JOHNS LYNG GROUP LIMITED (ASX: JLG)

ASX & Media Release

28 February 2019

Johns Lyng Group Limited reports strong first half earnings growth

Johns Lyng Group Limited (ASX:**JLG**) is pleased to report a strong financial performance for the 2019 Financial Year first half, driven by a 15.8% revenue increase in business-as-usual (BaU) activity over the half. The result is based on several major new contract wins and organic growth in core segments.

This positive business-as-usual performance is expected to be complemented by outcomes from the catastrophic NSW hail storms which occurred during December 2018. This is expected to positively impact the second half results and is the primary driver of a c.8% forecast EBITDA upgrade for the full 2019 Financial Year.

2019 Financial Year - first half result highlights

- **Total Sales:** $152.6m (3.3% increase vs. pcp)
- **BaU Sales**: $137.6m (15.8% increase vs. pcp)
- **CAT Sales**: $15.0m (10.9% increase vs. FY19 forecast. 1H18: $29.0m included significant non-recurring job volumes from Cyclone Debbie)
- **BaU EBITDA[1]**: $10.2m (9.5% increase vs. pcp)
- **CAT EBITDA[1]:** $1.4m (46.6% increase vs. FY19 forecast. 1H18: $4.8m included significant non-recurring job volumes from Cyclone Debbie)
- **NPAT attributable to the owners of JLG**: $7.9m (14.3% increase vs. pcp)

[1] EBITDA is defined as earnings before interest, tax, depreciation and amortisation and excludes IPO & other transaction costs, gain on disposal of CHR and Sankey and executive incentive plan (introduced 2H18).

Chief Executive Officer Scott Didier AM said that the strong performance in core activities was particularly pleasing given that non-forecast CAT events would drive a significant upside in earnings for the full year.

“These results are very encouraging from a full year outlook perspective, and we’re pleased with what we have achieved in the first half,” Mr Didier said.

“Our core “business-as-usual” segments have consistently delivered over many years and they have yet again performed well during the half, in line with expectations. These are the reliable central plank of our business, based upon the strong relationships we own and the reputation we’ve built within the industry.

“The premium to that core performance is our unrivalled capability to respond to catastrophic weather events. Activity during the half reflected that capability more than any other in recent years.

“Two major, non-forecast catastrophic events, in NSW and currently in north Queensland have added – and will continue to add - to our volumes, primarily in the second half.

“While it is too early to predict the full extent of those volumes, we have to-date recorded unprecedented job registrations from these events. We are pleased to provide an earnings (EBITDA) upgrade of c.8% for the full year, at this stage.

“We know that extreme weather events are becoming more frequent and with population growth in coastal regions on the increase we are well positioned to respond to them.

“Our distinct point of difference is that our performance is not tied to traditional economic cycles. We’re intrinsically linked to weather patterns, and in that sense scale and capacity are important. That’s why we’ve focused on building our national footprint.

“We’ll look too continue our momentum post IPO, which includes thoughtful consideration and strategic activity related to our plans for growth and expansion in 2019.

“The Board is also pleased to report that our growth strategy remains on track through geographic expansion, new client wins and new business opportunities.

“We are also pleased to announce the completion of our inaugural acquisition, in the form of Dressed For Sale, a pre-sale home staging and styling business that will integrate nicely with our existing services.”

Key Performance Highlights

Financial Performance

- Sales: $152.6m (3.3% increase versus pcp)
- BaU Sales: $137.6m (15.8% increase vs. pcp)
- JLG’s strong financial performance during 1H19 was driven by its core Insurance Building and Restoration Services segment along with Commercial Construction.

Net Cash from Operating Activities

- Net cash from operating activities was $12.4m driven by strong EBITDA cash conversion and a reduction in working capital.

Net Assets

- JLG’s balance sheet net asset position was $40.2m as at 31 December 2018 representing an increase of $5.8m versus 30 June 2018.

New contract wins and geographic expansion

The Board is pleased with the progress of organic growth initiatives and encouraged by the level of Business as Usual job volumes from existing and new clients including: Major Insurers, Loss Adjusters, retailers, building and strata managers, Insurance Brokers, Corporates and Government.

