



# Dependable.



K·BRO

**Acquisition of Fishers**

November 21 2017



# Forward Looking Information

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A preliminary short form prospectus containing important information relating to the securities described in this document has not yet been filed with the securities regulatory authorities in each of the provinces and territories of Canada. A copy of the preliminary short form prospectus is required to be delivered to any investor that received this document and expressed an interest in acquiring the securities.

There will not be any sale or any acceptance of an offer to buy the securities until a receipt for the final short form prospectus has been issued.

This document does not provide full disclosure of all material facts relating to the securities offered. Investors should read the preliminary short form prospectus, final short form prospectus and any amendment, for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.

# Transaction Summary



- K-Bro has entered into an agreement to acquire Fishers Topco Ltd. ("Fishers"), a leading UK-based commercial laundry services provider (the "Acquisition")

<b>Attractive Valuation &amp; Structure</b>	<ul style="list-style-type: none"> <li>• Base Purchase Price: £35.0 million / C\$59.3 million on a cash-free, debt-free basis                             <ul style="list-style-type: none"> <li>- Attractive valuation of approximately 7x LTM (Sept. 30, 2017) EBITDA<sup>(1)</sup> of £5.1 million / C\$8.7 million, excluding the earn-out consideration</li> <li>- Earn-out on 2017 EBITDA (subject to certain adjustments and a fixed linen expense of 11.4% of revenue) in excess of £5.0 million / C\$8.5 million</li> </ul> </li> </ul>
<b>Conservative Financing Plan</b>	<ul style="list-style-type: none"> <li>• The Acquisition will be financed with a combination of an upsized credit facility and equity financing:                             <ul style="list-style-type: none"> <li>- Upsized C\$100 million revolving credit facility</li> <li>- C\$30.0 million public offering of common equity on a bought deal basis</li> </ul> </li> <li>• K-Bro is committed to maintaining a conservative and flexible balance sheet to support future growth                             <ul style="list-style-type: none"> <li>- Pro forma the build-outs of Toronto and Vancouver, K-Bro's total leverage will be below 2.5x</li> <li>- Strong cash flow profile through 2018 and beyond for deleveraging</li> </ul> </li> </ul>
<b>Highly Accretive</b>	<ul style="list-style-type: none"> <li>• The Acquisition is immediately accretive to K-Bro's earnings per share                             <ul style="list-style-type: none"> <li>- Over 15% accretive to EPS<sup>(2)</sup> for the LTM period ended Sept. 30, 2017, before synergies</li> </ul> </li> <li>• K-Bro has identified certain operational efficiencies at Fishers, to enhance future earnings                             <ul style="list-style-type: none"> <li>- Leveraging K-Bro best-practices and through further modernization</li> </ul> </li> </ul>

Fishers is K-Bro's largest acquisition to-date and represents a highly accretive platform acquisition at an attractive valuation

# Transaction Highlights

<b>Critical Mass in an Attractive New Geography</b>	<ul style="list-style-type: none"> <li>• Attractive new platform with critical mass in a mature and fragmented market                             <ul style="list-style-type: none"> <li>- Seven strategically located facilities totaling 232k sq. ft.</li> <li>- Coast-to-coast coverage in Scotland and the North East England</li> </ul> </li> </ul>
<b>Leading Market Position</b>	<ul style="list-style-type: none"> <li>• Largest commercial laundry business in Scotland and the North East of England</li> <li>• Iconic Scottish brand underpinned by over 100 years of operating history</li> <li>• Reputation for high quality service and reliability in markets served</li> </ul>
<b>Track Record of Stable Operations and Consistent Profitability</b>	<ul style="list-style-type: none"> <li>• Fishers has delivered stable revenue and consistent EBITDA with modest capex requirements                             <ul style="list-style-type: none"> <li>- Average annual revenue and EBITDA<sup>(1)</sup> of ~£35 million and ~£5 million with limited volatility</li> <li>- Run-rate capital expenditures are anticipated to average ~£1.3 million annually</li> </ul> </li> </ul>
<b>Experienced Local Management Team</b>	<ul style="list-style-type: none"> <li>• Experienced senior team with significant industry knowledge and operational / financial expertise                             <ul style="list-style-type: none"> <li>- Over 40 collective years of experience in the textile industry with 27 years at Fishers</li> <li>- Existing team will enter into new employment contracts with K-Bro</li> </ul> </li> </ul>
<b>Diversified Customer Base</b>	<ul style="list-style-type: none"> <li>• Stable customer base with historical retention rates of ~90%<sup>(2)</sup> <ul style="list-style-type: none"> <li>- Limited customer concentration with top 10 representing ~40% of revenue<sup>(3)</sup></li> <li>- Entrenched customer relationships with major hotel groups and leading independents</li> </ul> </li> </ul>
<b>Well Positioned for Future Growth</b>	<ul style="list-style-type: none"> <li>• Strong organic growth opportunities                             <ul style="list-style-type: none"> <li>- Potential for increased capacity through investment in new modern equipment</li> <li>- Secure new customers via innovation, product differentiation (ZHEN) and digital capability (RFID)</li> </ul> </li> <li>• Highly fragmented domestic market with significant consolidation &amp; expansion opportunities</li> </ul>

