# Q3 2022 trading update

26 October 2022

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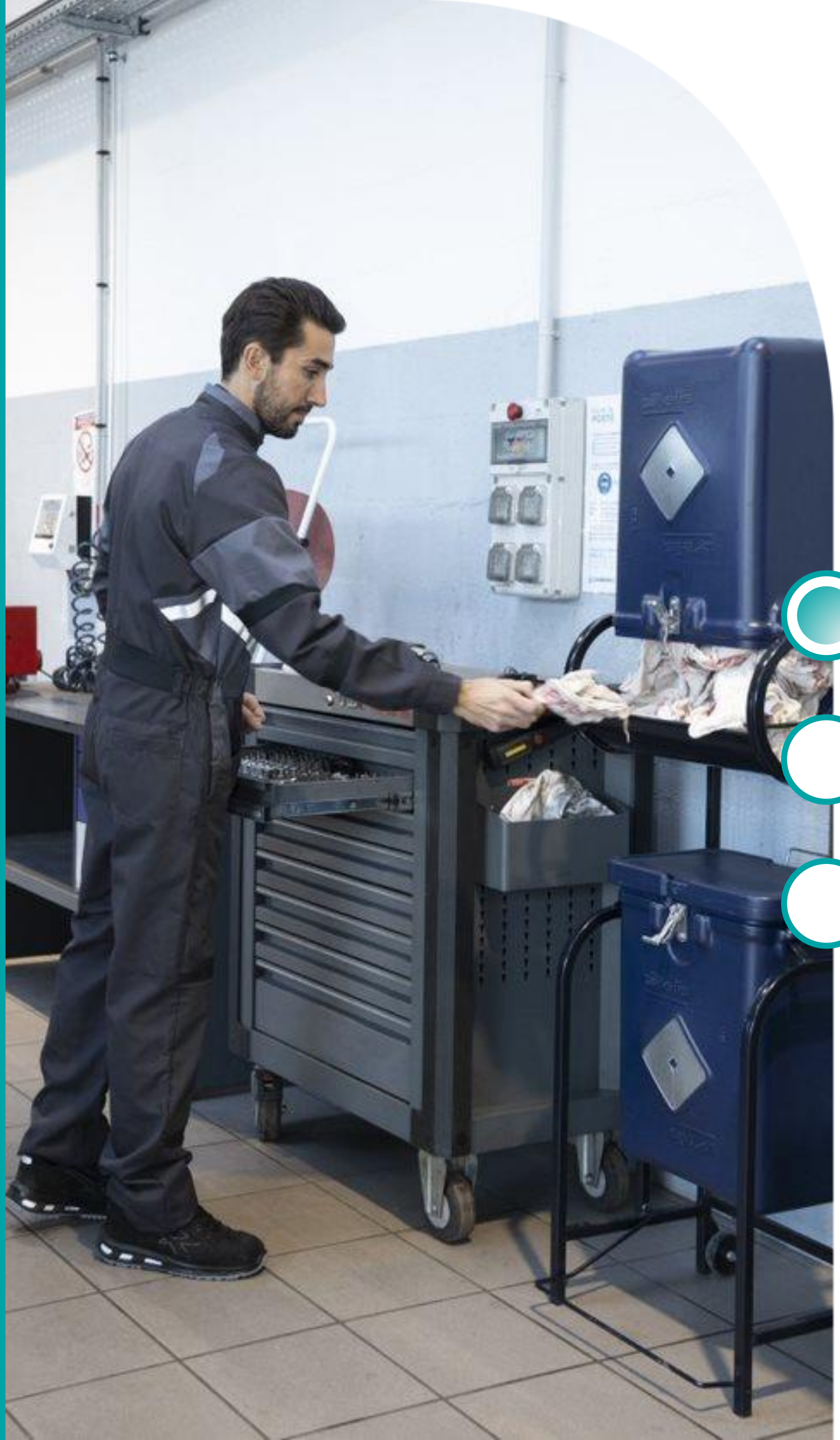


