



K·BRO

Strategic  
growth.  
Dependable  
income.





# Forward-looking statements

This presentation contains forward-looking information within the meaning of applicable securities laws. The use of any of the words “anticipate”, “continue”, “expect”, “may”, “will”, “project”, “should”, “believe”, and similar expressions suggesting future outcomes or events are intended to identify forward-looking information. Statements regarding such forward-looking information reflect management’s current beliefs and are based on information currently available to management.

These statements are not guarantees of future performance and are based on management’s estimates and assumptions that are subject to risks and uncertainties, which could cause K-Bro’s actual performance and financial results in future periods to differ materially from the forward-looking information contained in this presentation. These risks and uncertainties are detailed in our publicly filed documents. Although the forward-looking information contained in this presentation is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements regarding forward-looking information included in this presentation may be considered “financial outlook” for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this presentation.

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K-Bro is the largest healthcare and  
hospitality laundry and linen  
processor in Canada, and one of  
the largest in the UK and Europe



There are 15 locations  
in Canada and UK





# Investment highlights

- ▤ Disciplined, proven growth strategy
- ▤ K-Bro continues to grow its market share in the laundry and linen processing sector
- ▤ Stable, recurring revenue from long-term contracts
- ▤ Vertically integrated business model controls process and costs
- ▤ Track record of value creation through operating and financial strategy



# Corporate Overview

Revenue split between hospitality and healthcare  
(for Q3/19 YTD)

