

JOHNS LYNG GROUP LIMITED (ASX: JLG)

ASX/Media statement

17 November 2022

Chairman's Address 2022 Annual General Meeting

Good morning ladies and gentlemen, and good morning in particular to all of our fellow shareholders that are here with us. I am very pleased to welcome you to the Johns Lyng 2022 Annual General Meeting.

After two COVID interrupted years where, amongst many challenges, we were forced to meet virtually, it is great to be back holding in person meetings with our shareholders.

I will return to this theme later, but I do want to record my thanks to all our wonderful Johns Lyng people for their unwavering commitment during these past two years to our company. You have enabled us to continue the delivery of outstanding service to all of our customers which, in turn, has allowed us to deliver outstanding results to our shareholders.

Let me turn to those results for a moment. Notwithstanding the difficult operating environment across much of 2022 we were delighted to report another year of significant growth resulting in a record financial performance. Sales were up 57.5% to \$895.0m with net profit after tax attributable to the owners of JLG increasing 35.3% to \$25.1m.

It's also pleasing to note that the market has recognised these achievements. The growth in the value of the company has seen Johns Lyng admitted to the ASX200 index. This comes just five years after our listing at a value of \$220m. As of yesterday, our market capitalisation was \$1.83bn.

We believe that our unique business model which embeds equity participation at multiple levels within our business drives true alignment between what works for our business leaders and what works for our shareholders. Our business model enables us to focus on outstanding service delivery whilst concurrently pursuing growth in existing business as well as pursuing new opportunities. In zeroing in on our growth opportunities we have pivoted away from thinking about our traditional segments to focussing on four pillars for growth being Insurance Building and Restoration Services, Strata Services, Disaster Recovery and Management and US Markets. Our Australian CEO, Nick Carnell, and Group CEO and Managing Director, Scott Didier, will talk further about this shortly and I'll use it as a reference point for aspects of my presentation as well.

Our Insurance Building and Restoration Services Division remains core to both our current performance and future opportunity. Revenue and EBITDA in this division grew in 2022 by 69.0% and 67.0% respectively. Remarkable outcomes.

This growth has been achieved by both consolidating our position with our major insurance clients and winning new business. We've leveraged these existing and new commercial relationships by expanding our physical footprint by opening 5 new offices. All of this progress makes us very confident that we can continue to grow this business strongly.

Our work on CAT events in 2022 generated revenue of \$164.8m which represented growth of 90.4% over 2021. This strong revenue growth resulted in EBITDA growing by 88.1% to \$18.6m. By definition CAT events are unpredictable. We are, however, observing that CAT events are becoming more frequent, that their geographical footprint is widening and that their impact is more severe. Against this backdrop, due to our size and capability we are winning a greater proportion of the recovery work that these events generate. We are also observing that the recovery work that these events generate can often be multi-year in nature. The CAT events that occurred across the course of 2022, and in more recent months, have delivered an exceptionally strong pipeline of work for the business that will be delivered over a number of years.

In recognition of the different nature of the work that these events create, and the different stakeholders involved, we established a new business - Disaster Recovery. This leverages the work that we have completed for Bushfire Recovery Victoria in the past year and we are assisting communities in South East Queensland, Northern NSW and more recently in Victoria as they recover from devastating flood events.

We are proud to work with the NSW, Victorian and Queensland governments on these projects. The skills and expertise we have bought to bear have made a real difference to local communities and we believe our capability in this area is both special and unique. Two outstanding executives, Nick Wiesener and Jeff Ryan, have joined the Group to run this business.

Our Strata business performed well in 2022 and continues to grow and present opportunities. There are 2.9m strata lots nationwide with an insured value of \$1.2tn. Bright and Duggan, our strata management and services company, is a significant player in this industry. It has an excellent reputation and management team. It currently manages in excess of 90,000 units in what is a very fragmented market. We believe that our skillset provides us with a great opportunity to profitably participate in the consolidation of this industry. During the year we bought the majority of the outstanding equity in Bright and Duggan. We also made bolt-on acquisitions, detailed in the Annual Report. We will continue to grow this business organically and via acquisition in years to come.

