Press release

2018 annual results

Strong improvement in EBITDA margin, net result and free cash-flow, driven by the successful integration of Berendsen and the good performance of Elis' historic scope

- **Record revenue, EBITDA margin up in all geographies and strong improvement in headline net result**
  - Revenue: €3,133.3mn (+42.8% of which +2.6% organic growth and +2.4% organic growth on a pro forma basis)
  - EBITDA: €985.6mn (31.5% of revenue)
  - EBITDA margin up in all geographies
  - Headline net result increased by +40% at €224.3mn
- **Successful integration of Berendsen, with an improvement of profitability in the relevant areas**
  - United Kingdom & Ireland: Headcount adjustments, improvement of operational KPIs and stabilization of revenue in Q4
  - Scandinavia: Material central cost savings and acceleration of commercial dynamism
  - Germany: Good commercial momentum in Workwear and merger of operations in Flat linen
- **Continuation of Elis' M&A strategy and rationalization of its services portfolio**
  - 7 new acquisitions announced in 2018, of which 3 in Germany
  - Ongoing sales process for Clinical Solutions activity, identified as non-core business
- **Cash generation improvement, well-controlled investments and stable financial structure**
  - €154mn free cash-flow, up sharply compared to 2017
  - 2018 capex equivalent to 20% of revenue, of which c. 2% related to the 2nd part of the Berendsen capex plan
  - Stable leverage ratio at 3.3x as of 31 December 2018
- **2019 outlook**
  - Organic growth of c. +3.0%
  - Expected EBITDA margin of between 31.2% and 31.6% of revenue (excluding IFRS 16), in an inflationary environment related to increases in labour costs and energy
  - Capex at 20% of revenue
- **Proposal of a payment of €0.37 per share, stable vs last year**

In millions of euros	2018	2017 restated[1]	Change
Revenue[2]	**3,133.3**	**2,193.6**	**+42.8%**
EBITDA[2]	**985.6**	**670.2**	**+47.1%**
EBITDA margin[2]	**31.5%**	**30.6%**	**+90bps**
EBIT[2]	**426.4**	**294.4**	**+44.8%**
Consolidated net result	**81.8**	**42.1**	**+94.3%**
Headline net result[2]	**224.3**	**159.7**	**+40.4%**
Free cash-flow	**153.7**	**(119.0)**	**n/a**

[1] Cf. bridge of the adjustments related to the previous financial year information presented on page 6.
[2] Continuing activities.

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http://www.corporate-elis.com
Joint-stock corporation governed by an Executive Board and a Supervisory Board
Registered capital of 219,927,545 euros – RCS: 499 668 440 Nanterre

Saint Cloud, March 7, 2019 - Elis, an international multiservice provider, offering textile, hygiene and facility services solutions across 28 countries in Europe and Latin America, today announces its 2018 full-year financial results. The accounts have been approved by the Management Board and examined by the Supervisory Board on March 6, 2019. They have been audited and the auditors issued a report without any qualification.

Commenting on the 2018 full-year results, **Xavier Martiré, CEO of Elis,** said:

"2018 was a record-year for Elis in terms of revenue, which reached €3,133.3mn with an acceleration in organic growth in H2. In line with our expectations, our EBITDA margin increased by 90bps to 31.5% of revenue mainly thanks to the synergies that we achieved through Berendsen's integration and to further productivity gains in Elis' historic scope.

The Group successfully continued its strategy across all its geographies. In France, organic growth was above 2% and margin remained stable at 35% of revenue, despite the negative impact related to the increase of several operational taxes. Latin America continued to post very good results with organic growth of more than 8% and margin improvement of 270bps. These good results were driven by Brazil, where the integration of Lavebras is now completed, with the expected synergies achieved. In Southern Europe, the Hospitality activity slowed down in Spain, but the region's organic growth remained well-oriented, with margin improving as well.

Remarkable operational progress has been made in Berendsen's integration:

In Scandinavia, rationalization of central costs led to margin improvement of 240bps on a pro forma basis at more than 37% of revenue, and the first implementation tests of Elis' multiservice approach contributed to maintaining organic growth at more than 3%.