45%

Hospitality  
& other

55%

Healthcare

2018 Annual Results

\$239.5M

Annual revenues

\$29.6M

Annual EBITDA

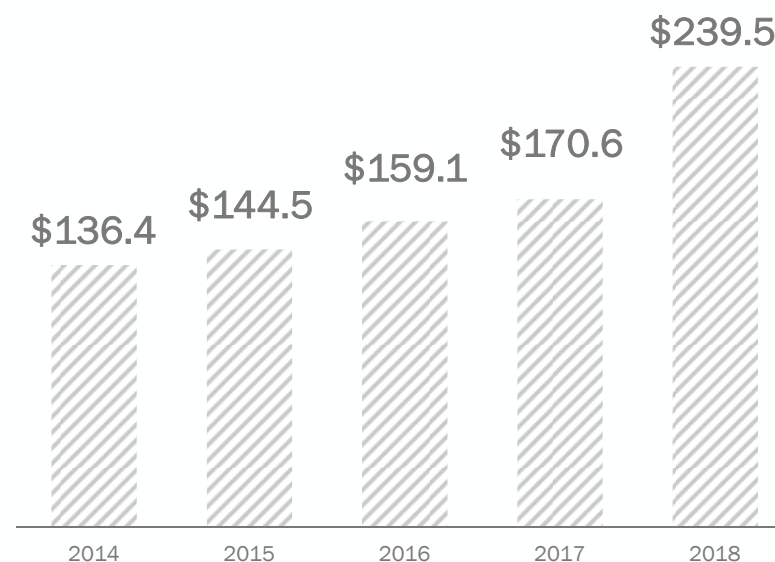
\$6.2M

Annual net earnings

\$0.59

Annual EPS

Annual Revenue (in millions of Canadian dollars)  
Years ended Dec. 31





## Long-term contracts offer steady, recurring revenue

Healthcare is a non-cyclical essential services industry

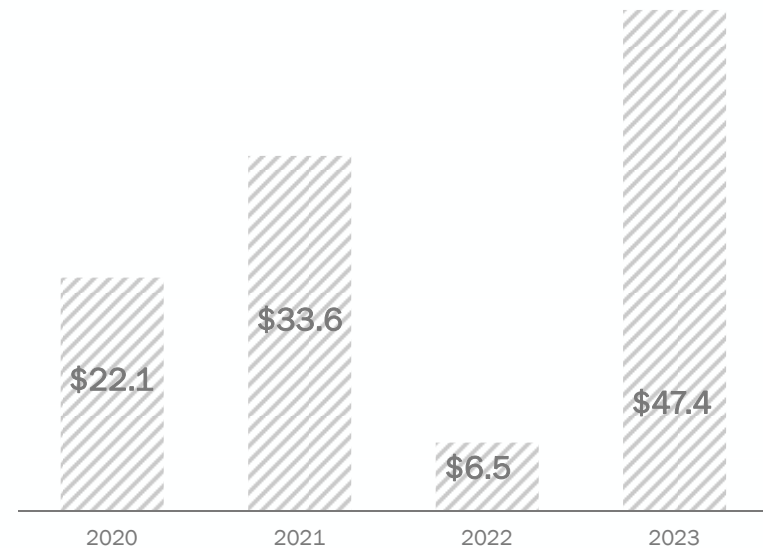
Exclusive 5-10 year hospital contracts

2-5 year hospitality contracts

# 57%

of Canada-based revenue is from contracts that extend to 2023 and beyond

**Canadian revenue by contract expiration**  
in millions of Canadian dollars







## Continued shift towards outsourcing laundry and linen services

Along with K-Bro, competitive landscape includes:

- Independent privately-owned facilities (small and single facility companies)
- Public sector central laundries
- Public and private sector on-premise laundries

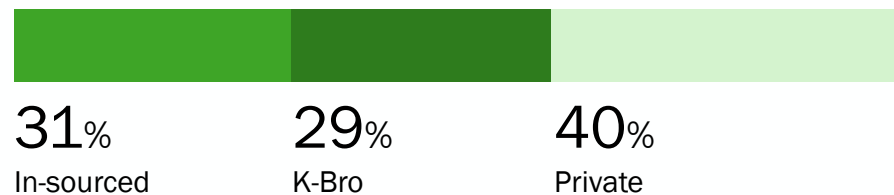
Non-core service to both health care and hospitality sectors

- Outsourced services provide capital and operating savings to customers
- Trend towards consolidation

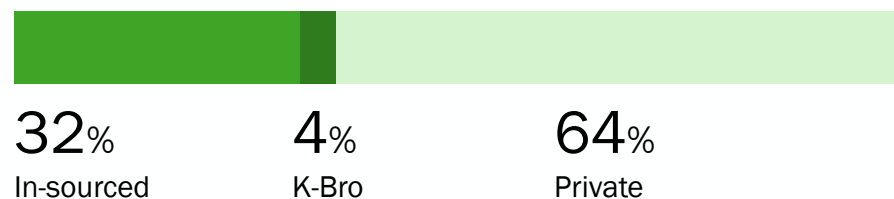


The Canadian and UK markets are large with significant organic and acquisition growth opportunity

