Circular services at work

Q3 2023 trading update

October 26, 2023

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SUMMARY

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Q3 2023 business highlights

Another quarter of very solid organic revenue growth in Q3 at +9.5%

Q3 2023 revenue up +9.0% to €1,123.3m
Organic growth of +9.5%, in line with expectations

- Pricing momentum remains strong on the back of the adjustments implemented in 2022 and 2023 to offset cost inflation
- Unfavourable calendar effect in the quarter: c. -0.5% impact on Q3 organic growth
- Commercial momentum remains well oriented, especially in Workwear
- The Group's pricing discipline sometimes leads to a moderate increase in churn
- Soft activity in Hospitality in July & August on a strong comparable base; slight improvement in September

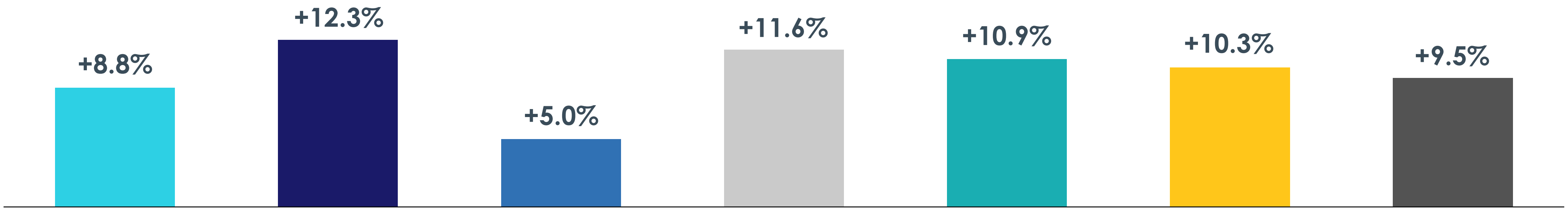
Deleveraging continues: Financial leverage ratio at 2.2x as of September 30, 2023

- Elis' outlook raised to positive from stable by Moody's in early October
- Anticipated deleveraging trajectory compatible with an Investment grade rating

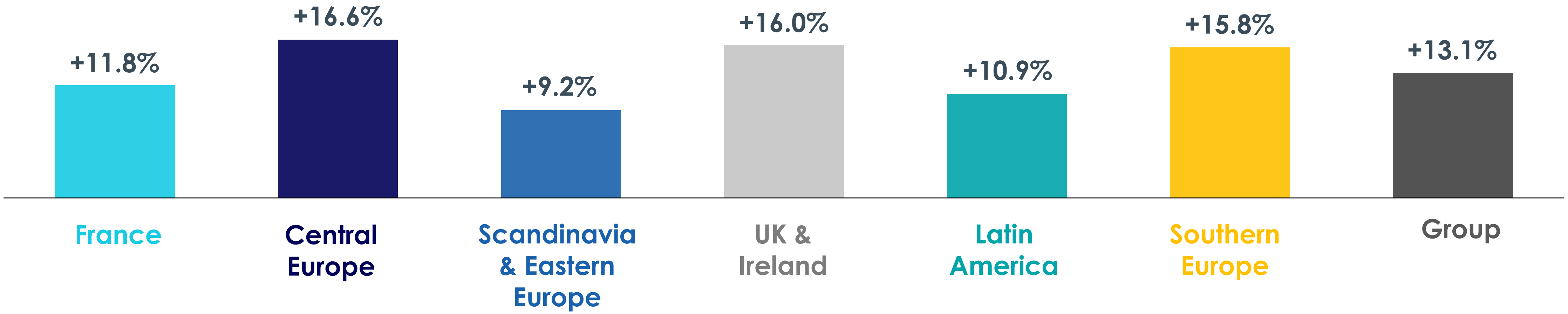
All 2023 targets confirmed

+9.5% organic growth in Q3, in line with full-year expectations

Q3 2023 organic revenue evolution by geography



9M 2023 organic revenue evolution by geography



New Workwear contracts signed in the first 9 months of 2023 underscore the success of Elis' commercial initiatives

Strong momentum in Workwear across the board, especially in Eastern Europe

- Acceleration in the outsourcing of Workwear
- New market standards and regulations contribute to accelerating the transition
- Elis has recently reinforced its salesforce in many countries, enabling many cross-selling opportunities with its existing clients

Many opportunities in Healthcare in our existing geographies

- The nursing home markets in Spain and the UK have historically been fragmented, with many local independent players that usually insource washing
- This is gradually changing with market consolidation along with professionalization of the industry (implying transition to linen washing outsourcing)
- Several contracts signed with public hospitals YTD in the UK, France and Brazil

Development of the Pest control and Cleanroom businesses

- Demand for Pest control and Cleanroom businesses has been rising significantly over the past years, with an acceleration since the pandemic; yoy growth of around +20%
- Elis leverages its many cross-selling opportunities: Pest control and Cleanroom continued to deliver double-digit growth in the first 9 months

Roll out of Elis' services offer to small clients

- Elis progressively addresses smaller clients as Group density increases in a country; initiatives are already under way in the UK, Sweden and Brazil
- Great opportunity going forward: Elis currently addresses small clients (e.g. Mom-and-Pop stores) in fewer than 10 countries out of 29 in total

Multiple pricing initiatives in past 18 months to offset inflation-related cost increases

