Circular services at work

Press release

January 30, 2024

Record 2023 revenue at €4.3bn, up +12.8% vs. 2022

Estimated 2023 financial results are above targets: 2023 adjusted EBITDA at c. 34.2% 2023 free cash-flow slightly above €300m

2023 revenue at €4,309.4m, driven by organic growth of +11.8%

- Good pricing momentum on the back of adjustments implemented since 2022 to offset inflation
- Price effect was c. +9% on average in 2023, with a sequential decrease throughout the year, linked to the base effect
- Many new contract wins in Workwear, driven by outsourcing momentum, especially in Southern Europe and in Latin America
- Hospitality benefited from a favourable comparable base in Q1; activity then stabilized over the rest of the year
- Strong pricing discipline for tenders or contract renewals, resulting in a moderate increase in churn
- Excellent level of performance by our Mexican operations, consolidated since July 2022: double-digit organic revenue growth in H2 2023
- Satisfactory activity in Q4: organic revenue growth of +8.1%; no sign of meaningful slowdown in our clients' activity

2023 operational performance leads to estimated 2023 results that are better than previously-communicated targets[1]

- The Group's pricing discipline, combined with further logistics and industrial process optimization, enable us to estimate 2023 adjusted EBITDA margin at c. 34.2%, up c. +120bps yoy, i.e. c. €215m above 2022 level
- 2023 adjusted EBIT, headline net income and headline net income per share should also be above targets communicated in October, on the back of the strong increase in EBITDA
- Despite an unfavorable calendar effect, good cash collection at year-end leads to estimated 2023 free cash-flow of slightly above €300m, up c. €75m compared to 2022
- All the above should lead to a financial leverage ratio at c. 2.0x as of 31 December 2023
- The financial data for the financial year ended on December 31, 2023 have been prepared on the basis of unaudited estimates as at December 31, 2023
- Full-year 2023 results will be released on 7 March 2024 before market

Saint-Cloud, 30 January 2024 – Elis, the global leader in circular services at work, today announces its 2023 full-year revenue. The financial data disclosed in this press release is provided by Elis' annual accounting process and is currently being audited. The Group's financial statements will be approved by Elis' Management Board on 6 March 2024.

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

« In 2023, Elis delivered record revenue of €4.3bn, up nearly +13% year-on-year, and should deliver a better-than-expected 2023 financial performance.

[1] On October 26, 2023, the Group confirmed the following objectives:
- 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)
- 2023 free cash-flow expected above €260m
- Financial leverage ratio expected at c. 2.1x as of 31 December 2023

With inflation remaining strong in Europe, growth largely benefited from the pricing adjustments implemented throughout 2022 and in 2023 to offset the increase in our cost base; the impact from these pricing adjustments is c. +9% in 2023.

This strict pricing discipline sometimes led to the non-renewal of an existing contract, or to a missed opportunity while tendering for a new contract. Consequently, we observed a 1-point increase in churn to c. 7%.

Commercial momentum in Workwear remained strong in all our geographies, still driven by further outsourcing in many industries. 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 2023.

In Hospitality, after a catch-up effect in Q1, activity showed a mixed picture during summer but has slightly improved since then.

The good operational performance in 2023 reflects the Group's strategy; it should lead to 2023 results that are above the targets communicated to the market in October. Our strong pricing discipline, coupled with logistics and industrial process optimization, enable us to estimate 2023 adjusted EBITDA margin at c. 34.2%, up c. +120pbs year-on-year. The other P&L aggregates should also be above the previous guidance on the back of the strong increase in EBITDA. Finally, good cash collection at year-end enables us to estimate 2023 free cash-flow at slightly above 300m€ and the financial leverage ratio as of 31 December 2023 at c. 2.0x.

We entered 2024 with confidence: visibility is good, both in terms of revenue (pricing, activity forecast) and cost base (salary negotiations, purchasing contracts). 2024 should thus be another year of profitable growth for Elis. We will provide, as usual, a detailed financial outlook for 2024 when we release our full-year 2023 results on March 7.

The great resilience that Elis demonstrated through the various recent crises, its operational know-how, its strengthened organic growth 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. 2023 revenue

Full-year 2023 reported growth breakdown

In millions of euros	2023	2022	Organic growth	External growth	FX	Reported growth
France	1,311.6	1,185.0	+10.7%	-	-	+10.7%
Central Europe	1,013.4	870.0	+15.1%	+0.7%	+0.7%	+16.5%
Scandinavia & East. Eur.	599.2	580.7	+8.5%	+0.3%	-5.5%	+3.2%
UK & Ireland	534.9	476.5	+14.0%	-	-1.8%	+12.3%
Latin America	444.9	347.3	+10.4%	+16.3%	+1.3%	+28.1%
Southern Europe	379.2	330.5	+13.6%	+1.1%	-	+14.7%
Others	26.1	30.8	-14.0%	-	-1.0%	-15.0%
Total	**4,309.4**	**3,820.9**	**+11.8%**	**+1.8%**	**-0.8%**	**+12.8%**

