JOHNS LYNG GROUP LIMITED
(ASX:JLG)

ASX & Media Release

20 August 2019

Johns Lyng Group delivers 16.8% revenue growth in strong FY19 performance

Johns Lyng Group Limited (ASX:**JLG**) is pleased to report a highly successful 2019 Financial Year that delivered a 16.8% increase in Group Revenue and an 11.6% increase in Group EBITDA from FY18.

The primary driver of this result was an outstanding contribution from the Group's Insurance Building and Restoration Services division's core Business as Usual ('BaU') activities, which delivered 39.9% revenue growth compared to the previous year. A series of new contract wins and extensions with major insurance industry clients underpinned this performance, creating a sound platform for further organic growth.

2019 Financial Year – Financial Performance Highlights

- **Sales Revenue[1]:** $335.1m (16.8% increase vs. FY18)
- **Group Statutory EBITDA[2]**: $25.7m (11.6% increase vs. FY18)
- **IB&RS BaU[3] Revenue**: $214.8m (39.9% increase vs. FY18)
- **IB&RS BaU[3] EBITDA[4]**: $17.8m (19.8% increase vs. FY18)
- **Net profit after tax attributable to the owners of JLG ('NPAT')**: $13.4m (25.0% increase vs. FY18)
- **Net assets:** $45.3m ($10.8m increase vs. FY18)
- **Final dividend of 3 cents per share (fully franked),** representing 50% of NPAT. This is in-line with JLG's previous guidance and Dividend Policy (40%-60% of NPAT)

[1] FY18 excludes $3.5m revenue related to Club Home Response and Sankey Security & Glass (divested in July 2019)

[2] EBITDA is defined as earnings before interest, tax, depreciation and amortisation and excludes IPO & other transaction related expenses of $0.4m (FY18: $3.7m). FY18 also excludes $0.5m EBITDA related to Club Home Response and Sankey Security & Glass (divested in July 2019)

[3] Insurance Building and Restoration Services 'Business as Usual' excludes contribution from Catastrophic ('CAT') events

[4] Excludes IPO & other transaction related expenses of $0.4m (FY18: nil)

The Group took significant steps forward from a strategic growth perspective, completing its first two acquisitions (Steamatic and Dressed for Sale) during the period, with a third (Bright & Duggan) completing shortly post year-end in August 2019.

Acquisitions are expected to be earnings accretive in FY20 and open up significant new expansion and cross-selling opportunities for the Group's core businesses.

The FY19 result was also supported by substantial work relating to non-forecast catastrophic ('CAT') and peak weather events.

Chief Executive Officer Scott Didier AM said that to outperform FY18 on the strength of Johns Lyng's core business was an outstanding result and particularly pleasing for the future.

"FY19 was a momentous year for Johns Lyng Group, delivering not only a very strong financial performance but also taking significant steps in the execution of our growth strategy, including geographic expansion and the completion of several strategic acquisitions," Mr Didier said.

"We believe the value of our business is driven by the performance of our Business as Usual operations and that's what makes this result particularly pleasing. It's these core operations that have driven our growth over the past 10-15 years.

"We've been clear in our message that non-forecast CAT events are an added bonus to our overall performance, and I think this year's results underline that point.

"At the same time we have demonstrated that we have an unrivalled capacity to respond when catastrophic events hit, which is a great reflection of the truly national footprint we have worked hard to build.

"We expect work flows from both the Sydney Hailstorms and Townsville Floods to continue into FY20 as is reflected in significant expected job volumes.

"Of equal significance is the progress we made in executing our growth strategy during the year.

"We were pleased to announce a series of new contract wins and extensions with major insurance clients during the year and we have announced three strategic acquisitions that will add value to the broader group.

"The most significant of these is the acquisition of Bright & Duggan, one of Australia's leading Strata and Property Management businesses. It's a game changer for Johns Lyng Group, opening up a range of cross-selling opportunities for our various building services, while we'll also look to grow the existing Bright & Duggan business in new markets.

"Our outlook for FY20 is strong, with a robust pipeline of work ahead of us, through both the organic and non-organic growth milestones we achieved this year.

"The industry is based on strong relationships, which are key to regular repeat business along with a reputation for quality and outstanding customer service.