#### Canada - \$600M market

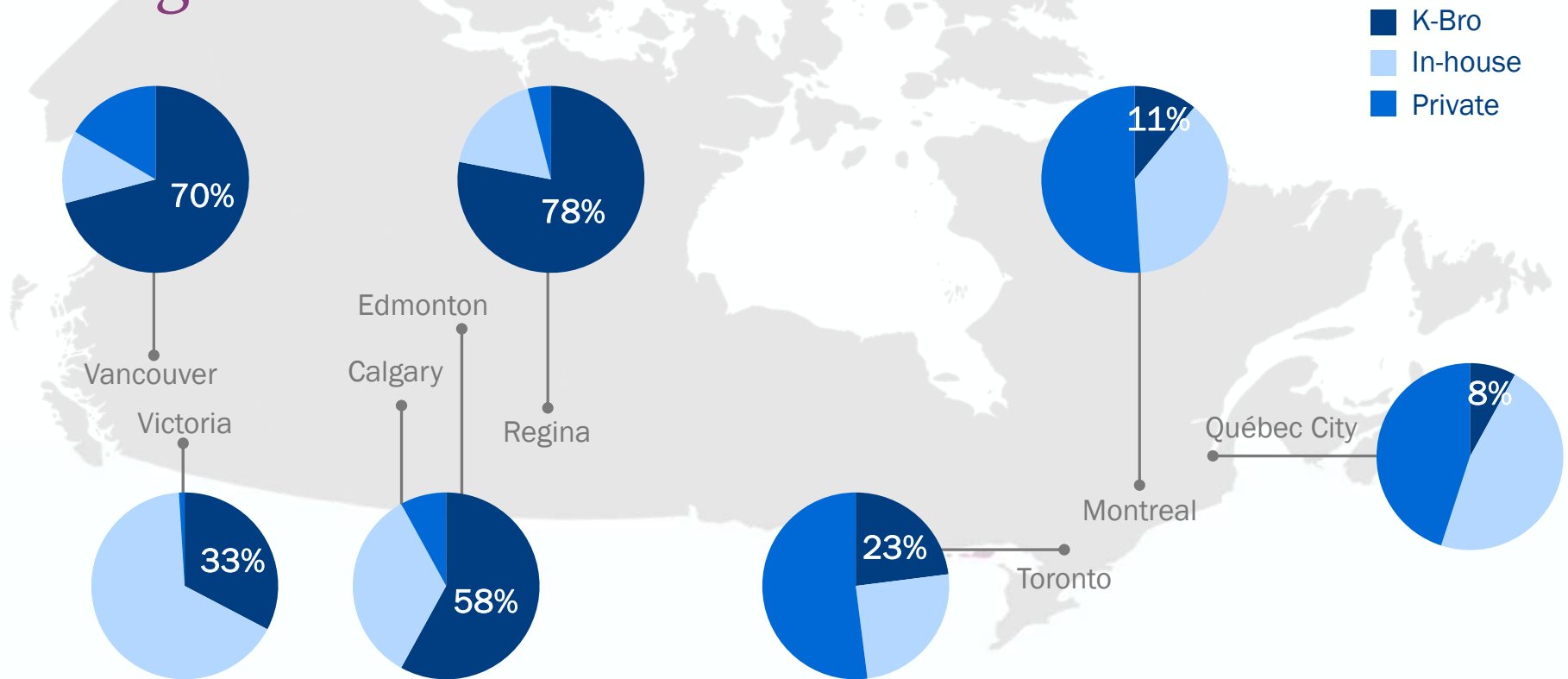


#### Total U.K. - £756M market





## K-Bro has strong market positions throughout Canada and the U.K.





# U.K. (Fishers) Market

Total Scotland & northern England -  
£106M market



33%  
In-sourced

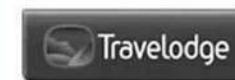
28%  
K-Bro

39%  
Private





Solid customer base  
with top-tier  
companies in both  
healthcare and  
hospitality