Fishers is the largest commercial laundry business in Scotland and the North East of England and provides K-Bro with critical mass in an attractive new geography to drive future growth

# Alignment with K-Bro's Growth Strategy

## Growth Opportunities

### Canada

- Organic
- Acquisition

### United States

- Organic
- Acquisition

### Outside of North America

- Acquisition

## Growth Strategy

### New Markets

- First acquisition outside of Canada
- Leading brand & established platform in attractive new geography
- Strategically located footprint provides platform for regional expansion

### Secure / Maintain Long-Term Contracts

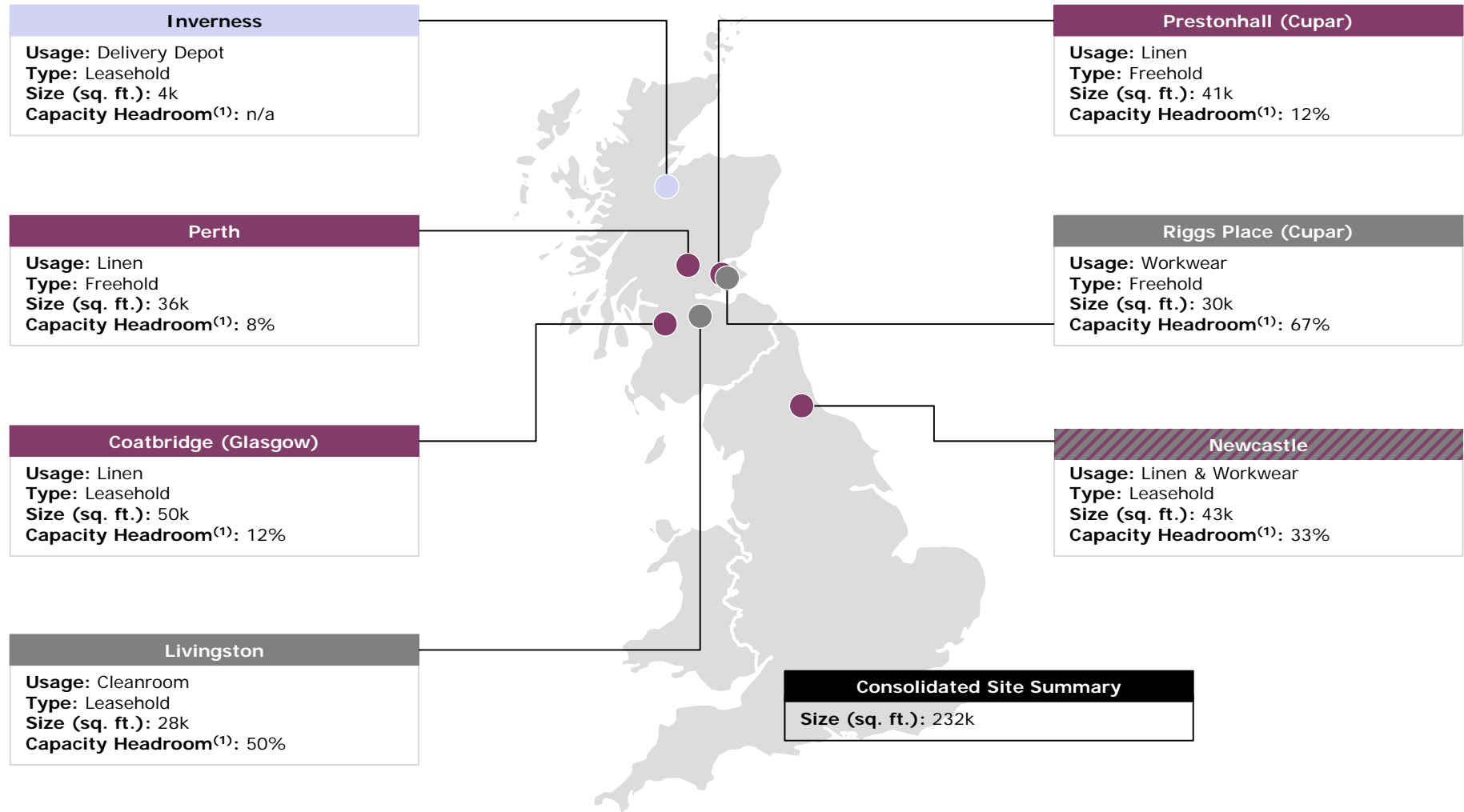
- Continue to provide high quality laundry and linen services at competitive prices
- Entrenched customer relationships with major hotel groups and leading independent hotels
- Historic retention rates of ~90%<sup>(1)</sup>
- Diverse customer base with the top 10 customers representing ~40% of total revenue<sup>(2)</sup>

