
# 2018 half-year results

› July 25, 2018

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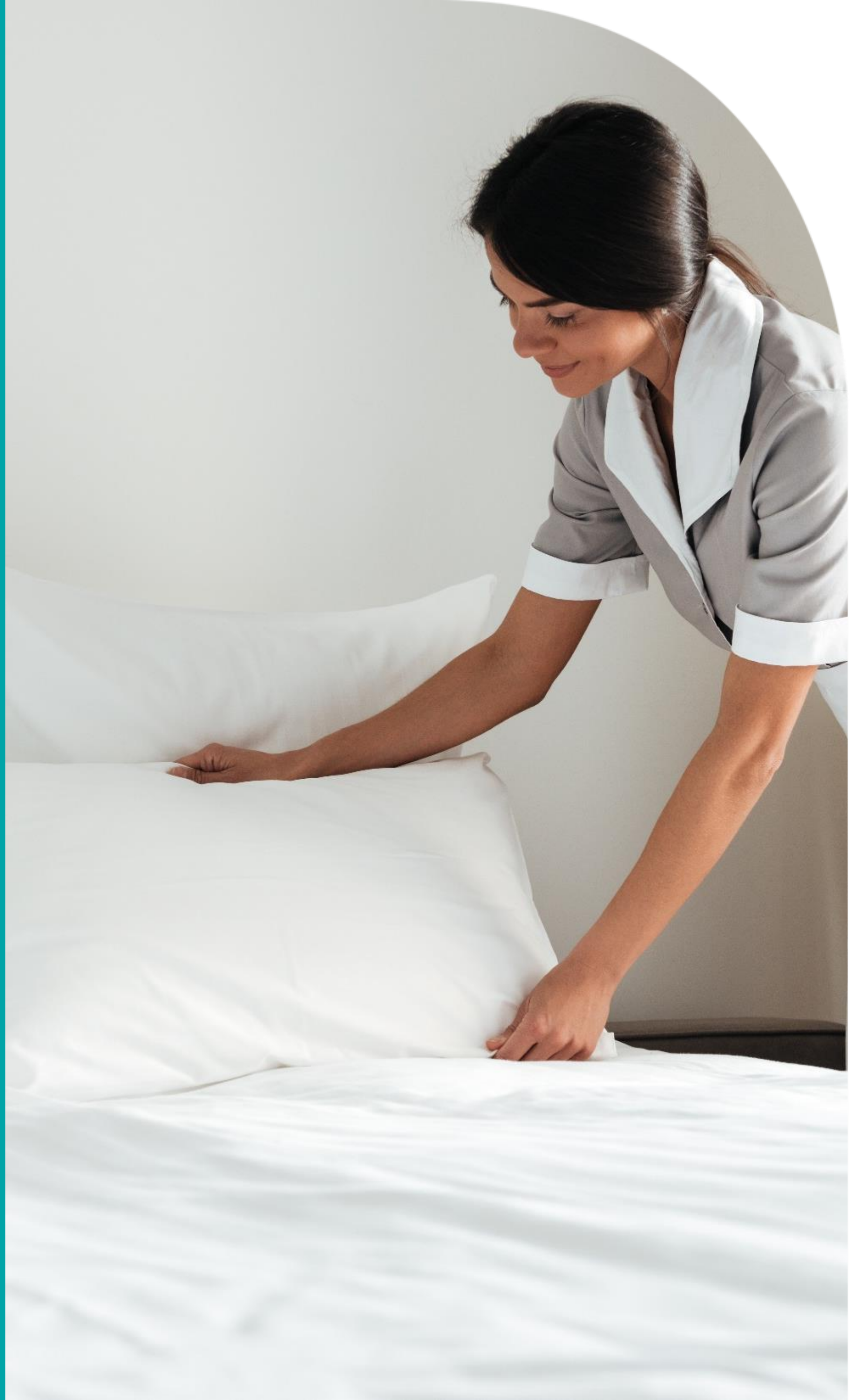


# Introduction
Xavier Martiré - CEO

# H1 2018 highlights:
# Strong operational and financial performance

## Very solid financial performance

- Revenues of €1,534mn
  with organic growth of +2.7%
- EBITDA margin at 30,6%
  with improvement in all geographies
- Capex level under control
- Headline net result up c. 100%

## Continued implementation of Group strategy

- Continued bolt-on M&A strategy in our geographies
- Market share gains
- Improvement in operational excellence
- Roll-out of Elis' multi-services approach in Berendsen countries

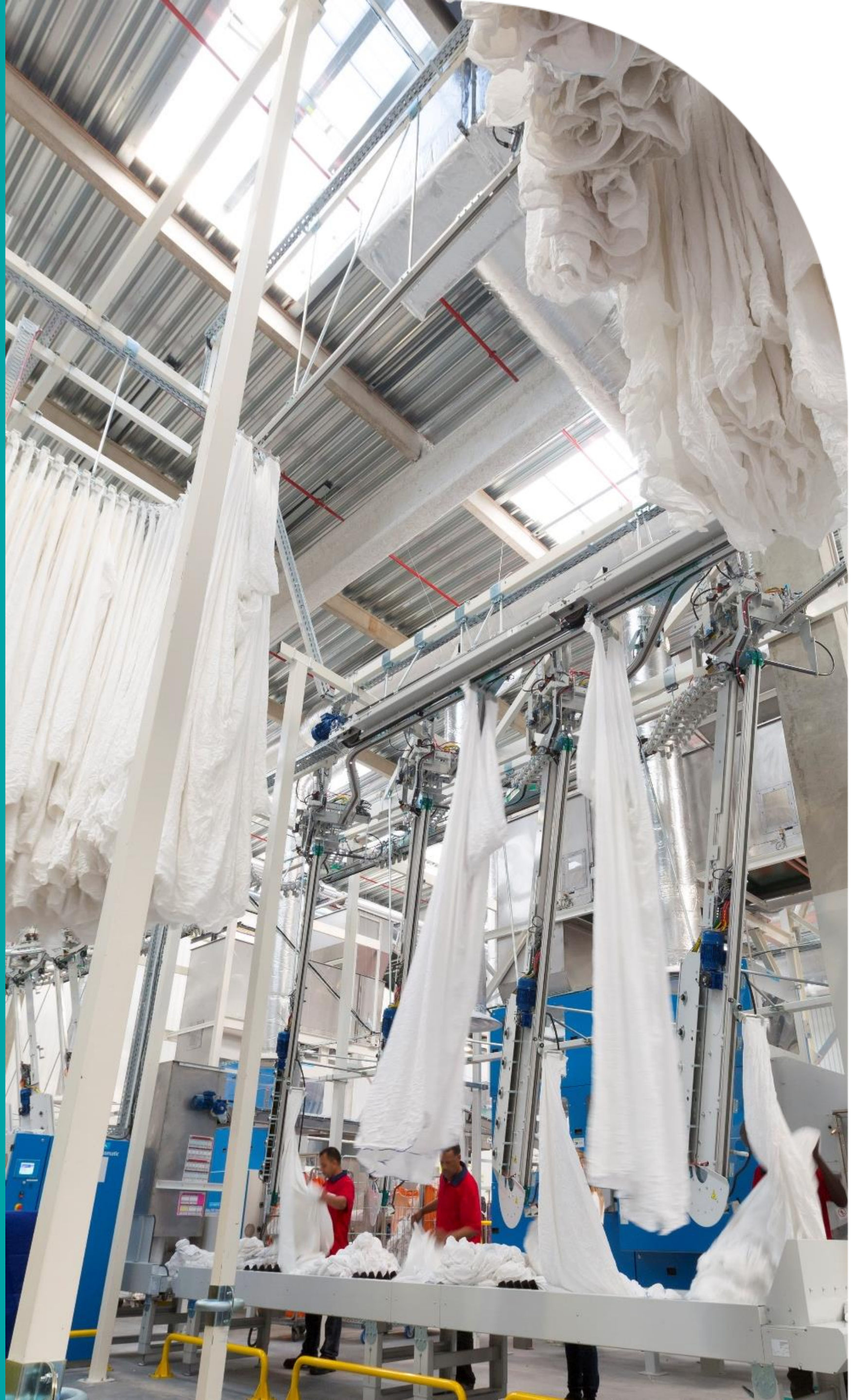
## Excellent execution of our integration plan for Berendsen

