JOHNS LYNG GROUP LIMITED (ASX: JLG)

ASX & Media Release

25 February 2020

Johns Lyng Group Limited reports 78% increase in first half earnings

Johns Lyng Group Limited (ASX:**JLG**) is pleased to report another period of robust earnings growth, with Group EBITDA for the first half of the 2020 Financial Year (1H20) up 77.7% on the previous corresponding period (1H19).

This result is primarily driven by a consistently high volume of business-as-usual (BAU) activity in the Group's Insurance Building and Restoration Services (IB&RS) segment, which recorded a 41.5% increase in sales revenue on 1H19.

Additionally, workflows from Catastrophic (CAT) events - mainly the Sydney hailstorms in December 2018 and the Townsville floods in early 2019 – were a major contributor to this result, with CAT sales revenue up by 154.4% on 1H19.

This strong first half result is the primary driver of the 11% forecast EBITDA upgrade for the full FY20 announced in January.

The Group also completed several significant acquisitions in the period, which are expected to be earnings accretive for the full FY20.

2020 Financial Year - first half result highlights

- **Total Sales Revenue: $233.7m** (53.1% increase vs. 1H19)
  - BaU Sales Revenue: $195.5m (42.1% increase vs. 1H19)
  - CAT Sales Revenue: $38.2m (154.4% increase vs. 1H19)
- Group Statutory EBITDA[1]: $19.6m (24.8% increase vs. 1H19)
- **Group Normalised EBITDA[2]: $20.0m** (77.7% increase vs. 1H19)
  - BaU EBITDA[2]: $16.0m (62.4% increase vs. 1H19)
  - CAT EBITDA: $3.9m (189.3% increase vs. 1H19)
- NPAT attributable to the owners of JLG: $7.9m (1.2% increase vs. 1H19)
  - Equates to a 60% increase vs. 1H19 excluding $2.9m non-recurring gain on sale of businesses in 1H19 ($4.6m less 10% NCI tax-effected at 30%)
- Net Assets: $53.8m (21.3% vs. 30 June 2019)

[1] *EBITDA is defined as earnings before interest, tax, depreciation and amortisation.*

[2] *Normalised EBITDA excludes transaction costs and gain on sale from divested businesses (CHR & Sankey).*

Chief Executive Officer Scott Didier AM said that the first half result again demonstrated that BAU activity, and Johns Lyng's core businesses, remained the backbone of the Group.

"This first half result is outstanding and a real credit to our teams who have continued to deliver above and beyond" Mr Didier said.

"Recording 42% growth in BAU activity is again particularly pleasing. This is what the long-term success of the Group has been based on and is the basis on which we have consistently asked the market to value us".

"We've recorded increasingly high job volumes which have built momentum that has carried into the second half, and we expect this to again be a big driver of full year performance".

"Non-forecast CAT events have driven an additional bonus to this BAU activity, and work volumes from disasters in Townsville and Sydney last year were significant contributors in the first half of FY20".

"We have built an unrivalled capacity to respond and assist in driving recovery efforts when these events hit. The work that has gone into building that scale is validated with results like this".

"While weather and accidents are unpredictable, it's certainly no fluke that we achieve results like this. We have worked very hard to establish a national footprint and build strong and sustainable relationships with key clients nationwide. This is an unrivalled offering that creates a platform for these results".

"The events serve as a reminder not only of our capacity to respond, but equally the fact that our performance is not tied to regular economic cycles. Rather, we are linked to the vagaries of the environment".

"We are currently in the midst of responding to six different non-forecast CAT events, including the tragic bushfires experienced this summer, and several recent storms in both NSW and Victoria".

"These have led to an unprecedented record number of registrations and job volumes and we expect these to be reflected in performance in the second half of FY20 and into FY21".

"Our focus remains on assisting impacted people and their communities get back on their feet as soon as possible".

Bright and Duggan acquisition and strata market growth

Mr Didier added that the Group's growth strategy also made positive progress in the first half.