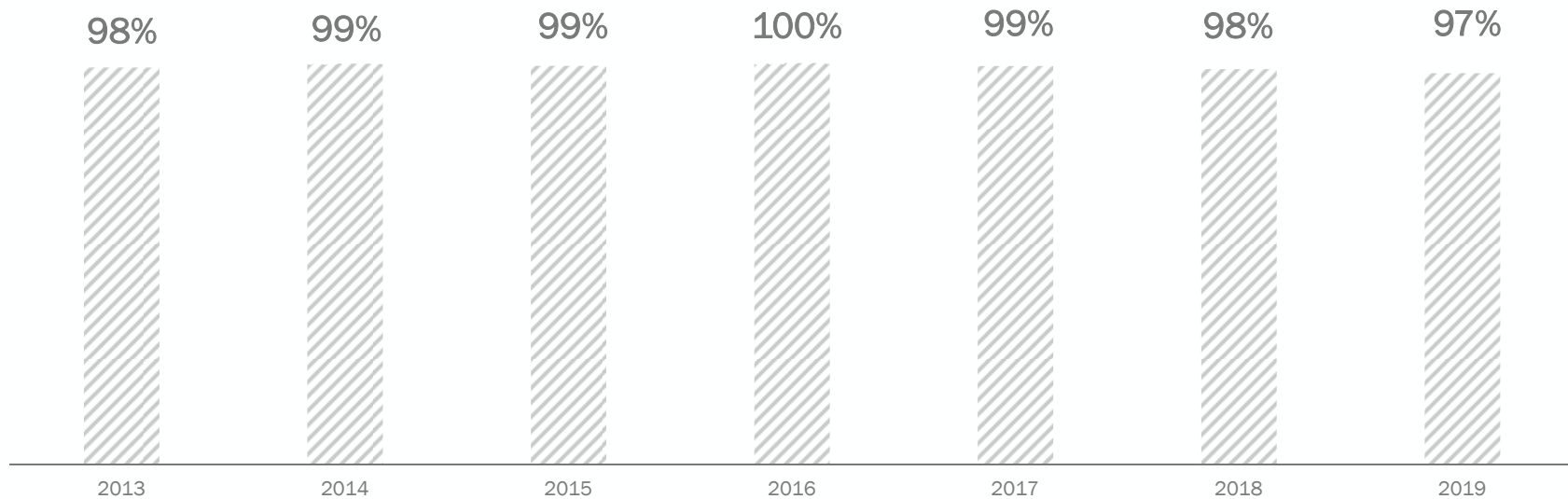




## Key customers retained over long periods of time and through renewals

### Strong Contract Retention – Canadian Customer Base

Years ended Dec. 31







New state-of-the-art facilities in Vancouver and Toronto has led to the addition of large healthcare customers in both markets

	Toronto	Vancouver
Year of new plant	2017	2018 (two plants)
Total investment	\$37M	\$55M
New customers	Trillium, Osler	23 healthcare facilities
Incremental revenue	\$7.6M/year	\$5.2M/year
Length of contract	Trillium – 7 years + 3 years Osler – 6 years	10 year contract (with renewal options for additional 10 years)



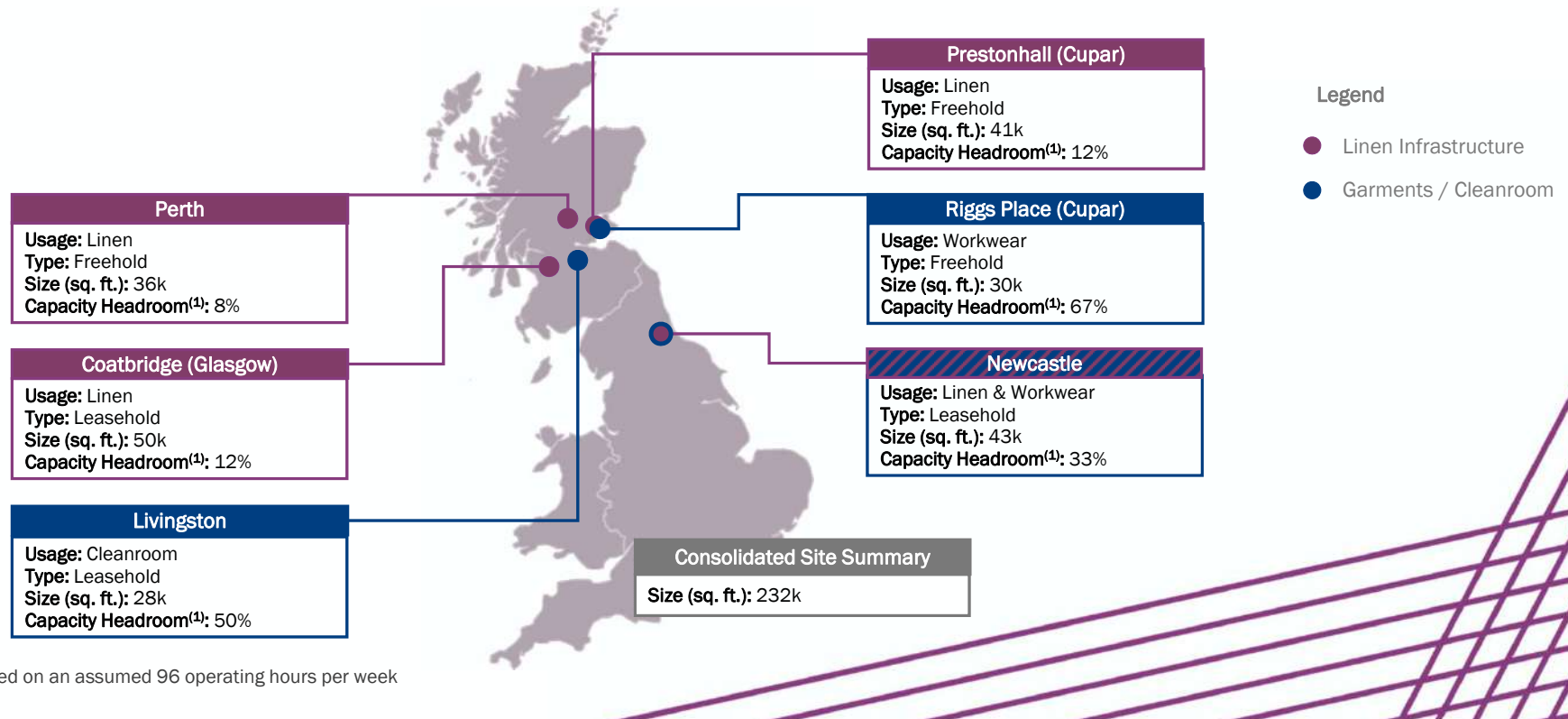
## Canadian operations offer room to grow with existing capacity at each facility