**Q3 2022 trading update**

Update on full-year 2022 outlook

Q&A

# Further strong momentum in Q3 2022, with accelerating price effect driven by higher inflation

## +17.0% organic growth in Q3 2022, driven by additional price adjustments and good activity momentum

- **Q3 revenue up +22.8%** of which **17.0% organic**
- **Further rebound of Hospitality:** Strong summer season, especially in France and Southern Europe
- **No sign of slowdown** in **Healthcare**, **Industry** and **Trade & Services**
- **Many commercial successes** across the board notably driven by higher needs for hygiene and traceability from customers
- **c. +6.5% price effect in the first 9 months of the year**

## Surging energy costs in August and September led to higher-than-expected cost base inflation in Q3

- **FY 2022 cost base inflation now expected at c. +11% compared to c. +9% in H1**
- **This corresponds to c. €35m higher-than-expected costs for 2022**, mostly energy and energy-related costs
- Elis reacted quickly with **additional pricing adjustments** to offset the cost increase
- These adjustments have **been partly implemented since October 1st (+€25m impact in 2022) ; the remaining part** will be implemented **from 1 January 2023**
- All pricing adjustments negotiated throughout 2022 and those already scheduled for 2023 should lead to a **higher price effect in 2023 than in 2022**

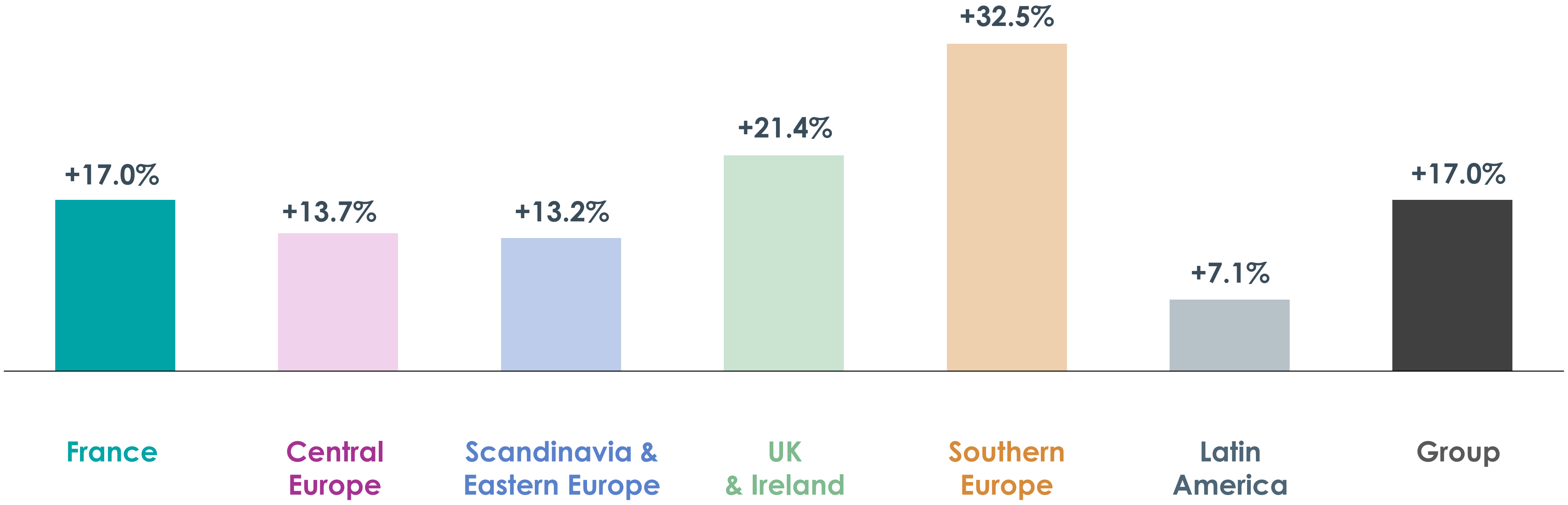
## Full-year 2022 objectives revised on the back of stronger top line and higher cost base

- **Organic revenue growth** for the full-year now expected **above +20%** (previously expected between +18% and +20%)
- **FY 2022 price effect** is now expected at **c. +7%**
- **Adjusted EBITDA margin** now expected at **c. 33.0%, down -150bps yoy** (previously expected at 33.5%).
- **Adjusted EBIT** still expected **above €530m**
- **Headline net income per share** still expected **above €1.45**
- **Free cash flow** (after lease payments) still expected at **c. €200m**
- **Financial leverage ratio as** of 31 December 2022 still expected at **c. 2.5x** (down 0.5x yoy)