"I'm on record saying that the acquisition of Bright & Duggan is a 'game changer' for the Group and I will always stand by that," Mr Didier said.

"We see five cross sell opportunities in each strata title which is significant in terms of organic growth for Johns Lyng's core capabilities. Bright & Duggan manages more than 58,000 lots, and with the addition of Capitol Strata's 16,000 lots (acquired in February 2020) our opportunity is significant".

“We knew that strata market consolidation opportunities would arise and we have already taken advantage through the acquisition of Capitol Strata”.

“The acquisitions have begun to contribute to Group performance and we expect their impact to grow into the second half and beyond”.

Steamatic Inc. United States

Expansion in the United States through the Steamatic brand also progressed well in the first half, Mr Didier added.

“During the period we completed another acquisition in the United States, that of the Steamatic franchise in Nashville, Tennessee,” Mr Didier said.

“We had this kind of opportunity in mind when we acquired the Steamatic brand in FY19, identifying that some existing franchisees would exit”.

“Our team on the ground in Texas has been very busy in building relationships with the local insurance market and acquiring the Nashville operation is a pleasing step for us in the US market.”

Interim Dividend

The Board of JLG is pleased to announce an interim dividend of 1.8 cents per share (fully franked), with a record date of entitlement of 2 March to be paid on 17 March, representing 51% of NPAT.

This is in-line with JLG’s previous guidance and Dividend Policy (40%-60% of NPAT).

Appointment of Peter Dixon as Independent Non-executive Director

Mr Peter Dixon was appointed as an Independent Non-executive Director of the Company, effective Tuesday 25 February 2020.

Peter brings more than two decades of legal, investment banking, funds management and corporate strategy experience to the Johns Lyng Group Board.

Peter has worked at a number of listed financial services firms including Macquarie Group Limited (ASX:MQG) and Moelis Australia Limited (ASX:MOE) and has almost a decade of private legal practice experience in Australia and the United Kingdom.

FY20 Outlook

The Board of JLG is pleased to advise it continues to trade above forecast based on key financial metrics year-to-date FY20.

Sales and EBITDA forecasts for FY20 were upgraded in the order of 5% and 11% respectively in January 2020:

- **Sales Revenue: $420m** (25.3% increase vs. FY19)
- **EBITDA[1]: $35.6m** (53.3% increase vs. FY19)

[1] EBITDA is defined as earnings before interest, tax, depreciation and amortisation excluding transaction costs presented under AASB 16 (Leases) – refer to 1H20 Results Presentation for detailed reconciliations to the statutory accounts and previously announced earnings guidance under (superseded) AASB 117 (Leases).

This forecast includes consistently high work volumes in BAU activity, claims from the 2018 Sydney hailstorm CAT event and the 2019 Townsville floods CAT. Unprecedented numbers of jobs registrations are also flowing from recent disasters over the summer.

The Group has recorded a high volume of job registrations following the recent bushfires and hailstorm events in SE QLD, ACT, VIC and NSW, however at this point it is too early to quantify the likely financial impact.

Financial Reconciliation to Statutory Results

Reconciliation to Statutory Results	1H19	1H20
Sales Revenue		
BaU	137.6	195.5
CAT	15.0	38.2
Sales Revenue - Statutory	**152.6**	**233.7**
EBITDA		
BaU	9.9	16.0
CAT	1.4	3.9
EBITDA - Normalised	**11.2**	**20.0**
Other Transaction Costs	(0.1)	(0.4)
Gain on Disposal	4.6	-
EBITDA - Statutory	**15.7**	**19.6**

This announcement was authorised by the Board of Directors.

ENDS

For further information, contact:

Investors & Media:	Company:
James Aanensen	Todd Richards
PRX	Company Secretary
t) 0410 518 590	t) 03 9492 9206
e) jaanensen@prx.com.au	e) todd.richards@boardroomlimited.com.au

About Johns Lyng Group Limited

Johns Lyng Group Limited (JLG) is an integrated building services group delivering building and restoration services across Australia. 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 a national business with over 800 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.