- UK operations now stabilized and significant productivity gains in H1 (+115bps margin improvement in the region)
- Material overhead cost savings in Scandinavia
- German combined network now ready to seize market consolidation opportunities

# H1 2018 key figures:
# Strong improvement in all financial KPIs

| (In €mn) | H1 2018 | Reported | Pro forma for Berendsen |
|---|---|---|---|
| **Revenues*** | 1,533.9 | +81.4% | +3.6% |
| | | Organic: +2.7% | Organic: +2.1% |
| | | At constant FX rates: +83.5% | At constant FX rates: +5.6% |
| **EBITDA*** | 469.1 | +92.2% | +7.8% |
| **% of revenues** | 30.6% | +170bps | +125bps |
| **Headline net result*** | 97.0 | +97.3% | n/a |
| **Headline free cash-flow** | 66.3 | Negative in H1 2017 | Negative in H1 2017 |

** Continuing activities: Elis' Supervisory Board has decided to dispose of the Clinical Solutions activity (only present in the UK with revenue of €34mn in H1 2018) The deal is expected to occur in the 12 next months. In consequence, this activity is presented in discontinuing activities in the accounts*



# Operational performance

*Analysis in pro forma figures*

Louis Guyot - CFO

# Elis' reporting breakdown by geography

**Central Europe is the only geography with overlap between Elis's and Berendsen's operations (in Germany, Belgium and Czech Republic)**

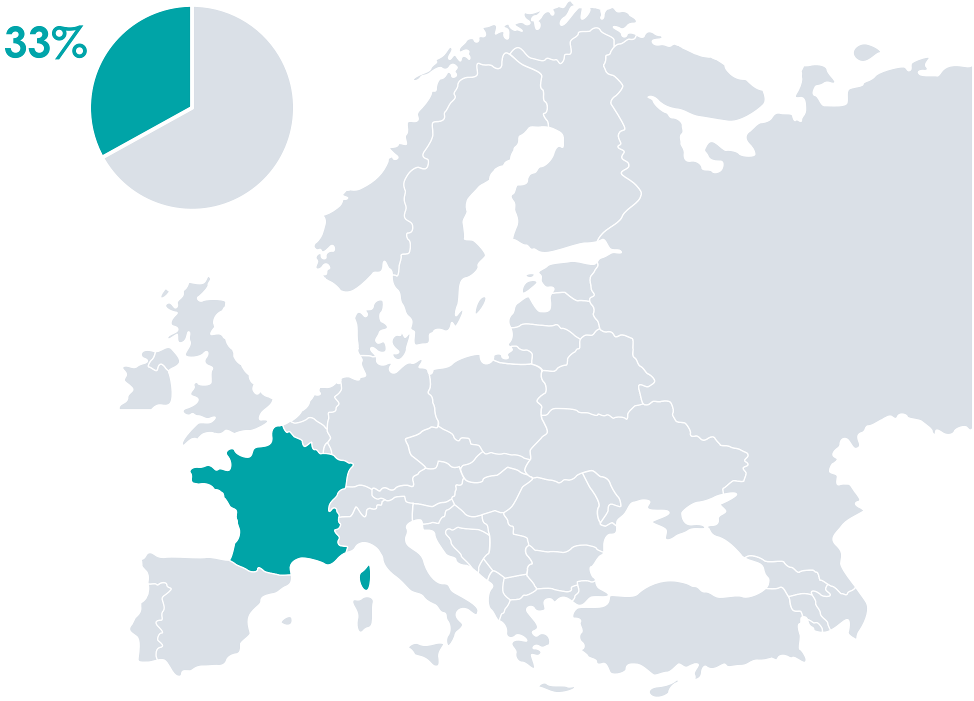
| Part of Elis's historical scope | | | Limited overlap | Part of Berendsen's historical scope | |
|---|---|---|---|---|---|
| **France** | **Southern Europe** | **Latin America** | **Central Europe*** | **Scandinavia & Eastern Europe** | **UK & Ireland**** |
| | Spain & Andorra<br>Portugal<br>Italy | Brazil<br>Chile<br>Colombia | Germany<br>Netherlands<br>Switzerland<br>Poland<br>Belgium<br>Austria<br>Czech Republic<br>Hungary<br>Slovakia<br>Luxembourg | Sweden<br>Denmark<br>Norway<br>Finland<br>Latvia<br>Estonia<br>Lithuania<br>Russia | UK<br>Ireland |

** Countries where there is overlap are underlined*

***Elis' Supervisory Board has decided to dispose of the Clinical Solutions activity (only present in the UK with revenue of €34mn in H1 2018) The deal is expected to occur in the 12 next months. In consequence, this activity is presented in discontinuing activities in the accounts*