*In order to take into account the statement published by the European Securities and Markets Authority (ESMA) on 29 October 2021 regarding alternative performance indicators, the Group added the term "adjusted" to the EBITDA and EBIT definitions. The content of these indicators remains unchanged compared to previous financial years.*

# Q3 organic growth driven by further recovery in Hospitality, good commercial momentum and efficient pricing adjustments

Q3 2022 organic revenue evolution by geography



# Good Hospitality summer season in France and Southern Europe
# Activity in the UK is still trailing 2019 level

### Continued activity pick-up in Q3 2022

- Good summer season in Europe, especially in France, Spain and Portugal
- Activity in the UK is still subdued compared to 2019 level
- Q4 looks promising: no slowdown recorded so far

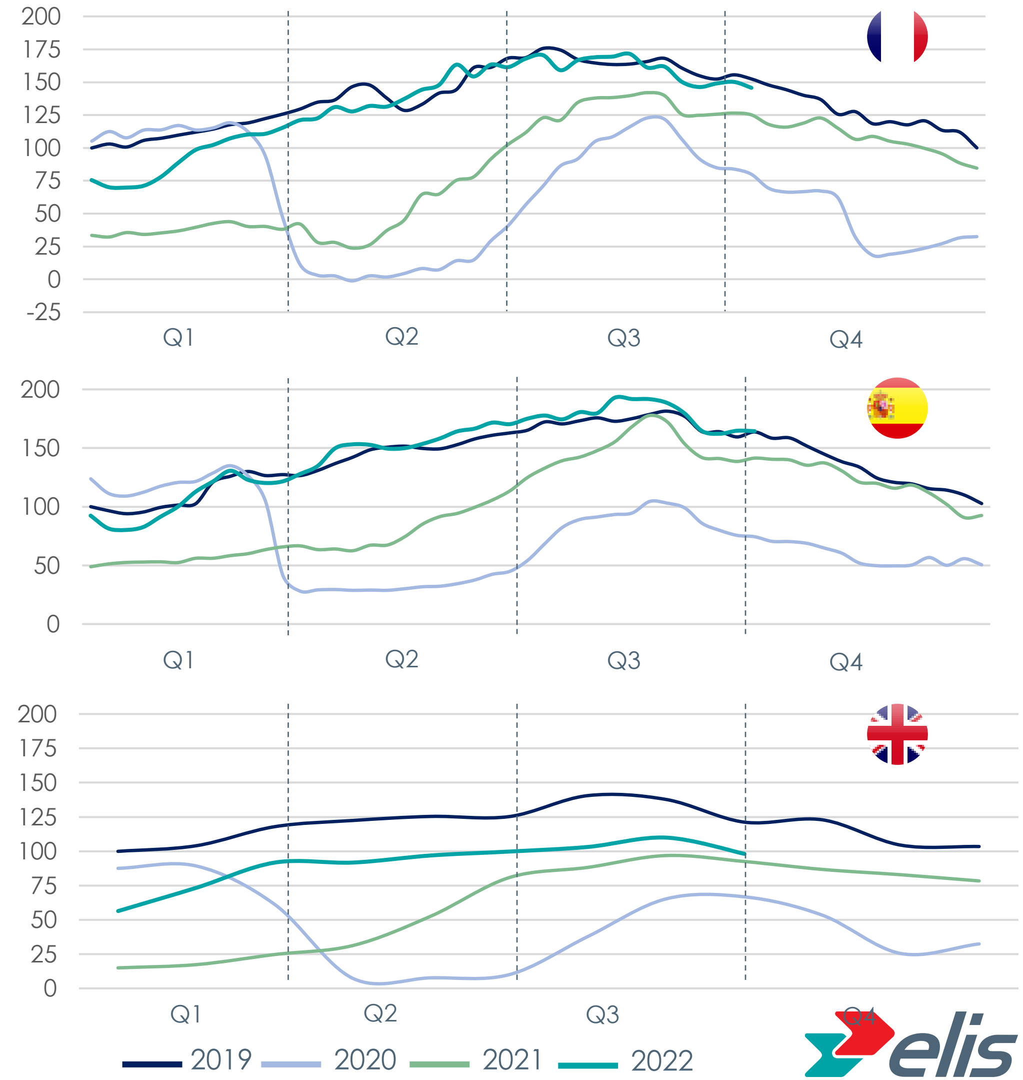
### Good pricing dynamics

- Inflationary context helped additional pricing discussions with customers
- Limited pressure on new bids as other players show similar pricing discipline to Elis