The nature of the services provided by Elis and high-quality client relationships give us good pricing power

Elis has been running fair and transparent negotiations with its clients

- Most of our cost inductors are easy to monitor; price adjustments have only been implemented to offset inflation

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
- Most competitors are also facing a strong increase of their cost base and therefore need to increase their prices as well
- In a limited number of cases, our pricing discipline led to the non-renewal of some contracts or led us to walk away from tenders for new contracts

Pricing momentum will continue to be driven by wage inflation

COST ITEM	% of the cost base
Personnel costs	c. 60%
Gas, biomass, electricity and fuel	c. 10%
Other items (Chemical products, paper, spare parts, other consumables)	c. 30%

Expected cost inflation for 2023: +9%

Expected minimum wage inflation will mechanically lead to further pricing adjustments

- Wages account for c. 60% of our costs and are therefore, by far, the most important contributor to our costs
- Wages continue to increase across the board, especially in Germany and in the UK

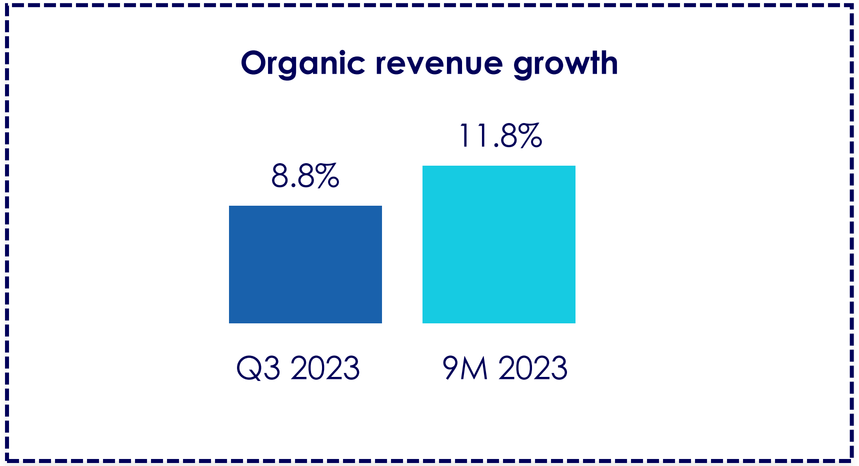
Further price increase expected going forward despite the decrease of energy prices

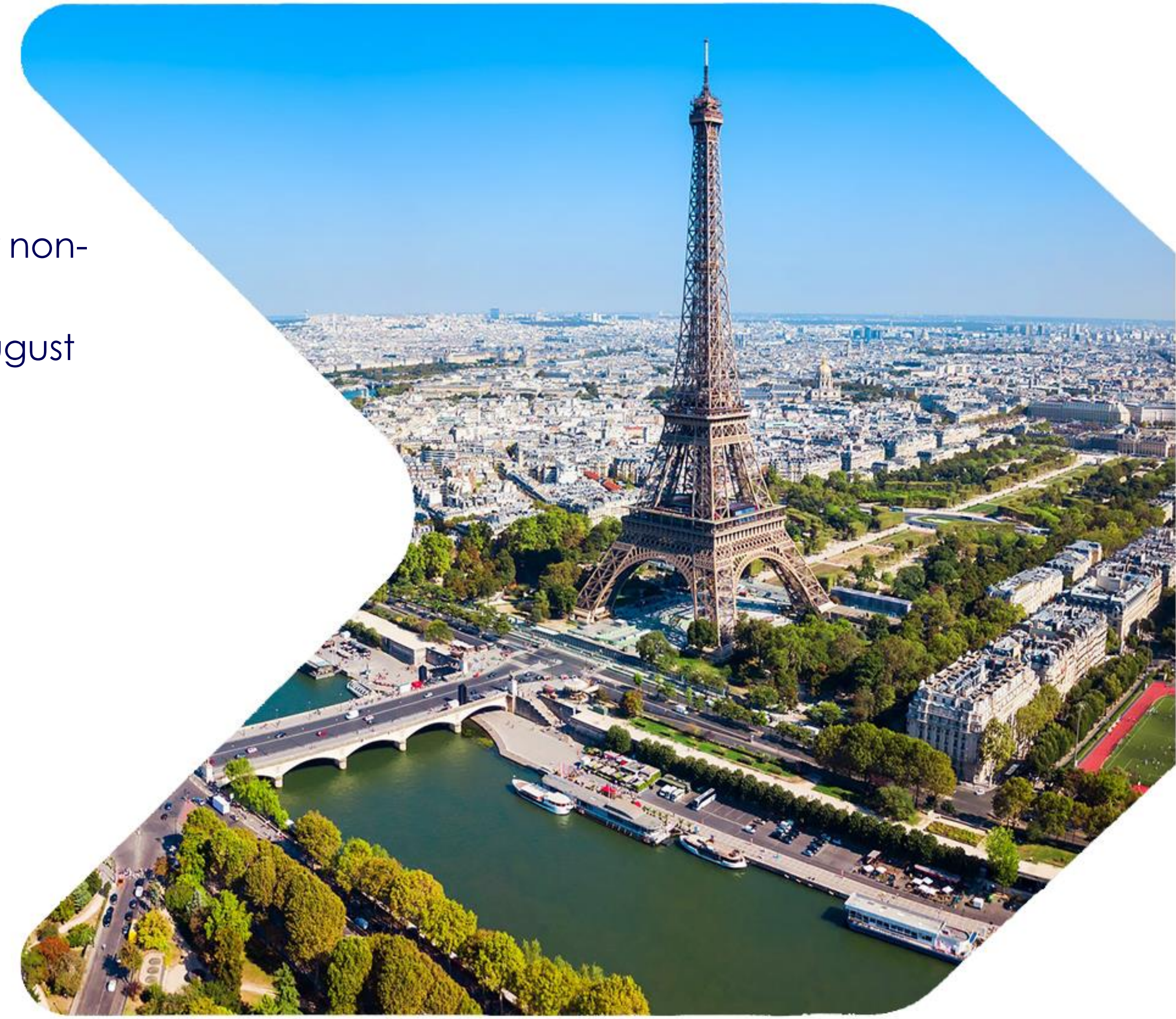
- Our contracts come with a pricing indexation formula
- Despite the decrease in energy costs, inflation in Europe is currently expected at c. +4% in 2024. We intend to adjust our prices accordingly

