Circular services at work

Press release

October 26, 2023

Q3 2023 revenue up +9.0%
+9.5% organic growth, in line with our full-year growth guidance
All 2023 targets confirmed

Q3 2023 organic revenue growth remains very solid at +9.5%

- Pricing momentum remains strong on the back of the adjustments implemented throughout 2022 and those put in place since January 1, 2023, to offset cost inflation
- Unfavorable calendar effect: c. -0.5% on Q3 organic revenue growth
- Commercial momentum remains well oriented, with many new signings in Q3, especially in Workwear
- The Group's pricing discipline led to a moderate increase in churn
- Mixed picture in Hospitality in July/August, slight improvement in September

The Group continues its deleveraging: financial leverage ratio of 2.2x at September 30, 2023, compared to 2.6x at September 30, 2022

- On October 5, 2023, Moody's raised Elis' outlook to "positive" from "stable", reflecting the Group's steady profitability improvement and solid free cash-flow generation
- Financial leverage ratio expected at c. 2.1x in 2023 and below 2.0x in 2024
- The deleveraging trajectory that we anticipate is in line with Investment grade rating requirements; once obtained, the Group's financial policy will aim at maintaining this rating

2023 objectives confirmed

- 2023 full-year organic revenue growth expected at c. +12%
- 2023 adjusted EBITDA margin expected up c. +70bps yoy
- 2023 adjusted EBIT expected above €660m
- 2023 headline net income expected above €410m
- 2023 headline net income per share expected above €1.65 on a fully diluted basis (up at least +13% yoy)
- 2023 free cash flow (after lease payments) expected above €260m (up at least +16% yoy)
- We anticipate further improvement of our main financial indicators in 2024 (especially EBITDA margin, free cash-flow and financial leverage)

Elis unveiled its climate roadmap and related 2030 targets approved by the Science Based Targets initiative

- Reduce absolute scope 1 and 2 GHG emissions by 47.5% by 2030 from a 2019 base year
- Reduce absolute scope 3 GHG emissions by 28% within the same timeframe

Saint-Cloud, October 26, 2023 – Elis, the global leader in circular services at work, today announces its revenue for the 9 months ended 30 September 2023. These figures are unaudited.

Commenting on the announcement, **Xavier Martiré, Chairman of the Management Board of Elis**, said:

" In Q3 2023, Elis recorded +9.5% organic revenue growth, which reflects our capacity to adjust our prices upwards to offset the inflation of our costs.

Sales momentum remained strong in all our geographies. Our offers, which address the increasing needs of our clients for hygiene, traceability and for a more secure supply chain, continue to be a resounding success, and we achieved a high level of new contract signings in Workwear in the quarter.

In Hospitality, the comparable base was difficult and activity, as expected, showed a mixed picture in July and August but more dynamism in September.

Our strong pricing discipline led us to be more selective and sometimes led to the non-renewal of an existing contract, or to a missed opportunity while tendering for a new contract. This, coupled with further logistics and industrial processes optimization in our all geographies, will contribute to 2023 EBITDA margin improvement, and will lead to further margin developments in 2024.

We confirm all 2023 objectives. The deleveraging of the Group continues, and we expect the financial leverage ratio to be at c. 2.1x at December 31, 2023, which should quickly make the Group eligible for investment grade rating consideration. In this context, I welcome Moody's decision to raise its outlook to "positive" from "stable" at the beginning of October.

Finally, at the beginning of September, Elis unveiled its climate roadmap and related 2030 targets approved by the Science Based Targets initiative. This underscores Group's commitment to support its clients in the reduction of their GHG emissions; it will be a factor of attractiveness and pride for all our highly committed employees.

The great resilience that Elis has demonstrated through the various recent crises, its operational know-how, its strengthened organic growth profile and its model based on the principles of the circular economy are major assets that will enable the Group to continue to assert its leadership in all the countries in which it operates."

