



Strategic Review

The Strategic Report

The Strategic Report comprises the Group Overview and Highlights, the Chair's Statement, the Strategic Review, Our Commitment to Section 172(1), the Chief Executive's Operating Review, the Financial Review, the report on Sustainability (including the Group Non-Financial and Sustainability Information Statement) and the Principal Risks and Uncertainties.

Principal Activities and Business Overview

Johnson Service Group PLC (the 'Company') is incorporated and domiciled in the UK, its registered number is 523335 and the address of its registered office is Johnson House, Abbots Park, Monks Way, Preston Brook, Cheshire, WA7 3GH. The Company is a public limited company and has its primary listing on the AIM division of the London Stock Exchange.

The Company and its subsidiaries (together, the 'Group') provides textile rental and related services to the Hotel, Restaurant and Catering ('HORECA') and Workwear sectors throughout the UK and Republic of Ireland. Within our HORECA division, 'Johnsons Hotel Linen', our high-volume linen business, primarily serves group and independent large hotel customers, 'Johnsons Hotel, Restaurant and Catering Linen' provides premium linen services to restaurant, hospitality and corporate event customers whilst 'Johnsons Luxury Linen', which comprises of Empire, acquired in September 2024, and Regency, acquired in February 2023, provides bespoke linen predominantly to four and five-star luxury hotels. Also, within HORECA, 'Johnsons Ireland' serves both hospitality and healthcare customers. Our Workwear division comprises solely of 'Johnsons Workwear', which predominantly provides workwear rental, protective wear and laundry services to UK corporates across all industry sectors.



<p>Our Purpose Our purpose sets out why we do what we do:</p>	<p>We do our job, so our customers can do theirs Our purpose is to be an exceptional textile services provider to thousands of businesses every day, delivering sustainable growth and value to all our stakeholders.</p>
<p>Our Vision Our vision sets out where we want to be:</p>	<p>We want to be number one Our vision is to be recognised as the home of exceptional quality and sustainable textile services, where our people are integral to our success and where we lead the industry, setting the standards against which others aspire to.</p>
<p>Our Mission Our mission sets out what we do and how it will contribute to achieving our vision:</p>	<p>We do textile services Our mission is to provide valuable textiles services by building strong partnerships with our customers and providing exceptional service, quality products and sustainable innovation.</p>
<p>Our Values Our values set out what we collectively believe in and guide our behaviours – they act as our moral compass as a company:</p>	<p>Delivering exceptional service</p> <ul style="list-style-type: none"> • We take pride in providing a professional, efficient, reliable and friendly service to our customers. • We are committed to disciplined management of our operations to deliver consistent standards of exceptional quality and to provide a service that our customers can trust. <p>Championing our people</p> <ul style="list-style-type: none"> • We embody a culture that recognises and respects the diversity and contribution of all our people and where everyone feels valued. • We promote a work environment where the health, safety and wellbeing of our people is a priority and which provides opportunities and support for everyone to grow and succeed. <p>Caring for our environment</p> <ul style="list-style-type: none"> • We care about our impact on the environment and consider ways to protect and enhance it. • We minimise the use of natural resources where possible and make sustainable purchasing choices so that we can leave a positive legacy. <p>Acting in a responsible way</p> <ul style="list-style-type: none"> • Operating from a resilient financial platform, we act with professionalism, integrity and the highest ethical standards in everything that we do. • We expect all our relationships to be based on honesty, respect, fairness and a commitment to openness and transparency. <p>Supporting our communities</p> <ul style="list-style-type: none"> • We collaborate with our neighbours and wider communities to create strong, long-lasting relationships. • We take part in programmes and activities that directly and indirectly support our communities to grow and thrive.

Further information covering the activities of the business during the year are set out within the Chair's Statement and the Chief Executive's Operating Review.

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Our Business Model

The Board's strategy has been to focus the Group on our core businesses, increase the scale of our business both organically and through targeted strategic acquisitions and to be the market leader in textile services in all geographies in which we operate.

The Group's business model, which supports this strategy and aims to increase both profitability and shareholder value, focuses on delivering exceptional customer service across all of our businesses in order to increase customer satisfaction and loyalty and attract new customers.

Like many businesses, we face a number of external cost pressures, in particular those arising as a result of the challenging macro-economic environment, however, in the ordinary course our business model seeks to generate efficiencies in order to mitigate those pressures and to allow us to maintain divisional margin over the medium term. Such efficiencies include:

- investing in the latest machinery technology in order to increase capacity and productivity whilst at the same time reducing energy costs and water consumption;
- taking advantage of operational synergies, for example, redistributing the processing of customer work across our estate of sites in order to take advantage of reduced distribution costs;

- in alignment with our approach towards a circular economy, identifying opportunities for end-of-life textile management, including exploring new technologies and partnerships to help develop innovative solutions for textile recycling; and
- diligently and proactively managing our cost base.

