

JOHNS LYNG GROUP LIMITED (ASX:JLG)

**ASX Statement**

18 November 2021

**CEO'S ADDRESS 2021 ANNUAL GENERAL MEETING**

Good morning Ladies and Gentlemen, and welcome.

Thanks to our Chairman Peter Nash for his opening remarks, and I'd like to recognise the stellar effort our teams have put in this year to once again deliver outstanding results amid another challenging year.

I'd like to acknowledge and thank our shareholders for their support over this time.

I'd also like to thank our business partners, Board, and the Executive Leadership Team who have been instrumental in driving our phenomenal growth over recent years.

I'm incredibly proud of our performance, which has once again highlighted the strength of our value proposition and opportunities for growth.

FY21 saw Johns Lyng continue the excellent performance of our core Insurance Building and Restoration Services (IB&RS) division, which this year experienced a large number of business as usual (BAU) job registrations.

We have also had a very positive start to the new financial year, with a pipeline of work that promises to deliver well into FY22.

That these achievements have taken place amid the turbulence of the COVID-19 pandemic is particularly noteworthy and again highlights our insulation from typical market forces.

FY21 was another year of strong growth for Johns Lyng Group, with EBITDA increasing by 28.3% on the previous period to \$52.6 million.

Sales revenue for the year was also up 14.8% on FY20, to \$568.4 million.

We also signed and renewed contracts with important insurance industry clients, which should provide a steady stream of work into the future.

Our core business has long been a yardstick of our overall performance and to see it flourishing amid the current climate is a testament to the hard work of our people, the quality of our work, and the strength of our relationships with key clients.

I have mentioned many times in the past the importance of these relationships and the value we see in fostering them.

Throughout FY21, we recorded several new contract wins and renewals with leading insurance providers, including Westpac General Insurance Limited, Chubb, RACQ, and Honey Insurance.

During FY21 we also continued to expand our ‘bricks and mortar’ footprint, opening new offices in the regional centres of Batemans Bay, Port Macquarie, Tamworth, Mildura, Warrnambool and Benalla.

## **CAT ACTIVITY**

Supplementing our robust BaU performance were workflows from non-forecast Catastrophe related activity.

During the year our teams responded to catastrophic weather events that struck in southeast Queensland, northern New South Wales, Western Australia, and, more recently, in Victoria and South Australia. Interestingly enough, we are even managing multiple claims from the recent Melbourne earthquake.

Our exclusive Victorian contract, managed through Bushfire Recovery Victoria was announced shortly after the end of FY21, and was for the provision of clean-up and make-safe works on properties damaged by the severe storms that battered Victoria.

The initial phase of work, focusing on private properties and delivered through Government funding, is currently underway with work progressing well and a second phase having just commenced.

A large part of this project centres around engaging with local communities and employing local trades – thereby reinvesting in the regions we’re restoring. This has long been a cornerstone of our disaster recovery response and we’re proud to be supporting these regions economically, particularly as many have been hit hard by the impact of lockdowns and travel restrictions.

Several sites of cultural significance for Aboriginal and Torres Strait Islanders were impacted during this storm and we’ve consulted with relevant First Nation leaders and communities throughout the project to ensure all works are carried out in a culturally sensitive manner. This approach has also informed our resourcing on the project, with 16% of the workforce being made up of Aboriginal and Torres Strait Islanders.

The breadth and magnitude of these responses – several of which will continue to deliver revenue into this financial year – highlights the value of our national scale, something we’re particularly proud to have developed over recent years.

As you know, Johns Lyng Group does not forecast revenue from CATs. We are only too aware that the Bureau of Meteorology issued a La Nina Alert some weeks ago and the current weather events we are experiencing right around Australia – and particularly in our densely populated capital cities – of heavy rain and driving winds is to be expected. As a result, inbound calls to our teams are at an unprecedented level.

## **STRATA MARKET**

Since entering the Strata market two years ago, we have expanded our footprint and FY21 was no exception. Throughout the period we have made significant progress in our strategy to capture the immense opportunity this space presents, particularly in terms of cross-selling opportunities.

There are two key points that I’d like to mention here that indicate the health position of our Strata services division and the growth opportunity before us.

The first was our dedicated strata building and repairs division, Johns Lyng Strata Building Services, being appointed to the building and restoration panels of three strata insurance industry clients.

This marks a significant progression, as it provides an avenue to deliver ongoing work and a rich opportunity to grow our national footprint in the strata sector. This approach has proven highly successful in our core business and we believe it will deliver here again.

The second point pertains to a number of strata acquisitions made since the beginning of this financial year.

The fragmented nature of the strata sector presents a fantastic opportunity for consolidation and we have made no secret of our strategy to fortify our leading position through strategic acquisitions.

To that point, I'm happy to report that we have successfully acquired five strata businesses, encompassing 11,825 lots. Together, these bring significant capacity to Bright & Duggan's current portfolio of approximately 88,580 lots.

## **ACQUISITIONS**

On the broader topic of acquisitions and strategic growth, in early FY22 we successfully completed two acquisitions that align with our core business offering and promise to expand our capacity.

The first, Unitech, a South Australian-based insurance building services company, will increase our foothold in that state for both BaU insurance building work and CAT responses. Our aim is to also build capacity of our Large-loss insurance building and Makesafe offering in South Australia. Unitech has played an instrumental role in responding to the recent storms that lashed regional South Australia, highlighting the rationale behind our growth strategy.

The second acquisition we made this year was leading national restoration services company, Steamatic Australia.

With 39 locations throughout the country, 34 of which are in regional areas, acquiring Steamatic Australia has significantly enhanced our national reach and capacity to respond to CAT events.

Having acquired the Steamatic Global Master Franchise in 2019, this recent acquisition marks a significant progression of our global growth strategy and an opportunity to expand into the global restoration services market – worth an estimated US\$200 billion.

## **COMMERCIAL CONSTRUCTION**

During FY21 our Commercial Construction Division delivered a record performance. The main driver of this was an increase in 'Large-loss' insurance building work, stemming again from our focus on nurturing relationships.

One such relationship has been with Cladding Safety Victoria; the body responsible for the rectification of unsafe buildings in Victoria. We've thus far been awarded contracts for 17 such building rectification jobs and, with a significant number of buildings scheduled for works in the coming months, we believe we're well positioned to support Cladding Safety Victoria in FY22.

The division's record performance in FY21 follows a sound FY20 performance, suggesting a promising future growth trajectory.

## OUTLOOK

We have come out of the gates strong in FY22, with an encouraging stream of BaU work on the horizon and a number of CAT projects underway that will continue to deliver a strong pipeline of work.

As such, we are on track to meet our forecast of 22% BaU revenue growth and 29% BaU EBITDA growth.

I've already touched on a number of strategic acquisitions and contract wins and extensions already completed in this financial year, and we'll continue to progress this strategy, prudently appraising acquisitions and opportunities for strategic growth.

Thank you for joining us. I would now like to open up for questions.

- ENDS -

This announcement was authorised by the Disclosure Committee of the Board of Johns Lyng Group Limited.

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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 internationally. 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 an international business with over 1,400 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.