Facility	Utilization	Year built/acquired	Date of refurbishment
Victoria, B.C.	75%	2006	2017
Vancouver, B.C. (2 facilities)	50%	2018	2018
Edmonton, AB	50%	2013	
Calgary, AB	50%	2007	
Regina, SK	50%	2015	
Toronto, ON	65%	2017	
Montreal, QC	75%	2011	2017
Quebec City, QC	75%	2008	



# Strategic Footprint with Critical Mass

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





## Recent acquisitions

### Deeside

- Aberdeen-based hospitality processor
- £0.8M / C\$1.4M purchase price
- Volume consolidated into existing Fisher's infrastructure
- Accretive

### Linitek

- Calgary-based hospitality processor
- \$4.7M purchase price
- \$3.5M revenue
- \$0.6M EBITDA
- Volume consolidated into existing Calgary plant
- Accretive

### Fishers

- £35.0M / C\$59.3M purchase price
- ~£35.0M revenue / C\$59.5M
- ~£5.0M EBITDA C\$8.5M
- Largest player in Scotland and northern England
- Foothold for K-Bro in large U.K. market and Europe
- Accretive



## Growing the business in Canada

Extend core services and introduce new related services to existing and new contracts

Strategic capital spending

- Greenfield construction
- Upgrades to existing facilities

Continue tuck-in and larger, strategic acquisitions







# 2020 Outlook

## 2020 milestones

- Continue to grow business through organic growth and acquisitions
- Return to historic Canada-based consolidated EBITDA margin in 2020
- Strategy of expanding geographically and adding new services for our customers



# Management Team

## Linda McCurdy, President & Chief Executive Officer

Ms. McCurdy joined K-Bro in May 1998 as Chief Financial Officer and became President & Chief Executive Officer in January 2000. Prior to joining K-Bro, she was Chief Financial Officer of Canadian Inovotech Inc., a biochemical products processor. Ms. McCurdy's prior experience also includes six years at the Overwaitea Food Group where she held a number of financial positions. Ms. McCurdy is a Certified General Accountant and has an MBA from the University of Western Ontario.

## Sean Curtis, Senior Vice-President

Mr. Curtis joined K-Bro in 1984 and has over 30 years of experience in the laundry and linen services industry. As Senior Vice President, Mr. Curtis works directly with K-Bro's President & CEO in the areas of plant expansions, capital equipment installations and business development into new markets.

## Kristie Plaquin, Chief Financial Officer

Ms. Plaquin has been with K-Bro since 2001 and was the Chief Financial Officer from January 2004 through May 2005 during which time the company completed its Initial Public Offering and debt financings. After stepping away from K-Bro for a year through 2005 - 2006, Ms. Plaquin has served as Director of Financial Planning during which time she has played a lead role in all of K-Bro's growth and financing initiatives. Ms. Plaquin joined K-Bro from PricewaterhouseCoopers LLP and holds a Bachelor of Commerce degree from the University of Alberta and a Chartered Accountant designation.