We are very excited about the acquisition of Reconstruction Experts, and I want to spend a few minutes letting you know why we bought this business.

As with all acquisitions we make cultural fit our starting and finishing point. With Reconstruction Experts we have acquired an outstanding management team under the stewardship of Rich Whitten. RE is a leading provider of insurance focussed rebuild and repair services to residential, commercial and industrial properties with its major client base being Homeowner Associations - the US equivalent of Strata Managers and Owners Corporations. So the alignment to key aspects of our business in Australia is both clear and strong.

Leveraging RE's outstanding existing business and excellent management team, we are confident that we can take all of the great features of our business in Australia and deliver those successfully in the very large US market. As a simple example, we are already leveraging Steamatic's expertise across RE's customer base.

We are also alive to the opportunity that CAT events present in the US. RE's presence in Colorado, California, Florida and Texas makes it perfectly located to address CAT events in those states and surrounding areas. RE is currently responding to Hurricane Ian, a category 5 weather event that made landfall in Florida in August. We were able to provide practical on the ground assistance to those affected and then engaged with various counterparties to assist with recovery efforts – much like the way do in Australia.

We will make haste slowly in the US. It is a very big market and a very big opportunity for us. We will balance the pursuit of these growth opportunities with ensuring that the business grows from a solid and profitable base. Scott Didier will continue to spend significant time in the US to ensure that the cultural and business alignment I mentioned earlier are implemented.

In rounding off on our 2022 performance I'll comment briefly on our Commercial Building Services division and Commercial Construction. CBS had a good year with revenue growth of 15% and EBITDA up 50.6%. Commercial Construction had a more challenging year with input cost inflation impacting the profitability of this business. We believe that this inflationary environment will persist for the foreseeable future, and we have moved to de-risk our exposure to this sector whilst noting that it is not material to the Group as a whole.

In thinking about the challenges being experienced in commercial construction and across the broader economy in general it has caused me to yet again to reflect on how resilient our business remains in the face of significant economic and geopolitical headwinds. I'm sure this 'defensive resilience' remains a key part of the investment thesis for many of our investors.

As we are now into the 2023 financial year, I want to give you a brief flavour as to how the business performed during the first quarter.

Notwithstanding the challenging environment I have just referred to, the business continues to perform well. Our pipeline of work in IB&RS is at record levels and growing. This record pipeline is being delivered by BaU opportunities in Australia and NZ as well as a well documented series of CATs. This will serve us well for the current year and beyond. The new Disaster Recovery business has hit the ground running and will produce strong results. Strata continues to grow and present opportunities

Our new management team in the US continues to impress and we are confident that this business can deliver on the very significant opportunity that is available, which has been further emphasised by the advent of Hurricane Ian in Florida.

We are very confident in reconfirming our existing guidance to the market.

One of the unsung assets of our business is the continuity of our management. Scott Didier and Lindsay Barber have led this business since IPO and long before. They have been at the forefront of driving the growth in our business. As Johns Lyng gets bigger, more complex and operates in more jurisdictions it is vital that we nurture the next generation of executive management.

Apart from those I have already mentioned I want to highlight Nick Carnell and Alex Lang. Nick was promoted to CEO of Johns Lyng Australia this past year. Nick is an exceptional talent and, amongst other contributions, is driving the growth in our IB&RS business and has been one of the key architects in establishing our Disaster Recovery business .

As I have mentioned Strata Services in both Australia and potentially the US will be a core plank of growth for Johns Lyng. Alex has been charged with formulating and executing this strategy globally for Johns Lyng. He comes to John Lyng with extensive experience in managing and growing strata businesses.

These executives are but a handful of the wonderful and talented staff that run your business and I am indebted to all of them for their service.

My thanks are extended to all our stakeholders – our customers, our employees, our contractors and the communities in which we operated. Your support for Johns Lyng is appreciated, highly valued and never taken for granted.

In conclusion I want to emphasise that your business is performing strongly, the management team are fully committed, and I am very excited about the year ahead and beyond.

ENDS

This announcement was authorised by the Disclosure Committee 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 the US. 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 2,000 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.