JOHNS LYNG GROUP

BUILDING AUSTRALIA

Valuing People | 65 YEARS STRONG

Johns Lyng Group Limited
Results Presentation

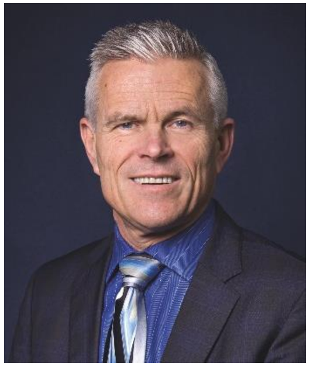
Half-year ended 31 December 2021 (**1H22**)

22 February 2022

Johns Lyng Group - Presenters

Scott Didier AM

Group
Chief Executive Officer



Lindsay Barber

Group
Chief Operating Officer

Matthew Lunn

Group
Chief Financial Officer

Adrian Gleeson

Director, Investor &
Business Relations

Nick Carnell

Australia
Chief Executive Officer

Gemma Sholl

Executive Assistant

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2 AASB 16 to AASB 117 (Leases) Reconciliation

// Johns Lyng Group

#01

Business Highlights.

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

Insurance Building & Restoration Services Brands

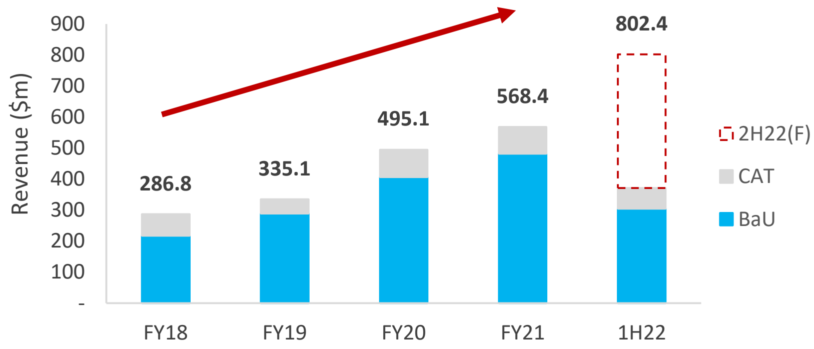
1.1 Business Highlights – Financial Snapshot 1H22(A)

JOHNS LYNG GROUP

Strong 1H22 financial performance, solid balance sheet & FY22(F) EBITDA upgrade +11%

1H22 Financial Performance

- **Group Revenue: $371.3m** (+33.6% vs. 1H21 / BaU +27.1%)
- **Group (Operating) EBITDA: $36.5m** (+31.6% vs. 1H21 / BaU +25.3%)
- **NPAT[1]: $18.6m** (+32.4% vs. 1H21)
  - **NPAT-A[2]: $20.9m** (+29.2% vs. 1H21)
- **EPS[1]: 5.15 cents** (+20.2% vs. 1H21)
  - **EPS-A[2]: 6.11 cents** (+17.6% vs. 1H21)
- **Interim Dividend:** 2.7 cents per share (~60% NPAT[1] payout ratio)



Consolidated Profit & Loss ($m)	Actual 1H21	Actual 1H22	1H22(A) vs. 1H21(A) %
Revenue - BaU	**239.7**	**304.6**	**27.1%**
Revenue - BaU (excl. FY22 acquisitions)	239.7	280.3	17.0%
Revenue - CAT	38.2	66.7	74.8%
Revenue - CAT (excl. FY22 acquisitions)	38.2	66.3	73.8%
Revenue - Total	**277.8**	**371.3**	**33.6%**
EBITDA - BaU	**23.0**	**28.9**	**25.3%**
Margin (%)	*9.6%*	*9.5%*	
EBITDA - BaU (excl. FY22 acquisitions)	23.0	24.2	5.2%
Margin (%)	*9.6%*	*8.6%*	
EBITDA - CAT	4.7	7.6	62.4%
Margin (%)	*12.3%*	*11.4%*	
EBITDA - CAT (excl. FY22 acquisitions)	4.7	7.0	48.7%
Margin (%)	*12.3%*	*10.5%*	
EBITDA (Operating) - Total	**27.7**	**36.5**	**31.6%**
Margin (%)	*10.0%*	*9.8%*	

- **Net assets: $306.9m**
  - Net cash: $23.2m
  - Undrawn (committed) revolving credit facilities: >$25m
  - Ample liquidity and sufficient balance sheet capacity to fund organic growth and current bolt-on M&A pipeline

Note: normalised financials presented under AASB 16 (Leases) - Refer to Appendix 1 for detailed reconciliation to statutory results

[1] Calculated using Statutory NPAT / Statutory NPAT attributable to JLG shareholders

[2] Calculated using statutory NPAT excl. tax effected (30%) amortisation of acquired intangible assets, transaction expenses & $1.8m non-recurring goodwill write-off in 1H21

1.2 Business Highlights – Financial Snapshot FY22(F)

JOHNS LYNG GROUP

Strong 1H22 financial performance, solid balance sheet & FY22 (F) EBITDA upgrade +11%

FY22 Outlook

- **Group Revenue: $802.4m (+11.0% upgrade[1])**
  - +41.2% vs. FY21 / BaU +45.8%
- **Group (Operating) EBITDA: $78.7m (+11.0% upgrade[1])**
  - +49.7% vs. FY21 / BaU +57.3%
- Potential 2H22 upside from:
  - Recent contract wins;
  - Continuing roll-out of Johns Lyng Strata Services;
  - Integration of recently acquired US-based Reconstruction Experts;
  - Additional strategic acquisitions under assessment; and
  - Future CAT events - ICA declared 1 CAT event during 1H22
    - 'Storm Season' typically runs from Nov-Apr each year

Consolidated Profit & Loss ($m)	Actual FY21	Forecast FY22	FY22(F) vs. FY21(A) %
Revenue - BaU	**481.8**	**702.4**	**45.8%**
Revenue - BaU (excl. FY22 acquisitions)	481.8	567.6	17.8%
Revenue - CAT	86.5	100.0	15.5%
Revenue - CAT (excl. FY22 acquisitions)	86.5	94.0	8.6%
Revenue - Total	**568.4**	**802.4**	**41.2%**
EBITDA - BaU	**42.7**	**67.2**	**57.3%**
Margin (%)	*8.9%*	*9.6%*	
EBITDA - BaU (excl. FY22 acquisitions)	42.7	48.3	13.2%
Margin (%)	*8.9%*	*8.5%*	
EBITDA - CAT	9.9	11.6	16.9%
Margin (%)	*11.4%*	*11.6%*	
EBITDA - CAT (excl. FY22 acquisitions)	9.9	10.2	2.7%
Margin (%)	*11.4%*	*10.8%*	
EBITDA (Operating) - Total	**52.6**	**78.7**	**49.7%**
Margin (%)	*9.3%*	*9.8%*	