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

2023 organic growth breakdown

	Q1	Q2	H1	Q3	Q4	H2
France	+15.8%	+11.6%	+13.5%	+8.8%	+7.4%	+8.1%
Central Europe	+21.4%	+16.7%	+18.9%	+12.3%	+10.9%	+11.6%
Scandinavia & East. Eur.	+15.8%	+7.4%	+11.5%	+5.0%	+6.4%	+5.7%
UK & Ireland	+23.9%	+13.9%	+18.5%	+11.6%	+8.5%	+10.1%
Latin America	+12.6%	+9.5%	+10.9%	+10.9%	+9.4%	+10.1%
Southern Europe	+24.7%	+15.4%	+19.4%	+10.3%	+7.1%	+8.8%
Others	-15.4%	+6.6%	-4.4%	-20.3%	-22.5%	-21.4%
Total	**+18.3%**	**+12.5%**	**+15.2%**	**+9.5%**	**+8.1%**	**+8.8%**

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

Q4 2023 reported growth breakdown

In millions of euros	Q4 2023	Q4 2022	Organic growth	External growth	FX	Reported growth
France	324.2	301.9	+7.4%	-	-	+7.4%
Central Europe	258.8	231.4	+10.9%	-	+0.9%	+11.8%
Scandinavia & East. Eur.	155.2	153.3	+6.4%	-	-5.1%	+1.3%
UK & Ireland	134.2	123.3	+8.5%	-	+0.3%	+8.8%
Latin America	114.1	103.7	+9.4%	-	+0.7%	+10.1%
Southern Europe	91.2	83.5	+7.1%	+2.2%	-	+9.3%
Others	7.0	9.0	-22.5%	-	+0.3%	-22.2%
Total	**1 084.7**	**1 006.1**	**+8.1%**	**+0.2%**	**-0.5%**	**+7.8%**

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

France

2023 full-year revenue was up +10.7% (entirely organic). Pricing dynamic was good, driven by the adjustments implemented since 2022 to offset cost inflation. We continued to record many contract wins in Workwear and Pest Control. However, we noticed a slight slowdown in the activity of our small clients, notably for non-essential services. In Hospitality, the comparable base was favorable in Q1 but more difficult afterwards: overall, activity was stable compared to 2022.

In Q4 2023, revenue was up +7.4% (entirely organic).

Central Europe

In 2023, revenue was up +16.5% (+15.1% on an organic basis). Commercial momentum was satisfactory, notably in Germany and in the Netherlands, the region's main countries, where further outsourcing led to new contract signings in Workwear. Germany delivered organic revenue growth of +c. 17%: most of our pricing adjustments negotiated in 2022 to offset strong inflation (mainly wages) were implemented at the beginning of 2023. However, the Group's pricing discipline led to some contract losses in some countries, notably in Germany (Healthcare).

In Q4 2023, revenue was up +11.8% (+10.9% on an organic basis).

Scandinavia & Eastern Europe

2023 full-year revenue was up +3.2% (+8.5% on an organic basis), with an FX impact of -5.5%, mainly due to the evolution of the Swedish Krona and the Norwegian Krone. Organic revenue growth was driven by pricing adjustments and commercial dynamism in Workwear (including Cleanroom). In Hospitality, activity was fine.

In Q4, revenue was up +1.3% (+6.4% on an organic basis), with a still-negative FX impact (-5.1%). However, we observed a rebound in commercial dynamism.

UK & Ireland

2023 revenue was up +12.3% (+14.0% on an organic basis), with a negative FX impact of -1.8% year-on-year. The region's pricing dynamic was good. Healthcare activity remained very solid. In Industry and Trades & Services, we recorded new contract signings thanks to continuous commercial efforts, but client activity was impacted by the deteriorating macro environment in the UK. Finally, our pricing discipline led to some volume losses in Hospitality.

In Q4 2023, revenue was up +8.8% (+8.5% on an organic basis).

Latin America

In 2023, revenue was up +28.1% (+10.4% on an organic basis). Acquisitions contributed to +16.3% to the growth in the region. Our Mexican acquisition, consolidated since July 1, 2022 delivered double-digit organic growth in H2. This acquisition significatively strengthens our growth profile in the region. In addition, we saw further outsourcing trends in all the countries of the region, and we continued to record contract wins, notably in Healthcare. Finally, contract losses were very limited despite a pricing effect above inflation level throughout the year.

In Q4 2023, revenue was up +10.1% (+9.4% on an organic basis).