### Introduce Related Services

- Opportunity to leverage best practices jointly across both operations
- Expand on-site and value-added service offerings

The Acquisition is complementary to K-Bro's growth strategy

# Strategic Footprint with Critical Mass



Fishers' seven strategically located sites provide critical mass with coast-to-coast coverage

# Track Record of Stability

## ➤ Stable Operations

- Historic revenue straddling £35 million annually
- Long-term customer relationships yielding retention of over 90%<sup>(1)</sup>

## ➤ Consistent EBITDA Profile

- Annual EBITDA<sup>(2)</sup> of approx. £5 million
- Track record of consistent profile

## ➤ Modest Capex Requirements

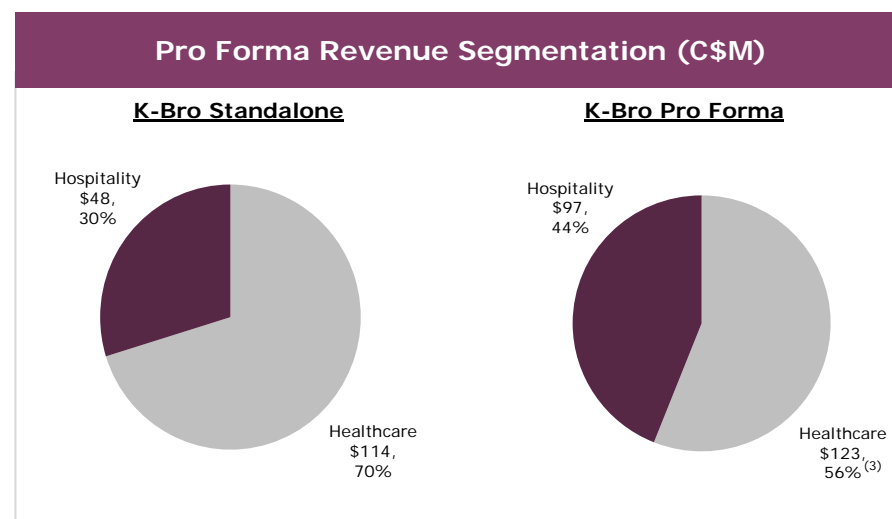
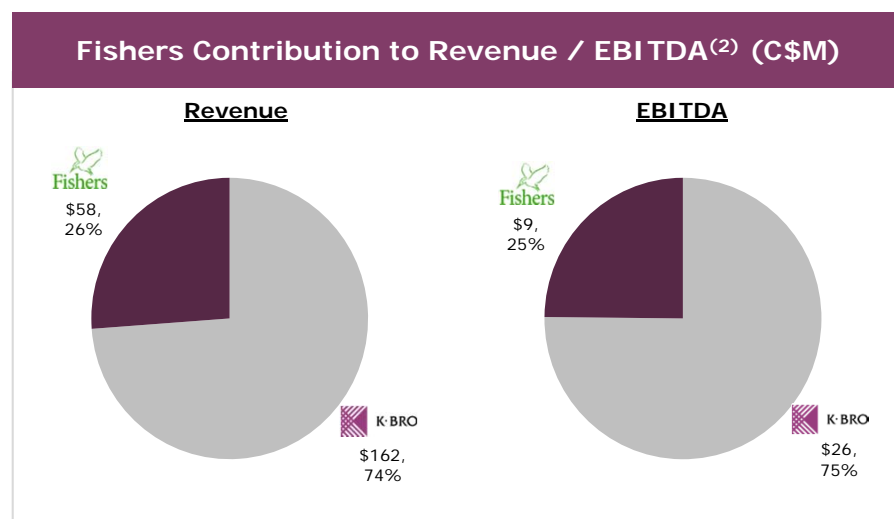
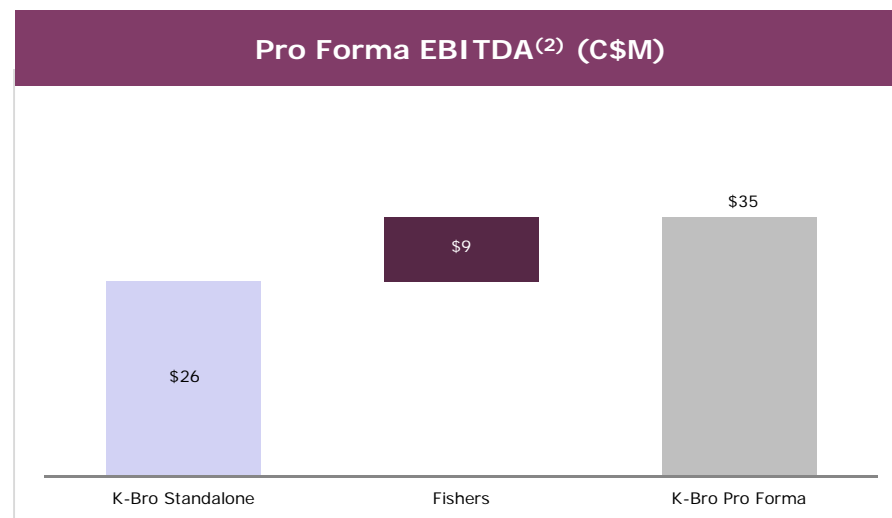
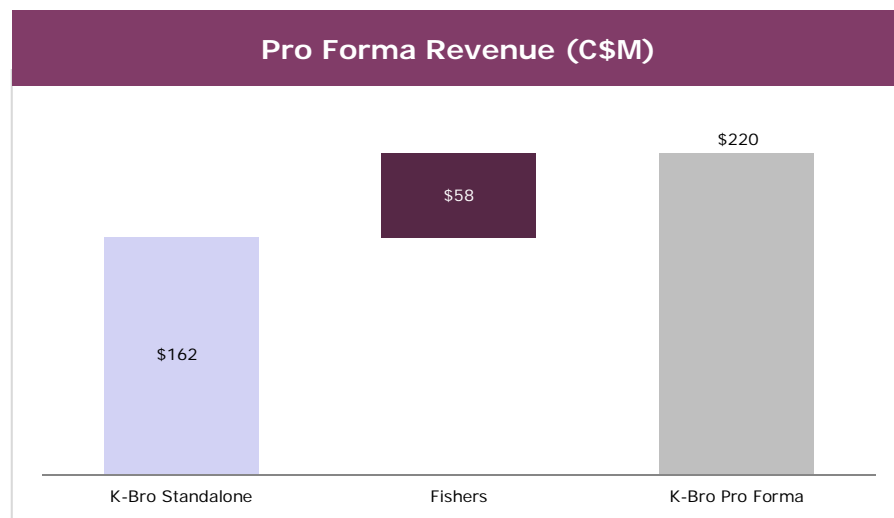
- Run-rate capital expenditures anticipated to average approx. £1.3 million annually