Note: normalised financials presented under AASB 16 (Leases) - Refer to Appendix 1 for detailed reconciliation to statutory results

[1] Excluding Reconstruction Experts

1.3 Business Highlights – 1H22 Summary

Strong organic growth despite COVID-19 underscores 'Defensive Growth' investment thesis plus seminal acquisition of US-based Reconstruction Experts

Earnings Guidance

- FY22 Forecast upgrade:
  - Group Revenue: $802.4m (+11.0% upgrade[1])
  - Group (Operating) EBITDA: $78.7m (+11.0% upgrade[1])

Strong Balance Sheet & Ample Liquidity

- Net cash: $23.2m
- Undrawn (committed) revolving credit facilities: >$25m

Results / Recent Trading

- Strong 1H22 run-rate with momentum into 2H22
- Record job registrations and strong work-in-hand pipeline
- Management will continue to provide regular market updates

Strategy Unchanged

- Organic growth via geographical expansion, new client / contract wins and diversification into 'complementary adjacencies'
- Strata and broker markets continue to be a key focus for FY22-23
- Grow US market presence – US platform now established with recent acquisition of Reconstruction Experts
- Additional strategic acquisitions under assessment

New Contract Wins & 2H22 Outlook

- New client and panel wins expected to deliver incremental IB&RS job volumes during 2H22 including: CHU, Honey, Blue Zebra and Steadfast Claims Solutions
- Continuing roll-out of Johns Lyng Strata Services
- Integration of US-based Reconstruction Experts

Completed Acquisitions

- Additional strategic acquisitions under assessment

COVID-19 / Ongoing Risks

- IB&RS revenues are non-discretionary spend for insured customers
- Recurring (annuity style) revenues materially insulated from COVID-19 impact under most lock down scenarios
- Access to trades has been materially unaffected to date

Note: normalised financials presented under AASB 16 (Leases) - Refer to Appendix 1 for detailed reconciliation to statutory results

[1] Excluding Reconstruction Experts

1.4 Business Highlights – Portfolio Summary

JOHNS LYNG GROUP

- JLG is a leading integrated building services group, delivering building, restoration & strata management services nationally & in the USA
- Focused on recurring revenues & deep client relationships, JLG's strategically aligned businesses deliver >100k discrete jobs p.a.

Insurance Building & Restoration Services (IB&RS)

Building fabric repair and contents restoration after damage from insured events including: impact, weather and fire events. Hazardous waste removal, emergency domestic (household) repairs, strata management and property/facilities management.

IB&RS ($m)	1H22(A)	Contribution
Revenue	298.0	80.3%
EBITDA	34.0	93.1%

Commercial Building Services (CBS)

Residential and commercial flooring, shop-fitting, pre-sale property staging and commercial heating, ventilation and air conditioning mechanical services.

CBS ($m)	1H22(A)	Contribution
Revenue	26.0	7.0%
EBITDA	3.4	9.2%

Commercial Construction (CC)

Johns Lyng Commercial Builders undertakes commercial construction projects ranging from $3m to $20m in Victoria including Large-loss insurance rebuilds and cladding rectification work

CC ($m)	1H22(A)	Contribution
Revenue	47.2	12.7%
EBITDA	1.2	3.3%
Revenue - other	0.2	0.0%
EBITDA - other (incl. corporate overheads)	(2.1)	(5.7%)
Total Group Revenue	**371.3**	**100.0%**
Total Group EBITDA	**36.5**	**100.0%**

Note: normalised financials presented under AASB 16 (Leases) - Refer to Appendix 1 for detailed reconciliation to statutory results

1.5 Business Highlights – Global Locations

JOHNS LYNG GROUP

JOHNS LYNG GROUP

34 Locations Nationally[1]

- Head Office (1)
- State/Territory Offices (5)
- Regional Offices (21)
- Operational Warehouses (2)
- Dressed for Sale (3)
- Air Control (1)[2]
- Unitech Building Services (1)

1 Excluding Bright & Duggan Strata Management and Steamatic Australia

2 Air Control also operates from Johns Lyng's offices in Sydney and Brisbane

bright & duggan

australia's strata leader

19 East Coast Locations[1]

Capitol FOLLOW THE LEADER

change strata management

structure BUILDING MANAGEMENT

SHIFT

- Bright & Duggan (13)
- Capitol (3)
- Change (2)
- Brisbay (1)

1 Structure Building Management and Shift Facilities Management operate from Bright & Duggan offices in Sydney

STEAMATIC total cleaning & restoration

39 Locations Nationally

- Company-owned Locations (5)
- Franchise Locations (34)

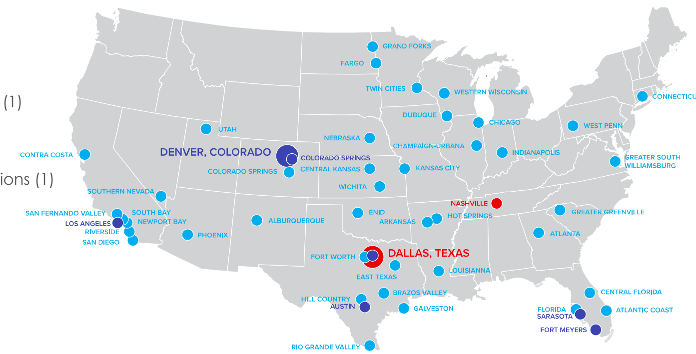
Regional Victoria Locations

Gippsland	Brimbank
Bendigo	Yea
Ballarat	Moreland
Shepparton	Horsham
Albury-Wodonga	Warrnambool
Mildura	Geelong

STEAMATIC Restoration | Construction | Cleaning

50 Locations Nationally

- Steamatic Headquaters (1)
- Franchise Locations (41)
- Company-owned Locations (1)



RE

- RE Headquaters (1)
- Office Locations (6)

// Johns Lyng Group

#02

Financial Information.

