

Very satisfying 2019 annual results

Record organic growth, solid EBITDA margin, significant increase of headline net result and free cash-flow

- **Very good Group financial performance in 2019**
 - Record revenue: €3,281.8mn (+4.7% of which +3.3% organic growth)
 - EBITDA margin at 33.6% of revenue (31.5% excluding IFRS 16 impact, flat vs 2018)
 - Headline net result of €256mn (€260mn excluding IFRS 16 impact, i.e. +16% vs 2018)
 - Free cash-flow of €247mn (€186mn excluding IFRS 16 impact, i.e. +21% vs 2018)
 - Improvement of leverage ratio at 3.2x as of 31 December 2019
- **Operational achievements in all geographies, reflecting the relevance of Elis' strategy**
 - Satisfactory price increases in all countries subject to high inflation of their cost base
 - Very good commercial momentum in France, Southern Europe, Latin America and Scandinavia & Eastern Europe, mainly due to improvement of client retention rate
 - Further operational improvement in the United Kingdom & Ireland: Price increase in Hospitality and improvement of client retention rate in Workwear
 - Productivity gains in most countries, illustrating the Group's ability to roll-out its know-how and control its water and gas consumption
- **Continuation of Elis' M&A strategy and rationalization of its services portfolio**
 - 6 new acquisitions closed in 2019 in Europe and Latin America
 - Sale of Clinical Solutions activity in the United Kingdom, identified as non-core business
- **Well-controlled investments, enhancement of the Group's debt profile and improvement in cash generation**
 - 2019 capex equivalent to 20% of revenue, of which c. 2% related to the third and final tranche of the Berendsen capex plan
 - Further refinancing: Average Group cost of debt is c.1.5%, maturities further extended and better distributed
 - Marked increase of cash generation mainly due to very good cash receipts at year-end
- **2020 outlook**
 - Organic growth of c. +3%
 - EBITDA margin increase of c. +20bps
 - Free cash-flow of c. €320mn
 - As of today, very limited impact from the Covid-19 outbreak on our business
 - A worsening of this sanitary crisis could have an impact on revenue (mainly in Hospitality) which has not been quantified to date, but the characteristics of Elis' business model should limit the impact on margin and cash generation
- **Proposal of a payment of €0.39 per share, increasing by +5% compared to last year**

In millions of euros	2019 Reported	of which IFRS 16	2018 Restated	Change
Revenue	3,281.8	-	3,133.3	+4.7%
EBITDA	1,103.0	70.3	985.6	+11.9%
EBITDA margin	33.6%	+210bps	31.5%	+210bps
EBIT	454.9	3.7	426.4	+6.7%
EBIT margin	13.9%	+10bps	13.6%	+30bps
Net result	141.9	(4.2)	81.8	+73.4%
Headline net result	256.1	(4.2)	224.3	+14.2%
Free cash-flow	247.5	61.4	153.7	+61.0%

Saint Cloud, March 4, 2020 – Elis, an international multiservice provider, offering textile, hygiene and facility services solutions across 28 countries in Europe and Latin America, today announces its 2019 full-year financial results. The accounts have been approved by the Management Board and examined by the Supervisory Board on March 3, 2020. They have been audited and the auditors issued a report without any qualification.

Commenting on the 2019 full-year results, **Xavier Martiré, CEO of Elis**, said:

"In 2019, Elis demonstrated the strength of its model: Revenue reached a record €3.3bn, with organic growth attaining one of the highest-ever levels for the Group at +3.3%. In line with our expectations, our EBITDA margin excluding IFRS 16 remained solid at 31.5% of revenue. Net result and free cash-flow clearly improved.

The year 2019 was marked by high inflation in energy and labor costs, notably in Europe. In this context, Elis demonstrated its ability to pass on cost inflation in its prices, while improving its client retention rate. This key indicator, which measures the quality of our service and our commercial reactivity, improved in most of our regions, especially in France and in the Workwear segment in the United Kingdom.

