

## JOHNS LYNG GROUP LIMITED (ASX: JLG)

### ASX & Media Release

21 February 2023

## Johns Lyng Group Limited reports 63.0% increase in first half EBITDA and announces +11.2% full year revenue forecast upgrade.

Johns Lyng Group Limited (ASX: **JLG**) is pleased to provide an 11.2% forecast revenue upgrade and a 5.5% EBITDA upgrade for FY23 (+14.9% and +12.9% respectively excluding Commercial Construction\*), after delivering strong earnings growth for the first half of the 2023 Financial Year (1H23).

Full year forecast Group Sales Revenue has been upgraded to \$1.146 billion and forecast EBITDA to \$111.1 million.

The earnings upgrade is driven by a record volume of Business as Usual (BaU) and Catastrophe (CAT) work.

This BaU and CAT activity drove robust first half earnings growth, with Group EBITDA up 63.0% on the previous corresponding period (1H22) to \$59.4 million. Group Sales Revenue for the period increased by 71.2% on 1H22 to \$635.6 million.

The depth of our relationships with our insurance counterparties and the growth in our Strata network underpins the future growth prospects of the IB&RS division.

The trend of workflows from CAT events is larger and longer lived and with work from previous events carrying over into the current financial year we are seeing a more sustainable earnings profile for this division albeit tied to unpredictable events.

For the first time JLG, via Reconstruction Experts, was able to provide services to residents in the US who were affected by Hurricane Ian.

### 2023 Financial Year - First Half Result Highlights

- **Sales Revenue:** \$635.6m / +71.2% (1H22: \$371.3m)
  - **IB&RS BaU Revenue:** 374.8m / +62.1% (1H22: \$231.3m)
  - **CAT Revenue:** \$186.1m / +178.9% (1H22: \$66.7m)
- **Group EBITDA**<sup>1</sup>: \$59.4m / +63.0% (1H22: \$36.5m)
  - **IB&RS BaU EBITDA**<sup>2</sup>: \$42.9m / +62.9% (1H22: \$26.4m)
  - **CAT EBITDA:** \$21.3m / +180.3% (1H22: \$7.6m)
- **Net Profit After Tax (NPAT):** \$34.1m / +83.6% (1H22: \$18.6m)
  - **NPAT (Normalised)**<sup>3</sup>: \$34.6m / +67.8% (1H22: \$20.6m)
- **NPAT-A (Normalised)**<sup>4</sup>: \$35.7m / +70.6% (1H22: \$20.9m)
- **EPS**<sup>5</sup>: 9.68 cents / +87.8% (1H22: 5.15 cents)

\*As a result of the current market dynamics, the Board and Management have resolved to scale back the Group's commercial construction operations to focus on large-loss insurance building projects

- **EPS (Normalised)<sup>6</sup>**: 9.84 cents / +62.7% (1H22: 6.05 cents)
- **EPS-A (Normalised)<sup>7</sup>**: 10.16 cents / +66.2% (1H22: 6.11 cents)
- **Net Assets**: \$372.9m
- **Interim dividend of 4.5 cents per share (fully franked)** +66.7% (1H22: 2.7 cents per share). Represents approximately 47% of NPAT attributable to JLG shareholders for 1H23

<sup>1</sup> EBITDA is defined as earnings before interest, tax, depreciation and amortisation and excludes transaction related expenses of \$0.6m (1H22: \$2.5m)

<sup>2</sup> Excluding transaction related expenses of \$0.5m (1H22: \$2.3m)

<sup>3</sup> NPAT excluding tax effected transaction related expenses of \$0.7m (1H22: \$2.5m)

<sup>4</sup> NPAT excluding tax effected transaction related expenses of \$0.7m (1H22: \$2.5m) and tax effected amortisation of acquired identifiable intangible assets of \$1.4m (1H22: \$0.4m)

<sup>5</sup> Calculated using NPAT attributable to the owners of Johns Lyng Group

<sup>6</sup> Calculated using NPAT attributable to the owners of Johns Lyng Group excluding tax effected transaction related expenses of \$0.7m (1H22: \$2.5m)

<sup>7</sup> Calculated using NPAT attributable to the owners of Johns Lyng Group excluding tax effected transaction related expenses of \$0.7m (1H22: \$2.5m) and tax effected amortisation of acquired identifiable intangible assets of \$1.4m (1H22: \$0.4m)

## 1H23 Overview

Group Chief Executive Officer and Managing Director Scott Didier AM said:

*These results demonstrate the robustness of our business model and give us the confidence to upgrade forecast Group Sales Revenue to \$1.146 billion and EBITDA to \$111.1 million.*

*We are seeing a continuing and growing trend in our CAT business whereby the value and duration of these events continue to increase and have a multi-period and indeed multi-year impact on our business.*

*Testament to the growth and value of the business today, JLG was admitted to the ASX 200 Index during the period.*