Our deep industry **experience** and diversified service offering creates a **unique** blend of **talent** and **capabilities** which is a sustainable source of **competitive advantage**.

Commercial Building Services & Construction Brands

2.1 Financial Summary – Group Profit & Loss

JOHNS LYNG GROUP

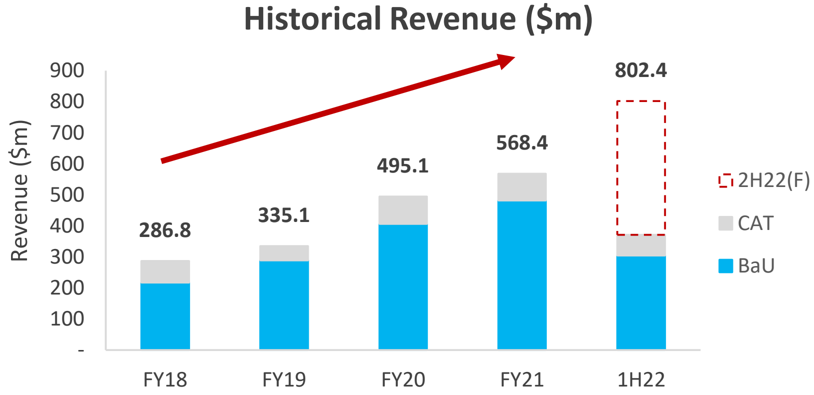
Consolidated Group 1H22 (Operating) EBITDA: $36.5m (+31.6% vs. 1H21)

Revenue (Group)

- **Total Revenue: $371.3m** (+33.6%)
- **BaU Revenue: $304.6m** (+27.1%)
  - +17.0% excl. FY22 acquisitions
- **CAT Revenue: $66.7m** (+74.8%)

EBITDA (Group)

- **Operating EBITDA: $36.5m** (+31.6%)
- **BaU EBITDA: $28.9m** (+25.3%)
- **CAT EBITDA: $7.6m** (+62.4%)



Consolidated Profit & Loss ($m)	Actual 1H21	Actual 1H22	1H22(A) vs. 1H21(A) %
Revenue - BaU	**239.7**	**304.6**	**27.1%**
Revenue - BaU (excl. FY22 acquisitions)	239.7	280.3	17.0%
Revenue - CAT	38.2	66.7	74.8%
Revenue - CAT (excl. FY22 acquisitions)	38.2	66.3	73.8%
Revenue - Total	**277.8**	**371.3**	**33.6%**
Gross Profit	**57.9**	**80.6**	**39.2%**
Margin (%)	*20.8%*	*21.7%*	
EBITDA - BaU	**23.0**	**28.9**	**25.3%**
Margin (%)	*9.6%*	*9.5%*	
EBITDA - BaU (excl. FY22 acquisitions)	23.0	24.2	5.2%
Margin (%)	*9.6%*	*8.6%*	
EBITDA - CAT	4.7	7.6	62.4%
Margin (%)	*12.3%*	*11.4%*	
EBITDA - CAT (excl. FY22 acquisitions)	4.7	7.0	48.7%
Margin (%)	*12.3%*	*10.5%*	
EBITDA (Operating) - Total	**27.7**	**36.5**	**31.6%**
Margin (%)	*10.0%*	*9.8%*	

Historical Revenue ($m)	FY18	FY19	FY20	FY21	1H22
BaU	217.6	288.9	406.1	481.8	304.6
CAT	69.2	46.2	89.0	86.5	66.7
Total Revenue	**286.8**	**335.1**	**495.1**	**568.4**	**371.3**
CAT % of Total Revenue	*24.1%*	*13.8%*	*18.0%*	*15.2%*	*18.0%*
CAT % of IB&RS Revenue	*31.1%*	*17.7%*	*22.4%*	*19.5%*	*22.4%*

Note: normalised financials presented under AASB 16 (Leases) - Refer to Appendix 1 for detailed reconciliation to statutory results

2.2 Segment Analysis – IB&RS

JOHNS LYNG GROUP

EBITDA growth: +27.8% (incl. 20.4% BaU growth & significant CAT activity)

Revenue (IB&RS)

- **Total Revenue: $298.0m** (+37.5%)
- **BaU Revenue: $231.3m** (+29.5%)
  - +15.9% excl. FY22 acquisitions
- **CAT Revenue: $66.7m** (+74.8%)

EBITDA (IB&RS)

- **Total EBITDA: $34.0m** (+27.8%)
- **BaU EBITDA: $26.4m** (+20.4%)
  - Materially consistent with 1H21 excl. FY22 acquisitions
  - 1H21 margin temporarily bolstered by peak COVID-19 cost savings. 1H22 margin in-line with JLG's target range
- **CAT EBITDA: $7.6m** (+62.4%)

Segment Analysis - IB&RS ($m)	Actual 1H21	Actual 1H22	1H22(A) vs. 1H21(A) %
Revenue - BaU	**178.6**	**231.3**	**29.5%**
Revenue - BaU (excl. FY22 acquisitions)	178.6	207.0	15.9%
Revenue - CAT	38.2	66.7	74.8%
Revenue - CAT (excl. FY22 acquisitions)	38.2	66.3	73.8%
Revenue - Total	**216.7**	**298.0**	**37.5%**
EBITDA - BaU	**21.9**	**26.4**	**20.4%**
Margin (%)	*12.3%*	*11.4%*	
EBITDA - BaU (excl. FY22 acquisitions)	21.9	21.7	(0.8%)
Margin (%)	*12.3%*	*10.5%*	
EBITDA - CAT	4.7	7.6	62.4%
Margin (%)	*12.3%*	*11.4%*	
EBITDA - CAT (excl. FY22 acquisitions)	4.7	7.0	48.7%
Margin (%)	*12.3%*	*10.5%*	
EBITDA - Total	**26.6**	**34.0**	**27.8%**
Margin (%)	*12.3%*	*11.4%*	

CAT EBITDA presented for illustrative purposes only.

Calculated at average IB&RS margin.