France: Good growth momentum driven by commercial activity and pricing adjustments

+8.8% revenue growth in Q3 (entirely organic)

- Additional new signings in Workwear and in Pest control
- Slight decrease in our activity with small clients, especially for non-essential services in a more sluggish environment
- Tough comparable base in Hospitality: activity in July and August was slightly lower than in 2022, but September showed some improvement; clients remain optimistic for the future

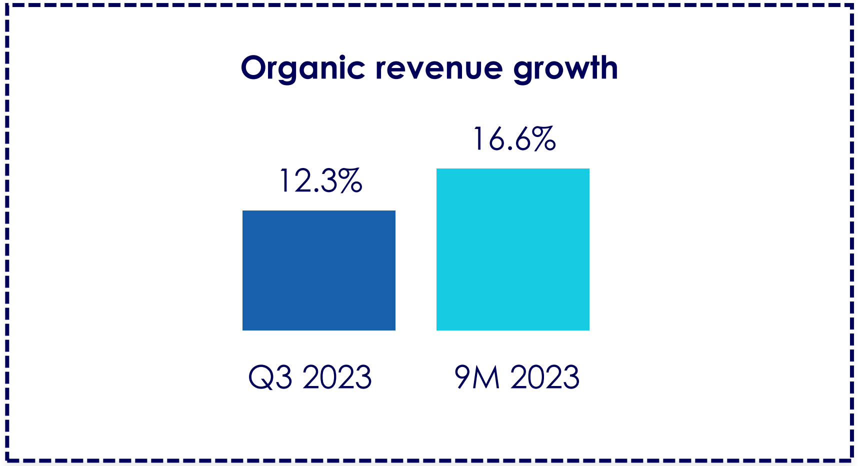




Central Europe: Sound top line growth driven by good pricing momentum in Germany

+12.9% revenue growth in Q3 (+12.3% organically)

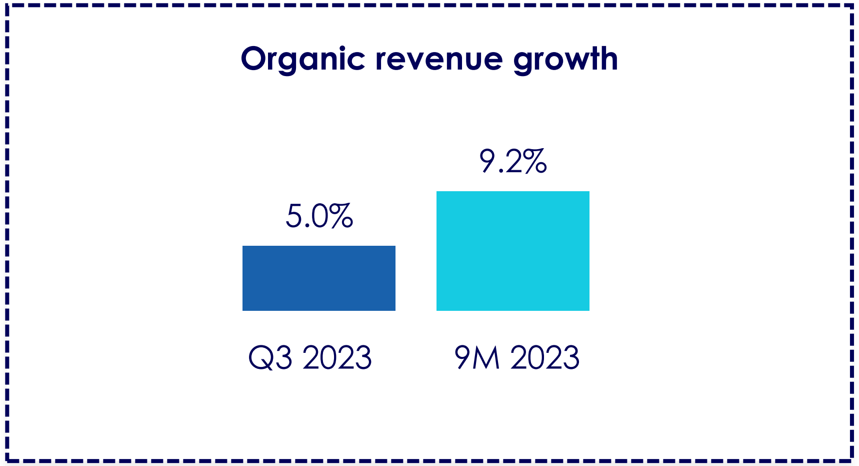
- Good progress in the Workwear business across the region, driven by new outsourcing, especially in Germany and in the Netherlands
- Strong pricing effect corresponding to the delayed implementation of 2022 adjustments, especially in Germany, where Hospitality is now back on track for profitable growth
- These adjustments, combined with our selective approach when renewing an existing contract or biding for a new one, led to some volume decline, mainly in Healthcare in Germany



Scandinavia & Eastern Europe: Good commercial momentum, strong pricing discipline and negative FX effect

-2.2% revenue growth basis in Q3 (+5.0% organically)

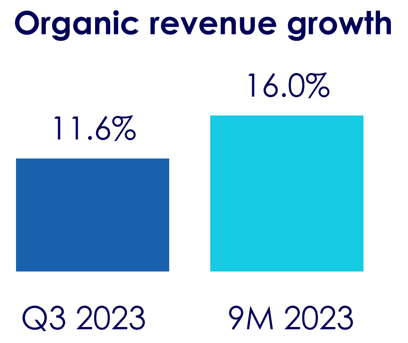
- Significant negative effect from the evolution of SEK, NOK and RUB
- Further gains in Workwear/Cleanroom business in Sweden and in Denmark ; good activity in Hospitality during the summer
- Some slowdown in our activity with our small clients, especially in Sweden and Denmark.



