JOHNS LYNG GROUP LIMITED
(ASX: JLG)

ASX & Media Release

25 August 2020

Johns Lyng Group delivers record revenue growth of 48% in FY20

Johns Lyng Group Limited (ASX:**JLG**) is pleased to report a record financial performance in FY20, with Group Sales Revenue growing 48% to $495.1 million, a result driven by an unprecedented level of demand for the Group's services throughout the year.

Additionally, Group EBITDA for the period was $41.0 million, up 77% on FY19.

Johns Lyng's core Insurance Building and Restoration Services (IB&RS) division was again the backbone of the Group's performance, recording 52% Revenue growth from FY19. Business as Usual (BaU) performed strongly across the entire year, with consistent increases in job registrations in the second half despite the onset of the COVID-19 pandemic.

This BaU performance was complemented by Revenue growth of 93% in catastrophe (CAT) response activity, as the Group responded to six different CAT events during the period, including the unprecedented summer bushfire disasters.

2020 Financial Year – financial performance highlights

- **Sales Revenue:** $495.1m +47.8% (FY19: $335.1m)
  - **IB&RS BaU Revenue:** $307.7m +43.2% (FY19: $214.8m)
  - **CAT Revenue** $89.0m +92.7% (FY19: $46.2m)
- **Group EBITDA[1]:** $41.0m +76.6% (FY19: $23.2m)
  - **IB&RS BaU EBITDA[2]:** $31.7m +63.8% (FY19: $19.4m)
  - **CAT EBITDA** $9.2m +139.6% (FY19: $3.8m)
- **Net profit after tax attributable to the owners of JLG ('NPAT')**: $15.9m +20.4% (FY19: $13.2m)
  - **NPAT (normalised)[3]**: $16.4m +53.8% (FY19: $10.6m)
- **EPS:** 7.13 cents +20.1% (FY19: 5.94 cents)
  - **EPS (normalised)[3]**: 7.36 cents +53.5% (FY19: 4.79 cents)
- **Net assets:** $59.1m (FY19: $44.4m)
- **Final dividend of 2.2 cents per share (fully franked)**
  - Total FY20 dividend of 4 cents per share (fully franked) +33.3% (FY19: 3 cents per share) – represents 56% of NPAT for FY20

[1] *EBITDA is defined as earnings before interest, tax, depreciation and amortisation and excludes Transaction related expenses of $0.7m (FY19: $0.4m). FY19 also excludes a non-recurring gain on disposal of businesses amounting to $4.6m*

[2] *Excluding Transaction related expenses of $0.5m (FY19: 0.4m)*

[3] *NPAT excluding tax effected (30%) Transaction related expenses of $0.7m (FY19: $0.4m) and $2.9m non-recurring gain on sale of businesses in FY19 ($4.6m less 10% NCI tax-effected at 30%)*

Chief Executive Officer Scott Didier AM said that the record result was an outstanding reflection of the Group's value proposition and its standing in the marketplace.

"The FY20 financial performance was extremely pleasing for the Group, particularly as it was driven by an unprecedented level of demand for our services," Mr Didier said.

"Our core Insurance Building and Restoration Services business has been the pillar of our Group for many years and delivered another year of outstanding growth.

"The fact our job numbers grew during the COVID-19 pandemic is a great reflection of the strength of our network, the relationships we have built with key clients, and our commitment to superior customer outcomes.

"It's also another clear indicator that our core service offering is insulated from economic factors which impact the broader market.

"Similarly the outstanding results from our CAT response activity during the year reflect the national footprint and service offering we have worked hard to build over time.

"We have an unrivalled capacity to respond when these events occur, and that is clearly demonstrated in the FY20 results.

"Revenue from CAT's is an added bonus to our core activities and that is clearly encapsulated in these results.

"We are still in the process of responding to six different CAT events across Australia and we expect revenues from these job registrations to flow into FY21.

"In terms of growth strategy, both organic and strategic growth progressed well in FY20, with our presence in the important strata market growing strongly and new products and services set to be rolled out in the coming months.

"I'd also like to thank our people who have shown incredible resilience during the COVID-19 pandemic in the second half. They were asked to continue to deliver during unprecedented disruption and the results we have achieved this year are a credit to them and testament to their commitment and work ethic."

Organic growth

Significant new contracts, and contract extensions for Business as Usual (BaU) works included appointment to strata market specialist CHU Insurance's national restoration panel (excl. QLD).

This national appointment is significant and importantly aligned with the Group's strategic focus on the strata insurance and direct works markets going forward.

The Group also signed a five-year contract extension with Western Australia's major local insurer, for the provision of domestic property insurance repair work on up to 1,000 properties per quarter, covering both BaU claims and claims made during peak events such as storms and floods.

The COVID-19 pandemic itself presented opportunities for the Group to introduce innovative new services and products, and at the same time deliver additional customer value through our broader offering.