Recent CAT & Peak Events

Tasmania Floods (May-18)	Sydney Hailstorm (Dec-18) - CAT	**ACT, VIC & NSW Hailstorms (Jan-20) – CAT**	**Cyclone Seroja, WA (Apr-21) - CAT**
Sydney Storms (Nov-18)	Townsville Floods (Feb-19) - CAT	**East Coast Low (Feb-20) – CAT**	**VIC Storms & Floods (Jun-21) - CAT**
Bushfires (Dec-18) – CAT	NSW & QLD Bushfires (Sept-19) – CAT	Central QLD Hailstorm (Apr-20)	**SA, VIC, TAS Severe Storms (Oct-21) - CAT**
Coolgardie, WA Hailstorm (Dec-18)	Rappville, NSW Bushfires (Oct-19) – CAT	**SE QLD Hailstorm (Oct-20) – CAT**	**JLG does not forecast for CAT events. Forecast CAT revenue and EBITDA relates to the run-off work from various recent CAT events**
Cyclone Owen, QLD (Dec-18)	QLD, NSW, VIC & SA Bushfires (Nov-Feb-20) – CAT	Perth Hills, WA Bushfire (Feb-21) – CAT	
Victoria Storms (Dec-18)	SE QLD Hailstorm (Nov-19) – CAT	**NSW & SE QLD Floods (Mar-21) – CAT**	

Note: normalised financials presented under AASB 16 (Leases) - Refer to Appendix 1 for detailed reconciliation to statutory results

Active CAT events highlighted red

2.2.1 Segment Analysis – CBS & Commercial Construction

JOHNS LYNG GROUP

Strong recovery out of COVID-19 restrictions for CBS & record half-year for Commercial Construction

Commercial Building Services

- **Revenue: $26.0m** (+16.7%)
- **EBITDA: $3.4m** (+92.3%)
  - Strong recovery out of COVID-19 restrictions for CBS portfolio businesses (as foreshadowed)
  - Sales rebound from delayed projects, compounded by operating leverage delivered temporary 1H22 margin expansion

Commercial Construction

- **Revenue: $47.2m** (+21.6%)
- **EBITDA: $1.2m**
  - Record half-year revenue result and strong overall performance considering extensive COVID-19 restrictions in VIC during 1H22
    - Project delays caused operating inefficiencies and temporary margin pressure in 1H22
    - Johns Lyng Commercial Builders operates exclusively in VIC and undertakes longer duration projects compared with CBS businesses (hence the contrasting margin dynamics for 1H22)
  - In process of re-positioning business and increasing focus on Large-loss insurance and cladding rectification work
    - Significant number of completed and ongoing projects with Cladding Safety Victoria

Segment Analysis - CBS ($m)	Actual 1H21	Actual 1H22	1H22(A) vs. 1H21(A) %
Commercial Building Services			
Revenue	22.3	26.0	16.7%
EBITDA	**1.8**	**3.4**	**92.3%**
Margin (%)	*7.9%*	*13.0%*	

Segment Analysis - CC ($m)	Actual 1H21	Actual 1H22	1H22(A) vs. 1H21(A) %
Commercial Construction			
Revenue	38.8	47.2	21.6%
EBITDA	**1.2**	**1.2**	
Margin (%)	*3.1%*	*2.5%*	

Note: normalised financials presented under AASB 16 (Leases) - Refer to Appendix 1 for detailed reconciliation to statutory results

2.3 Balance Sheet

JOHNS LYNG GROUP

Strong balance sheet, ample liquidity & sufficient capacity to fund organic growth & bolt-on M&A

Balance Sheet (31 Dec-21)

- Net assets: $306.9m
  - Net assets (adjusted[1]): $85.6m (+16.6%)
- Net cash: $23.2m
  - Undrawn (committed) revolving credit facilities: >$25m
  - Ample liquidity and sufficient balance sheet capacity to fund organic growth and current bolt-on M&A pipeline

Capital Efficiency Metrics

- Strong capital efficiency metrics driven by asset-light balance sheet including:
  - RoCE[1]: 61.8%
  - RoE[1,2]: 30.7%

Earnings per Share

- EPS: 5.15 cents (+20.2% vs. 1H21)
- EPS-A (normalised)[2]: 6.11 cents (+17.6% vs. 1H21)

Balance Sheet ($m)	Actual Jun-21	Actual Dec-21
Total Assets	248.4	515.5
Net Assets	73.4	306.9
Cash	43.3	52.7
Debt (3rd Party)	(17.8)	(29.6)
Net Cash / (Debt)	**25.5**	**23.2**

Capital Efficiency Metrics ($m)	Actual LTM Dec-20	Actual LTM Dec-21
Return on Capital Employed (RoCE)		
EBITDA[3]	48.7	61.3
Shareholders' Funds[1]	67.9	85.6
NCI Share of Intangibles NBV	(5.4)	(5.9)
Gross Debt (3rd Party)	16.6	29.6
Surplus Cash (Estimate)	-	(10.0)
SH Funds (excl. NCI % Intangibles NBV) + 3rd Party Debt	**79.0**	**99.3**
Return on Capital Employed	**61.7%**	**61.8%**
Return on Equity (RoE)		
NPAT Attributable to JLG Shareholders[2]	19.7	22.9
Shareholders' Funds[1]	67.9	85.6
NCI Liability	(7.2)	(11.1)
Equity Attributable to JLG Shareholders	**60.7**	**74.5**
Return on Equity	**32.4%**	**30.7%**
Earnings per Share - Statutory	4.29 cents	5.15 cents
Earnings per Share - A - Normalised[2]	**5.20 cents**	**6.11 cents**

[1] Excludes $221.3m funds received from the accelerated component of JLG's ~$230m equity capital raising completed and announced 13 December 2021

[2] Calculated using statutory NPAT attributable to JLG Shareholders excl. tax effected (30%) transaction expenses & $1.8m non-recurring goodwill written-off in 1H21

[3] Excluding transaction expenses and $1.8m non-recurring goodwill written-off in 1H21

2.4 Cash Flow & Working Capital

JOHNS LYNG GROUP

High cash conversion from EBITDA – interim dividend: 2.7 cents per share

Capital Expenditure

- Capex primarily consists of motor vehicles and PP&E purchases
  - Motor vehicle fleet includes 494 vehicles at 31 Dec-21 vs. 358 at 31 Dec-21

