Press release

Elis announces two strategic acquisitions in Spain and Brazil

With Indusal in Spain and Lavebras in Brazil, Elis continues the implementation of its strategy in two key markets and increases the share of international business to over 40% of its revenues

- **Two countries with high potential**
  - Elis will become the sector leader in Spain and consolidate its leading position in Brazil,[1] with a market share above 25% in both countries
  - Fragmented markets with low outsourcing ratios
  - Excellent growth track-record for Elis in these markets (both in terms of revenues and margin)
- **Total investment for these acquisitions amounts to around €510m**
  - Indusal: investment of €170m, corresponding to a multiple of 5x 2016e EBITDA post-synergies
  - Lavebras: investment of R$1,230m (c.€340m[2]), corresponding to a multiple of 8x 2016e EBIT post-synergies[3]
- **Optimized financing and capital increase**
  - €550m bridge financing
  - €325m capital increase with preferential subscription rights, with support from Eurazeo and Crédit Agricole Assurances
  - €1,150m senior loan refinancing (from €850m today), with a maturity extended to 2022 and an improvement of margin grid by c.50bps
- **Significant value creating operations**
  - Between €25m and €30m of synergies by 2019, excluding tax credit[4]
  - 30% target EBITDA margin by 2019 in both countries[5]
  - c.7% accretive impact on adjusted EPS expected in FY2017[6]

Saint-Cloud, December 21, 2016 – Elis, the leading multi-services group in Europe and Latin America, specializing in the rental and maintenance of professional clothing, textile articles, hygiene and wellbeing appliances, announces the strengthening of its positions in two of its key geographies with the completion of the acquisition of Compañia Navarra de Servicios Integrales SL (“Indusal”) in Spain and a memorandum of understanding for the acquisition of Lavebras Gestão de Têxteis S.A. (“Lavebras”) in Brazil.

Commenting on this announcement, **Xavier Martiré, Elis’s CEO**, said:

“The acquisitions of Indusal in Spain and Lavebras in Brazil are a decisive step in Elis’s international expansion in Spain and Brazil, two countries that have been the main drivers of the Group’s organic growth for the past 2 years.

---

[1] Following execution of the definitive agreements, completion of the acquisition of Lavebras will remain subject to Brazilian antitrust clearance.
[2] Reference exchange rate of 3.6 reals for 1.0 euro
[3] Based on deducting the present value of expected tax goodwill amortization from the enterprise value of BRL1,300m
[4] For more information on synergies, see “Value Creation” below
[5] The Group’s EBITDA margin ratio in 2015 was 31.5%
[6] The adjusted EPS for the FY2015 was 0.67 euro

In Spain, Elis will become the leader in a market experiencing strong growth and the Group will thus have access to an extended network covering the whole country. In Brazil, Elis will consolidate its leading position on a priority market, thanks to its potential for both revenue growth and margin improvement.
With the acquisition of these two major players in markets that are key for its international expansion, Elis secures two significant levers for value creation and strengthens the Group's organic growth profile and potential earnings improvement, while at the same time delivering to its shareholders transactions that will have an accretive impact on earnings per share as early as 2017. By indicating their intention to subscribe to the capital increase pro rata their stakes, Eurazeo and Crédit Agricole Assurances, our two main shareholders, have again demonstrated their confidence in the Group's strategy."

Transactions' rationale

- Elis will become the sector leader in Spain and consolidate its leading position in Brazil
- Strengthening of the Group's growth profile in two strategic markets
  - Strong growth track-record of Elis in these markets
    - Double digit organic growth for Elis in Spain since 2014 (notably +14% over the first nine months of 2016)
    - Double digit organic growth for Elis in Brazil since 2015, despite challenging macroeconomic conditions (notably +14% over the first nine months of 2016)
  - Two markets with high growth potential
    - Organic growth as local outsourcing is still limited
      - Spanish market size estimated at only 600 million euros (as of 2014) compared to 2.0 billion euros for France[7]
      - Brazilian market size estimated at only 900 million euros[7] (as of 2014)
    - External growth with additional bolt-on opportunities
- Margin improvement:
  - Margins progressing although currently below Group average
  - Network densification will lead to significant productivity gains