# Business Model



**Linen Purchases  
& Management**



**Collection &  
Transportation**



**Sorting**



**Washing**



## Business Model (continued)



**Drying**



**Ironing &  
Folding**



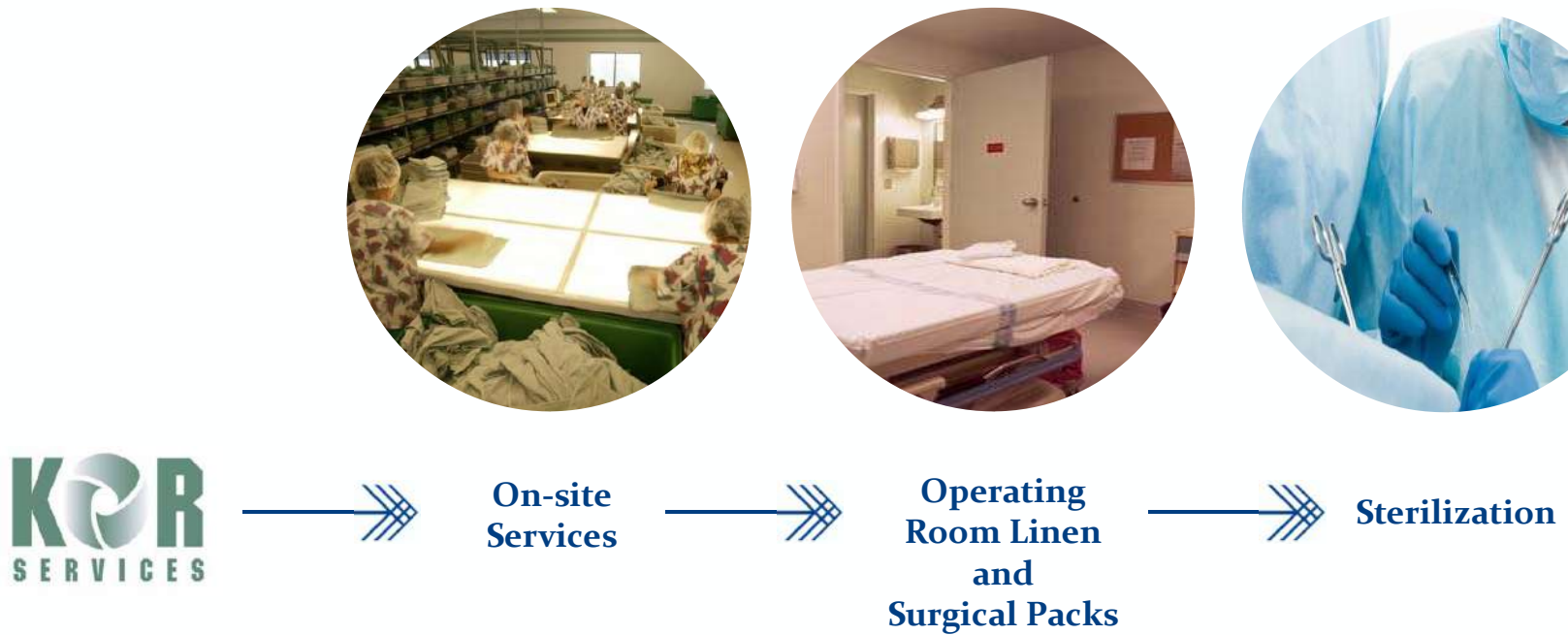
**Cart  
Make-Up**



**Delivery**



## Business Model (continued)







Integrated  
services reduce  
costs, strengthens  
competitive  
advantage



### Healthcare

- On-site services
- Sterilization
- Operating room linen & surgical packs

- Linen purchases & management
- Collection & transportation
- Sorting
- Washing
- Drying
- Ironing & folding
- Cart make-up
- Delivery