Working Capital

- Working capital cycle is actively managed - strong focus on cash flow

Cash Conversion

- Operating cash flow (pre-interest and tax): $33.2m (~98% cash conversion from EBITDA)
  - 1H21 cash conversion was abnormally high due to insurance company clients agreeing to prepay certain debts to support working capital and protect supply chains at start of COVID-19 pandemic

Dividend (1H22)

- Interim dividend of 2.7 cents (+22.7% / ~60% payout ratio)
  - Record date of entitlement: 28 February 2022
  - Dividend payment date: 15 March 2022
  - Dividend policy unchanged: 40%-60% NPAT[1]

Capital Expenditure ($m)	Actual 1H21	Actual 1H22
Plant & Equipment	1.7	2.4
Motor Vehicles	1.4	2.1
Leasehold Improvements	0.5	0.2
Computer Equipment	0.1	0.0
Capitalised Software Development	0.0	0.7
Total Capital Expenditure	**3.7**	**5.3**

Working Capital ($m)	Actual LTM Jun-21	Actual LTM Dec-21
Days Sales Outstanding (Count-back)	36.4	37.6
Days Purchases Outstanding (Count-back)	42.3	47.7

Cash Conversion ($m)	Actual 1H21	Actual 1H22
EBITDA (Statutory)	**25.7**	**34.0**
Movement in Working Capital	5.2	(2.5)
Non-cash Items	2.6	1.8
Net Cash from Operating Activities (Pre-interest & Tax)	**33.5**	**33.2**
Cash Conversion (%)	**130.3%**	**97.7%**

[1] Statutory NPAT attributable to JLG Shareholders

Select Clients

// Johns Lyng Group

#03

Strategy & Growth.

Whether they are core business **acquisitions, start-ups** or opportunities in '**complementary adjacencies**', JLG is well positioned to embrace and capitalise on **growth initiatives**.

3.1 Strategy & Growth

JOHNS LYNG GROUP

Domestic & international organic expansion plus M&A opportunities

New Contract Wins

- CHU: national building and restoration panel (effective 1 Sept-21)
- Honey Insurance: national building and restoration panel (effective 1 Jul-21)
- Blue Zebra: national building and restoration panel (1 Jul-21)
- Steadfast Claims Solutions: national building and restoration panel (effective 1 Jul-21)
- Suncorp: domestic building contract extension across six states and territories (effective 1 Nov-21)

Strategic Initiatives

- New offices opened in: Launceston, Echuca, Coffs Harbour and Wollongong
- Growth in broker market (‘Emergency Broker Assist’)
- Targeting new clients and panels
- Huski Home Services / JL Digital - emergency and scheduled residential repairs and maintenance (B2C)
- Deeper penetration of US market – growth platform established through acquisition of Reconstruction Experts

Strata Market Focus

- Key focus on building and restoration services for Strata Insurers in FY22-FY23
- Established designated Strata Building Services division - national roll-out on track
- Significant synergies with Bright & Duggan
- Multiple cross-sell opportunities per dwelling: insurance building and restoration, emergency and scheduled trades (B2B) and Huski Home Services (B2C)
- Estimated 2.9m lots nationwide (insured value c.$1.2bn)[1]

M&A

- 7 acquisitions complete during 1H22 incl. Reconstruction Experts (effective 1 Jan-22) - integration ongoing
- Additional M&A opportunities under evaluation:
  - Consolidation of highly fragmented IB&RS and Strata Management markets
  - US platform now established – bolt-on acquisitions under assessment
  - Diversification into ‘complementary adjacencies’

[1] https://cityfutures.be.unsw.edu.au/research/projects/2020-australasian-strata-insights/

JOHNS LYNG GROUP

Recent acquisitions expand presence in strategically important strata market

Strategy on Track

- Organic growth through geographical expansion, new client wins and Huski Home Services (B2C and B2B emergency and scheduled residential R&M)
- Strata and broker markets continue to be a key focus for organic growth in FY22 (insurance panels and direct facilities maintenance)
- 4 strata acquisitions completed during 1H22 plus management agreements acquired from Aligned Property Group

bright & duggan strata professionals

change strata management

structure BUILDING MANAGEMENT

BrisBay Pty Ltd BODY CORPORATE ESTABLISHMENT & MANAGEMENT

SHIFT

Acquisition of Change Strata Management (CSM), Structure Building Management (SBM), Shift Facilities Management (Shift), BrisBay and Aligned Property Group (APG) – strategic bolt-on acquisitions for Bright & Duggan

- Jul-21 (effective 1 July): 100% equity interest acquired in CSM, 75%[1] equity interest acquired in SBM and Shift
- Sep-21 (effective 1 September): 100% equity interest acquired in BrisBay plus management agreements acquired from APG
- Bright & Duggan paid $9.09m to complete the acquisitions - funded from existing cash reserves, current debt facilities and the sell-down of 25% equity in Bright & Duggan Facilities Management (BDFM) to Mite Domazetovski (Managing Director of BDFM)
- **CSM:** manages high-end buildings in Sydney, with a portfolio of 2,974 lots across 75 strata schemes
- **SBM and Shift:** hold existing management contracts with 58 Sydney buildings, encompassing more than 7,250 lots
- **BrisBay (QLD) and APG (VIC):** manage a combined 1,601 lots across 149 schemes focused on smaller buildings
- Bright & Duggan's current portfolio comprises approximately:

~88k Lots / Units

~3.5k Building/ Strata Schemes

JOHNS LYNG STRATA SERVICES

JLG's Strata Market Strategy

- The strata market comprises more than 2.9m strata titled lots nationally – represents a compelling investment and growth opportunity with inherent revenue synergies in collaboration with the Group's other businesses
- JLG will support long-standing management shareholders to grow Bright & Duggan in its existing markets and additionally cross-sell the Group's various building services – multiple cross-sell opportunities per dwelling: insurance building and restoration, emergency trades, scheduled trades and Huski Home Services (direct to customer)

[1] Bright & Duggan's net equity interest post 25% back-to-back sell-down in Bright & Duggan Facilities Management (BDFM) to Mite Domazetovski (Managing Director of BDFM)

3.2.1 Strategy & Growth - Recent Acquisitions

Recent acquisitions strategically expand footprint & capacity to service incremental BaU & CAT work

Acquisition of Unitech Building Services (Unitech) – strategic bolt-on acquisition for JLG's core IB&RS division