Presentation of the acquisitions

Indusal (Spain)

A family-owned business founded in 1981, Indusal is the #2 sector player in Spain (just ahead of Elis). Indusal is a player in the linen rental and laundering sector, well-positioned in the hospitality, healthcare and industry segments. Indusal operates 24 plants and has around 1,450 employees[8].
Indusal's revenues are expected to reach c.90 million euros in 2016, with an EBITDA margin of c.27%.
This acquisition will enable Elis to double its revenues in Spain and become the leading player, with a market share above 25% on a buoyant market with a fragmented competitive landscape.

Lavebras (Brazil)

Lavebras, #2 on the Brazilian market behind Elis, is present in 17 states in Brazil and has around 4,000 employees[9] in 76 plants. A family-owned company established in 1997, Lavebras owns the densest industrial laundry complex in Brazil. The Lavebras Group operates in the healthcare, industry (agribusiness notably) and hospitality segments.
In 2016, Lavebras's revenues are expected to exceed 370 million reals (103 million euros) with an EBITDA margin above 30% and an EBIT margin of c.19%. Lavebras's activity has grown substantially both organically and through external growth with 12 acquisitions completed since 2015.
Non-rented linen ("laundered linen") accounts for half of Lavebras's revenues (vs. less than 10% for Elis at group level), which is specific to the Brazilian market. The requirement of capital expenditure on "laundered linen" activities is lower[10] than for rented linen activities and thus accounts for Lavebras's lower capital intensity compared to the Group.
With Lavebras, Elis will consolidate its position as the leading player in Brazil, with a market share above 25%.

[7] Source: KPMG, August 2014
[8] As of June 30, 2016
[9] As of July 2016
[10] Level of capital expenditure on "laundered linen" activities around 13% of Lavebras revenues vs. c.18% for Elis at group level

Invested amount

Total investment for these acquisitions amounts to around 510 million euros:

- 170 million euros for the acquisition of 100% of **Indusal**'s capital, corresponding to a multiple of 7x 2016e EBITDA pre-synergies and 5x 2016e EBITDA post-synergies.
- 1,230 million reals (c.340[11] million euros) for the acquisition of 100% of **Lavebras** net of the amount reinvested by DNA Capital in the new combined Brazilian entity (70 million reals, around 20 million euros). DNA Capital, Lavebras's historical shareholder and the investment vehicle for the Bueno family (with investments in healthcare companies such as DASA and Amil) thus demonstrates its confidence in the new structure. This amount values Lavebras at an implied multiple of 18x 2016e EBIT pre-synergies and 8x 2016e EBIT post-synergies[12].

Financing of the acquisitions

- The financing for these acquisitions has been secured through a 550 million euro bridge loan signed in early November 2016 with a syndicate of international banks.
- The refinancing of this bridge loan will combine:
  - **A capital increase with preferential subscription rights** in an amount of c.325 million euros with a view to restoring Elis's leverage ratio to around 3.0x EBITDA post transactions. Eurazeo and Crédit Agricole Assurances, the two major shareholders, with stakes of 16.9%[13] and 10% respectively, have indicated that they intend to fully take-up their rights, i.e. a combined amount of around 87 million euros. The rights issue is expected to occur during the first half of 2017, subject to favourable market conditions.
  - **A new syndicated loan** in a principal amount of 1,150 million euros to refinance Elis's current senior loan along with the outstanding amount due on the bridge loan: Elis has received commitments from a pool of 15 leading international banks to refinance Elis's senior loan, with an extension of the maturity (January 2022 vs. February 2020 for the existing senior loan), an increased principal amount (1,150 million euros vs. 850 million euros for the existing senior loan) and a margin grid improvement of c.50 basis points. Final documentation for this new syndicated loan is expected be signed in January 2017.

