227.9**	**242.4**	**249.7**	**290.4**
CAT % of Total Revenue	*7.8%*	*9.7%*	*6.4%*	*23.8%*
CAT % of IB&RS Revenue	*14.1%*	*16.3%*	*10.4%*	*31.1%*

3.3 Balance Sheet & Cash Flow

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Strong balance sheet & high cash conversion from EBITDA

Balance Sheet (FY18)

- Net assets: $34.5m
- Net cash: $16.5m

Working Capital

- JLG proactively manages its working capital cycle - debtors and creditors days are reasonably consistent

Capital Expenditure

- Capex primarily consists of motor vehicle purchases
  - Fleet included 235 vehicles at 30 June 2018 vs. 173 at June 2017

Cash Conversion (FY18)

- Operating cash flow: $17.5m (88.5% EBITDA cash conversion)

Dividend

- Final FY18 dividend of 1.9 cents per share (fully franked), representing 58% of NPAT pro rata from IPO date (in-line with JLG's previous guidance and Dividend Policy (40% - 60% of NPAT))

Balance Sheet ($m)	Actual FY18
Total Assets	96.6
Net Assets	34.5
Net Cash / (Debt)	16.5

Working Capital ($m)	Actual FY17	Actual FY18
Days sales outstanding (countback method)	40.8	41.1
Days purchases outstanding (countback method)	50.6	44.8

Capital Expenditure ($m)	Actual FY17	Actual FY18
Plant & equipment	1.3	1.2
Motor vehicles	2.7	3.4
Leasehold improvements	1.4	-
Total capital expenditure	**5.3**	**4.6**

Cash Conversion ($m)	Actual FY18
EBITDA	**23.5**
IPO & other transaction costs	(3.7)
Statutory EBITDA	**19.8**
Movement in working capital	0.3
Movement in accrued income	(3.9)
IPO costs not paid in cash[1]	1.0
Non-cash options expense	0.4
Other	(0.1)
Net cash from operating activities (pre-interest and tax)	**17.5**
Cash conversion (%)	***88.5%***
Interest paid	(0.5)
Tax paid	(0.4)
Net cash from operating activities	**16.6**

1. Transaction costs offset from proceeds of IPO

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Domestic & international organic expansion plus M&A opportunities

FY18 Key Client Wins

- Significant new client wins include:
  - Major Insurers: Suncorp (national large-loss), CommInsure (NSW & QLD), Youi (VIC, NSW & QLD); and
  - Victorian Government: Emergency Management Victoria Panel, School Minor Works Panel, School Emergency Maintenance Panel and the School Asbestos Removal and Reinstatement Panel

Domestic Expansion

- Expansion of geographical footprint and national roll-out of full service suite on track:
  - NT (Darwin) office opened (Jul-17);
  - SA (Adelaide) office opened (Nov-17); and
  - Organic growth in WA job volumes is tracking in-line with expectations

US Expansion

- Opened inaugural US office in Tampa (FL) (Feb-18)
- Business development initiatives currently underway
- Currently building relationships with Major Insurers and Loss Adjusters in the US market

M&A

- M&A opportunities presenting:
  - Consolidation of fragmented Insurance Building and Restoration Services industry
  - Diversification into 'complementary adjacencies'
  - Select acquisitions will be considered in an orderly and controlled manner

Appendix 1 – Financial Reconciliation to Statutory Results

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Statutory Results Reconciliation ($m)	Actual FY17	Actual FY18	Forecast FY19
Sales to external customers	249.7	290.4	285.5
Intersegment sales	16.0	17.0	10.2
Total Revenue	**265.8**	**307.4**	**295.7**
Reconciliation to Statutory Results			
EBITDA	**17.2**	**23.5**	**18.5**
IPO related transaction costs expensed to P&L	(0.3)	(3.7)	-
EBITDA per Statutory Results	**16.9**	**19.8**	**18.5**

Normalisations Reconciliation ($m)	Actual FY17	Actual FY18	Forecast FY19
Normalised EBITDA			
IB&RS - BaU	**12.2**	**14.9**	**17.8**
Normalisations			
Start-up costs (Suncorp large-loss contract)	-	0.7	-
Start-up costs (USA)	-	0.5	-
Total Normalisations	**-**	**1.2**	**-**
IB&RS - BaU (Normalised)	**12.2**	**16.1**	**17.8**
CBS	**1.8**	**1.6**	**2.5**
Normalisations			
Project write-downs (Trump)	-	1.4	-
Divested earnings (CHR/Sankey)	-	(0.5)	-
Total Normalisations	**-**	**0.8**	**-**
CBS - BaU (Normalised)	**1.8**	**2.4**	**2.5**
EBITDA - Group	**17.2**	**23.5**	**18.5**
Normalisations			
IB&RS	-	1.2	-
CBS	-	0.8	-
Total Normalisations	**-**	**2.0**	**-**
EBITDA - Normalised Group	**17.2**	**25.6**	**18.5**