Organic growth was supported through several new contracts with major national insurers. These include:

- **CHU:** panel of preferred suppliers for Strata Building Claims in NSW and Strata Large-loss (>$50k) in NSW and QLD
- **Crawford** Contractor Connection – National Restoration
- **Suncorp:** National Domestic Large-loss (trial period complete and contract signed)

JLG continues to make good progress with the expansion of its geographic footprint and national roll-out of its full-service suite. The Group was pleased to open its first Tasmanian office in November 2018.

Strata Services Division

The Board was pleased to announce the establishment of a designated Strata Services Building division, initially available throughout New South Wales, ahead of a nationwide rollout.

The new division will focus on building and restoration repairs for strata insurers, adding to JLG's existing suite of services across the Australian insurance building and restoration industry.

CEO Scott Didier said that with an estimated 2.5 million strata lots nationwide, at an insured value of around $995 billion[1], a dedicated strata division presented a compelling new opportunity for JLG.

Dressed For Sale

JLG completed its inaugural acquisition, a controlling stake in Dressed For Sale, a pre-sale residential property staging and styling business.

The strategic 'bolt-on' will integrate with, and expand upon, JLG's existing home maintenance service offering, creating a sound platform for growth.

JLG will invest approximately $2 million as part of the deal which includes approximately $1.3 million in capital earmarked for growth initiatives.

Funded from cash reserves, the acquisition includes current inventory, intellectual property and the retention of experienced senior management.

[1] https://cityfutures.be.unsw.edu.au/research/projects/national-strata-data-analysis/

The Melbourne and Adelaide based business has recorded average compound revenue growth in excess of 25% per annum (FY15-18) and is expected to be immediately earnings accretive for JLG.

JLG CEO Scott Didier said that the business would integrate neatly with multiple Group divisions, including RestorX, Global Home Response and Johns Lyng Express Builders to provide a more comprehensive full service offering to property vendors, and the broader consumer market.

Huski Home Services

Launched in November 2018, Huski is an emergency and scheduled residential repairs and maintenance service that is aimed at capturing part of the home maintenance market.

The product will have a distinct B2C component, while a 'white-label' B2B product is also progressing well. Several major clients in the insurance sector have already taken the product on board and have commenced their own marketing activities. Engagement with further clients is progressing well.

Appointment of Larisa Moran as Non-executive Director

Ms Larisa Moran was appointed as a Non-Executive Director of the Company, effective Monday 10 September 2018.

A chartered accountant, Larisa has extensive experience in the corporate and finance sectors with strong financial and operational skills and expertise.

Larisa is currently the Global Chief Operating Officer of Woods Bagot, an international Architectural and Interior Design firm. As the COO, she has responsibility for the operations of the business on a global level, including assisting with the development and implementation of strategy, responsibility for Information Technology, Design Technology, Human Resources, Legal, Risk, Practice Management, Knowledge and Research, Communications, Business Planning and Development.

FY19 Outlook

The Board of JLG is pleased to advise it continues to trade above forecast based on key financial metrics year-to-date FY19.

Sales and EBITDA are expected to outperform forecast in the order of 4% and 8% respectively on a normalised basis. This forecast includes early claims activity for the NSW hail storm CAT but does not include activity from the recent Townsville CAT event which is at this point too early to quantify.

Dividend

The final dividend in respect of FY18 was paid on 11 October 2018, there were no other dividends paid, recommended or declared.

Financial Reconciliation to Statutory Results

Reconciliation to Statutory Results	1H18	1H19
Sales		
BaU	118.8	137.6
CAT	29.0	15.0
Sales - Total	**147.8**	**152.6**
EBITDA		
BaU	9.3	10.2
CAT	4.8	1.4
IPO & Other Transaction Costs	(3.3)	(0.1)
Executive Incentive Plan	-	(1.3)
Gain on Disposal	-	4.6
EBITDA - Statutory	**10.8**	**14.8**

ENDS

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About Johns Lyng Group Limited Johns Lyng Group Limited is an integrated building services group delivering building and restoration services across Australia. The Group's core business is built on its ability to rebuild and restore a variety of property and contents after damage by insurable events (e.g. impact, weather and fire events).

Beginning in 1953, the Group has grown into a national business with over 550 employees servicing a diversified client base comprising major insurance companies, commercial enterprises, local and state government and retail customers. The Group defines itself by seeking to deliver exceptional customer service outcomes every time.