In 2019, we also continued to open the rental-cleaning activity in many countries, in particular in Brazil and Spain, countries with very high growth potential. This ability to develop our markets, combined with our multiservice strategy, offering additional services to our clients, represent significant drivers for value creation for the Group in the mid-to long-term.

Our model is also virtuous from an environmental standpoint. The circular economy concept encourages maintenance, reuse and recycling, while Elis' know-how and processes made it possible to continue, in 2019, to optimize the consumption of water, energy and detergents, and reduce their environmental impact.

Finally, the third and final part of the capex plan related to Berendsen was completed in 2019, in line with the initially anticipated amount and timeline. The Group also continued its targeted acquisition strategy while improving its leverage ratio. Cash generation, already higher than expected in 2019, should significantly increase this year.

As of today, we expect in 2020 organic revenue growth of c. 3%, an increase of EBITDA margin of c. +20bps and free cash-flow at c. €320mn. After a very good start of the year, we have been observing since last week the first impacts of the outbreak of the Covid-19 epidemic on our activity, with a decrease in orders from Hospitality clients in Paris and in the South East of France. That said, Elis' business model is robust: The nature of our contracts, the diversification of our client portfolio and the variety of our services make the Group very resilient in times of crisis. In case of a major activity slowdown, the resulting decrease in linen investment, as well as our ability to annualize working hours in our plants, thus to make our production costs variable, constitute natural buffers for cash generation and margins respectively."

Introductory comments related to the accounting options and IFRS standards

1. Impact of the 1st application of IFRS 16 standard

The application of IFRS 16 standard has an impact on several Group aggregates, as shown in the table below:

In millions of euros	2019
Income statement	
EBITDA	+70.3
Depreciation and amortization including portion of grants transferred to income	(66.6)
EBIT	+3.7
Financial result	(9.6)
Net result	(4.2)
Cash flow statement	
Net interests paid	(8.9)
Free cash-flow	+61.4
Financial statement	
Financial debt as of 31 December	(22.9)

2. Clinical Solutions divestment process

The figures presented in this press release exclude the entire activity of Clinical Solutions in 2019 and 2018. In H1 2018 the Group initiated the sale process for its Clinical Solutions (operating only in the United Kingdom) and sold the activity in two parts in August and October 2019.

Revenue

As announced on January 30, 2020, Group revenue for 2019 was up +4.7% at €3.3bn. Organic growth was up +3.3%.

The 2019 organic growth illustrates the Group's ability to pass on inflation of its cost base in its prices while improving its commercial activity and its client retention rate.

In France, organic growth was above +3% as all our markets were well-oriented, thanks to an improvement in the retention rate of our clients, who recorded good activity for their part.

In Central Europe, organic growth was +2.8%, mainly driven by very good momentum in Poland and the Netherlands. Growth in Germany was more moderate.

In 2019, good commercial momentum continued in Scandinavia & Eastern Europe, where organic growth was +3.7%.

In the United Kingdom & Ireland, operational indicators improved not only in Hospitality, with a focus on price increases, but also in Workwear, where efforts are underway to improve the client retention rate.

In Southern Europe, organic growth exceeded +7%, mainly due to the price effect in a context of high inflation of labor costs in Spain.

Finally, organic revenue in Latin America grew by +7.1%. Commercial momentum remains good and we continue to open the market in these countries, which offer high growth potential.