- Jul-21 (effective 1 July): 60% equity interest (40% equity retained by founders, Anthony and Deborah Gorle)
- Cash at Completion of $1.9m (funded from existing cash reserves), plus potential future earn-out based on FY21 and FY22 financial performance
- Founded in 1995, Unitech has established a strong insurance client base and increases JLG's exposure to the SA market

Acquisition of Steamatic Australia

- Jul-21 (effective 1 July): 60% equity interest
- Consideration paid at Completion of $10.8m, comprising:
  - $6.0m in cash (funded from existing cash reserves);
  - $4.8m in JLG Ltd Shares; and
  - Potential future earn-out based on the financial performance of FY22 and FY23
- Existing (net) third-party interest bearing debt of $3.8m was assumed by JLG on Completion

Overview

- Established in 1986 under the Global Master Franchise, Steamatic Australia operates a total of 39 locations including 34 regional franchisees and 5 company-owned metropolitan locations
- Founder and CEO, Oliver Threlfall retained the remaining 40% equity of the business and maintains day-to-day operational responsibility along with his long-standing senior management team
- The additional scale provided by Steamatic considerably increases JLG's capacity to service incremental BaU and CAT work

Future strategy to grow client base and market share - focus on:

- Precision Laser Cleaning (launched 2018) – non-abrasive cleaning service for preservation and restoration without use of chemicals, water or blasting media with a focus on industrial markets;
- Steamatic Global Recovery (launched 2018) – large insurance and non-insurance projects nationally and internationally;
- International operations – Oliver Threlfall to take a lead role in international and franchisee operations; and
- Steamatic will continue to sell its remaining franchise territories

3.2.2 Strategy & Growth - Recent Acquisitions

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RECONSTRUCTION EXPERTS

- 1 Jan-22: 100% equity interest in Reconstruction Experts
- Up-front Enterprise Value: US$144m, comprising:
  - US$144.9m Equity Value (cash paid at Completion);
  - Net cash assumed US$0.9m; and
  - Potential future earn-out based on CY22 and CY23 financial performance
- Funded via ~A$230m equity capital raising (~A$187.5m Placement and ~A$42.5m ANREO)

Overview

- Leading provider of insurance focused repair services to occupied properties
- Primary client base is Homeowner Associations (HOAs) – the US equivalent of Strata Managers / Owners' Corporations
- Generated revenue of US$127.4m and EBITDA of US$18.5m for FY21
- Defect / damage related insurance work contributed ~80% of FY21 revenue
- Operates in 4 key states (Colorado, Florida, California and Texas) with authorisations in place to work in a further 13 states

Increasing Number of US CAT Events
(20 US$1bn+ Weather Events During 2021)

<u>Acquisition Rationale and Strategy</u>

- Provides established, profitable and growing US platform to leverage JLG's core competencies in insurance building and restoration services
- Establishes strong base from which to pursue growth in the very large estimated ~US$100bn[1] US market for defect and damage insurance and property R&M
- Significant growth potential, having developed a successful and repeatable sales and operational delivery model in 4 key US States. (c.4x times the size of Australia)
- Ambition to develop fully national footprint over time, through organic growth and the pursuit of select M&A opportunities
- Valuable opportunity to leverage and enhance JLG's existing US footprint through Steamatic LLC
- Footprint expected to provide many additional opportunities to further implement JLG's business model in the US (e.g. "MakeSafe" services and large-loss CAT events)
- Reconstruction Experts is led by a strong, long standing, high-calibre and very experienced management team, who will be fully aligned through ongoing equity ownership

[1] Based on an independent commercial / market due diligence report as at September 2020

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FY22 Outlook.

JLG has a demonstrable track record of **growth and financial control**. Significant market opportunities exist to continue this trend.

4.1 FY22 Outlook

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Positive outlook - FY22(F) EBITDA: $78.7m (+49.7% vs. FY21)

FY22 Outlook

- **Group Revenue: $802.4m** (+11.0% upgrade[1])
  - **BaU Revenue: $702.4m** (+45.8% vs. FY21 / +17.8% excl. FY22 acquisitions)
- **Group (Operating) EBITDA: $78.7m** (+11.0% upgrade[1])
  - **BaU EBITDA: $67.2m** (+57.3% vs. FY21 / +13.2% excl. FY22 acquisitions)

FY22(F) Reconciliation ($m)	FY22(F) (Aug-21)	FY22(F) (Feb-22)	Upgrade	RE	2H22(F) EIP Accrual	FY22(F) (Feb-22)
Revenue	635.4	705.5	**+11.0%**	96.9	-	802.4
EBITDA	60.1	66.7	**+11.0%**	13.0	(1.0)	78.7

- Strong momentum from last 12m expected to continue to drive results:
  - New contracts maturing - job volumes increasing;
  - Panel allocations from key clients increasing; and
  - Deeper market penetration in WA, SA, NT and TAS

Potential 2H22 upside from:

- Job volume ramp up from recent contract wins;
- New clients and contracts;
- Integration of recent acquisitions – revenue synergies expected (in-particular Strata Building Services cross-sell);
- Continuing roll-out of Johns Lyng Strata Services;
- Additional strategic acquisitions under assessment; and
- Future CAT events - ICA declared 1 CAT event during 1H22
  - 'Storm Season' typically runs from Nov-Apr each year

FY22 Forecast ($m)	Actual FY21	Forecast (Feb-22) FY22	FY22(F) (Feb-22) vs. FY21(A) %
Revenue - BaU	**481.8**	**702.4**	**45.8%**
Revenue - BaU (excl. FY22 acquisitions)	481.8	567.6	17.8%
Revenue - CAT	86.5	100.0	15.5%
Revenue - CAT (excl. FY22 acquisitions)	86.5	94.0	8.6%
Revenue - Total	**568.4**	**802.4**	**41.2%**
EBITDA - BaU	**42.7**	**67.2**	**57.3%**
EBITDA - BaU (excl. FY22 acquisitions)	42.7	48.3	13.2%
EBITDA - CAT	9.9	11.6	16.9%
EBITDA - CAT (excl. FY22 acquisitions)	9.9	10.2	
EBITDA (Operating) - Total	**52.6**	**78.7**	**49.7%**

Margin Analysis		
EBITDA - BaU Margin	*8.9%*	*9.6%*
EBITDA - BaU Margin (excl. FY22 acquisitions)	*8.9%*	*8.5%*
EBITDA - CAT Margin	*11.4%*	*11.6%*
EBITDA - CAT Margin (excl. FY22 acquisitions)	*11.4%*	*10.8%*
EBITDA (Operating) Margin	*9.3%*	*9.8%*

JLG does not forecast for CAT events. CAT revenue is contracted run-off work from various recent CAT events.