UK & Ireland: Good performance on the back of pricing adjustments and strong commercial effort

+11.1% revenue growth in Q3 (+11.6% organically)

- Pricing momentum remains very solid
- Strong commercial effort and control of churn led to further growth in Workwear
- Client activity remains subdued in a context of sluggish economic environment in the UK
- Consistent pricing discipline sometimes led to volume losses in Hospitality

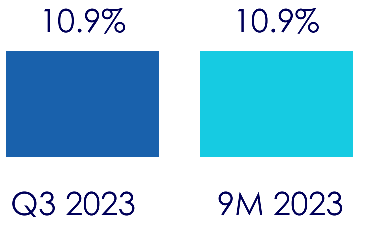


Latin America: Continued sound revenue growth

+14.0% revenue growth in Q3 (+10.9% organically)

- Further outsourcing, notably in Healthcare
- Pricing momentum remains strong, with a lag now in our favor as inflation is receding
- Very limited number of volume losses

Organic revenue growth

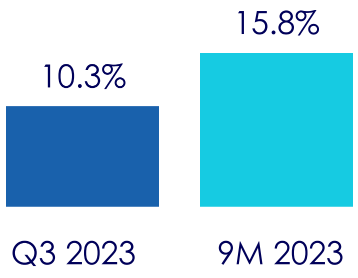


Southern Europe: Solid pricing plus commercial momentum driven by outsourcing trend

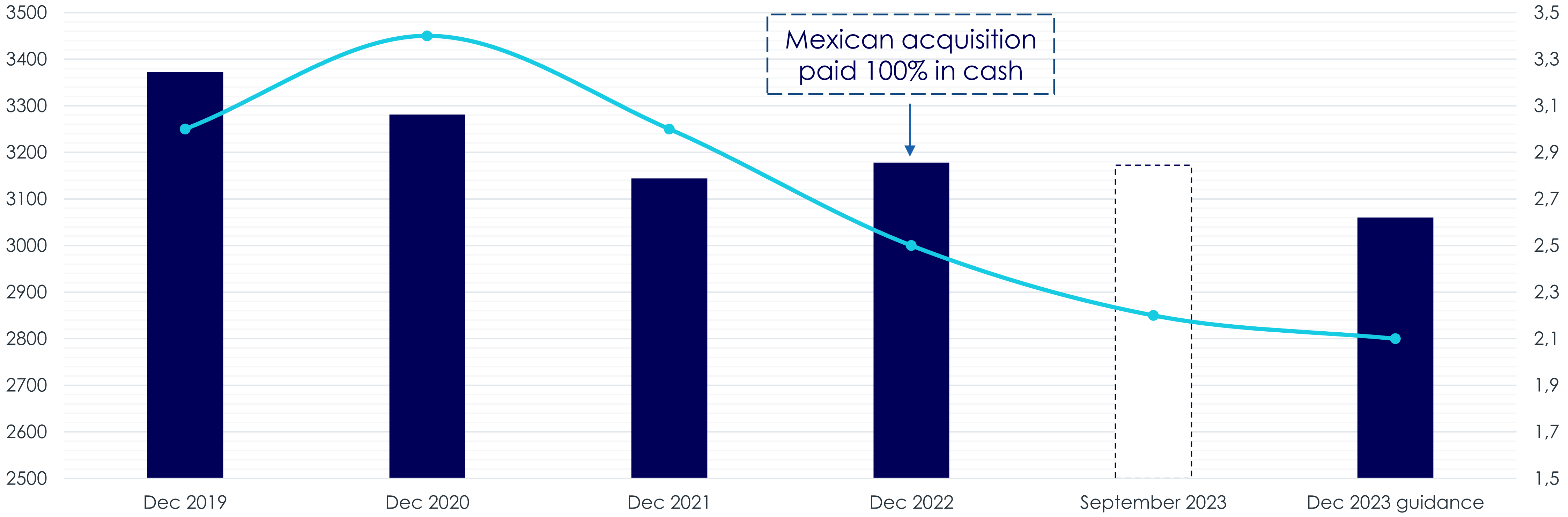
+11.7% revenue growth in Q3 (+10.3% organically)

- Outsourcing trend continues with new contract wins in Workwear in Q3
- Pricing level remains satisfactory
- Activity in Hospitality was very good in Portugal but disappointing in Spain
- The acquisition of Gruppo Indaco, an Italian Pest control business, contributed +1.4% to Q3 revenue growth

Organic revenue growth



Rapid deleveraging continues
Net financial leverage at 2.2x as of September 30, 2023



- **2020 was marked by the start of the pandemic, leading to a sharp drop in EBITDA and a slight increase in financial leverage**
- **Since then, Elis has steadily deleveraged; year-end 2023 net financial leverage is expected at c. 2.1x**
- **This deleveraging trajectory should quickly make Elis eligible for Investment grade rating consideration**