Key to this is our biggest asset, our highly capable employees, who are the face of our business. The investment we make in the training and development of our employees supports our business model and we seek the views and opinions of employees, at all levels, to continuously develop the way we operate such that we support our people and the operations of the Group.

The scale and geographic coverage of our business, together with our focus on customer service, cost control, sustainability and efficiencies, give us a competitive advantage. We can provide our customers with the best value in terms of quality and cost and this helps drive long term and sustainable organic revenue growth.

We continue to identify opportunities to grow the business organically and actively pursue strategic acquisition opportunities which will broaden our services and geographic spread, add value for Shareholders and complement our position as the market leader in textile services in all geographies in which we operate.

Key Performance Indicators (KPIs)

The Group refers to certain KPIs to assess the performance of the Group as a whole, and of the various businesses. Further details of the KPIs are set out within the Financial Review.

Viability Statement

The Board is acutely aware that an understanding of the future prospects of the Group is of vital importance to all stakeholders and, as such, a statement, on behalf of the Board, is set out below on the future prospects of the Group.

"The Directors confirm that, based upon the information and knowledge of which they can be reasonably expected to be aware, they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for a period of not less than 36 months from the balance sheet date."

The Directors acknowledge the heightened uncertainty of the Group's strategic plans in the current macro-economic environment and, as a result, have considered a range of different scenarios. Financial forecasts are reviewed and approved by the Board, with involvement throughout from the Group CEO, Group CFO and the Group Management Board. Part of the Board's role is to consider the appropriateness of key assumptions, considering the external environment, business strategy and business model of the Group.

Whilst the Directors expect the future prospects of the Group to extend beyond the 36-month period referred to above, this period has been selected, for the purpose of this statement, as:

- it is concurrent with the most recently available financial modelling for the Group;
- the situation with respect to the UK and Republic of Ireland (ROI) current macro-economic environment remains uncertain and is likely to continue impacting the Group in the medium term;
- it is consistent with the average contract life of key customers, which provide stable revenue streams, being approximately 36 months;
- the Group has committed banking facilities which although ultimately expire prior to the end of this 36-month period, in August 2027, will likely be refinanced; and
- projections looking out further than 36 months become significantly less meaningful in the context of the Group's operations and markets.

The Directors have a reasonable expectation, having taken into consideration the principal risks and uncertainties facing the Group (as set out on pages 43 to 49) and, inter alia, the points set out below, that the trading performance and cash generation of the Group will not be materially adversely affected within that time frame, as:

- the Group has a committed revolving credit facility of £120.0 million which matures in August 2027, the terms of which provide an option to increase the facility by up to a further £15.0 million, with bank consent, with significant headroom in terms of availability, which is considered to be sufficient to meet the Group's current requirements throughout that period;
- our diversified customer base, the majority of which have a formal contract in place with varying expiry dates of up to five years, provides a secure future income stream whilst at the same time ensuring that the loss of any single key customer would not materially impact the Group's future trading performance and cash flows;

- the diverse and unrelated nature of the Group's customer base limits concentration of credit risk;
- the Group has prepared financial modelling, covering a three-year period, which has been approved by the Board. Prior to approving the financial modelling, the Board reviewed, challenged and stress tested the financial projections and assumptions contained within the forecasts. The stress tests were designed to determine the performance level that would result in a reduction in headroom against the Group's committed facilities to nil or a breach of covenants. The Directors did not consider such a reduction in performance to be likely and hence were able to conclude that there were no indications of a significant threat to the future prospects of the Group;
- the Group continuously strives to seek out and invest in plant and equipment that will help drive operational efficiencies;
- a significant number of the Group's key processing sites are owned on either a freehold or long leasehold basis thereby providing security of tenure;
- the wide geographic spread of processing sites mitigates the effect of a loss of any single processing facility (as demonstrated during 2020 following serious fire damage at one of our sites and flood damage at another of our sites) and, furthermore, appropriate insurance cover is in place such that the increased cost of working following a loss of processing capacity may, in some circumstances, be recovered; and
- the Group continuously reviews the adequacy and strength of its management teams to ensure that appropriate experience and training is given and develops succession planning as part of the development programmes for our people.

Although the Board is confident of the future prospects of the Group, there remain a number of risks and uncertainties, which are often beyond the control of the Directors, which could mean that actual results and events may differ from those budgeted.

Strategic Report Approval

The Strategic Report, outlined on pages 5 to 49, incorporates the Group Overview and Highlights, the Chair's Statement, the Strategic Review, Our Commitment to Section 172(1), the Chief Executive's Operating Review, the Financial Review, the report on Sustainability (including the Group Non-Financial and Sustainability Information Statement) and the Principal Risks and Uncertainties.

The Strategic Report was approved by the Board on 3 March 2025.

By order of the Board.

Christopher Clarkson
Company Secretary

3 March 2025