EBITDA

In millions of euros	2019 Reported			2019 excl. IFRS16	2018 Restated			Var. 18/19 Reported	Var. 18/19 excl. IFRS 16
	H1	H2	Total	Total	H1	H2	Total	Total	Total
France	188.6	217.5	406.1	381.5	171.1	190.9	362.0	+12.2%	+5.4%
As of % of revenue	36.3%	39.8%	38.0%	35.7%	33.8%	36.2%	35.0%	+300bps	+70bps
Central Europe	108.0	123.8	231.8	217.4	98.7	111.2	209.9	+10.4%	+3.6%
As of % of revenue	30.0%	33.2%	31.6%	29.6%	29.9%	31.5%	30.6%	+100bps	-100bps
Scandinavia & Eastern Eur.	94.6	101.6	196.2	185.5	87.6	93.4	181.0	+8.4%	+2.5%
As of % of revenues	37.9%	39.5%	38.7%	36.6%	36.4%	38.4%	37.4%	+130bps	-80bps
United Kingdom & Ireland	54.9	58.6	113.5	102.5	52.9	52.4	105.3	+7.8%	-2.7%
As of % of revenue	28.0%	29.1%	28.6%	25.8%	26.8%	26.1%	26.4%	+220bps	-60bps
Southern Europe	38.9	47.0	85.9	80.7	32.5	38.5	71.0	+21.0%	+13.7%
As of % of revenue	27.4%	30.1%	28.8%	27.0%	25.6%	27.3%	26.4%	+240bps	+60bps
Latin America	38.3	41.4	79.7	75.6	32.2	34.5	66.7	+19.5%	+13.3%
As of % of revenue	29.6%	31.1%	30.4%	28.8%	25.6%	28.2%	26.9%	+350bps	+190bps
Others	(4.3)	(5.9)	(10.2)	(10.6)	(6.0)	(4.3)	(10.3)	-1.0%	+2.9%
Total	519.0	584.0	1,103.0	1,032.7	469.1	516.5	985.6	+11.9%	+4.8%
As of % of revenue	32.4%	34.8%	33.6%	31.5%	30.6%	32.3%	31.5%	+210bps	-

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

In 2019, with EBITDA of €1,032.7mn, Group EBITDA margin (excluding IFRS 16 impact) was stable at 31.5%. EBITDA margin including the IFRS 16 impact was 33.6%, increasing by +210bps, with EBITDA at €1,103.0mn.

France

In 2019, EBITDA margin increased by +70bps to 35.7% of revenue (excluding IFRS 16 impact) and to 38.0% of revenue under IFRS standards. The price environment is favorable, and we posted an improvement of our client retention rate as well as new productivity gains.

Central Europe

In 2019, EBITDA margin was at 29.6% of revenue (excluding IFRS 16 impact) and at 31.6% of revenue under IFRS standards. Margins are slightly down in Germany due to difficulties in passing on labor cost inflation in a fragmented Healthcare market, as well as the growth mix, as acquisitions in the past year were mainly made in this sector.

Scandinavia & Eastern Europe

In 2019, EBITDA margin remains high at 36.6% of revenue (excluding IFRS 16 impact) and at 38.7% of revenue under IFRS standards. Commercial momentum was very good in the region, but margin was penalized by a double mix effect: (i) The countries that lift the region's growth, with organic growth up in some cases by double-digits, are not the most profitable ones in the region and (ii) growth was driven by Flat linen in Sweden, Denmark and Finland, creating a negative product mix on margins.

United Kingdom & Ireland

In 2019, EBITDA margin decreased by -60bps at 25.8% of revenue (excluding IFRS 16 impact) and at 28.6% under IFRS standards. This margin decrease is mainly explained by the negative product mix effect in the United Kingdom: The increase of prices in Hospitality did not fully offset client losses in Workwear, the most profitable segment. As a result, attention is now paid to product mix while operational indicators are evolving in a very satisfactory manner.

Southern Europe

In 2019, EBITDA margin increased by +60bps to 27.0% of revenue (excluding IFRS 16 impact) and to 28.8% of revenue under IFRS standards. This improvement is explained by the pass-through of wage increases in prices and productivity gains in the region. The expansion of the Workwear market, which we continue to open in Spain and Portugal, supports the margin increase in the region.

Latin America

In 2019 EBITDA margin was up +190bps to 28.8% of revenue (excluding IFRS 16 impact) and to 30.4% of revenue under IFRS standards. This improvement illustrates the implementation in the region of Elis' best practices and the resulting productivity gains.