A well-diversified debt profile along with well spread maturities

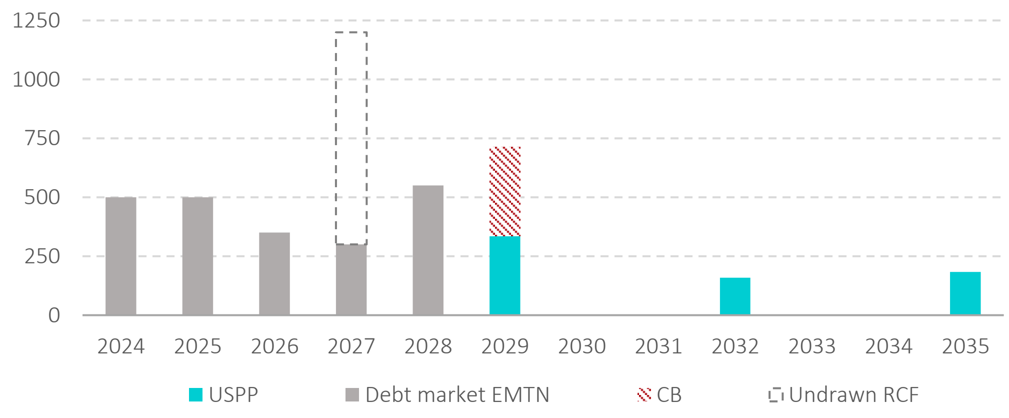
Debt reduction, rating improvement and tactical refinancing will limit rise in financial costs

- Elis has always enjoyed excellent access to the debt market
- Maturities are well spread between April 2024 and July 2035
- c. 90% of the debt is fixed at limited cost
- The Group already has the liquidity to reimburse the 2024 bond
- 2023 cash interests should be c. €90m in 2023
- The increase in cash interest should be limited going forward:
  - Future maturities will be refinanced by a smaller amount due to the Group’s strong cash flow generation
  - Elis should become Investment grade shortly; this should improve refinancing conditions

Debt and rating highlights

- Financial leverage of 2.2x as of September 30, 2023 vs 2.6x at September 30, 2022
- On October 5, 2023, Moody’s raised Elis’ outlook to positive from stable, reflecting its expectation that *“Elis' operating performance will remain solid, leading to a continued improvement in the company's credit metrics”*

Maturity schedule
(excl. commercial paper and securitization program)



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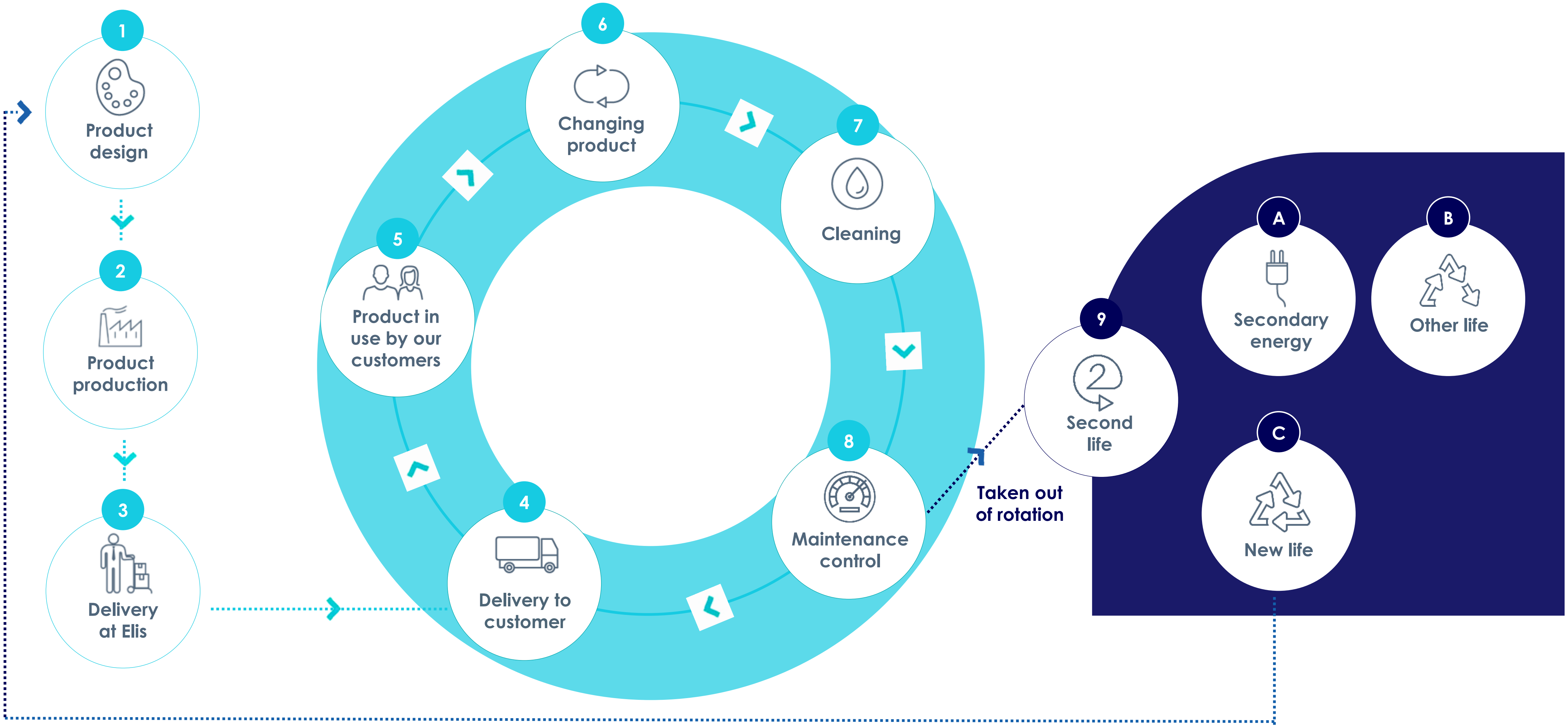
Ambitious 2030 climate targets

Elis' growth model is a virtuous circle: Our business is based on the circular economy



2030 Climate plan

A renewed ambition validated by SBTi (Science Based Targets initiative)

The Group's targets are aligned with the Paris Agreements and will contribute to keeping the temperature rise below 1.5°C (Scopes 1 & 2) and well below 2°C (Scope 3).