Southern Europe

In 2023, revenue was up +14.7% (+13.6% on an organic basis), driven by good pricing dynamic. In Workwear, the outsourcing trend continued to be solid, and we recorded many new contract signings, notably with food-processing companies. Activity in Hospitality continued to rebound and returned to pre-Covid levels. Finally, the acquisitions of Gruppo Indaco in Italy and Levante in Spain create local platforms to boost the development of Pest Control in the region. These acquisitions contributed +1.1% to the region's annual growth.

In Q4 2023, revenue was up +9.3% (+7.1% on an organic basis).

II. <u>CSR developments</u>

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, or to single use / disposable products.

Furthermore, 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 the circular economy can significantly contribute to reaching Net Zero and that nearly 9 billion tons of CO2eq (i.e. 20% of world emissions) could be reduced thanks to the transition of just some key industries from the current model towards a circular economy.

Non-financial rating

The Group CSR performance is recognized by non-financial rating agencies:

- In 2023, MSCI rating agency improved Elis' ESG rating to A from BBB. It rewards the Group commitment regarding CSR and its continuous improvements,
- In 2023, Elis obtained a Gold medal to the EcoVadis questionnaire, maintaining its score of 75/100. This prize confirms Elis commitment towards its clients, partners and employees, and places the Group within the best assessed companies of the business sector. Elis' CSR strategy fulfills EcoVadis' assessment criteria, which are based on international standards and 4 CSR themes (Environment, Social & Human Rights, Ethics and Sustainable Purchasing). This medal places Elis within the top 5% of the c. 100,000 companies assessed by EcoVadis,
- On its last assessment, the Group was also rated A by the CDP (Carbon Disclosure Project), a non-profitable organization which performs independent assessments on the basis of information made available by companies on their strategy, performance and commitment of stakeholders on climate goals. 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 value chain,
- Sustainalytics maintains the Group rating as « low risk » concerning CSR,
- Finally, Elis improved its score with rating agency Ethifinance ESG Rating (ex-Gaia), to 75 from 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[2];
- 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 December 2023, these 2030 targets have been integrated to the calculation of the margin of the €900 million Sustainability-Linked Revolving Credit Facility of the Group.

[2] 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.

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
- 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 2023 full-year revenue (in English)

Date: January 30, 2024 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/9tz7zqjj

Conference call & Q&A session link:
https://register.vevent.com/register/BI54cb97be6a4c4883bdeb6d117121f06d

An investor presentation will be available at 4:50pm GMT (5:50pm CET) at this address:

https://fr.elis.com/fr/groupe/relations-investisseurs/information-reglementee

Disclaimer

The financial data for the financial year ended December 31, 2023 presented in this press release are estimates. These estimates have been prepared in accordance with an accounting and consolidation process similar to that normally used to prepare consolidated financial statements. The accounting basis used for these estimates is consistent with the accounting methods applied by Elis and described in its consolidated financial statements. However, all annual approval procedures have not yet been completed. These estimated financial data have been reviewed by the Management Board of Elis, and have not been audited by the statutory auditors of Elis. These financial data are not derived from consolidated financial statements that have been officially approved by the Management Board of Elis. The approval of the consolidated financial statements for the financial year ended December 31, 2023 by the Management Board of Elis is scheduled for March 6, 2024. The results with respect to the financial year ended December 31, 2023 will be published on March 7, 2024, before market opening, according to the financial calendar available on the Elis's website (www.elis.com).

Also, this press release may include data information and statements relating to estimates, 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 have not been audited by the statutory auditors of Elis. 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, financial objectives or other objectives included in this press release. 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.

This press release includes certain non-financial metrics, as well as other non-financial data, all of which are subject to measurement uncertainties resulting from limitations inherent in the nature and the methods used to determine them. These data generally have no standardized meaning and may not be comparable to similarly labelled measures used by other companies. The Group reserves the right to amend, adjust and/or restate the data included in this press release, from time to time, without notice and without explanation. The data included in this press release may be further updated, amended, revised or discontinued in subsequent publications, presentations and/or press releases of Elis, depending on, among other things, the availability, fairness, adequacy, accuracy, reasonableness or completeness of the information, or changes in applicable circumstances, including changes in applicable laws and regulations.

This press release may include or refer to information obtained from or established on the basis of various third-party sources. Such information may not have been reviewed, and/or independently verified, by the Group and the Group does not approve or endorse such information by including them or referring to them. Accordingly, the Group does not guarantee the fairness, adequacy, accuracy, reasonableness or completeness of such information, and no representation, warranty or undertaking, express or implied, is made or responsibility or liability is accepted by the Group as to the fairness, adequacy, accuracy, reasonableness or completeness of such information, and the Group shall not be obliged to update or revise such information.

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

- Full-year 2023 results: March 7, 2024 (before market) – webcast at 7:30am GMT (8:30am CET)
- Q1 2024 revenue: May 6, 2024 (after market)

IV. Contacts

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