CAT EBITDA presented for illustrative purposes only. Calculated at average IB&RS margin.

Historical CAT Revenue vs. Forecast	FY19(A)	FY20(A)	FY21(A)	FY22(F)
CAT Revenue Forecast (original at start of FY)	13.5	31.6	20.3	46.4
CAT Revenue - Actual	46.2	89.0	86.5	100.0
Historical CAT Outperformance vs. Fcst	**32.7** *241.6%*	**57.4** *181.7%*	**66.2** *325.9%*	**53.6** *115.3%*

Note: normalised financials presented under AASB 16 (Leases) - Refer to Appendix 1 for detailed reconciliation to statutory results

[1] Excluding Reconstruction Experts

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Appendices.

JLG's **high performance culture** drives consistent, high **quality outcomes** for clients and additional repeat business.

Appendix 1: Financial Reconciliation to Statutory Results

Reconciliation	FY20			FY21			FY22	FY22
	1H20 (A)	2H20 (A)	FY20 (A)	1H21 (A)	2H21 (A)	FY21 (A)	1H22 (A)	FY22 (F)
Revenue								
IB&RS								
IB&RS - BaU	**145.0**	**162.7**	**307.7**	**178.6**	**179.4**	**358.0**	**231.3**	
IB&RS - CAT	38.2	50.9	89.0	38.2	48.4	86.5	66.7	
IB&RS - Total	**183.2**	**213.5**	**396.7**	**216.7**	**227.8**	**444.6**	**298.0**	
IB&RS - FY22 Acquisitions - BaU	-	-	-	-	-	-	*(24.3)*	
IB&RS - BaU (excl. FY22 Acquisitions)	*145.0*	*162.7*	*307.7*	*178.6*	*179.4*	*358.0*	*207.0*	
IB&RS - FY22 Acquisitions - CAT	-	-	-	-	-	-	*(0.4)*	
IB&RS - CAT (excl. FY22 Acquisitions)	*38.2*	*50.9*	*89.0*	*38.2*	*48.4*	*86.5*	*66.3*	
IB&RS - Total (excl. FY22 Acquisitions)	*183.2*	*213.5*	*396.7*	*216.7*	227.8	*444.6*	*273.4*	
CBS	31.1	23.0	54.1	22.3	23.5	45.7	26.0	
CC	18.9	24.7	43.6	38.8	39.1	77.8	47.2	
Other	0.6	0.1	0.7	0.1	0.2	0.2	0.2	
Total Revenue (Statutory)	**233.7**	**261.4**	**495.1**	**277.8**	**290.5**	**568.4**	**371.3**	
Total Revenue (Normalised)	**233.7**	**261.4**	**495.1**	**277.8**	**290.5**	**568.4**	**371.3**	**802.4**
Total - CAT	38.2	50.9	89.0	38.2	48.4	86.5	66.7	100.0
Total - FY22 Acquisitions - CAT	-	-	-	-	-	-	*(0.4)*	*(6.0)*
Total - CAT (excl. FY22 Acquisitions)	***38.2***	***50.9***	***89.0***	***38.2***	***48.4***	***86.5***	***66.3***	***94.0***
Total - BaU (Normalised)	**195.5**	**210.6**	**406.1**	**239.7**	**242.2**	**481.8**	**304.6**	**702.4**
Total - FY22 Acquisitions - BaU	-	-	-	-	-	-	*(24.3)*	*(134.8)*
Total - BaU (Normalised excl. FY22 Acquisitions)	***195.5***	***210.6***	***406.1***	***239.7***	***242.2***	***481.8***	***280.3***	***567.6***

Reconciliation	FY20			FY21			FY22	FY22
	1H20 (A)	2H20 (A)	FY20 (A)	1H21 (A)	2H21 (A)	FY21 (A)	1H22 (A)	FY22 (F)
EBITDA (AASB 16)								
IB&RS								
IB&RS - BaU	14.5	16.7	31.2	21.8	19.0	40.9	**24.1**	
IB&RS - Normalisations - Transaction Costs	*0.4*	*0.1*	*0.5*	*0.1*	*(0.0)*	*0.1*	*2.3*	
IB&RS - BaU (Normalised)	**14.9**	**16.9**	**31.7**	**21.9**	**19.0**	**40.9**	**26.4**	
IB&RS - CAT	3.9	5.3	9.2	4.7	5.2	9.9	7.6	
IB&RS - Total (Normalised)	**18.8**	**22.1**	**40.9**	**26.6**	**24.2**	**50.8**	**34.0**	
IB&RS - FY22 Acquisitions - BaU	-	-	-	-	-	-	*(5.2)*	
CAT Margin Adjustment (Pre-Acquisition EBITDA Margin) [1]	-	-	-	-	-	-	0.6	
IB&RS - BaU (excl. FY22 Acquisitions)	*14.9*	*16.9*	*31.7*	*21.9*	*19.0*	*40.9*	21.7	
IB&RS - FY22 Acquisitions - CAT	-	-	-	-	-	-	*(0.0)*	
CAT Margin Adjustment (Pre-Acquisition EBITDA Margin) [1]	-	-	-	-	-	-	*(0.6)*	
IB&RS - CAT (excl. FY22 Acquisitions)	*3.9*	*5.3*	*9.2*	*4.7*	*5.2*	*9.9*	7.0	
IB&RS - Total (excl. FY22 Acquisitions)	*18.8*	*22.1*	*40.9*	*26.6*	*24.2*	*50.8*	*28.7*	
CBS	2.1	0.6	2.7	(0.1)	1.7	1.6	3.4	
Normalisations - Transaction Costs	*0.0*	*0.1*	*0.1*	*0.1*	*0.0*	*0.1*	*0.0*	
Normalisations - Trump NSW/QLD G'will W'off	-	-	-	*1.8*	-	*1.8*	-	
CBS (Normalised)	*2.1*	*0.7*	*2.8*	*1.8*	*1.7*	*3.5*	*3.4*	
CC	0.5	0.5	1.0	1.2	0.9	2.1	1.2	
Other	0.2	(0.2)	(0.1)	0.1	0.6	0.7	0.9	
Public Company Opex	(0.2)	(0.3)	(0.5)	(0.3)	(0.4)	(0.7)	(0.6)	
Normalisations - Transaction Costs	-	0.1	0.1	0.1	0.1	0.2	0.2	
Public Company Opex (Normalised)	*(0.2)*	*(0.2)*	*(0.4)*	*(0.2)*	*(0.3)*	*(0.5)*	*(0.4)*	
Executive Incentive Plan	(1.4)	(1.9)	(3.3)	(1.8)	(2.3)	(4.1)	(2.5)	
Total EBITDA (Statutory)	**19.6**	**20.8**	**40.3**	**25.7**	**24.7**	**50.4**	**34.0**	**78.7**
Total Normalisations	0.4	0.3	0.7	2.0	0.2	2.2	2.5	-
Total EBITDA (Normalised)	**20.0**	**21.0**	**41.0**	**27.7**	**24.9**	**52.6**	**36.5**	**78.7**
Total - CAT	3.9	5.3	9.2	4.7	5.2	9.9	7.6	11.6
Total - FY22 Acquisitions - CAT	-	-	-	-	-	-	*(0.0)*	*(0.7)*
CAT Margin Adjustment (Pre-Acquisition EBITDA Margin) [1]	-	-	-	-	-	-	*(0.6)*	*(0.7)*
Total - CAT (excl. FY22 Acquisitions)	***3.9***	***5.3***	***9.2***	***4.7***	***5.2***	***9.9***	***7.0***	***10.2***
Total - BaU (Normalised)	**16.0**	**15.8**	**31.8**	**23.0**	**19.7**	**42.7**	**28.9**	**67.2**
Total - FY22 Acquisitions - BaU	-	-	-	-	-	-	*(5.2)*	*(19.5)*
CAT Margin Adjustment (Pre-Acquisition EBITDA Margin) [1]	-	-	-	-	-	-	*0.6*	*0.7*
Total - BaU (Normalised excl. FY22 Acquisitions)	***16.0***	***15.8***	***31.8***	***23.0***	***19.7***	***42.7***	***24.2***	***48.3***