### Hospitality

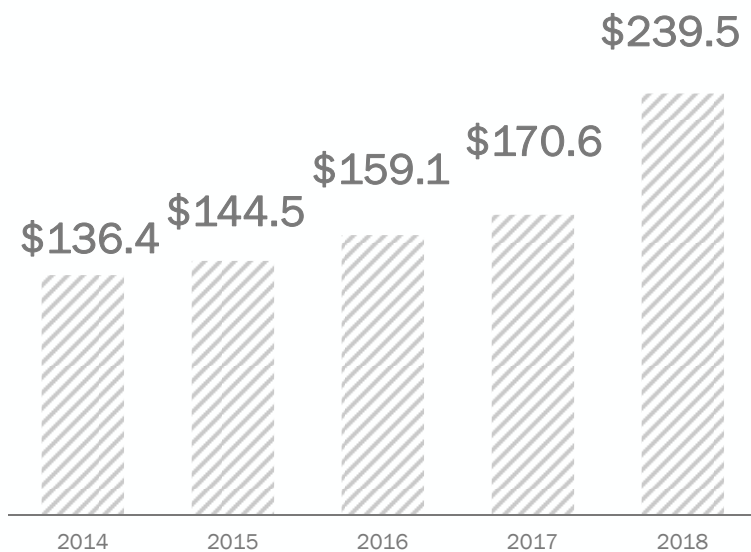
- Floor-to-floor distribution
- Linen rental
- Linen with intelligence (RFID)



## Revenue and EBITDA have steadily grown

### Revenue (in millions of Canadian dollars)

Years ended Dec. 31



### EBITDA (in thousands of Canadian dollars)

Years ended Dec. 31



Downward pressure on EBITDA in 2017 and 2018 from one-time and transition costs from three new and refurbished plants in Toronto and Vancouver; expect to return to 2015 margins in late 2019 for Canadian operations.

\*2017 shows Adjusted EBITDA of \$26.8 to reflect one-time transaction costs associated with Fishers acquisition.



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

### Fishers Contribution to Revenue/EBITDA (C\$M)

#### Revenue



\$59.6      \$179.9

25%      75%

#### EBITDA



\$8.2      \$21.4

28%      72%

■ Fishers    ■ K-Bro

### Revenue Segmentation (C\$M)



\$104.2      \$135.3

44%      56% <sup>(1)</sup>

■ Hospitality    ■ Healthcare

Note: C\$ amounts based on CAD/GBP FX rate of C\$1.73 per GBP (Source: Bank of Canada Daily Exchange Rates, December 31, 2018)

<sup>(1)</sup> Includes revenue from non-hospitality operations, including healthcare, garments and clean room, net of rebates and commissions.




## Financial snapshot

	Quarterly Results		Annual Results	
	Q3 2019	Q3 2018	2018	2017
Revenue (\$M)	\$67.8	\$64.0	\$239.5	\$170.6
EBITDA before IFRS 16 <sup>(1)</sup> (\$M)	\$12.3	\$8.3	\$29.6	\$24.0
Net earnings before IFRS 16 <sup>(1)</sup> (\$M)	\$4.7	\$1.9	\$6.2	\$5.7
Earnings (loss) per share (Diluted) before IFRS 16 <sup>(1)</sup>	\$0.45	\$0.18	\$0.59	\$0.63
Distributable cash flow (\$M)	\$8.8	\$7.3	\$24.8	\$20.0
Dividends declared	\$0.30	\$0.30	\$1.20	\$1.20
Debt (\$M)	\$66.1	\$67.0	\$70.2	\$42.8

- (1) Effective January 1, 2019, the Corporation has adopted IFRS 16 Leases using the modified retrospective method which applies the standard prospectively, and as such, EBITDA and net earnings (loss) figures above related to 2018 have not been restated to conform to IFRS 16. The Corporation has provided comparative figures for both EBITDA and net earnings before adoption of IFRS 16 as per the numbers reflected above.





## Disciplined and systematic management of the business has provided strong cash flow

Stated intention to pay dividends on a monthly basis at a rate of \$0.10 per common share (\$1.20 annualized per share)

The continued ability to maintain and grow available cash flow is made possible by:

- Increasing market share by negotiating new contracts
- Extending core services to new markets through greenfield activity and targeted acquisitions
- Introducing new related services
- Undertaking accretive strategic capital expenditures
- Controlling costs by entering into fixed rate supply contracts