From EBITDA to net result

In millions of euros	2019 Reported	Of which IFRS 16	2018 Restated	Var.
EBITDA	1,103.0	+70.3	985.6	+11.9%
<i>As a % of revenue</i>	33.6%	+210bps	31.5%	+210bps
EBIT	454.9	+3.7	426.4	+6.7%
<i>As a % of revenue</i>	13.9%	+10bps	13.6%	+30bps
Current operating income	442.1		407.5	+8.5%
Amortization of intangible assets recognized in a business combination	(88.3)		(112.5)	
Non-current operating income and expenses	(18.5)		(49.8)	
Operating income	335.3		245.2	+36.7%
Financial result	(150.0)	(9.6)	(110.5)	
Income tax	(47.6)	+1.7	(51.7)	
Net result from continuing operations	137.7	(4.2)	83.0	+65.9%
Net result	141.9	(4.2)	81.8	+73.4%
Headline net result*	256.1	(4.2)	224.3	+14.2%

Margin rate calculations are based on precise figures.

* A reconciliation between net result and headline net result is presented in the section "From net result to Headline net result" of this press release.

EBIT

As of a percentage of revenue, EBIT was up +20bps in 2019, excluding IFRS 16 impact.

Operating income

The main items between EBIT and operating income are as follows:

- Expenses related to free-share plans correspond to the requirements of the IFRS 2 accounting standard. They decreased by €6mn in 2019 compared to 2018.
- The amortization of intangible assets recognized in a business combination is mainly related to the goodwill allocation of Berendsen. The decrease in 2019 is mainly due to assets recognized in 2007 for which the amortization ended in October 2018.
- Non-current operating income and expenses are mainly (i) acquisition-related costs in the period (c. €9mn) decreasing by €22mn yoy, (ii) restructuring costs (c. €13mn) decreasing by more than €17mn yoy, (iii) expenses related to site disposals (c. €4mn) that increased by c.€2.5mn yoy, (iv) offset by the reversal of litigation provisions (mainly in the UK) for a total of c. €12mn.

Financial result

In 2019, financial expense was €150mn. It increased by €39.5mn compared to 2018.

Financial result is mainly made of (i) interests on financial debt for c. €60mn, (ii) exceptional items related to the 2019 refinancing for €45mn (iii) amortization of issuing costs for previous loans for c. €12mn, (iv) notional interests related to OCEANE for €9mn and (v) interest expenses on lease liabilities and finance leases related to the application of IFRS 16 for c. €10mn.

Net result from continuing operations

Net result from continuing operations was €137.7mn in 2019, up +65.9% compared to 2018.

From net result to headline net result

In millions of euros	2019 Reported	2018 Restated
Net result from continuing operations	137.7	83.0
Amortization of intangible assets recognized in a business combination ¹	70.7	86.6
IFRS 2 expense ¹	10.6	15.6
Accelerated amortization of loans issuing costs ¹	12.2	2.6
Breakup costs (refinancing) ¹	4.5	-
Unwinding of swaps ¹	12.9	-
Non-current operating income and expenses including:	7.5	36.4
<i>Litigation provisions reversal</i>	(11.6)	(0.6)
Acquisition-related costs ¹	6.6	22.3
Restructuring costs ¹	6.5	22.2
Other ¹	6.0	(7.5)
Headline net result	256.1	224.3
IFRS 16 impact on net result	(4.2)	-
Net result excluding IFRS 16 impact	260.3	224.3

¹ Net of tax effect

Headline net result was €256.1mn in 2019, increasing by +14% compared to 2018. Improvement of the "Non-current operating income and expenses" due to (i) a decrease of restructuring costs in 2019, the bulk of the costs related to Berendsen having been recorded in 2018 and (ii) acquisition costs that were lower in 2019, as 2018 was penalized by an earn-out provision related to past acquisition.