[1] CAT EBITDA presented for illustrative purposes only and calculated at average IB&RS margin. Margin adjustment required to recalculate average IB&RS margin when presenting figures excluding acquisitions

Appendix 1: Financial Reconciliation to Statutory Results (Cont.)

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Reconciliation	FY20			FY21			FY22
	1H20 (A)	2H20 (A)	FY20 (A)	1H21 (A)	2H21 (A)	FY21 (A)	1H22 (A)
EBIT, PBT, NPAT & CAPEX (AASB 16)							
Depreciation & Amortisation	(3.7)	(4.4)	(8.1)	(4.5)	(5.0)	(9.6)	(6.2)
EBIT							
Statutory	15.9	16.3	32.2	21.2	19.6	40.8	27.8
Normalised	**16.3**	**16.6**	**32.9**	**23.2**	**19.8**	**43.0**	**30.2**
Net Interest	(0.8)	(0.9)	(1.7)	(0.8)	(0.9)	(1.7)	(1.0)
PBT							
Statutory	15.1	15.4	30.5	20.4	18.7	39.1	26.8
Transaction Related Bank Fee Amortisation (Interest)	0.0	0.0	0.1	0.0	0.0	0.1	0.0
Normalised	**15.5**	**15.7**	**31.2**	**22.4**	**19.0**	**41.4**	**29.2**
Income Tax Expense	(4.1)	(4.2)	(8.3)	(6.3)	(5.3)	(11.7)	(8.2)
NPAT							
Statutory	11.0	11.2	22.2	14.0	13.4	27.5	18.6
Normalised	**11.4**	**11.5**	**22.9**	**16.1**	**13.6**	**29.7**	**21.1**
CAPEX							
Capex - Total	1.6	2.3	3.9	3.7	3.2	6.9	5.3

Appendix 2: AASB 16 to AASB 117 (Leases) Reconciliation

AASB 16 to AASB 117 Reconciliation	FY20			FY21			FY22
	1H20 (A)	2H20 (A)	FY20 (A)	1H21 (A)	2H21 (A)	FY21 (A)	1H22 (A)
EBITDA - Statutory (AASB 16)	**19.6**	**20.8**	**40.3**	**25.7**	**24.7**	**50.4**	**34.0**
Less: Rent Expense Adjustment	(1.8)	(2.3)	(4.0)	(2.4)	(2.5)	(4.9)	(3.1)
EBITDA (AASB 117)	**17.8**	**18.5**	**36.3**	**23.3**	**22.2**	**45.5**	**30.9**
EBIT - Statutory (AASB 16)	**15.9**	**16.3**	**32.2**	**21.2**	**19.6**	**40.8**	**27.8**
Less: Rent Expense Adjustment	(1.8)	(2.3)	(4.0)	(2.4)	(2.5)	(4.9)	(3.1)
Add: Depreciation Expense Adjustment	1.6	2.0	3.6	2.1	2.2	4.3	2.8
EBIT (AASB 117)	**15.8**	**16.1**	**31.8**	**20.9**	**19.4**	**40.3**	**27.4**
PBT - Statutory (AASB 16)	**15.1**	**15.4**	**30.5**	**20.4**	**18.7**	**39.1**	**26.8**
Less: Rent Expense Adjustment	(1.8)	(2.3)	(4.0)	(2.4)	(2.5)	(4.9)	(3.1)
Add: Depreciation Expense Adjustment	1.6	2.0	3.6	2.1	2.2	4.3	2.8
Add: Net Interest Expense Adjustment	0.3	0.4	0.7	0.4	0.4	0.8	0.4
PBT (AASB 117)	**15.3**	**15.5**	**30.8**	**20.5**	**18.8**	**39.3**	**26.9**
Net P&L Impact	**(0.2)**	**(0.1)**	**(0.3)**	**(0.1)**	**(0.1)**	**(0.2)**	**(0.1)**
RoU Assets	11.7		14.2	14.4		13.5	16.9
RoU Lease Liabilities	(13.2)		(15.9)	(16.2)		(15.3)	(18.9)
Net Assets Impact	**(1.5)**		**(1.7)**	**(1.8)**		**(1.9)**	**(2.0)**

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