Fishers has a proven track record of stable operations and consistent EBITDA with modest capex requirements



# K-Bro Pro Forma Financial Profile<sup>(1)</sup>



Fishers will be a meaningful contributor to K-Bro's diversified revenue and EBITDA

# Fishers Management Team



**Michael Jones**  
*Managing Director*

- Over 32 years of experience in the textile industry
- Michael joined Fishers in 2000 after 15 years in senior management roles at various textile companies and joined Fishers' Board of Directors in 2007
- Has served as Managing Director of Fishers since June 2014 and is responsible for full oversight of the business and group strategy
- Michael holds a Bachelor of Commerce degree from the University of Edinburgh



**Scott Inglis**  
*Commercial Director*

- Scott joined Fishers in 2012 as Finance Director and transitioned to his current role of Commercial Director in 2014
- He manages Fishers' public relations & marketing, transport compliance and board responsibility for commercial and sales teams
- Prior to joining Fishers, Scott held senior management positions at various private companies from 2004 to 2012
- Scott is a graduate of Stevenson College and Napier University and is a FCCA certificate holder



**Lucy Renaut**  
*Finance Director*

- Over 15 years of experience in finance roles
- Lucy joined Fishers in 2012 as Financial Controller
- Currently serves as the Company's Finance Director, a role she has held since 2014, responsible for human resource management, IT, insurance, government & risk management and board responsibility for finance
- Previously worked in a number of senior finance roles at a building and engineering services national PLC
- Lucy holds a Bachelor degree in accounting and finance from De Montfort University and is a FCCA certificate holder





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