### Further recovery potential in Q1 2023

- Q1 2022 was still c. 20% below 2019 level due to the Omicron variant
- This corresponds to up to c. €50m to catch-up in Q1 2023

**Hospitality volumes - Basis 100 January 2019**



# Non-hospitality markets continue to benefit from strong structural tailwind

**Elis' operational excellence and commercial dynamism further boost growth**

- Many new contract wins in 2022, with an acceleration in first-time outsourcing
- The Group is rolling out to some other countries services that have already been deployed in France, such as pest control, washroom, as well as services for care homes and services for small clients
- Further improvement of Elis' service quality and reliability, leading to churn rate reduction

**Hygiene: A major area of focus for our customers, paving the way for many commercial opportunities**

- Clients consume more workwear than before (e.g., daily changes vs 3 changes per week)
- Healthcare professionals are moving back to textile vs disposable paper (more reliable sourcing, better comfort, lower environmental impact)
- Higher demand for soaps, hand wipes, hydro-alcoholic gels, pest control solutions and higher linen consumption (more changes of workwear)
- Some industrial production sites are relocated in Europe
- Tracking of linen washing history is becoming a must-have for every company using uniforms; Elis is gaining many contracts with first-time outsourcers in Eastern Europe, Southern Europe and Latin America

# No sign of slowdown so far, and Elis' end-markets are very resilient through economic downturns

| End market | Main market characteristics | Main contributors to 2021 revenue |
| --- | --- | --- |
| **Industry**<br><br>**29% of total 2019 revenue** | **Industry is resilient given the nature of our clients**, which mostly are very resilient themselves<br>**The fixed fee invoicing methodology** (that is largely used with workwear clients) can help absorb a slight slowdown in our clients' activity | Food processing: 25%<br>Pharma: 15%<br>Water / waste management: 10%<br>Automotive: 10%<br>Construction, energy, transport: 10% |
| **Healthcare**<br><br>**26% of total 2019 revenue** | **Healthcare is very resilient by nature** | Hospitals and clinics: 80%<br>Nursing homes: 20% |
| **Trade & Services**<br><br>**18% of total 2019 revenue** | **Trade & Services is largely resilient** on the back of the fixed fee invoicing methodology<br>A significant slowdown in the economy could somewhat impact our activity with SMEs / mom and pop stores (potential decrease in the number of services used to save money) | Major retailers: 20%<br>Facility management: 20%<br>Small retailers: 15%<br>Collective catering: 10%<br>Automotive service centers: 10% |
| **Hospitality**<br><br>**27% of total 2019 revenue** | Aside from pandemic situations (Covid, $H_1N_1$), **the Hospitality industry delivers steady growth,** driven by resort development, family holiday park development, water park development but also hotels, restaurants, museums, outdoor activities and other leisure facilities | Hotels: 80%<br>Restaurants: 20% |

# Gas and electricity prices doubled in Q3 2022 compared to the first 6 months of the year


Netherlands TTF Natural Gas Forward Day Ahead
*(Bloomberg: TTFGDAHD)*

H1 2022 average gas price: 99€/MWh

+101%

Q3 2022 average gas price: 200€/MWh

France Baseload Power Forward Day Ahead
*(Bloomberg: ELFBDAHD)*

H1 2022 average electricity price: 239€/MWh

+90%

Q3 2022 average electricity price: 455€/MWh

# +€35m additional costs for 2022 vs previous estimates
# Additional pricing initiatives have been launched

| Cost item | Additional inflation-related costs expected for 2022 vs July estimates |
|---|---|
| Gas, electricity and fuel | c. €25m |
| Personnel costs | c. €5m |
| Other items (chemical products, spare parts, consumables, etc) | c. €5m |
| **Total** | **c. €35m** |