In the United-Kingdom, the actions implemented to improve quality of service in Hospitality enabled a reduction of contract losses and price increases. Similarly, our strategic focus on small clients in the country led to a reduction in client losses in Workwear, although they still remain at a high level and generate a negative mix effect on the country's profitability. Organic growth of the United-Kingdom and Ireland region has been improving throughout the year and became positive in Q4. We estimate that the underlying business in the region was still down in 2018, but the structural adjustments and the first industrial measures implemented contributed to a 30bps margin improvement on a pro forma basis.

In Central Europe, the only region where there was overlap between Elis and Berendsen prior to the acquisition, the savings achieved along with the first gains in logistics optimization helped improve margin by 60bps on a pro forma basis.

In 2018, the Group continued its consolidation strategy in its existing geographies with 7 new acquisitions, further densifying its network. This ongoing international expansion has contributed over the past several years to diversifying our geographic exposure: France now represents one-third of Group revenue, compared to 70% three years ago.

For 2019, we expect organic revenue growth of c. 3%. Since H2 2018, we are facing an unusual increase of several of our production costs, mainly wages, related to the high increase in minimum wages announced by several countries such as Spain or the United-Kingdom. Our ability to pass this increase in our cost base to our customers will be a key factor for our margin evolution. As of today, we target an EBITDA margin of between 31.2% to 31.6% of revenue."

In the first half of 2018, the Group triggered the sale process for its Clinical Solutions activity (operating only in the United Kingdom) and anticipates that the sale will occur in the next 6 months. Consequently, unless stated otherwise, the figures presented in the present press release exclude the Clinical Solutions activity for 2017 and 2018.

Revenue

As announced on January 30, 2019, Group revenue for 2018 is up +42.8% at €3.1bn. Organic growth is up +2.6% and pro forma organic growth is up +2.4%.

The 2018 organic growth illustrates the strong performance of Elis' historic scope and the smooth integration of Berendsen's countries, with an acceleration of Group pro forma organic growth in H2.

In France, growth is above +2% despite the impact of the Yellow Vests movement in December. In Southern Europe, growth remains above +3% in spite of the slowdown observed in Hospitality in Spain during the summer. In Berendsen's geographies, Scandinavia continues its good momentum, with organic growth of more than +3%. In the United Kingdom, the measures implemented to improve quality of service have borne fruit and allowed us to reduce the churn rate and increase prices. The trend has improved throughout the year, with slightly positive organic growth in Q4, compared to -3% one year ago. In Central Europe, the only geography where there was overlap between Elis and Berendsen before the acquisition, growth is up +2%. Growth is high in Poland and the Netherlands, and remains slower in Germany and Switzerland, although we observed encouraging trends in H2. Finally, Latin America posted organic growth of more than 8%. The market remains very dynamic despite the decrease of inflation in Brazil, and we continue to open the market in these high growth potential countries.

EBITDA pro forma for the acquisition of Berendsen (as if Berendsen was consolidated on January 1st, 2017)