Value creation

Both transactions are expected to generate significant synergies that will lead to improved operating margins:

- Estimated synergies per year to fully materialise by 2019:
  - c.10 million euros in Spain, of which 90% are cost synergies (derived from centralized purchasing of linen and consumables and industrial optimization, among others) and 10% are topline synergies.
  - c.60 million reals (17 million euros) in Brazil, of which 67% are cost synergies (centralized purchasing of linen and consumables, industrial optimization) and 33% are topline synergies (derived from revenue efficiency improvement, among others).
  - In addition, in Brazil, tax credit of c.300 million reals (c.83 million euros), representing tax goodwill expected to be amortized over 5 years.
- 30% target EBITDA margin by 2019 in both countries.[14]

Two strategic acquisitions with an accretive impact on adjusted earnings per share as early as 2017

The acquisitions of Indusal and Lavebras improve substantially the Group's growth and earnings profile, boosted by (i) the organic growth contribution resulting from the two acquisitions, (ii) the expected synergies with the Group and (iii) the margin improvement dynamics following the increased size of the Group in these two geographies. Following these transactions, the share of international business in the Group's total revenues is expected be over 40%[15] (from 25% in 2014).
These two transactions will have an accretive impact on adjusted earnings per share post refinancing of around 7% in FY2017.[16]

---

[11] Reference exchange rate of 3.6 reals for 1.0 euro
[12] Based on deducting the present value of expected tax goodwill amortization from the enterprise value of BRL1,300m.
[13] Of which 16.1% held via Legendre Holding 27, a company controlled by Eurazeo
[14] The Group's EBITDA margin ratio in 2015 was 31.5%
[15] Calculated based on the Group's, Indusal's and Lavebras's estimated consolidated revenues for 2016
[16] The adjusted EPS for the FY2015 was 0.67 euro

Completion of the acquisitions

The acquisition of Indusal closed on the signing date of the agreement.

Pursuant to the memorandum of understanding entered into by Elis, the definitive agreements for the acquisition of Lavebras will be executed in early January. The completion of the acquisition of Lavebras remains subject to the approval of the Brazilian competition authority. This acquisition is expected to close during the first half of 2017.

Contact

Nicolas Buron, Investor Relations Director - Phone: +33 1 75 49 93 93 - nicolas.buron@elis.com

Investor and analyst conference call

Speakers:
Xavier Martiré, CEO
Louis Guyot, CFO

Date:
Thursday, December 22, 2016
09:15 am Paris time – 08:15 am London time

Webcast link (live and replay):
http://edge.media-server.com/m/p/d2i7o9de
Webcast replay will be available for 1 year following the event.

Dial-in numbers:
France: +33 1 76 77 22 20
France (toll-free): 0805 631 580
United Kingdom: +44 203 427 1902
United Kingdom (toll-free): 0800 279 5004
Code: 2873371

Replay numbers:
France: +33 1 74 20 28 00
United Kingdom: +44 203 427 0598
Code for replay: 2873371
The audio replay will be available for one week following the event.

Financial definitions

- 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" 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 is a performance measure presented in the Group's consolidated financial statements.
- EBITDA margin is defined as EBITDA divided by revenues.
- EBIT is defined as net income (loss) before net financial expense, income tax, share in income of equity-accounted companies, amortization of customer relationships, goodwill impairment, other income and expense and miscellaneous financial items (bank fees recognized in operating income).
- Adjusted earnings per share (EPS) for the FY2015 means earnings attributable to shareholders of the parent company, adjusted for impairment charge, PPA depreciation and IPO and refinancing expenses (net of tax)and divided by the weighted average number of ordinary shares. Adjusted earnings per share (EPS) for the FY2017 means earnings attributable to shareholders of the parent company, adjusted for exceptional items and divided by the number of ordinary shares outstanding post completion of the rights issue. The adjusted earnings per share for the FY2017 are calculated based on the integration of Lavebras and Indusal as of January 1, 2017 and expected synergies for 2017.