**Elis has reacted quickly with additional pricing adjustments negotiated to offset the cost increase:**

- These adjustments have partly been put in place since October 1st onwards with a c. +€25m impact in 2022 ; the remainder will be implemented from January 1st, 2023 onwards
- All pricing adjustments negotiated throughout 2022 and those already scheduled for 2023 should lead to a higher price effect in 2023 than in 2022

# Elis should be able to fully offset the 2022 inflation-related cost increase through pricing initiatives

## The nature of the services provided by Elis leads to good pricing power

**The services proposed by Elis are essential for our customers**

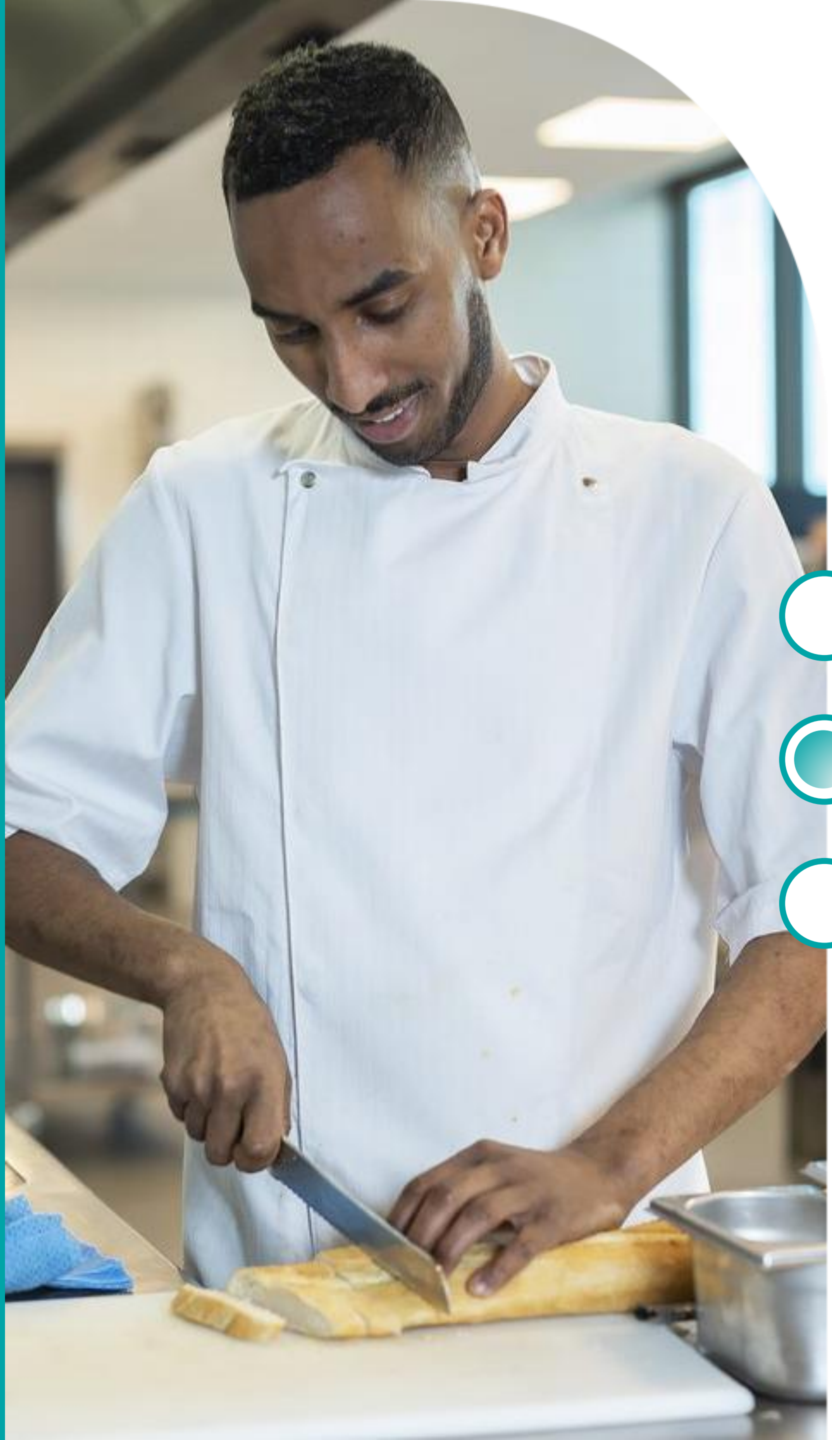
➔ Most of our customers cannot operate their business without our Flat linen, Workwear or Hygiene services