In millions of euros	2018			2017 pro forma			Var.		
	H1	H2	Total	H1	H2	Total	H1	H2	17/18
France	**171.1**	**190.9**	**362.0**	**166.9**	**186.8**	**353.7**	**+2.5%**	**+2.2%**	**+2.4%**
As of % of revenue	*33.8%*	*36.2%*	*35.0%*	*33.7%*	*36.2%*	*35.0%*	*+10pb*	*+3pb*	*-*
Central Europe	**98.7**	**111.2**	**209.9**	**95.1**	**98.2**	**193.3**	**+3.9%**	**+13.2%**	**+8.6%**
As of % of revenue	*29.9%*	*31.5%*	*30.6%*	*29.5%*	*30.3%*	*30.0%*	*+35pb*	*+117pb*	*+60pb*
Scandinavia & Eastern Eur.	**87.6**	**93.4**	**181.0**	**82.9**	**86.6**	**169.5**	**+5.7%**	**+7.9%**	**+6.8%**
As of % of revenues	*36.4%*	*38.4%*	*37.4%*	*34.5%*	*35.5%*	*35.0%*	*+190pb*	*+292pb*	*+240pb*
United Kingdom & Ireland	**52.9**	**52.4**	**105.3**	**52.8**	**53.5**	**106.3**	**+0.3%**	**-2.1%**	**-0.9%**
As of % of revenue	*26.8%*	*26.1%*	*26.4%*	*25.7%*	*26.4%*	*26.1%*	*+115pb*	*-35pb*	*+30pb*
Southern Europe	**32.5**	**38.5**	**71.0**	**30.7**	**37.2**	**67.9**	**+5.9%**	**+3.5%**	**+4.6%**
As of % of revenue	*25.6%*	*27.3%*	*26.4%*	*24.8%*	*27.5%*	*26.2%*	*+80pb*	*-22pb*	*+30pb*
Latin America	**32.2**	**34.5**	**66.7**	**20.0**	**33.6**	**53.7**	**+61.1%**	**+2.7%**	**+24.4%**
As of % of revenue	*25.6%*	*28.2%*	*26.9%*	*22.8%*	*25.2%*	*24.2%*	*+280pb*	*+303pb*	*+270pb*
Others	**(6.0)**	**(4.3)**	**(10.3)**	**(13.3)**	**4.6**	**(8.7)**	**-55.0%**	**-193.5%**	**+18.4%**
Total	**469.1**	**516.5**	**985.6**	**435.0**	**500.6**	**935.7**	**+7.8%**	**+3.2%**	**+5.3%**
As of % of revenue	*30.6%*	*32.3%*	*31.5%*	*29.4%*	*32.1%*	*30.8%*	*+125pb*	*+20pb*	*+70pb*

Percentage change calculations are based on actual figures.
« Others » includes Manufacturing Entities and Holdings.

In 2018, Group EBITDA strongly increased by +47.1% at €985.6mn, driven by the acquisition of Berendsen. EBITDA margin rose by 90bps and was up in all geographies.

France

In 2018, EBITDA margin was stable at 35.0% of revenue, with a slightly favorable price environment that was offset by the increase of several taxes (CICE, taxes related to waste water treatment, tax on gas price, etc.).

Central Europe

In 2018, EBITDA margin was up 60bps on a pro forma basis to 30.6% of revenue. This increase is mainly explained by overhead savings related to Berendsen and by the first logistics costs savings achieved thanks to the roll-out of Elis' multi-service approach, notably in the Netherlands.

Scandinavia & Eastern Europe

In 2018, EBITDA margin increased 240bps on a pro forma basis to 37.4% of revenue. This increase illustrates the savings made on Berendsen's central costs (that used to be largely borne by this region) and the rationalization that has been achieved locally.

United Kingdom & Ireland

In 2018, EBITDA margin increased 30bps on a pro forma basis. This margin trend reflects the good integration of Berendsen in the United Kingdom, considering that many costs, such as wages, rose significantly (rise in minimum wage of +4.4% in April 2018 on top of +6.6% in 2017), as well as energy (especially natural gas).

In Hospitality, the improvement of quality of service enabled price increases. In Workwear, attention has been paid to commercial tracking and client retention. The client loss rate has improved, although it remains at a high level, creating a negative mix effect (margin in Hospitality being broadly below Workwear margin).

Southern Europe

In 2018, EBITDA margin increased 30bps at 26.4% of revenue. This slight improvement is explained by the productivity gains in the region as well as the success of the integration of Indusal, compensated by a poorer price dynamic in the Indusal scope compared to Elis' historic scope.

Latin America

In 2018 EBITDA margin is up 270pb at 26.9% of revenue. This improvement is attributable to the achievement of synergies related to the integration of Lavebras, which has now been completed, as well as some productivity gains in the region.

From EBITDA to net result

In millions of euros	2018	2017 restated
EBITDA	**985.6**	**670.2**
As a % of revenue	*31.5%*	*30.6%*
Depreciation & amortization	(559.2)	(375.8)
EBIT	**426.4**	**294.4**
As a % of revenue	*13.6%*	*13.4%*
Operating income before other income and expenses and amortization of customer relationships	**407.5**	**284.2**
As a % of revenue	*13.0%*	*13.0%*
Amortization of customer relationships	(112 .5)	(79.1)
Other operating income and expenses	(49.8)	(89.0)
Financial result	(110.5)	(59.8)
Net result before tax	**134.7**	**56.4**
Tax	(51.7)	(13.6)
Net result	**83.0**	**42.8**
Consolidated net result[1]	**81.8**	**42.1**
Headline net result[2]	**224.3**	**159.7**

Margin rate calculations are based on precise figures.
[1] Including the Clinical Solutions activity.
[2] A reconciliation between net result and headline net result is presented on page 5.