# France: Sequential organic improvement and higher EBITDA margin

Revenue %

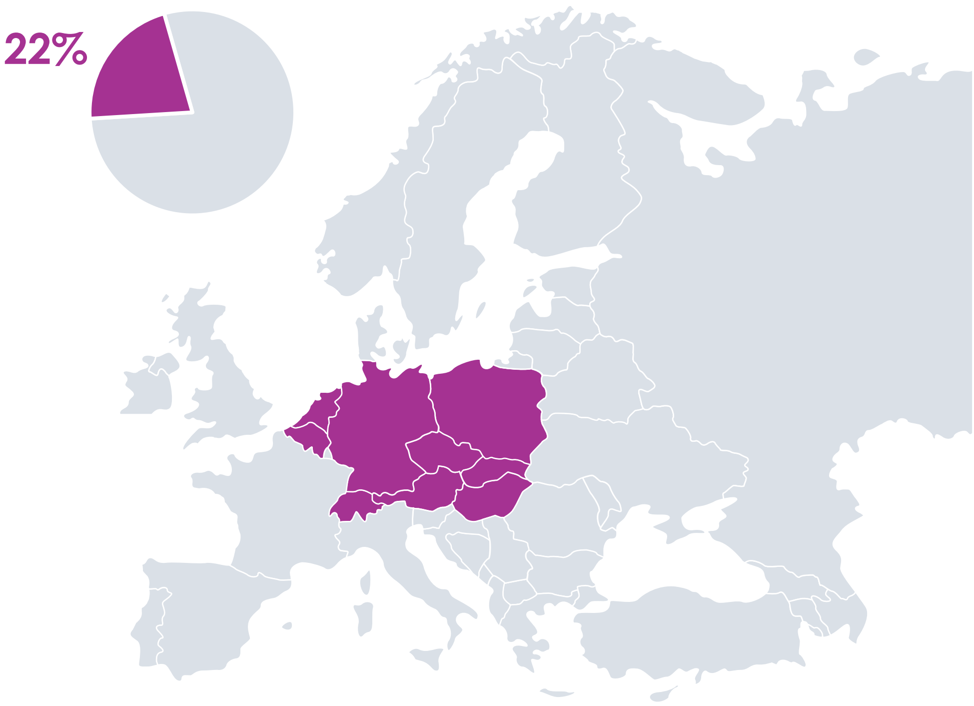



- Revenue up +2.3% of which +1.9% organic growth
- Third quarterly sequential improvement
- Activity driven by Hospitality and Trade & Services
- Industry shows some slight improvement
- Healthcare is down due to the non-renewal of some contracts, but improved in Q2 vs Q1
- Limited impact from transport strikes in April / May
- Margin improvement driven by normalized pricing environment and productivity gains, despite the negative impact from CICE tax (-30bps)
- Further margin improvement expected in H2 2018

**Organic growth: +1.9%**
**EBITDA margin: 33.8% of revenues (+10bps)**

# Central Europe: Mixed performance due to challenging German market

Revenue %



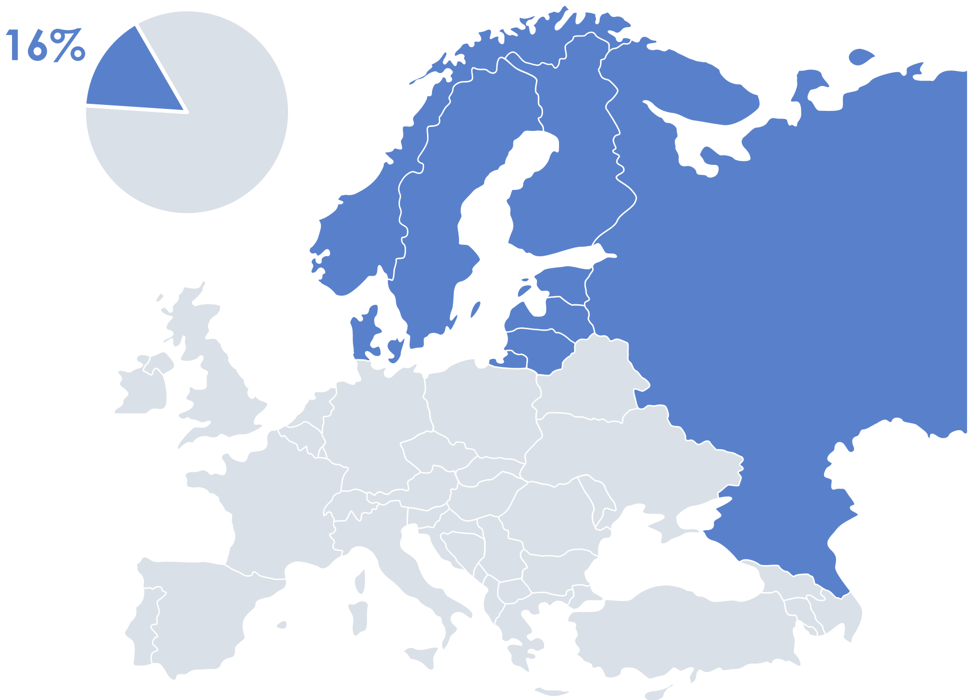

- Elis scope down -1.1%, but stable after the restatement of some exceptional sales of garments in Belgium in H1 2017
- Switzerland remains challenging
- Germany Flat linen market is difficult but workwear is well-oriented
- Good momentum in the Netherlands, Poland, Czech Republic, Slovakia & Hungary
- EBITDA margin improvement due to:
  - The roll-out of Elis' multi-services approach in the Netherlands resulting in logistics costs savings
  - Some overhead cost savings in connection with the acquisition

**Organic growth: -1.1% / Pro forma: +0.9%***
**EBITDA margin: 29.9% of revenues (+35bps*)**

** vs H1 2017 pro forma for the integration of Berendsen*

# Scandinavia & Eastern Europe: Good topline momentum and profitability improvement

Revenue %

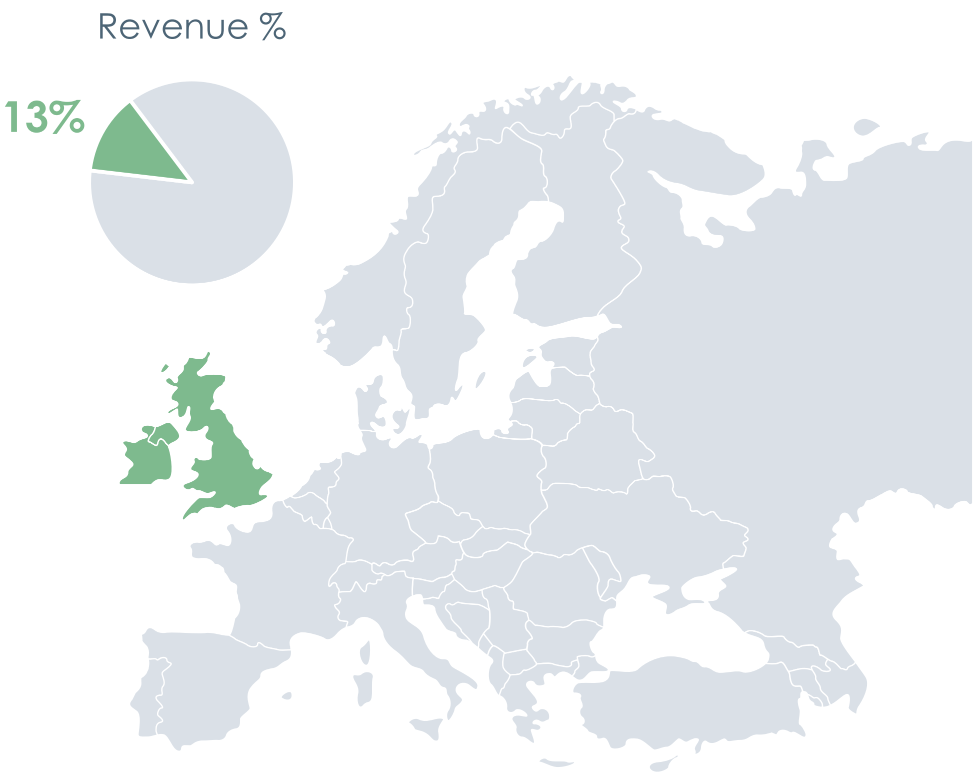



- Organic revenue up +3.3%*, FX impact of -3.1%*
- Commercial momentum is good in the region, especially in Baltic states, Finland and Sweden
- Scandinavia used to bear the vast majority of Berendsen's central costs ➔ Significant savings realized in H1, leading to material EBITDA margin improvement