**These services represent only a small cost for our customers**

➔ Our price increases are therefore not very significant in our customers' P&L

**Alternative solutions to our services are very limited**

➔ Re-internalization is generally not an option, and most competitors also show good pricing discipline across the board



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# Upgraded FY 2022 organic revenue growth guidance
# Initial thoughts on 2023 organic growth

**We currently expect full-year 2022 organic growth to be above +20%**
(previously between +18% and +20%)

**on the back of good activity level and additional pricing adjustments in Q3**

**Main working assumption:** Activity in Hospitality in Q4 is expected to be around 2019 level

**Breakdown of expected 2023 organic revenue growth**

| Effect of hospitality pick-up in Q1 2023 (vs easy comps in Q1 2022) | Elis' normative organic growth profile (excluding inflation) | Potential impact from an economic slowdown[1] | Expected pricing effect | Total > +10% |
|---|---|---|---|---|
| +1.5% /+2% | +2.5% / +3.5% | -2% / 0% | +8% / +9% | |

[1]: *In 2009, the Group recorded full-year organic revenue growth of c. 0% compared to normative organic growth at that time of c. 2%*

# FY 2022 adjusted EBITDA margin guidance revised
# FY 2022 adjusted EBIT and headline net income per share guidance confirmed

**2022 adjusted EBITDA margin now expected at c. 33.0%** (previously expected at c. 33.5%)

➔ Pricing adjustments cover cost base increase in Euros, with a mechanical dilutive effect on margin

**2022 adjusted EBIT still expected above €530m**

**2022 headline net income per share still expected above €1.45**

**2022 free cash flow after lease payments still expected at c. €200m**

**Financial leverage ratio as of 31 December 2022 still expected to be down 0.5x year-on-year at c. 2.5x**

# Elis' rapid deleveraging paves the way for investment grade rating

**By the end of 2023**

Net financial leverage
**close to 2.0x**

**2024**

Net financial leverage
**below 2.0x**

**2025 and beyond**

Maintaining
investment grade rating

➔ This deleveraging trajectory should quickly make Elis eligible for **investment grade rating** consideration

# Deleveraging and financial rating improvement should limit future refinancing costs and improve Elis' risk profile

## Well-diversified financing

| *As of 30 September 2022* | |
|---|---|
| **Bond (issued May 2022) €300m** | Coupon 4.125% Maturity 2027 |
| **Bond (issued Oct 2019) €500m** | Coupon 1.0% Maturity 2025 |
| **Bond (issued Oct 2019) €550m** | Coupon 1.625% Maturity 2028 |
| **Bond (issued Apr 2019) €500m** | Coupon 1.75% Maturity 2024 |
| **Bond (issued Feb 2018) €450m** | Coupon 1.875% Maturity 2023 |
| **Bond (issued Feb 2018) €350m** | Coupon 2.875% Maturity 2026 |
| **USPP (signed June 2022) €159m** | Coupon 3.00% Maturity 2032 |
| **USPP (signed Apr 2019) €335m** | Coupon 2.70% Maturity 2029 |
| **Convertible bond (issued Sep 2022) €332m** | Coupon 2.25% Maturity 2029 * |
| **Convertible bond (issued Oct 2017) €195m** | Coupon 0% Maturity 2023 |
| **Commercial paper €252m** | < 1 year |
| **Revolving credit facility Undrawn €900m** | Maturity 2027 |

