

JOHNS LYNG GROUP LIMITED (ASX: JLG)

ASX Statement

5 July 2023

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JOHNS LYNG CONTINUES TO PROGRESS ITS GROWTH STRATEGY IN THE “ESSENTIAL HOME SERVICES” MARKET WITH THE ACQUISITION OF SMOKE ALARMS AUSTRALIA AND LINKFIRE

*TO BE FUNDED BY A **FULLY UNDERWRITTEN A\$65M INSTITUTIONAL PLACEMENT***

Executive Summary

- JLG has signed binding share purchase agreements to **acquire 100% of Project Safety Holdings Pty Ltd (“Smoke Alarms Australia” or “SAA”) and 70% of Link Fire Holdings Pty Ltd (“Linkfire”)** for total upfront cash consideration of **A\$61.8m plus an aggregate earn-out of up to A\$17.25m (together, the “Acquisitions”)**
- The Acquisitions value SAA and Linkfire at **c.7.2x FY23(F) EBITDA¹** on a combined basis
- The Acquisitions **set the foundation for JLG’s 5th Strategic Growth Pillar – “Essential Home Services”,** and progress JLG towards its goal of becoming a full **turnkey solution for Homeowners, Property Managers and Strata Managers**
- The provision of fire, electrical and gas compliance, testing and maintenance are **highly complementary offerings** to those already provided by JLG and create **significant cross-sell opportunities with JLG’s existing businesses along with cost synergies**
- JLG has a long history and **successful track record in the “Essential Home Services” market** dating back to pre-IPO
- The Acquisitions are **established, profitable and growing businesses** that provide a platform for follow-on M&A and **consolidation of the highly fragmented sector**
- Both SAA and Linkfire operate **annuity style business models underpinned by subscription-based revenue models with strong margins (>20% EBITDA)** and generate recurring and predictable cash flow with a strong line of sight on forward earnings
- The industry is subject to **material regulatory tailwinds**, with the “Essential Home Services” offered by SAA and Linkfire becoming increasingly entrenched in state and federal regulatory and compliance requirements – further **enforcing the defensibility of earnings**
- Both acquisitions are **led by high-calibre and very experienced management teams who will be fully aligned through ongoing equity ownership** – consistent with JLG’s equity partnership model
- The Acquisitions will be funded by a **A\$65m fully underwritten institutional placement (“Placement”) and a non-underwritten share purchase plan (“SPP”) targeting a maximum of A\$5m** (together, the “Equity Raising”)
- The Acquisitions are expected to be **immediately c.5% EPS accretive**

¹ Per management forecasts on a post-AASB16 basis

Overview of the Acquisitions

JLG has today announced the acquisition of SAA and Linkfire. Both businesses have long-standing reputations in fire, electrical and gas compliance testing and maintenance for residential and commercial properties.

The combined acquisitions are expected to generate FY23(F) revenue of approximately A\$44.2m and EBITDA of approximately A\$9.3m².

The Acquisitions are expected to be immediately c.5% EPS accretive.

Both acquisitions are expected to settle in the first quarter of FY24.

Scott Didier, JLG Group CEO said: *“The services provided by Smoke Alarms Australia and Linkfire are highly complementary to our current activities - particularly our Strata Services offering. The Acquisitions set the foundation for JLG’s 5th Strategic Growth Pillar – “Essential Home Services”, which we will continue to build out going forward.”*

“Most importantly, the teams at SAA and Linkfire are the right cultural fit and we look forward to working with them.”

Smoke Alarms Australia

JLG has entered into a binding share purchase agreement to acquire 100% of SAA for up-front cash consideration of A\$50.1m.

SAA is a Sydney-based national provider of smoke alarm, electrical and gas compliance, testing and maintenance services. Founded in 2005, SAA is the second largest provider in Australia, completing approximately 284,000 jobs annually. SAA has established market leading operations in NSW, ACT and WA with a growing presence in VIC and QLD.

Linkfire

JLG has also entered into a binding share purchase agreement to acquire 70% of Linkfire for up-front cash consideration of A\$11.7m.

Linkfire is a provider of fire and essential safety services in Victoria and more recently Newcastle (NSW). Founded in 1998, Linkfire has grown to become a market leader in its existing markets servicing more than 8,500 buildings per annum. Approximately 80% of Linkfire’s customer base consists of Strata Managers and Owners’ Corporations.