**Organic growth: +3.3%***
**EBITDA margin: 36.4% of revenues (+190bps*)**

** vs H1 2017 pro forma for the integration of Berendsen*

# UK and Ireland: Integration going well despite significant cost headwinds




**Organic growth: -2.0%***
**EBITDA margin: 26.8% of revenues (+115bps*)**

- As expected, the UK was impacted by some client losses
- Commercial proximity around small Workwear clients to be improved
- Organic revenue down -2.0%* with an improving trend throughout the quarter
- No decline due to Brexit has been identified at this stage: Our end-market exposure (70% of revenue with Healthcare and Hospitality clients) provides resilience to our business
- Operations are now stabilized: Industrial KPIs all show strong improvement in the first half
- This was mitigated by cost inflation on wages (+4.4% in April 2018 after +6.6% in 2017) and on energy
- Limited margin benefit from central costs savings as Scandinavia bore the vast majority of the costs
- Encouraging margin improvement of +115bps

** vs H1 2017 pro forma for the integration of Berendsen*

# Southern Europe: Portugal still strong but activity slowdown in Spain

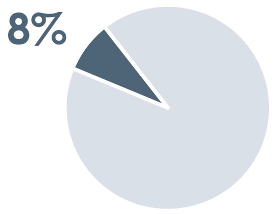
Revenue %


- Confirmation of the slowdown in Spain, in connection with a more difficult comparable base and limited price increase in Hospitality
- Integration of Indusal is on track: confirmation of the synergy target of €10mn by 2019
- Increase of minimum wage in Spain (+4% in 2018) tempers the margin improvement

**Organic growth: +2.5%**
**EBITDA margin: 25.6% of revenues (+80bps)**

# Latin America: Strong topline momentum and significant profitability improvement

Revenue %

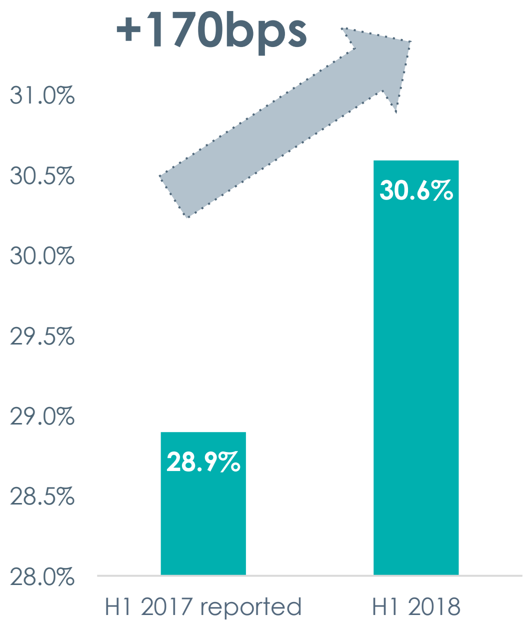



- Organic revenue up +13.5%, FX impact of -16.1%
- Commercial momentum in Brazil remains very strong
- Lavebras weighs somewhat on Brazil's organic growth, with combined normative level now of c. 10%
- Average price increase of c. +3%, in line with inflation
- Good macro fundamentals for our business
- Integration of Lavebras is on track: Confirmation of the synergy target of BRL60mn by 2019
- Strong EBITDA margin improvement on the back of Lavebras integration and continuous productivity improvement

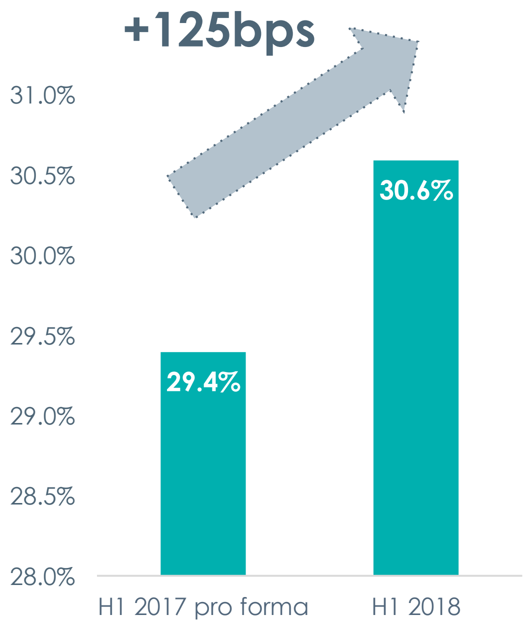
**Organic growth: +13.5%**
**EBITDA margin: 25.6% of revenues (+280bps)**

# Group: Good organic performance and promising EBITDA margin improvement

REPORTED




PRO FORMA




- Solid organic growth at Elis level (+2.7%), impacted on a pro forma basis by the negative performance in the UK
- Group **pro forma EBITDA margin up +125bps** due to benefits from the integration of Berendsen and productivity gains in Elis countries
- **EBITDA Margin up +170bps on a reported basis**