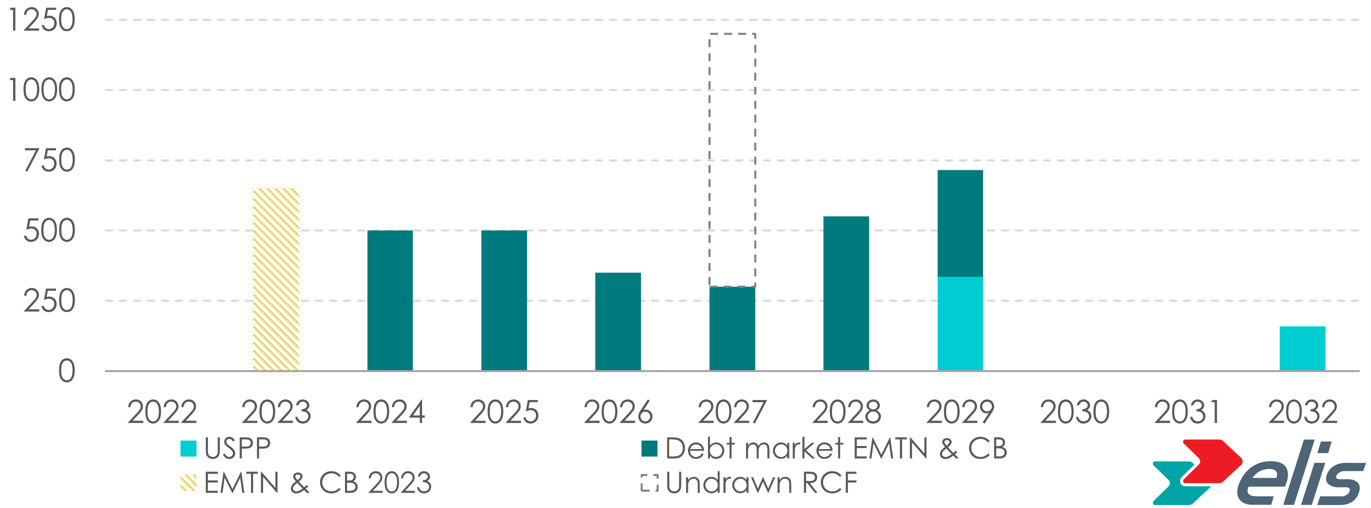
** Bond holders have a put in 2027*

## Debt and rating highlights

- **Financial leverage of 2.6x as of 30 September 2022** compared to 3.1x as of 30 September 30, 2021
- **Moody's** rating upgraded from Ba2 to **Ba1 (stable outlook)**
- Maturities well spread between **April 2024 and 2032**

→ In a context of rising interest costs and tightening credit market access, the Group aims at **reducing its net financial debt** and to obtain an **improved financial rating**

## Maturity schedule (as of 30 September 2022) excluding commercial paper



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# Appendix: 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
- **Adjusted EBITDA** is defined as adjusted EBIT before depreciation and amortization net of the portion of subsidies transferred to income
- **Adjusted EBITDA margin** is defined as adjusted EBITDA divided by revenues
- **Adjusted 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, non-current operating income and expenses, miscellaneous financial items (bank fees recognized in operating income) and expenses related to IFRS 2 (share-based payments).
- **Adjusted EBIT margin** is defined as adjusted EBIT divided by revenues

In order to take into account the statement published by the European Securities and Markets Authority (ESMA) on October 29, 2021 regarding alternative performance indicators, the Group added the term "adjusted' to the above definitions. The content of these indicators remains unchanged compared to previous financial years.

- **Free cash flow** is defined as adjusted EBITDA minus non-cash-items items, minus change in working capital, minus linen purchases and manufacturing capital expenditures, net of proceeds, minus tax paid, minus financial interests' payments and minus lease liabilities payments
- **The financial leverage ratio** is the leverage ratio calculated for the purpose of the financial covenant included in the new banking RCF agreement signed in November 2021: Leverage ratio is equal to Net financial debt / Pro forma adjusted EBITDA of acquisitions finalized during the last 12 months after synergies

*These alternative performance measures are meant to facilitate the analysis of Elis' operating trends, financial performance and financial position and allow the provision to investors of additional information that the Managing Board believes to be useful and relevant regarding Elis' results. These alternative performance measures generally have no standardized meaning and therefore may not be comparable to similarly labelled measures used by other companies. As a result, none of these alternative performance measures should be considered in isolation from, or as a substitute for, the Group's consolidated financial statements and related notes prepared in accordance with IFRS.*

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