Strategic Rationale

- SAA and Linkfire are strong, profitable, cash generative and growing standalone businesses that set the foundation for JLG’s 5th Strategic Growth Pillar – “Essential Home Services”
- Access to JLG’s senior management and networks will help boost SAA and Linkfire’s already strong standalone growth, while presenting significant cross-sell and industry consolidation opportunities via select M&A
- The Acquisitions align with JLG’s strong track record of expansion via highly complementary acquisitions with annuity style business models underpinned by defensive, non-discretionary products and services

² Per management forecasts on a post-AASB16 basis

Key Terms

Smoke Alarms Australia

A 100% owned subsidiary of JLG has entered into a binding share purchase agreement to acquire 100% of SAA for A\$50.1m in cash, plus up to A\$11.0m in an earn-out payable in cash or JLG shares at JLG's discretion. The potential earn-out is based on the annual EBITDA performance of SAA for FY24.

JLG will acquire 100% of SAA at Completion. Subsequent to Completion, in-line with JLG's equity partnership model, key SAA senior management is expected to acquire a c.10% equity interest in SAA through vendor finance.

Linkfire

A 100% owned subsidiary of JLG has entered into a binding share purchase agreement to acquire 70% of Linkfire for A\$11.7m in cash, plus up to A\$6.25m in an earn-out payable in cash or JLG shares at JLG's discretion. The potential earn-out is based on the annual EBITDA performance of Linkfire for FY24 and FY25.

Existing senior management will retain a 30% equity interest, ensuring management interests are fully aligned.

Equity Raising Overview

The Acquisitions and associated costs will be funded through the proceeds of a fully underwritten A\$65m institutional share placement. JLG will also undertake a non-underwritten share purchase plan to eligible shareholders in Australia and New Zealand targeting a maximum of A\$5m, with the Board reserving discretion to apply a scale back as required.

Details of the Institutional Placement

JLG is undertaking a fully underwritten placement of new fully paid ordinary shares in JLG ("**New Shares**") to eligible institutional investors to raise A\$65m.

The Placement will be priced at the higher of the floor price of A\$5.00 per New Share or the price determined by an institutional bookbuild process ("**Placement Price**"). The floor price of A\$5.00 per New Share represents a 7.9% discount to the last traded price of A\$5.43 on 4 July 2023.

The Placement will result in approximately 13m New Shares being issued (based on the floor price), representing approximately 5.0% of JLG's existing issued capital.

New Shares issued under the Placement will rank equally with existing JLG shares from their date of issue.

Details of the Share Purchase Plan

Following the completion of the Placement, JLG will offer eligible shareholders in Australia and New Zealand the opportunity to participate in the non-underwritten SPP, targeting a maximum of A\$5m, with the Board reserving discretion to apply a scale back as required.

Under the SPP, eligible JLG shareholders, being shareholders who had a registered address in Australia or New Zealand on JLG's register at 7.00pm (Australian Eastern Standard Time (AEST)) on 4 July 2023, will have the opportunity to apply for up to A\$30,000 of New Shares free of any brokerage, commission and transaction costs.

The SPP will be priced at the lower of the Placement Price and a 2% discount to the 5-day VWAP of JLG shares up to, and including, the closing date of the SPP.

Full details of the SPP will be set out in the SPP Offer Booklet, which will be released to the ASX and made available to eligible shareholders in Australia and New Zealand on or around 12 July 2023.

Other information

J.P. Morgan Securities Australia Limited (“**J.P. Morgan**”) is acting as Underwriter, Lead Manager and Bookrunner to the Placement.

Key Dates

Item	Date
Record Date for SPP (7.00pm Sydney time)	Tuesday, 4 July 2023
Trading halt and announcement of the Placement	Wednesday, 5 July 2023
Placement bookbuild	Wednesday, 5 July 2023
Announcement of the outcome of the Placement	Thursday, 6 July 2023
Trading halt lifted and JLG shares recommence trading	Thursday, 6 July 2023
Settlement of New Shares to be issued under the Placement	Monday, 10 July 2023
Issue and allotment of new shares under the Placement	Tuesday, 11 July 2023
SPP offer opening date	Wednesday, 12 July 2023
SPP offer closing date	Wednesday, 26 July 2023
Announcement of SPP results	Monday, 31 July 2023
Issue and allotment of new shares under the SPP	Wednesday, 2 August 2023
SPP holding statements dispatched	Thursday, 3 August 2023

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Further Information

Further details are set out in the investor presentation released to the ASX today. The investor presentation ("**Investor Presentation**") contains important information including details about key risks and the international offer restrictions with respect to the Placement, which should be read together with this announcement.