Cash-flow statement

In millions of euros	2019 Reported	Of Which IFRS 16	2018 Restated
EBITDA	1,103.0	+70.3	985.6
Non-recurring items and provision variance	(24.4)		(35.5)
Acquisition and cession fees	(10.2)		(4.4)
Other	(0.6)		-
Cash flows before net finance costs and tax	1,067.8		945.7
Net capex	(660.3)		(644.3)
Change in working capital requirement	26.9		(15.8)
Net interests paid	(110.7)	(8.9)	(55.2)
Income tax paid	(76.2)		(76.7)
Free cash-flow	247.5	61.4	153.7
Lease liabilities payments – principal	(73.3)	(61.4)	(3.0)
Acquisition of subsidiaries, net of cash acquired	(83.2)		(62.2)
Change arising from subsidiaries (gain or loss of control)	(15.1)		(12.7)
Other flows related to financing activities	(20.0)		(26.4)
Proceeds from disposal of subsidiaries, net of cash transferred	30.0		1.0
Dividends paid	(81.2)		(81.1)
Capital increase, treasury shares and reclassification of leases from "financial" to "liabilities"	29.0	22.9	1.5
Other	(48.0)		(41.8)
Net debt variance	(14.4)	22.9	(71.1)
Net financial debt	3,372.1	22.9	3,357.7

Investments

In 2019, the Group's capital expenditures represented 20.1% of revenue (including Clinical Solutions revenue in the ratio calculation), stable compared to 2018. They include linen capex, industrial capex and additional investments (mainly industrial) related to the Berendsen acquisition, as announced in 2018.

Change in working capital requirement

In 2019, the change in working capital requirement became positive at c. €27mn due to very good cash receipts at year-end and to the c. €15mn one-off impact linked to the change in CICE calculation.

Free cash-flow

In 2019, Free cash-flow amounted to €247mn (€186mn excluding IFRS 16 impact, i.e. +21% vs 2018).

Net financial debt

Group net financial debt as of 31 December 2019 was €3,372.1mn compared to €3,357.7mn as of 31 December 2018. The debt leverage ratio calculated for the covenants (net financial debt as defined in the contracts/ EBITDA proforma for the full-year impact of acquisitions finalized during the last 12 months

and after the impact of synergies and excluding IFRS 16 impact) stood at 3.2x compared to 3.3x as of 31 December 2018.

Payment for the 2019 financial year

At the next Annual General Meeting of shareholders on 19 May 2020, the Supervisory Board will recommend the payment of €0.39 per share for the 2019 financial year, an increase of +5.4% compared to last year.

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" (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 net financial debt used to calculate the covenants is constituted of net financial debt, from which are subtracted loans from the employee profit-sharing fund and accrued interests, and to which are added the remaining amortization portion of loan issuing costs and lease financial debt as assessed under IAS 17, if the standard had continued to be applied.

2020 outlook

The guidance provided in this press release has been prepared in a manner comparable to the historical financial information, and in line with the Group's accounting methods. It does not take into account the possible future impacts related to the Covid-19 outbreak.

Consolidated financial statements

Consolidated financial statements for the year 2019 are available at this address:

<https://fr.elis.com/en/group/investors-relations/regulated-information>

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 2019 results (in English)

Date:

Wednesday 4 March 2020 at 8:30am GMT (9:30am CET)

Venue:

Sofitel London St James, 6 Waterloo Pl, St. James's, London, SW1Y4AN

Webcast link:

<https://edge.media-server.com/mmc/p/9eru8oe7>

Investor presentation:

An investor presentation will be available at 8:15am GMT (9:15am CET) at this address:

<https://fr.elis.com/en/group/investors-relations/regulated-information>

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 & risk control, insurance policy, and vigilance plan" of the Registration Document may have an impact on the Group's activities, financial position, results or outlook and therefore lead to a difference between the actual figures and those given or implied by the outlook presented in this document. Reaching the outlook also implies success of the Group's strategy. As a result, the Group makes no representation and gives no warranty regarding the attainment of any outlook set out above.

Next information

Q1 2020 revenue: April 28, 2020 (after market)

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