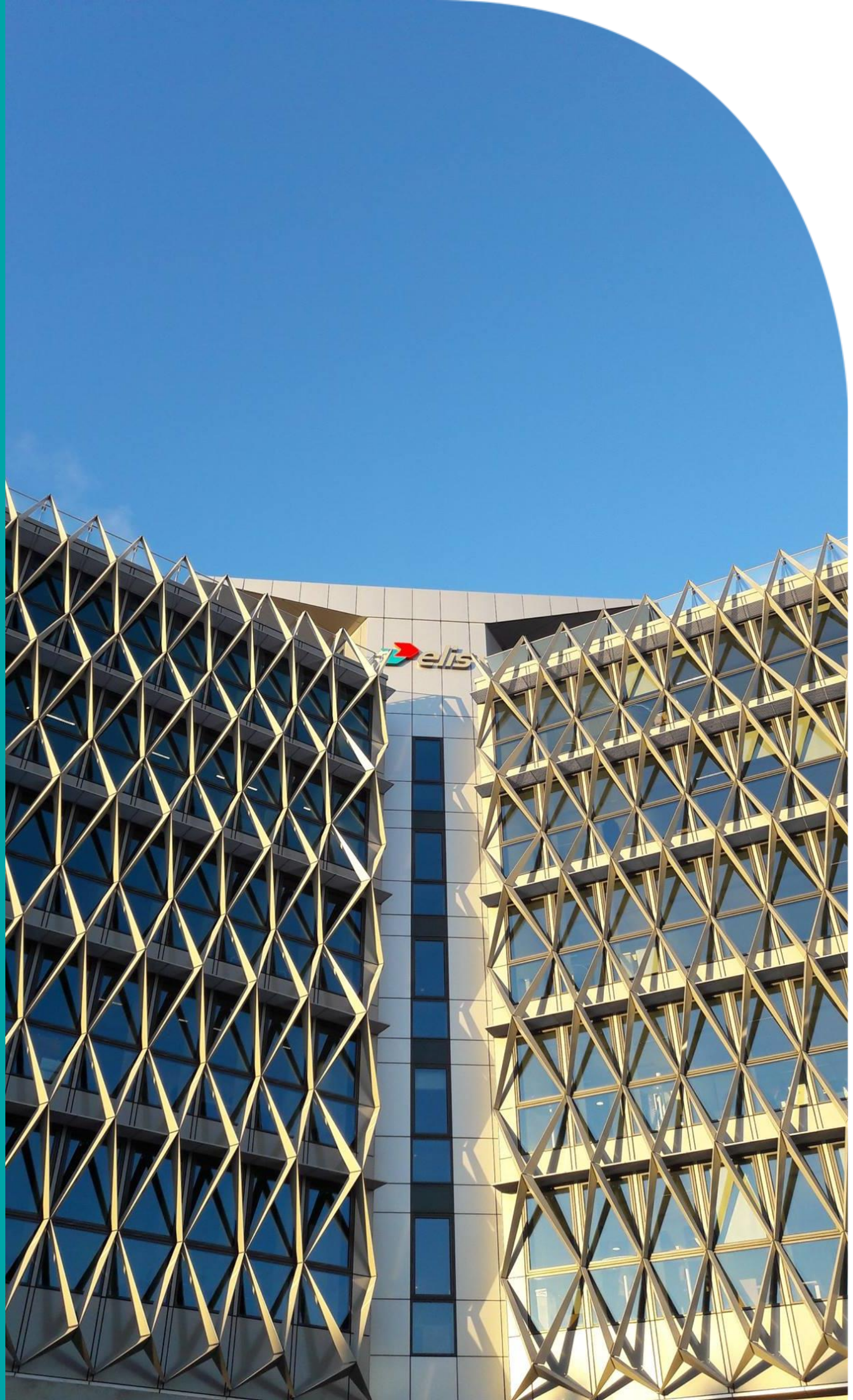
**Organic growth: +2.7% / Pro forma: +2.1%***
**EBITDA margin: 30.6% of revenues (+125bps*)**

** vs H1 2017 pro forma for the integration of Berendsen*

# Higher free cash-flow generation and controlled capex

| (In €mn) | H1 2018 | H1 2017 pro forma | Change |
|---|---|---|---|
| **Gross cash-flow** | **467.4** | **420.7** | **+46.7** |
| Change in operating working capital | (46.1) | (44.2) | |
| Capex (net) | (295.8) | (334.8) | |
| Cost of net indebtedness | (33.1) | (37.5) | |
| Income tax paid | (26.1) | (51.5) | |
| **Headline free cash-flow** | **66.3** | **(47.4)** | **+113.7** |
| Dividend paid | (81.0) | (96.8) | |
| Acquisitions of subsidiaries and transaction costs (net) | (86.8) | (396.4) | |
| Equity increase | 9.4 | 313.4 | |
| Other items | (36.7) | (36.2) | |
| **Change in net debt** | **(128.8)** | **(263.4)** | **+134.6** |

- Strong increase in Headline free cash-flow to **€66.3mn in H1 2018**
- Stable working capital requirement
- Capex under control: FY 2018 guidance of capex to sales of c. 20% confirmed
- Acquisitions of subsidiaries and transaction costs include some earn-outs regarding previous acquisitions (c. €26mn)
- Other items mainly include restructuring costs (c. €22mn) and refinancing costs (c. €9mn)




# Financial Results

*Analysis in reported figures*

Louis Guyot - CFO

# Headline net result up nearly 100%

| (In €mn) | H1 2018* | H1 2017 reported | % change |
|---|---|---|---|
| **Revenue** | **1,533.9** | **845.8** | **+81.4%** |
| **EBITDA** | **469.1** | **244.1** | **+92.2%** |
| As a % of revenue | 30.6% | 28.9% | +170bps |
| **EBIT** | **192.9** | **102.3** | **+88.5%** |
| As a % of revenue | 12.6% | 12.1% | +50bps |
| **Current operating income** | **182.5** | **96.5** | **+89.1%** |
| Amortization of customer relationships | (30.9) | (24.3) | |
| Non current operating income and expenses | (41.6) | (11.0) | |
| **Operating income** | **110.0** | **61.2** | **+79.8%** |
| Financial result | (58.2) | (26.9) | |
| Tax | (23.4) | (15.2) | |
| **Net result continuing operations** | **28.4** | **19.1** | **+48.4%** |
| **Consolidated net result** | **27.5** | **19.1** | **+43.7%** |
| **Headline net result** | **97.0** | **49.2** | **+97.3%** |

** Continuing activities*

- Revenue, EBITDA, EBIT and Current operating income mainly driven by Berendsen and Lavebras consolidation
- Non current operating charges mainly related to (i) Berendsen restructuring costs (c. €12mn), (ii) other restructuring costs (c. €4mn) and (iii) the non-accrued portion of earn-outs regarding previous acquisitions (c. €21mn)

# Headline net result calculation

| (In €mn) | H1 2018 | H1 2017 reported | % change |
|---|---|---|---|
| **Net result continuing operations** | **28.4** | **19.1** | **+48.4%** |
| Amortization of customer relationships* | 21.1 | 16.8 | |
| IFRS 2 expense* | 8.4 | 4.7 | |
| Accelerated amortization of bridge loan costs* | 2.6 | - | |
| Non current operating income and expenses* | 36.5 | 8.5 | |
| *o/w Berendsen restructuring costs** | *8.6* | *-* | |
| *o/w other restructuring costs** | *3.3* | *3.8* | |
| *o/w transaction costs** | *22.5* | *2.3* | |
| *o/w other** | *2.1* | *2.4* | |
| **Headline net result** | **97.0** | **49.2** | **+97.3%** |