I. Q3 2023 revenue

Reported revenue

In millions of euros	2023			2022			Var.		
	H1	Q3	9M	H1	Q3	9M	H1	Q3	9M
France	640.3	347.2	987.5	564.0	319.1	883.1	+13.5%	+8.8%	+11.8%
Central Europe	497.3	257.3	754.6	410.7	227.9	638.6	+21.1%	+12.9%	+18.2%
Scandinavia & East. Eur.	300.1	143.8	444.0	280.2	147.1	427.4	+7.1%	-2.2%	+3.9%
UK & Ireland	257.3	143.4	400.7	224.2	129.0	353.2	+14.8%	+11.1%	+13.4%
Latin America	213.7	117.0	330.7	141.0	102.7	243.6	+51.6%	+14.0%	+35.7%
Southern Europe	179.9	108.1	288.0	150.3	96.8	247.1	+19.8%	+11.7%	+16.6%
Others	12.6	6.6	19.1	13.5	8.2	21.7	-6.9%	-20.4%	-12.0%
Total	**2,101.3**	**1,123.3**	**3,224.7**	**1,783.8**	**1,031.0**	**2,814.8**	**+17.8%**	**+9.0%**	**+14.6%**

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

Q3 2023 reported growth breakdown

In millions of euros	Q3 2023	Q3 2022	Organic growth	External growth	FX	Reported growth
France	347.2	319.1	+8.8%	-	-	+8.8%
Central Europe	257.3	227.9	+12.3%	-	+0.6%	+12.9%
Scandinavia & East. Eur.	143.8	147.1	+5.0%	-	-7.3%	-2.2%
UK & Ireland	143.4	129.0	+11.6%	-	-0.5%	+11.1%
Latin America	117.0	102.7	+10.9%	-	+3.1%	+14.0%
Southern Europe	108.1	96.8	+10.3%	+1.4%	-	+11.7%
Others	6.6	8.2	-20.3%	-	-0.1%	-20.4%
Total	**1,123.3**	**1,031.0**	**+9.5%**	**+0.1%**	**-0.7%**	**+9.0%**

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

9-month 2023 organic revenue growth

	Q1 2023	Q2 2023	Q3 2023	9-month 2023
France	+15.8%	+11.6%	+8.8%	+11.8%
Central Europe	+21.4%	+16.7%	+12.3%	+16.6%
Scandinavia & East. Eur.	+15.8%	+7.4%	+5.0%	+9.2%
UK & Ireland	+23.9%	+13.9%	+11.6%	+16.0%
Latin America	+12.6%	+9.5%	+10.9%	+10.9%
Southern Europe	+24.7%	+15.4%	+10.3%	+15.8%
Others	-15.4%	+6.6%	-20.3%	-10.4%
Total	**+18.3%**	**+12.5%**	**+9.5%**	**+13.1%**

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

France

Q3 revenue was up +8.8% (entirely organic). Pricing dynamic was good, driven by the adjustments implemented since 2022 to offset the inflation of our costs. We continue to record many contract wins in Workwear and Pest Control but we also saw a slight slowdown in activity with our small clients, notably for non-essential services. In Hospitality, the comparable base was difficult and summer activity was slightly below 2022. However, September was slightly up yoy and our clients remain optimistic for the future.

Central Europe

Q3 revenue was up +12.9% in the region (+12.3% on an organic basis). Sales momentum remains satisfactory, in particular in Germany and in the Netherlands, where further outsourcing led to new contract signings in Workwear. In Germany, most of our pricing adjustments negotiated in 2022 to offset strong inflation (especially wages) were implemented in at the beginning of 2023, especially for our Healthcare clients; organic growth was at +15% in Q3. Nevertheless, the Group's pricing discipline led to some contract losses in some countries, notably Germany (Healthcare).

Scandinavia & Eastern Europe

Q3 revenue was down -2.2% in the region, with a FX impact of -7.3% as a result of the evolution of the Swedish krona and the Norwegian krone. Q3 organic growth was up +5.0%, driven by pricing adjustments and strong commercial dynamism in Workwear (including Cleanroom). Furthermore, activity in Hospitality remained good during the summer. However, we noted some slowdown in activity with our small clients, notably in Sweden and Denmark.

UK & Ireland

Q3 revenue was up +11.1% in the region (+11.6% on an organic basis). Pricing momentum remains very good in the region. We also signed new contracts in Industry and Trade & Services thanks to continuous commercial efforts. However, client activity remains impacted by the sluggish macro environment in the UK. Finally, our pricing discipline led to some volume losses in Hospitality.

Latin America

Q3 revenue was up +14.0% in the region (+10.9% on an organic basis) with a positive FX impact of +3.1%. The outsourcing trend continues and we recorded new contracts signings in Healthcare. Furthermore, contract losses remain very limited despite a pricing effect that is now above inflation level. Finally, out Mexican operations, consolidated since July 1, 2022, contributed to boost the region's topline momentum.