JLG will conduct a conference call in relation to the announcement at 10:30am AEST. We recommend that participants dial in 5 to 10 minutes prior to the presentation using the teleconference details below:

Participants must pre-register for the call using the link below:

<https://s1.c-conf.com/diamondpass/10031719-d9gt4a.html>

This announcement was authorised by the Disclosure Committee of the Board of Johns Lyng Group Limited.

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Important Notices

Not an offer of securities

This announcement has been prepared for publication in Australia and may not be released to US wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration of the US Securities Act and applicable US state securities laws.

Forward-Looking Statements

This announcement contains certain "forward-looking statements", including but not limited to projections and guidance on future financial performance, potential synergies and estimates, the timing and outcome of the Acquisitions, the outcome and effects of the Equity Raising and the use of proceeds, and the future performance of JLG post-Acquisitions.

The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and certainties and other factors which are beyond the control of JLG, its directors and management.

Forward-looking statements are provided as a general guide only and should not be relied on as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which these statements are based. These statements may assume the success of JLG's business strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements and, except as required by law or regulation, none of JLG, its representatives or advisers assumes any obligation to update these forward-looking statements. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement. The forward-looking statements are based on information available to JLG as at the date of this announcement.

None of JLG or any of its subsidiaries, representatives, advisers, or affiliates (or any of their respective officers, employees or agents) makes any representation, assurance, or guarantee as to the accuracy or likelihood of fulfilment of any forward-looking statement or any outcomes expressed or implied in any forward-looking statements.

Information about Smoke Alarms Australia

Certain information in this announcement has been sourced from Smoke Alarms Australia, its representatives or associates. While steps have been taken to review that information, no representation or warranty, expressed or implied, is made as to its fairness, accuracy, correctness, completeness or adequacy. Certain market and industry data used in connection with this announcement may have been obtained from research, surveys or studies conducted by third parties, including industry or general publications. Neither JLG nor its representatives have independently verified any such market or industry data provided by third parties or industry or general publications.

The financial information for Smoke Alarms Australia is based on audited financial statements for the financial year ended 30 June 2022 as well as financial and operating data provided by Smoke Alarms Australia including

monthly unaudited management financial accounts. Pro-forma EBITDA reflects normalisation adjustments made to Smoke Alarms Australia's reported EBITDA for the impact of (i) one-time transaction and integration costs; (ii) non-recurring management fees paid to the current owners; and (iii) other non-recurring and one-off non-operational expenses.

JLG has performed due diligence on the financial records of Smoke Alarms Australia however this does not constitute an independent verification of the information provided by Smoke Alarms Australia. Investors are cautioned that they should not place reliance on this information as if it were audited financial information.

Information about Linkfire

Certain information in this announcement has been sourced from Link Fire, its representatives or associates. While steps have been taken to review that information, no representation or warranty, expressed or implied, is made as to its fairness, accuracy, correctness, completeness or adequacy. Certain market and industry data used in connection with this announcement may have been obtained from research, surveys or studies conducted by third parties, including industry or general publications. Neither JLG nor its representatives have independently verified any such market or industry data provided by third parties or industry or general publications.

The financial information for Linkfire is based on unaudited financial statements for the financial year ended 30 June 2022 as well as financial and operating data provided by Linkfire including monthly unaudited management financial accounts. Pro-forma EBITDA reflects normalisation adjustments made to Linkfire's reported EBITDA for the impact of (i) one-time transaction and integration costs; (ii) non-recurring management fees paid to the current owners; and (iii) other non-recurring and one-off non-operational expenses.

JLG has performed due diligence on the financial records of Linkfire however this does not constitute an independent verification of the information provided by Linkfire. Investors are cautioned that they should not place reliance on this information as if it were audited financial information.

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About Johns Lyng Group Limited

Johns Lyng Group Limited (JLG) is an integrated building services group delivering building and restoration services across Australia and the US. JLG's core business is built on its ability to rebuild and restore a variety of properties and contents after damage by insured events including impact, weather and fire events. Beginning in 1953, JLG has grown into an international business with over 2,300 employees servicing a diversified client base comprising major insurance companies, commercial enterprises, local and state governments, body corporates/owners' corporations and retail customers. JLG defines itself by delivering exceptional customer service outcomes every time.