** Net of tax effect*

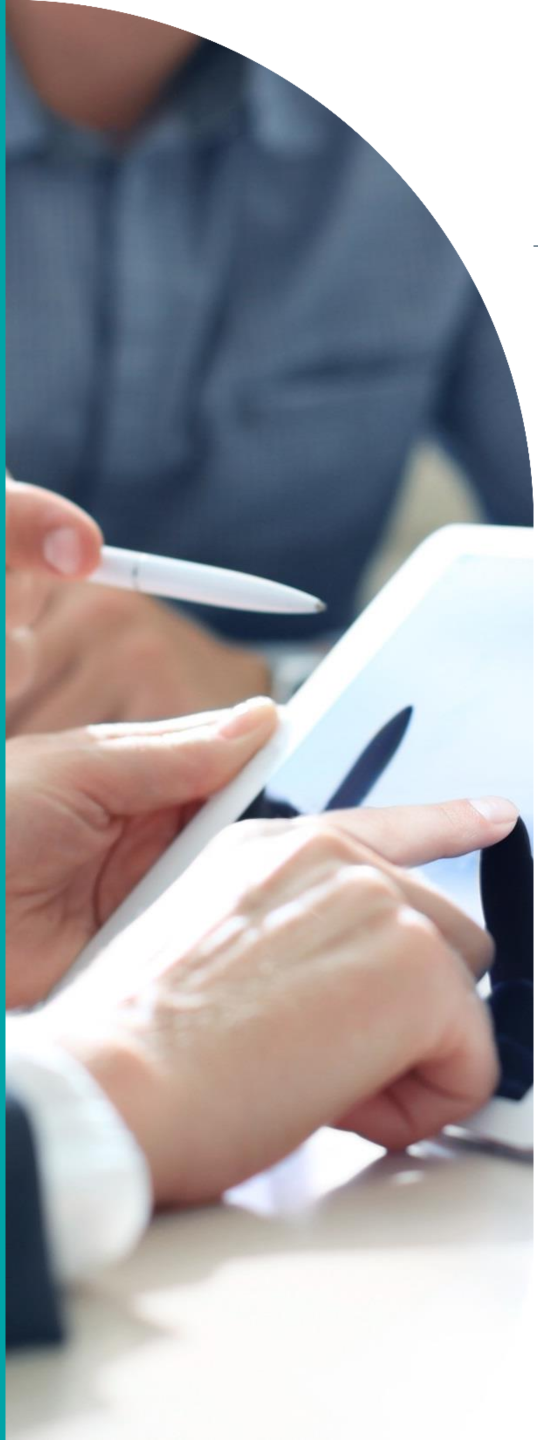
- Transaction costs are mainly made up of the non-accrued portion of earn-outs regarding previous acquisitions (c. €21mn)

# Financial charges H1 2018 (cash & non-cash)

| (In €mn) | P&L |
|---|---|
| **Debt interests (cash)** | **(30.9)** |
| Accrued interests | (8.4) |
| Notional interests (OCEANE) | (4.3) |
| Amortization of issuing costs | (6.3) |
| Accelerated amortization of bridge issuing costs | (4.0) |
| Other & change in fair value of derivatives | (4.3) |
| **P&L charge** | **(58.2)** |

| (In €mn) | Cash-flow |
|---|---|
| **Debt interests (cash)** | **(30.9)** |
| Other fees | (1.2) |
| Foreign exchange impact | (1.0) |
| **Total current portion** | **(33.1)** |
| Issuing fees (EMTN) | (8.6) |
| **Total non-current portion** | **(8.6)** |
| **Cash outflow** | **(41.7)** |

- Average cost of debt slightly above 2%

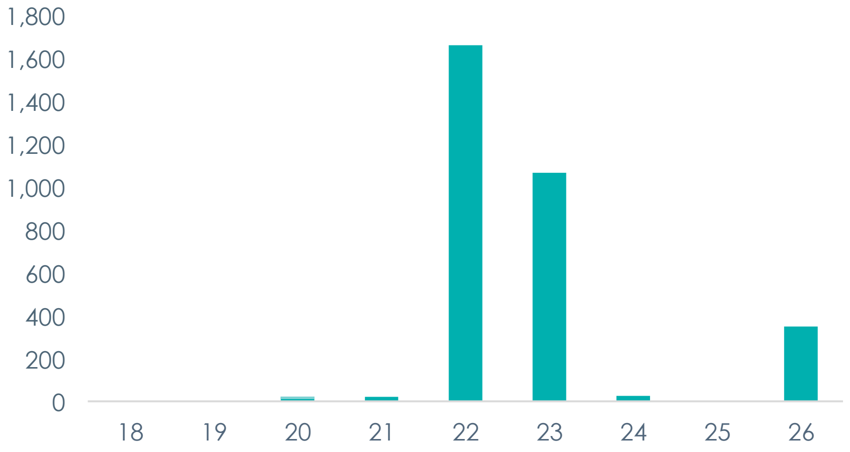


# Refinancing of Berendsen acquisition's bridge loan now finalized with extended maturities

## FINANCING

| | |
|---|---|
| **PUBLIC BOND: €800mn** | Coupon: 3%<br>Maturity 2022 |
| **BOND: €650mn** | Coupon: 1.875%<br>Maturity 2023 |
| **BOND: €350mn** | Coupon: 2.875%<br>Maturity 2026 |
| **CONVERTIBLE BOND: €351mn** | Coupon: 0%<br>Maturity 2023 |
| **COMMERCIAL PAPERS: €392mn** | N/A |
| **SCHULDSCHEIN: €75mn** | Maturity 2020 - 2024 |
| **TERM LOAN: €920mn** | Maturity 2022 (€850mn)<br>Maturity 2023 (€70mn) |
| **REVOLVING: €80mn** | Maturity 2022 |
| **OTHER: €215mn** | N/A |