Southern Europe

Q3 revenue was up +11.7% in the region (+10.3% on an organic basis), with good pricing momentum. In Workwear, the outsourcing trend continued, and we recorded new contract signings in the quarter. Hospitality activity was satisfactory, especially in September. Finally, the acquisition of Gruppo Indaco in Italy (a c. 5m€ annual revenue Pest Control company), consolidated since June 1, 2023, contributed +1.4% to the growth of the region in Q3.

II. CSR developments

The circular economy at the heart of Elis' business model

Elis offers its clients products that are maintained, repaired, reused, and reemployed to optimize their usage and lifespan. The Group therefore selects its textile products based on sustainability criteria, to ensure frequent washing, and also operates repair workshops. Elis' conviction is that the circular economy model, which notably aims at reducing consumption of natural resources by optimizing the lifespan of products, is a sustainable solution to address today's environmental challenges.

The services offered by Elis are a sustainable alternative to:

- Simple purchase or use of products: by mutualizing them between several users or clients, and by constantly looking at improving the industrial processes linked to their washing. As an example, the use of workwear operated by Elis leads to a 37% decrease of CO2 emissions compared to workwear that is washed at home or in a standard laundry, and to a 48% decrease of water consumption. (Source: EY)
- Single use / disposable products: by offering reusable products, which are mostly maintained locally, hence supporting local employment and local economic development. As an example, the use of reusable surgical garments in care facilities leads to a decrease ranging from 31% to 62% of CO2 emissions compared to disposable clothes. (Source: Cleaner Environmental Systems)

These alternatives to a linear consumption approach enable our clients to avoid CO2 emissions and contribute to a reduction of their own emissions.

The Ellen MacArthur Foundation states that "circular economy is necessary to reach Net Zero" and that "nearly 10 billion tons of CO2 (i.e., 20% of world emissions) could be reduced thanks to the transition of our current model towards a circular economy". (https://climate.ellenmacarthurfoundation.org)

Non-financial rating

In 2022, Sustainalytics improved Elis's ESG rating by 10pts at 14.8 ("low risk"). The Group was rated A- by the CDP (Carbon Disclosure Project), a non-profit organization which performs independent assessments on the basis of information made available by companies on their strategy, risk & opportunity management, climate goals, annual climate performance, etc… This assessment places the Group in the "Leadership" category and underlines its commitment and action in the area of climate change.

Furthermore, the Group was also rated A by the CDP Supplier Engagement Leaderboard which places Elis in the top 8% of companies assessed for their climate-friendly actions across the value chain.

Elis repeated its excellent performance in the EcoVadis questionnaire, maintaining its score of 75/100 in an increasingly demanding CSR context. Elis obtained a Gold medal, placing it within the top 5% of the c. 100,000 companies assessed by EcoVadis.

Finally, Elis improved its score with rating agency Gaïa (75 vs 73 previously), maintaining its "Gold" level.

Our climate commitment: ambitious 2030 climate targets

On September 4, Elis unveiled its climate roadmap and related 2030 targets, underscoring its commitment to contributing to a low-carbon society.

Elis' ambition is to achieve the following targets by 2030:

- Reduce absolute scope 1 and 2 GHG emissions by 47.5% by 2030 from a 2019 base year[1];
- Reduce absolute scope 3 GHG emissions from purchased goods and services, fuel and energy related activities, upstream transportation and distribution, employee commuting, and end-of-life treatment of sold products by 28% within the same timeframe.

These targets have been approved by the Science Based Targets initiative (SBTi), an international reference and a partnership between the United Nations Global Compact, the World Resources Institute (WRI), the Carbon Disclosure Project (CDP) and the World Wildlife Fund for Nature (WWF). They are fully in line with the objectives of the 2015 Paris Climate Agreements to contribute to restrict global warming to less than 1.5°C compared to pre-industrial levels on Scope 1 and 2, and well below 2°C on Scope 3.

These climate targets mark a new step in Elis' sustainability strategy and climate actions. The Group has worked for many years to reduce its energy consumption and CO2eq emissions. In 2022, Elis reduced the intensity of its thermal energy consumption by 26% vs. 2010 in its European laundries and achieved and exceeded its goal of reducing CO2eq emissions (Scopes 1 and 2) per kilogram of linen delivered with a 25% reduction since 2010. The Group also reduced its CO2eq emissions in absolute terms by 17.5% between 2019 and 2022 (Scopes 1 and 2).