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Scopes 1 & 2
(emissions linked to energy)

→ **-47.5%** **between 2019 and 2030**

Scope 3
(purchased goods and services, fuel and energy related activities, upstream transportation and distribution, employee commuting, and end-of-life treatment of sold products)

→ **-28%** **between 2019 and 2030**

The Scope 1&2 target boundary includes land-related emissions and removals from bioenergy. Scope 2 market based

An ambitious but pragmatic plan to reach our targets

-47.5%

Scope 1 & 2 reduction

1. Further optimize our energy use in our industrial laundries
2. Decarbonize our energy
3. Reduce the environmental impact of our logistics fleet

-28%

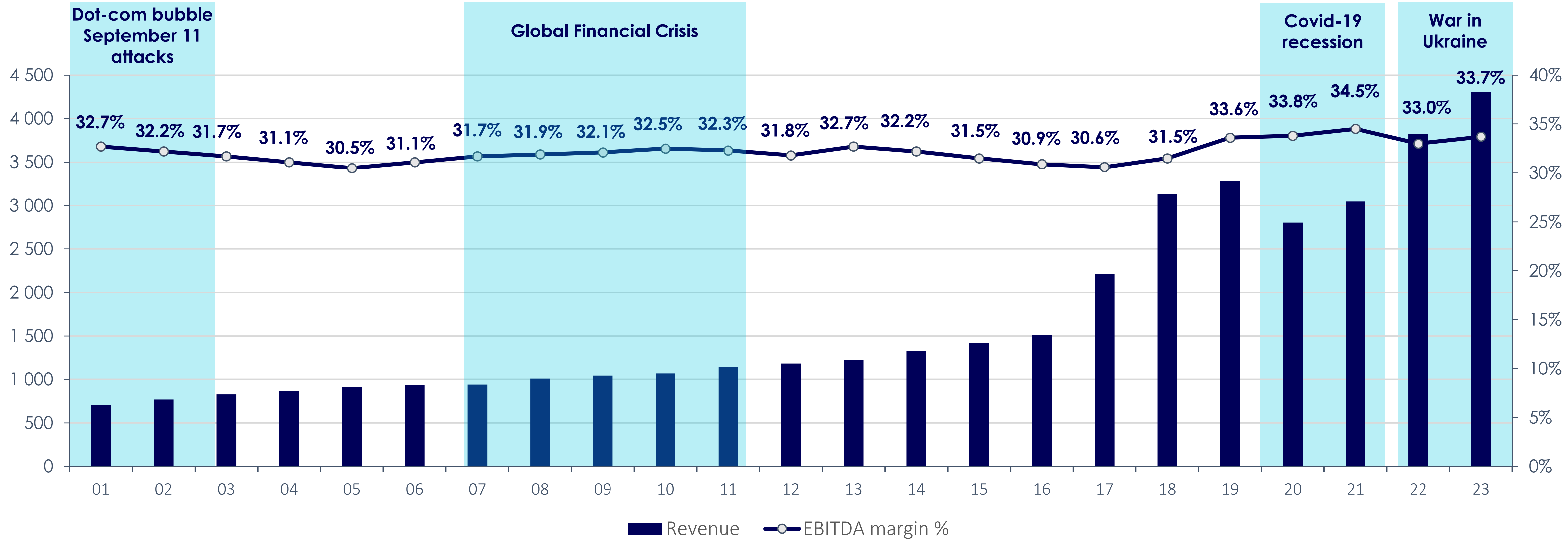
Scope 3 reduction

1. Improve and optimize our operating practices, especially on linen management
2. Reduce the environmental impact of our products by working on design, material selection or production modes
3. Reduce the impact of our freight and support our employees in their transition towards more responsible commuting practices