*Although the financial contribution from CAT events is pleasing and growing, the bedrock of JLG's earnings is our IB&RS BaU work. These earnings have an annuity style profile, and we see significant further growth as we build out our footprint and leverage our service offerings - particularly in our expanding Strata business.*

*On 1 January 2022, we made a significant and highly strategic acquisition with the purchase of Reconstruction Experts (RE) - a US-based provider of insurance focused repairs to residential, commercial and industrial properties.*

*RE provides significant organic growth opportunities in the US, including geographical expansion and diversification of RE's current service offering to include make-safe, express building, restoration and emergency CAT response. The acquisition also provides significant cross-sell opportunities through Steamatic's US franchise network.*

*Having temporarily relocated to RE's head office in Denver last year to lead the cultural integration, and oversee the execution of the sales and growth strategy, I'm pleased to confirm that our cultural and strategic fit with RE is everything we expected and more. Indeed, many of our investors had*

*the chance to meet with the RE team personally at our Investor Days in Denver and Melbourne during the period.*

*We are incredibly excited by the continued growth opportunities for JLG both in the US and Australia and our continued performance would not be possible without our strong culture and driven, talented people, that have together enabled our business to deliver outstanding service outcomes and retain customers, even as the world continues to recover post-pandemic.*

### **Growth in IB&RS**

During the period, JLG secured contract renewals with QBE, Allianz, Comminsure, IAG and RACQ. These are significant and high-quality counterparties and JLG has become the trusted partner of choice to facilitate insurance building and restoration work for these important clients.

JLG continues to build its footprint in the Strata segment and completed two value-adding bolt-on acquisitions being North Shore Strata Management and Adpen Strata Management. These bolt-on acquisitions further expand the number of properties under management and leverage economies of scale. The industry remains very fragmented, and we see great value in participating in its consolidation.

During the half we also acquired A1 Estimates, which expands JLG's insurance repair estimating capacity, particularly during CAT events.

### **Growth in CAT Activity**

JLG notes that CAT events are growing in size and duration and the positive financial impact is commonly now multi-period and multi-year in nature. 1H23 saw carry-over work from the southeast Queensland and northern New South Wales flood event of February 2022. JLG's services were extensive, including make-safe, restoration and reconstruction, much of which has a mitigation and resilience aspect and provides value and longevity to the community. We anticipate our work in the Northern Rivers to continue into FY24.

Additionally, we continue to assist communities in Victoria, New South Wales and Tasmania which were affected by flooding in October 2022.

Importantly, in addition to working with our insurance counterparties in dealing with these events, we are becoming the trusted service provider to Governments. We assisted Emergency Recovery Victoria and the Victorian Department of Justice with recovery, reconstruction and temporary accommodation during the half and we expect this work to continue in the medium term.

Our ability to render assistance and mobilise resources quickly positions Johns Lyng to become a potential preferred partner to Governments when dealing with CAT events.

In October 2022, Hurricane Ian made landfall in Florida and continued to affect communities up the east coast of the US. Reconstruction Experts was able to render practical assistance including emergency water and make-safe services as a precursor to the longer term rebuild programme now in progress.

CAT events are by their nature unpredictable, but as we expand our geographical footprint and grow our relationships with insurers and Governments, we anticipate that this segment will grow substantially in the periods to come.

## Interim Dividend

The Board of JLG is pleased to announce an interim dividend of 4.5 cents per share (fully franked), with a record date of entitlement of 27 February 2023. The interim dividend will be paid on 14 March 2023 and represents approximately 47% of NPAT.

The interim dividend is in-line with JLG's Dividend Policy (40%-60% of NPAT).

## FY23 Outlook

- **FY23 (F) Sales Revenue: \$1.146bn** (+11.2% vs. August 2022 Forecast / +14.9% excluding Commercial Construction\*)
- **FY23 (F) EBITDA<sup>1</sup>: \$111.1m** (+5.5% vs. August 2022 Forecast / +12.9% excluding Commercial Construction\*)

<sup>1</sup> EBITDA is defined as earnings before interest, tax, depreciation and amortisation and excludes transaction related expenses of \$0.6m (1H22: \$2.5m)

## Financial Reconciliation to Statutory Results

Reconciliation to Statutory Results	1H22	1H23
<b>Sales Revenue</b>		
BaU	304.6	449.5
CAT	66.7	186.1
<b>Sales Revenue - Statutory</b>	<b>371.3</b>	<b>635.6</b>
<b>EBITDA</b>		
BaU	28.9	38.1
CAT	7.6	21.3
<b>EBITDA - Normalised</b>	<b>36.5</b>	<b>59.4</b>
Transaction related expenses	(2.5)	(0.6)
<b>EBITDA - Statutory</b>	<b>34.0</b>	<b>58.8</b>

## ENDS

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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 2,200 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.