III. Other information

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 grants transferred to income.
- Adjusted EBITDA margin is defined as adjusted EBITDA divided by revenue.
- Adjusted EBIT is defined as net income (loss) before net financial income (loss), income tax, share in net income of equity accounted companies, amortization of intangible assets recognized in a business combination, goodwill impairment losses, other operating income and expense, miscellaneous financial items (bank fees recognized in operating income) and IFRS 2 expense (share-based payments).
- Adjusted EBIT margin is defined as adjusted EBIT divided by revenue.
- Headline net result corresponds to net income or loss excluding extraordinary items which, due to their type and unusual nature, cannot be considered as intrinsic to the Group's current performance.
- Free cash flow is defined as adjusted EBITDA less non-cash-items and changes in working capital, purchases of linen, capital expenditures (net of disposals), tax paid, financial interest paid and lease liabilities payments.
- The financial leverage ratio is the leverage ratio calculated for the purpose of the financial covenant included in the banking agreement signed in 2021: Leverage ratio is equal to Net financial debt / adjusted EBITDA, pro forma of acquisitions finalized during the last 12 months, and after synergies.

Geographical breakdown

- France
- Central Europe: Austria, Belgium, Czech Republic, Germany, Hungary, Luxembourg, Netherlands, Poland, Slovakia, Switzerland

[1] The target boundary includes land-related emissions and removals from bioenergy. Scope 2 emissions targets are market-based.
Scope 1 (direct emissions) is mainly associated with consumption of gas, fuel, etc.
Scope 2 (indirect emissions) is associated with consumption of electrical energy or steam;
Scope 3 (other indirect emissions) is associated with emission from other areas: purchases, upstream transport, employee travel, etc.

- Scandinavia & Eastern Europe: Denmark, Estonia, Finland, Latvia, Lithuania, Norway, Russia, Sweden
- UK & Ireland
- Latin America: Brazil, Chile, Colombia, Mexico
- Southern Europe: Italy, Portugal, Spain & Andorra

Presentation of Q3 2023 revenue (in English)

Date: October 26, 2023 at 5:00pm GMT (6:00pm CET)

Speakers: Xavier Martiré (Chairman of the Management Board) and Louis Guyot (CFO)

Webcast link: https://edge.media-server.com/mmc/p/vb4oquyu

Conference call & Q&A session link:
https://register.vevent.com/register/BI18fe83fb28464c94857e64d63bdf3f83

An investor presentation will be available at 4:50pm GMT (5:50pm CET) at this address:
https://fr.elis.com/en/group/investor-relations/regulated-information

Disclaimer

This press release may include data information and statements relating to future events, trends, plans, expectations, objectives, outlook and other forward-looking statements relating to the Group's future business, financial condition, results of operations, performance and strategy as they relate to climate objectives, financial targets and other goals set forth therein. Forward-looking statements are not statements of historical fact and may contain the terms "may", "will", "should", "continue", "aims", "estimates", "projects", "believes", "intends", "expects", "plans", "seeks" or "anticipates" or words of similar meaning. In addition, the term "ambition" expresses an outcome desired by the Group, it being specified that the means to be deployed do not depend solely on the Group. Such information and statements are based on data, assumptions and estimates that the Group considers as reasonable as of the date of this press release and, by nature, involve known and unknown risks and uncertainties. These data, assumptions and estimates may change or be adjusted as a result of uncertainties, many of which are outside the control of the Group, relating particularly to the economic, financial, competitive, regulatory or tax environment or as a result of other factors of which the Group is not aware on the date of this press release. In addition, the materialization of certain risks, especially those described in chapter 4 "Risk management and internal control" of the Universal Registration Document for the financial year ended December 31, 2022, which is available on Elis's website (www.elis.com), may have an impact on the Group's business, financial condition, results of operations, performance, and strategy, notably with respect to these climate-related objectives. Therefore, the actual achievement of climate-related objectives, financial targets and other goals set forth in this press release may prove to be inaccurate in the future, or may differ materially from those expressed or implied in such forward-looking statements. The Group makes no representation and gives no warranty regarding the achievement of any climate objectives, targets and other goals set forth in this press release. Therefore, undue reliance should not be placed on such information and statements.

This press release and the information included therein were prepared on the basis of data made available to the Group as of the date of this press release. Unless stated otherwise in this press release, this press release and the information included therein are accurate only as of such date. The Group assumes no obligation to update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise, except as required by applicable laws and regulations.

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The climate-related data and the climate-related objectives included in this press release were neither audited nor subject to a limited review by the statutory auditors of the Group.

Next information

- 2023 annual revenue: January 30, 2024 (after market)
- Full-year 2023 results: March 7, 2024 (before market)

IV. Contact

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