EBIT
As of a percentage of revenue, EBIT was up 20bps in 2018, impacted mainly by the revaluation of Lavebras and Berendsen assets as part of the allocation of goodwill.

Operating income before other income and expenses and amortization of customer relationships

As a percentage of revenue, operating income before other income and expenses and amortization of customer relationships was stable in 2018.

The bulk of the amortization of customer relationships corresponds to the goodwill allocation of Berendsen. In 2017 the amortization of customer relationships was mainly made of assets accounted for in 2007, whose amortization period ended in October 2018.

Financial result

In 2018, financial expenses increased by €50.7mn compared to 2017. This increase is mainly explained by the rise of gross debt related to the acquisition of Berendsen and by a positive foreign exchange effect of c. €20mn recorded in 2017, regarding the anticipated reimbursement of the USPP loan previously taken out by Berendsen.

Net result

Net result was €83.0mn in 2018, up +93.9% compared to 2017.

From net result to headline net result

In millions of euros	2018	2017 restated
Net result	**83.0**	**42.8**
Amortization of customer relationships[1]	86.6	57.6
IFRS 2 expense[1]	15.6	8.1
Accelerated amortization of bridge loan issuing costs[1]	2.6	-
Other income and expenses (non-current)[1] including:	36.4	51.2
Restructuring fees related to Berendsen acquisition[1]	*17.4*	*23.3*
Restructuring fees related to Indusal acquisition[1]	-	*3.0*
Restructuring fees related to Lavebras acquisition[1]	-	*3.8*
Costs related to the acquisition of Berendsen, Indusal et Lavebras[1]	*22.3*	*21.1*
Headline net result	**224.3**	**159.7**

[1] Net of tax effect

Headline net result is €224.3mn in 2018, increasing by +40.4% compared to 2017.

Cash-flow statement

In millions of euros	2018	2017 restated
EBITDA	**985.6**	**670.2**
Exceptional items	(31.9)	(50.1)
Acquisition fees	(4.4)	(27.3)
Provision variance	(3.6)	0.7
Cash-flow before finance costs and tax	**945.7**	**593.4**
Net capex	(644.3)	(480.2)
Change in working capital requirement	(15.8)	(118.4)
Net interests paid	(55.2)	(60.5)
Tax paid	(76.7)	(53.3)
Free cash-flow	**153.7**	**(119.0)**
Acquisition of subsidiaries	(62.2)	(1,362.9)
Change arising from acquired/sold subsidiaries	(12.7)	(687 .2)
Other flows related to financing activities	(26.4)	17.4
Dividends, capital increase and treasury shares	(81.6)	456.6
Others	(41.9)	12.8
Net debt variance	**(71.1)**	**(1,682.3)**
Adjusted net debt at closing	**3,378.4**	**3,296.6**

Investments

In 2018, Group investments amounted to 20.1% of revenues (including Clinical Solutions revenue in the calculation of the ratio) compared to 21.7% of revenues over the same period in the preceding year. They include the investments made in linen, industrial investments as well as the additional investments (mainly industrial) at Berendsen, as announced last year.

Free cash-flow

In 2018, free cash-flow was €153.7mn, up +€272.7mn compared to 2017.

Adjusted net financial debt

Group adjusted net financial debt as of 31 December 2018 was €3,378.4mn. The debt ratio (adjusted net financial debt / EBITDA proforma for the full-year impact of acquisitions finalized during the year and after the impact of synergies) stood at 3.3x.

Payment for the 2018 financial year

At the next Annual General Meeting of Shareholders on 23 May 2019, the Supervisory Board will recommend the payment of €0.37 per share for the 2018 financial year, stable vs last year.