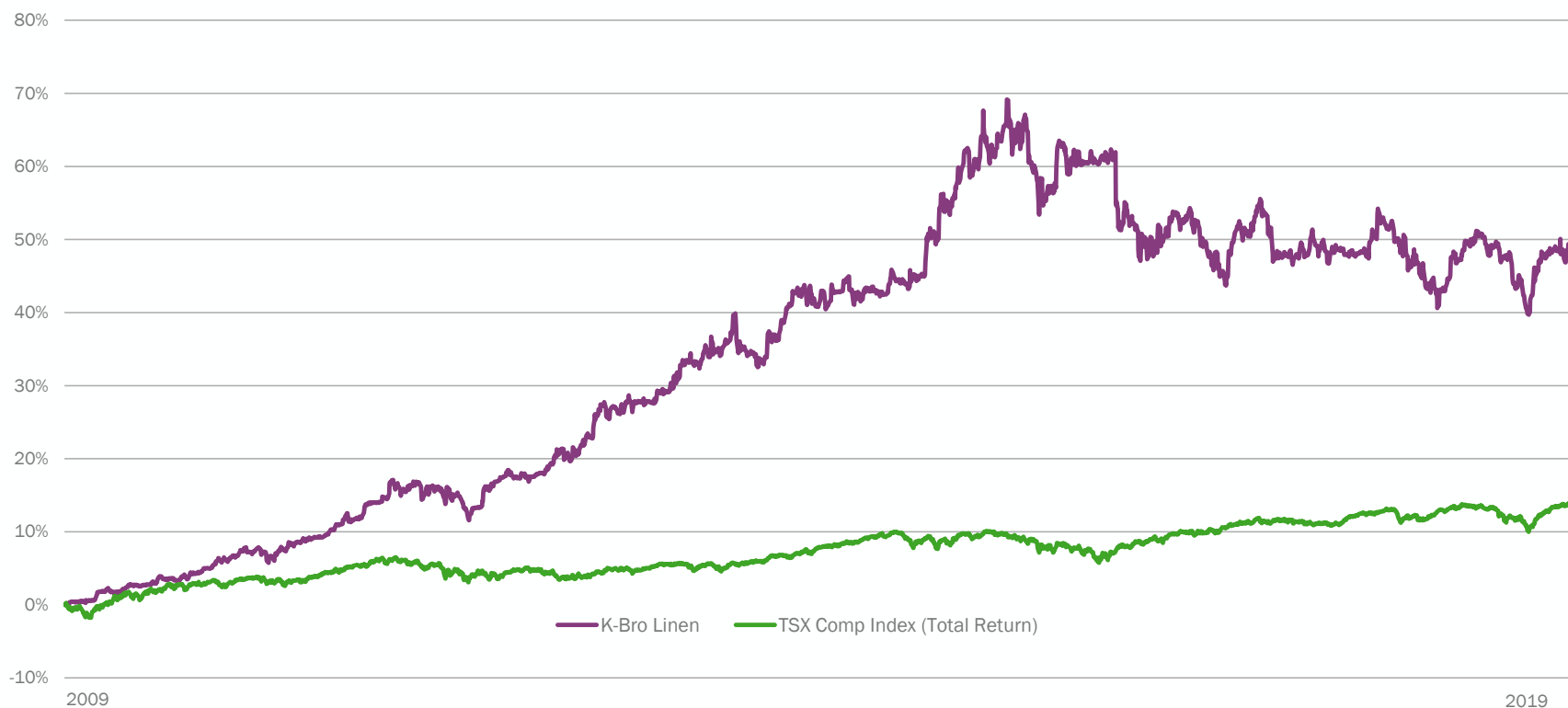
## Balance sheet provides the right mix of leverage with flexibility to grow the business

	Sept 30, 2019	Dec 31, 2018	Dec 31, 2017
LT Debt / EBITDA before IFRS 16 <sup>(1)</sup> ratio (TTM)	1.8x	2.3x	1.4x
Long-term debt	\$66.1 million	\$70.2 million	\$42.8 million
Payout ratio (TTM)	44.7%	51.1%	55.5%
Available credit facility under current bank agreement	\$32.8 million	\$28.6 million	\$55.6 million

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## Track record of value creation



Note: The graph reflects the total cumulative return, assuming reinvestment of all dividends, of \$100 invested on December 31, 2009 in each of the Shares of the Corporation and the S&P/TSX Composite (TRIV) Index.



# Investment Summary

- Established long-term relationships
- Industry experience and reputation
- Long-term exclusive contracts
- Up-front capital and linen investment in place
- Transitioning of large customers is complex
- Strong financial position and credit profile