03

Update on 2023 outlook

Proven business resilience over the years

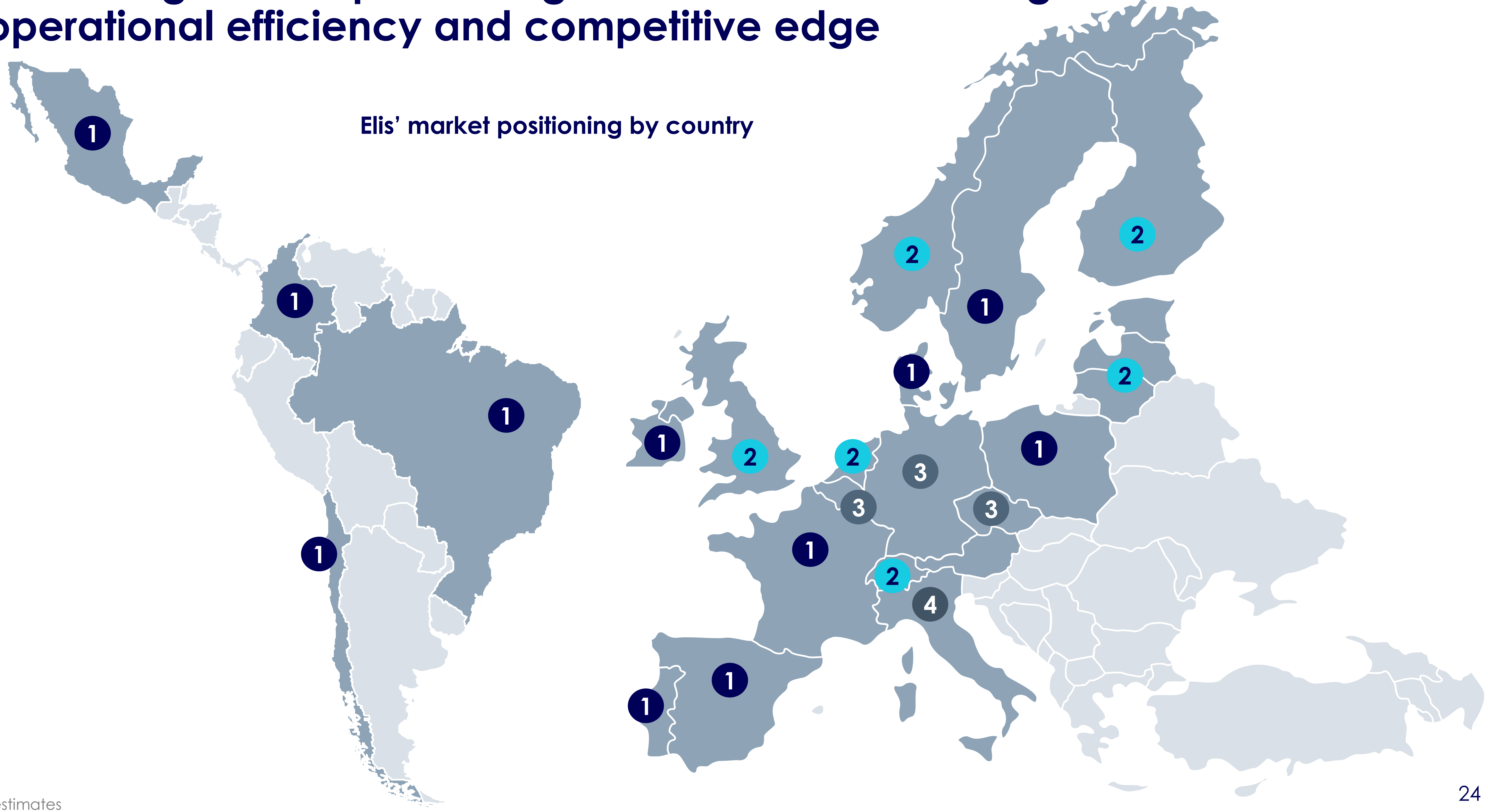


- **Post-pandemic, Elis' organic growth profile is reinforced in all non-Hospitality markets**
- **Over the last 20 years, EBITDA margin has evolved within a narrow range**
- **Elis' cash generation remained strong over the recent crisis; steady free cash flow growth is expected going forward**

EBITDA margin numbers from 2019 onwards include the IFRS 16 impact (+210bps impact in 2019)

Elis' strong market positioning in most of its countries generates operational efficiency and competitive edge

Elis' market positioning by country



Source: Elis' estimates

Elis' end-markets are very resilient through economic downturns

End market	Main market characteristics	Main contributors to revenue
Industry 27% of total H1 2023 revenue	Industry is resilient given the nature of our clients, which are mostly very resilient themselves 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% Pharma: 15% Water/waste management: 10% Automotive: 10% Construction, energy, transport: 10%
Healthcare 30% of total H1 2023 revenue	Healthcare is very resilient by nature	Hospitals and clinics: 80% Nursing homes: 20%
Trade & Services 18% of total H1 2023 revenue	Trade & Services is largely resilient on the back of the fixed fee invoicing methodology 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% Facility management: 20% Small retailers: 15% Collective catering: 10% Automotive service centers: 10%
Hospitality 25% of total H1 2023 revenue	Aside from pandemic situations (Covid, H_1N_1), the Hospitality industry delivers steady growth, driven by the development of resorts, family holiday parks, water parks, etc… Elis' activity in Hospitality (linked to occupancy) is less cyclical than hotels' (linked to RevPar)	Hotels: 80% Restaurants: 20%

Elis' organic growth profile reinforced in all non-Hospitality markets

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Structural trends are changing Elis' organic growth profile

01
- Need for more hygiene creates cross-selling opportunities (new products and services) and accelerates the development of outsourcing (need for employers to ensure a clean work environment)

02
- Re-industrialization of Europe: The pandemic has highlighted the importance of industrial resilience in Europe. The regionalization of supply chains in Europe to avoid dependency (especially on Asia) will be an opportunity for Elis

03
- Suppliers with high CSR standards such as Elis will benefit from the increase in tenders with an CSR component