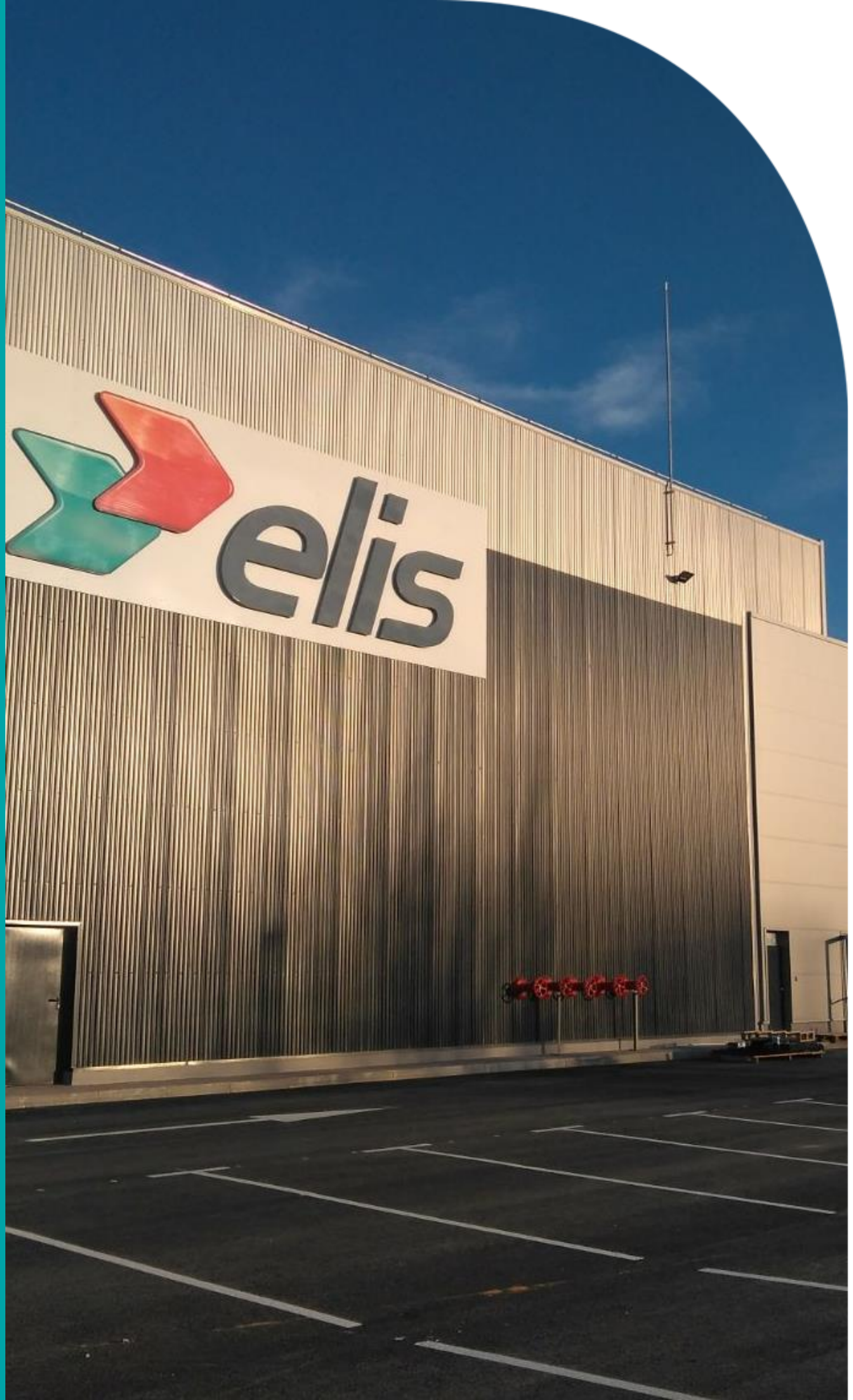
## MATURITY




- Adjusted net debt to EBITDA ratio of 3.4x as of 30 June 2018
- Ratio is expected to be between 3.1x and 3.2x as of 31 December 2018
- 81% of the debt is either fixed or hedged
- The remaining 19% is EURIBOR-indexed with EURIBOR floored at 0%

# Key financial takeaways

1. Good topline momentum, strong Latam and Scandinavia, UK is recovering
2. EBITDA margin up in all geographies on the back of productivity improvements and synergies from Berendsen, Indusal and Lavebras acquisitions
3. Doubling of headline net result and strong cash-flow generation
4. Berendsen bridge loan fully refinanced
New debt structure: Long-term maturities and average cost slightly above 2%




# Business update & Outlook

Xavier Martiré - CEO


# Integration well on track in the UK

## Organization & HR

- Identification and retention of key Berendsen managers
- Implementation of a new organization with 4 regional directors
- Roll-out of the decentralized Elis organization, giving more responsibilities to plant directors

## Sales/clients

- Include small clients in the commercial strategy
- Implementation of more disciplined client management with strong focus on client retention
- Strong discipline on pricing
- Implementation of the multi-services model in some plants

## Operations

- Deep-dive work of the Methods team to audit industrial processes
- Implementation of a roadmap for improvement
- Volume redistribution between plants
- Route optimization
- Roll-out of the Capex plan
- Labor productivity and plant processes improvement
- Cost renegotiations
- Addition of some production lines in certain plants

- Done / On-going / Later stage

# Elis in the UK: Key achievements

## Organization & HR

- Good cultural fit between the teams: Stability of the new UK Management team since Elis implemented the new organization in November

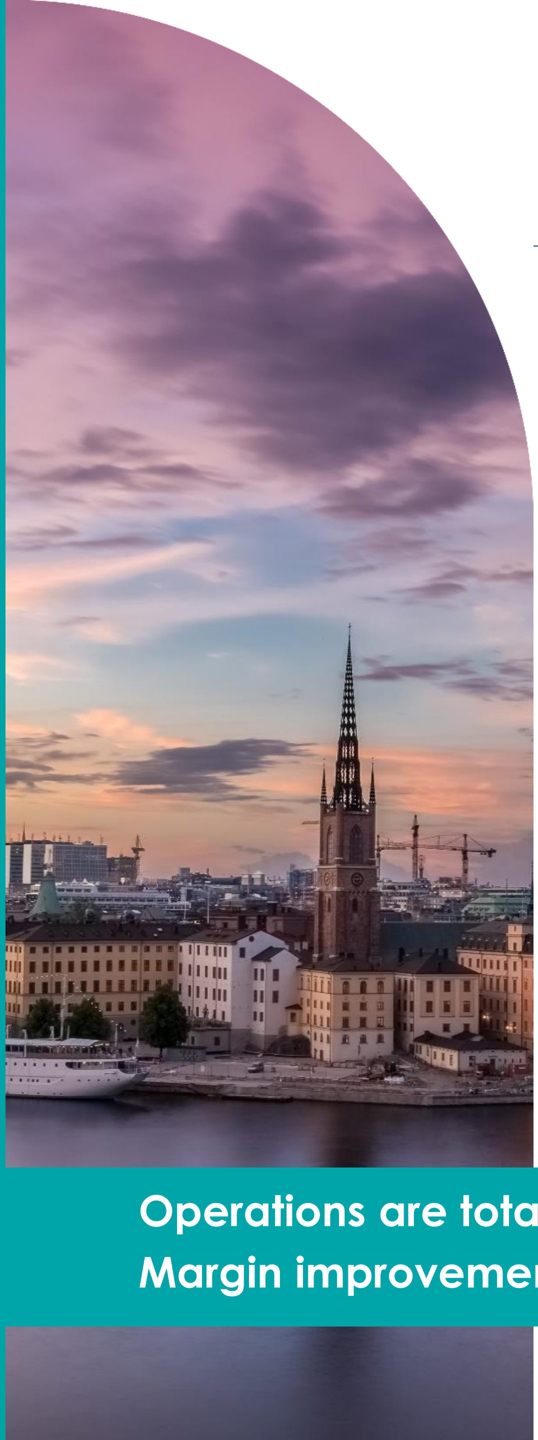
## Sales/clients

- Market share gain in Hospitality and strong retention: No contract loss since Elis takeover
- Improved quality of service, especially in Hospitality
- Material contract win with a major catering player

## Operations

- 2 sites shut down (3 more to be shut down in H2)
- Out of the 11 plants identified as poor performers when Elis took control, 7 are already back on track
- Strong productivity improvement in Workwear and Flat Linen
- 14 plants (out of 41 total) posted a double-digit productivity increase in H1

**UK integration going well and slightly ahead of plans**
**Satisfactory underlying market despite strong cost inflation and Brexit uncertainties**