Bridge of the adjustments related to the previous financial year information

In millions of euros	2017 published	IFRS 3	IFRS 5	2017 restated
Revenue	**2,214.9**	-	(21.4)	**2,193.6**
EBITDA	**670.0**	1.7	(1.5)	**670.2**
Depreciation and amortization	**(371.3)**	(5.1)	0.7	**(375.8)**
EBIT	**298.6**	(3.4)	(0.8)	**294.4**
Amortization of customer relationships	**(54.2)**	(24.9)	-	**(79.1)**
Other operating income and expenses	**(89.9)**	(1.0)	1.8	**(89.0)**
Tax	**(17.9)**	4.7	(0.4)	**(13.6)**
Consolidated net result	**66.8**	(24.6)	-	**42.1**

Financial definitions

- The pro forma figures considered the hypothesis that Berendsen was integrated 1st January 2017 to capture the full year impact of figures.
- Organic growth in the Group's revenue is calculated excluding (i) the impacts of changes in the scope of consolidation of "major acquisitions" and "major disposals" (as defined in the Document de Base) in each of the periods under comparison, as well as (ii) the impact of exchange rate fluctuations.
- EBITDA is defined as EBIT before depreciation and amortization net of the portion of grants transferred to income.
- EBITDA margin is defined as EBITDA divided by revenues.
- EBIT is defined as net income (or net loss) before financial expense, income tax, share in income of equity-accounted companies, amortization of customer relationships, goodwill impairment, other operating income and expenses, miscellaneous financial items (bank fees recognized in operating income) and expenses related to IFRS 2 (share-based payments).
- Free cash-flow is defined as cash EBITDA minus non-cash-items items and after (i) change in working capital, (ii) linen purchases and (iii) manufacturing capital expenditures, net of proceeds, minus tax paid and minus financial interests' payments.
- The concept of Adjusted net financial debt used by the Group consists of the sum of non-current financial liabilities, current financial liabilities and cash and cash equivalents adjusted for capitalized debt arrangement costs, the impact of applying the effective interest rate method, and the loan from employee profit-sharing fund.
- "Pro forma" figures are restated for Berendsen, as if the integration of Berendsen took place as of 1st January 2017 to consider the full-year impact of the acquisition in 2017.

Consolidated financial statements

Consolidated financial statements for the year 2018 are available in the "Financial Information" section of Elis' Investor Relations website: http://www.corporate-elis.com/en/investor-relations

Geographical breakdown

- France
- Central Europe: Germany, Netherlands, Switzerland, Poland, Belgium, Austria, Czech Republic, Hungary, Slovakia, Luxembourg
- Scandinavia & Eastern Europe: Sweden, Denmark, Norway, Finland, Latvia, Estonia, Lithuania, Russia
- UK & Ireland
- Southern Europe: Spain & Andorra, Portugal, Italy
- Latin America: Brazil, Chile, Colombia

Presentation of Elis' Full-Year 2018 results (in english)

Date:
Thursday 7 March 2019 at 8:30am GMT (9:30am CET)

Venue:
Four Seasons Trinity Square, 10 Trinity Square, London EC3N 4AJ

Webcast link:
https://event.on24.com/wcc/r/1948884-1/C8EEF7405882D42A18427D0B7DB6D457?partnerref=rss-events

Investor presentation:
An investor presentation will be available at 8:15am GMT (9:15am CET) in the "Other publications" section of Elis' corporate website: http://www.corporate-elis.com/en/investor-relations

Forward looking statements

This document may contain information related to the Group's outlook. Such outlook is based on data, assumptions and estimates that the Group regarded as reasonable at the date of this press release. Those data and assumptions may change or be adjusted as a result of uncertainties relating particularly to the economic, financial, competitive, regulatory or tax environment or as a result of other factors of which the Group was not aware on the date of this press release. Moreover, the materialization of certain risks described in chapter 2 "Risk factors and insurance policy" of the Registration Document may have an impact on the Group's activities, financial position, results or outlook and therefore threaten this outlook. The attainment of the outlook also assumes that the Group's strategy will be successful. As a result, the Group makes no representation and gives no warranty regarding the attainment of any outlook set out above.

Next information

Q1 2019 revenue: May 2, 2019 (after market)

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