This included entering into an Exclusive Distribution Agreement for the Australian B2B market for Zoono – an environmentally-friendly industrial disinfectant product which has proven effective in combating a surrogate of the COVID-19 virus, feline coronavirus[1].

The product has been made available to Bright & Duggan's network of 71,000-plus strata titles, and also throughout Johns Lyng's Commercial Building Services division and its building and contents restoration business Restorx.

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

Further Strategic Acquisitions and Strata Market expansion

Several key strategic acquisitions were also completed during the period. The most significant of these was a controlling equity interest in Sydney-based strata and property management business Bright & Duggan, during the first half.

Expansion into the sector creates several significant cross-sell opportunities into the strata market, while the highly fragmented nature of the sector is expected to present further consolidation opportunities.

The first of these was realised in February with the acquisition (by Bright & Duggan) of an 85% equity interest in Capitol Strata - a Brisbane-based strata and property manager.

Through the acquisitions completed during the period, the Group has access to more than 71,000 strata units across 2,750 schemes.

These acquisitions support the growth of 'Johns Lyng Strata Services' which was launched during FY19 and delivers domestic and commercial building and restoration works for: strata insurers, loss adjusters, brokers and property/strata managers.

The appointment of Johns Lyng to CHU's national restoration panel, along with the acquisitions of Bright & Duggan and Capitol Strata, are 'cornerstone initiatives' of the Group's strata market strategy.

Multiple growth opportunities in the strata market include:

- Roll-up of existing highly fragmented strata management market;
- Cross-sell of strata insurance work; and
- Cross-sell of direct work including:
    - Emergency and scheduled trades for buildings under management (B2B); and
    - Direct to consumer trades (B2C) i.e. homeowners and tenants

[1] Refer to release made 23 March 2020 available here: https://cdn.shopify.com/s/files/1/0014/2471/9931/files/20200323_ASX_Zoono_COVID-19_Clarification.pdf?v=1584945202

In January, Johns Lyng acquired the trade and business assets of Steamatic Nashville (USA). This initial franchisee buy-out is in-line with the Group's US growth strategy following the acquisition of the Steamatic Global Master Franchise in April 2019.

Steamatic is a 'platform acquisition' providing the Group opportunities to introduce additional existing core Johns Lyng services to the estimated US$200bn p.a. market – in particular insurance building and general contracting. Steamatic currently has 39 US Franchisees and 11 International Master Franchise Agreements.

In April, the Group acquired a 60% controlling equity interest in Air Control Australia, a Melbourne-based heating, ventilation and air conditioning mechanical services business.

The acquisition represents another avenue for growth into the strata market and cross-sell opportunities into Air Control's client base, which includes: hotels, commercial office buildings and shopping centres.

Board composition

In February we welcomed Mr Peter Dixon as an Independent Non-executive Director. Peter brings more than two decades of legal, investment banking, funds management and corporate strategy experience to the Johns Lyng Group Board.

In June we welcomed Ms Philippa (Pip) Turnbull to the Board of Directors.

As Executive General Manager, Group Business Development and Marketing for the past five years, Pip has played a central role in growing the Group though new contracts and client wins and managing important strategic relationships. She will add an important new dimension to the Board.

Ms Turnbull replaced Mr Matthew Lunn, who stepped down after three years' service. We would like to acknowledge the significant contribution Mr Lunn has made during a highly transformative period for the Group, particularly his instrumental role in ensuring a seamless transition onto the ASX. He will remain in his Executive role as Group Chief Financial Officer.

Outlook

We commence FY21 with a strong pipeline of job registrations in our core businesses, and ongoing work continues to flow from the six CAT events of FY20. We expect to deliver another sound performance in FY21 (noting the inherent risks associated with the evolving nature of the COVID-19 pandemic).

- FY21 (F) Sales Revenue: $485.3m
    - Includes BaU Sales Revenue: $465.0m (14.5% increase vs. FY20)
- FY21 (F) EBITDA: $41.2m
    - Includes BaU EBITDA: $39.1m (22.9% increase vs. FY20[1])

[1] *Excluding Transaction related expenses of $0.7m.*

Dividend

On 25 August 2020, the Board declared a final dividend of 2.2 cents per share (fully franked). This final dividend is in addition to the previously announced half year (interim) dividend of 1.8 cents per share (fully franked), totalling 4 cents per share (fully franked) and representing approximately 56% of NPAT attributable to the owners of Johns Lyng Group for FY20.

The final dividend will be paid on 15 September 2020 with a record date of entitlement of 31 August 2020.

Reconciliation to Statutory Results	FY19	FY20
Sales Revenue		
BaU	288.9	406.1
CAT	46.2	89.0
Sales Revenue - Statutory	**335.1**	**495.1**
EBITDA		
BaU	19.4	31.8
CAT	3.8	9.2
EBITDA - Normalised	**23.2**	**41.0**
Other Transaction Costs	(0.4)	(0.7)
Gain on Disposal	4.6	-
EBITDA - Statutory	**27.4**	**40.3**

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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 USA. 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 a national business with over 1,000 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.