# Scandinavia: Strong operational experience combined with overhead cost savings

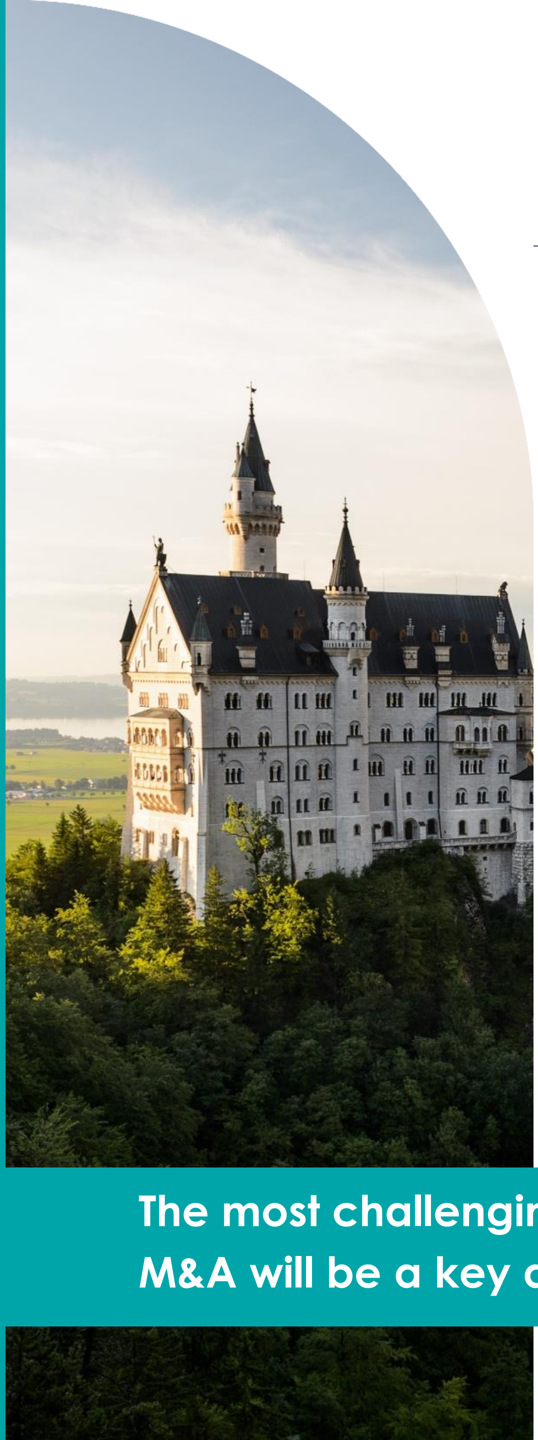
## New organization is now fully in place

- Management and operational teams are now settled in all countries in the region
- Overhead cost reduction driving margin improvement
- Elis' reporting tools have been implemented and are fully operational

## Focus is now on commercial initiatives around the multi-services model

- Distribution efficiency gains
- Multi-services is currently tested in the Netherlands and will be in Norway in Q3
- Cross-selling initiatives started in Q2 with promising results in Denmark
- Rebranding process well underway

**Operations are totally under control**
**Margin improvement on the back of cost rationalization**



# Germany: New organization fully in place but market remains challenging

## Organization largely in place with more improvements to come

- New regional organization with 4 regional directors
- In-depth logistics mapping ➔ volumes to be reallocated in H2
- Commercial dynamism strengthened for Workwear and Clean rooms
- Roll-out of Elis IT system throughout the country
- New marketing department and rebranding for 10 legal entities

## The largest European market (€4.2bn) remains challenging

- Hospitality: Very fragmented market with low price level – no improvement seen so far
- Pricing upside potential in Healthcare as market consolidation is initiated
- Employment market is difficult for poorly-qualified workers, leading to pressure on wages
- Difficulties finding high-caliber managers for the plants with the most complex processes
- Market share still too low (c. 8%): Top 9 players represent only half of the total outsourced market

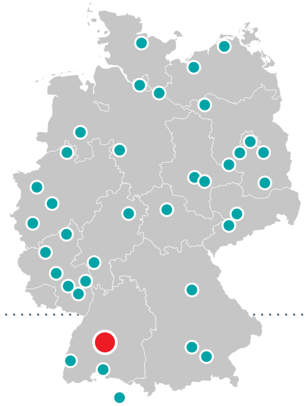
**The most challenging Berendsen geography given market structure**
**M&A will be a key driver to improve pricing power and margin in Germany**

# In H1 2018, Elis pursued its targeted acquisition strategy

## March 2018

BW TEXTILSERVICE

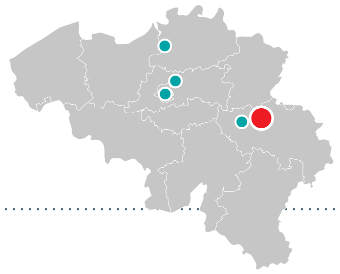
- 2017 revenue: €24mn
- Closing date: 23 March 2018
- Family business
- 1 laundry near Stuttgart
- Dedicated to Healthcare
- 7,000 sqm



## April 2018

A&M Location de linge

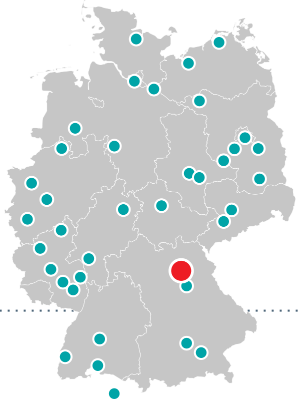
- 2017 revenue: €8mn
- Closing date: 24 April 2018
- Family business
- 1 laundry near Liège
- Dedicated to Hospitality
- Remarkable productivity
- Capacity: 160 tons/week (1 shift)



## June 2018

WÄSCHEREI WAIZ
TEXTILE VOLLVERSORGUNG FÜR KLINIKEN & SENIORENHEIME

- Revenue 2017: €10mn
- Closing date: 6 June 2018
- Dedicated to Healthcare
- 4,000 sqm
- Capacity:
  Flat linen: 50 tons
  Workwear: 40,000 units



# Our target: Raise all the countries up to the level of the Group's top performers

| EBITDA margin below 25% | Revenue (in €mn) |
|---|---|
| UK | 420 |
| Italy | 30 |
| Chile | 20 |
| Baltics & Russia | 10 |
| Colombia | 10 |

| EBITDA margin 25%-30% | Revenue (in €mn) |
|---|---|
| Germany / Austria | 340 |
| Brazil | 230 |
| Spain | 180 |
| Switzerland | 110 |
| Ireland | 50 |
| Belux | 30 |

| EBITDA margin 30%-35% | Revenue (in €mn) |
|---|---|
| Norway | 60 |
| Portugal | 50 |

| EBITDA margin >35% | Revenue (in €mn) |
|---|---|
| France | 1,010 |
| Sweden / Finland | 220 |
| Denmark | 190 |
| The Netherlands | 120 |
| Poland | 40 |
| Czech Republic / Slovakia / Hungary | 10 |

*Note:*
*Elis: 2017 revenue actual figures (rounded) - Colombia and Brazil are pro forma for the full-year impact of the 2017 acquisitions*
*Berendsen: Full-year 2017 proforma revenue figures*

**Market share gains, transfer of best-practices and footprint enhancement will contribute to margin improvement**

# Conclusion

1. Very good operational and financial performance across the board in the first-half

2. Berendsen integration is progressing well with all 2018 synergies, including those to be achieved in Q2, already secured

3. Group continues to focus on market share gains through organic growth and M&A

# 2018 outlook confirmed

1. Group organic growth between 2.5% and 3.0%
2. EBITDA margin of c. 31.5%, with all geographies up
3. Capex to sales of c. 20%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