Disclaimer

Elis draws the public's attention to the risk factors described in Chapter 2 of the registration document of Elis S.A. ("Elis"), registered with the Autorité des marchés financiers ("AMF") under n° R.16-019 on 13 April 2016 (the "Registration Document"), which is available from the AMF's website at www.amf-france.org and from Elis's website at www.corporate-elis.com, which should be carefully considered before making any investment decision. The materialization of all or any of these risks may have an adverse effect on the Group's operations, financial conditions, results or objectives, or the market price of Elis shares.

Neither this press release, nor any information it contains or other information related to these transactions or to Elis, may be transmitted to the public in a country in which any approval or registration is required. No steps to such end have been taken or will be taken by Elis in any country in which such steps would be required (other than France).

This press release does not constitute an offer or a solicitation to sell or subscribe requiring a prospectus within the meaning of Directive 2003/71/CE of the European Parliament and Council dated 4 November 2003, as amended, in particular by Directive 2010/73/UE in the case where such directive was implemented into law in the member States of the European Economic Area (together, the "Prospectus Directive").

Any public offering of Elis securities may be made only in France and only pursuant to a prospectus having received the visa of the AMF.
With respect to the member States of the European Economic Area other than France (the "Member States") having implemented the Prospectus Directive into law, no action has been or will be taken in order to permit a public offer of the securities which would require the publication of a prospectus in one of such Member States. In Member States other than France, this press release and any offer if made subsequently are directed exclusively at persons who are "qualified investors" and acting for their own account within the meaning of the Prospectus Directive and any relevant implementing measures in the relevant Member State.

This press release may not be published, released, transmitted or distributed, directly or indirectly, in the United States of America, Canada, Australia or Japan. Neither this press release nor any information it contains constitutes an offer of securities nor a solicitation for purchase, subscription or sale of securities in any such country.

The release, publication or distribution of this press release in certain jurisdictions may be restricted by laws or regulations. Therefore, persons in such jurisdictions into which this document is released, published or distributed must inform themselves about and comply with such laws or regulations.

This press release and the information it contains are not released and may not be published, released or distributed in or into the United States. This press release does not constitute or form part of an offer of securities or a solicitation for purchase, subscription or sale of securities in the United States. The securities referred herein have not been nor will be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") and may not be offered, subscribed or sold in the United States without registration under the U.S. Securities Act, or pursuant to an exemption from registration. Elis does not intend to undertake any public offering of its securities in the United States.

In the United Kingdom, this press release is directed only at "qualified investors" (as defined in section 86(7) of the Financial Services and Markets Act 2000) who are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Order") or (ii) persons falling within Article 49(2) (a) to (d) of the Order (high net worth entities, non-registered associations, etc.) (all such persons being referred to as "Relevant Persons"). This press release is directed only at Relevant Persons. Any investment or investment activity applies to, and may only be made by, Relevant Persons.

This press release includes certain statements of forecasts and trends that are based on current data, assumptions and expectations that may evolve or be revised due to uncertainty related, among other factors, to known and unknown business risks and the economic, financial, competitive, regulatory and climatic environment in which Elis operates, as well as the Group's ability to integrate Indusal and Lavebras successfully and to achieve related synergies. Elis expressly declines any obligation or undertaking to update or revise any objectives, forecasts or other forward-looking statements made in this press release, except as required by applicable law or regulation. Elis cannot guarantee that any of the objectives described in this press release will be achieved.

This press release includes market and competition data relating to the Group. Some of these data were obtained from external market research. Such publicly available information, which Elis deems reliable, has not been independently verified and Elis cannot guarantee that a third-party using different fact-gathering, analytical or calculation methods to compute market data would obtain the same results.. Unless otherwise stated, information included in this press release relating to market shares and market size in Elis's core markets are based on Elis's management's estimates. All such data and forecasts are included herein for information purposes only.

Historical data related to Indusal and Lavebras included in this press release were furnished by Indusal and Lavebras, respectively, to Elis in connection with the acquisitions described herein. Estimated data related to Indusal and Lavebras are based on information made available to Elis by Indusal and Lavebras, respectively, as adjusted based on current estimates and hypotheses deemed reasonable by Elis's management. All data related to Indusal and Lavebras, as well as estimated financial data related to the Group, have been neither audited nor reviewed by Elis's auditors.