Elis' initiatives further bolster its organic growth profile

04
- Steady increase in the share of Elis' fast-growing markets through both organic and M&A development: Latin America and Eastern European countries generally generate double-digit growth and represent an increasing share of Elis' revenue

05
- Develop in all countries what has proved successful in historical countries in terms of end-markets (open the nursing home market), products offered (focus on washroom services) or client base (address small clients)

All full-year 2023 objectives confirmed

Organic revenue growth
expected at c. +12%

- ✓ Expected pricing effect of at least +9% (with a significant part of price adjustments in the books since January 1st, 2023)

Adjusted EBITDA margin
expected up c. +70bps

- ✓ Topline dynamism, further productivity gains and hedging in place on energy purchases should generate margin expansion

Adjusted EBIT
expected above €660m

- ✓ Driven by top line dynamism and a slight decrease in D&A as a % of revenue

Headline net income
expected above €410m

- ✓ Fully diluted headline net income per share expected above €1.65 (i.e. up at least +13% yoy)

Free cash flow
expected above €260m

- ✓ Driven by top line dynamism and progressive normalization of change in WCR

Financial leverage ratio
expected at c. 2.1x at year-end

- ✓ Elis' deleveraging trajectory should quickly make the Group eligible for Investment grade rating consideration

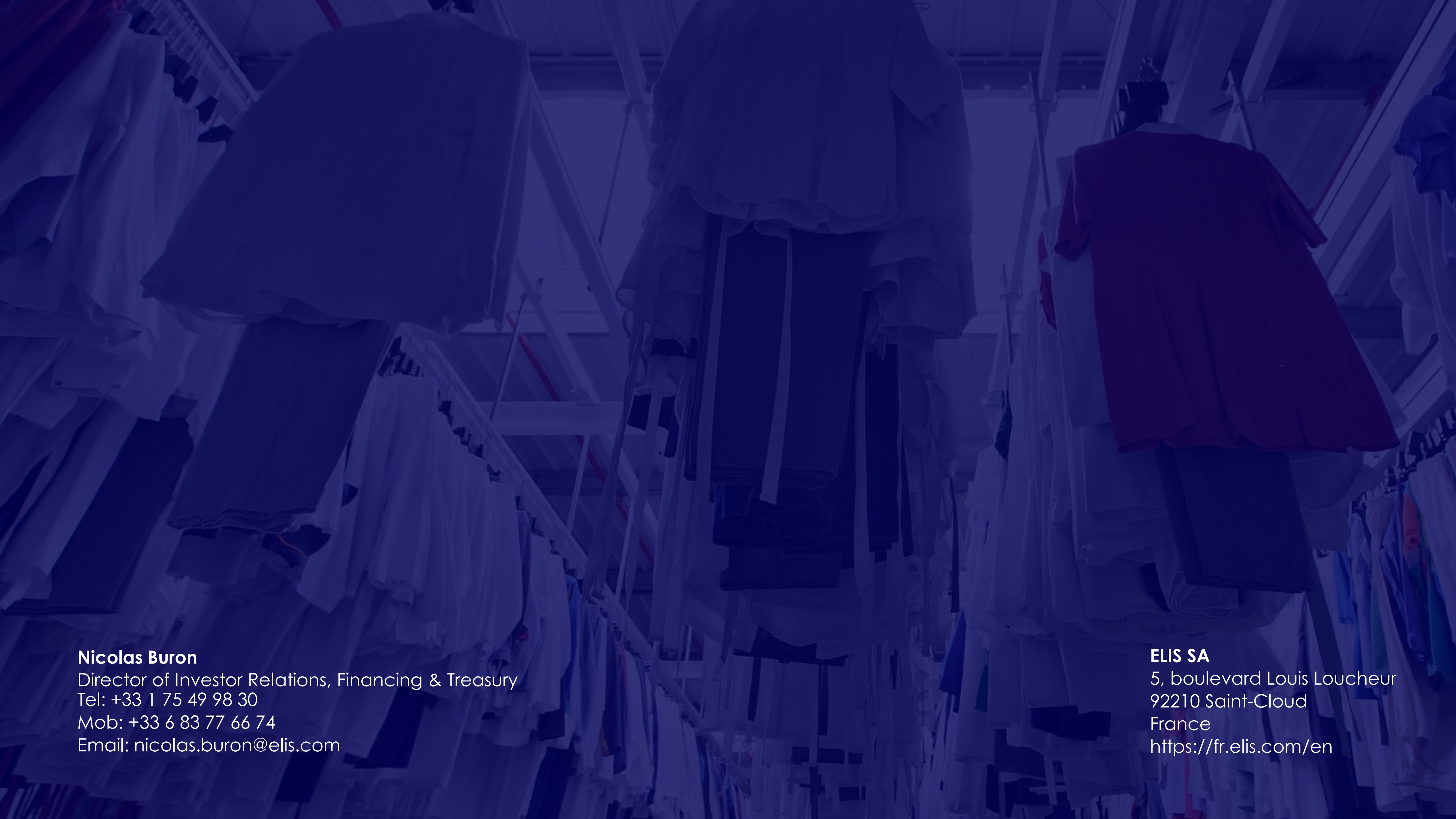
We anticipate further improvement of our main financial indicators in 2024

04 Q&A

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 grants transferred to income
- **Adjusted EBITDA** margin is defined as adjusted EBITDA divided by revenue
- **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 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 new 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

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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