"This year's result is a testament to our people who have been critical in firstly establishing our reputation and then strengthening it through their dedicated hard work," Mr Didier said.

Organic growth

Johns Lyng Group was pleased to announce a series of new contract wins and extensions with major insurance clients during the year. These include:

- Chubb;
- Crawford Contractor Connection;

- CHU;
- IAG;
- Hollard;
- QBE;
- Zurich;
- Suncorp;
- Vero;
- Youi; and
- RACWA.

These new contracts and extensions are expected to assist in driving further organic growth in our Insurance Building and Restoration Services division.

Strata Services Division

The Board was pleased to announce the establishment of a designated Strata Building Services division, initially operating throughout NSW, ahead of a nationwide rollout.

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

The strategic acquisition of Bright & Duggan (51% voting / 46% economic interest) in August 2019, will be instrumental in driving growth in this market sector.

Founded in 1978, Bright & Duggan is a leading Strata and Property Management business with more than 55,000 lots under management across more than 1,500 strata schemes.

The strata market comprises in excess of 2.6m strata titled lots nationally – this represents a compelling investment proposition and growth opportunity for the Group with inherent revenue synergies in collaboration with Johns Lyng's other businesses.

Headquartered in Sydney (NSW), Johns Lyng will support long-standing Management Shareholders to grow Bright & Duggan in its existing markets and additionally cross-sell the Group's various building services.

Further Strategic Acquisitions

Group expansion was supported by additional strategic acquisitions during the year, which will be crucial in building further scale and driving capacity.

The full acquisition of Steamatic Inc., a Fort Worth, Texas-based business operating in the estimated US$200bn United States fire and flood restoration services market was announced in April 2019.

It is expected that through Steamatic's network of 63 US franchisees and 14 International Master Franchise Agreements, Johns Lyng will create a platform for significant international expansion of the Group's core building and restoration services offering - one of the central pillars upon which the Johns Lyng brand is built.

In February 2019, Johns Lyng acquired a 56.6% equity stake in Dressed for Sale - an established pre-sale residential property staging and styling business. This strategic 'bolt-on' integrates with the Group's existing home maintenance service offering and provides a new platform to expand those services into the consumer market.

Huski Home Services

Huski Home Services, a new online product offering emergency and scheduled residential repairs to the home maintenance market, was launched in early 2019.

Beyond the direct-to-consumer component, the Huski product also has a distinct business-to-business focus with a 'white-label' product already engaged by several major clients in the insurance sector. Negotiations with further clients are progressing well.

FY20 Outlook

Johns Lyng Group has a very strong pipeline of work in its core businesses ahead for FY20 and Management continues to evaluate numerous acquisition opportunities against their strategic and other criteria.

- FY20 (F) Sales revenue: $398.7m (19.0% increase vs. FY19)
- FY20 (F) EBITDA: $28.8m (36.2% increase vs. FY19[1])

[1] Excluding non-recurring gain on sale ($4.6m) and IPO and other transaction related expenses ($0.4m)

Dividend

On 20 August 2019, the Board declared a final dividend of 3 cents per share (fully franked), representing 50% of NPAT.

This is in-line with previous guidance and the Group's Dividend Policy (40%-60% of NPAT).

The final dividend will be paid on 1 October 2019 with a record date of entitlement of 10 September 2019.

Reconciliation to Statutory Results	**FY18**	**FY19**
Sales Revenue		
BaU	217.6	288.9
CHR & Sankey Divestments	3.5	-
CAT	69.2	46.2
Sales Revenue - Statutory	**290.4**	**335.1**
EBITDA		
BaU	14.4	20.0
CHR & Sankey Divestments	0.5	-
CAT	10.2	3.8
IPO & Other Transaction Costs	(3.7)	(0.4)
Executive Incentive Plan	(1.6)	(2.7)
Gain on Disposal	-	4.6
EBITDA - Statutory	**19.8**	**25.3**

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About Johns Lyng Group Limited

Johns Lyng Group Limited ('Group') 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 properties and contents after damage from insured events including: impact, weather and fire events.

Beginning in 1953, the Group has grown into a national business with over 600 employees servicing a diversified client base comprising: insurance brokers, loss adjusters, major insurance companies, commercial enterprises, local and state governments and retail customers. The Group defines itself by seeking to deliver exceptional customer service outcomes every time.