



Business Services Research

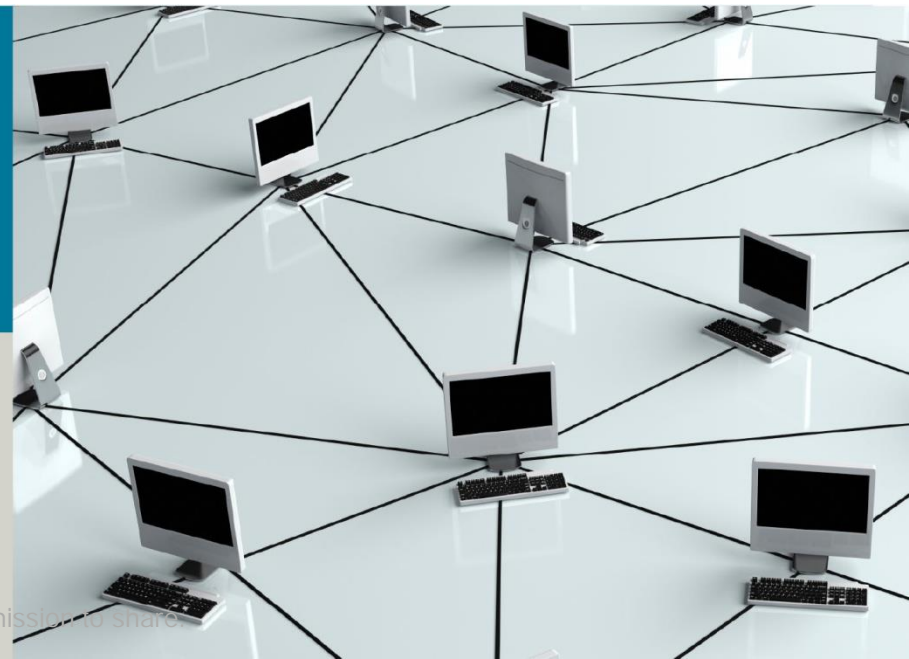
September 17, 2020

Robert W. Baird & Co. 3Q 2020 Textile Rental Services Survey

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**Please refer to Appendix – Important Disclosures and
Analyst Certification on pages 19-21**



Overview



- Thank you to the ~260 professionals who received copies of our survey!
- Please take the 60 seconds next quarter to respond to the survey request!
- If you have any questions or comments, please email:
Senior Analyst Andrew Wittmann (awittmann@rwbaird.com)
Senior Research Associate Justin Hauke (jhauke@rwbaird.com)

IMPORTANT: WE HIGHLY RESPECT SURVEY RESPONDENT ANONYMITY

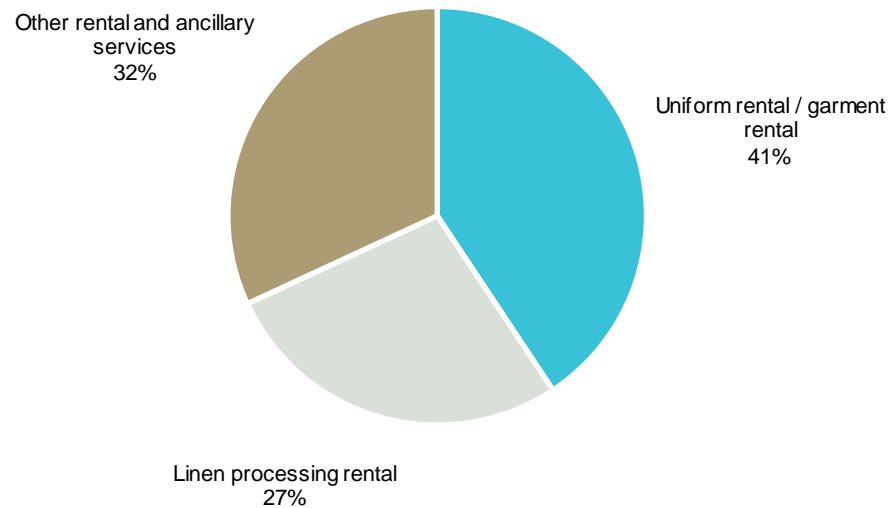
All responses are presented in aggregate form

We never share or discuss individual responses

Survey Participants

- The participants in the Baird textile rental services survey are senior executives at uniform and/or linen rental firms
- Respondents are evenly distributed across the United States, with some operations in Canada and other international locations
- Total response pool consisted of ~260 independent firms (*21 responses*)

Survey Respondent Prolife: Revenue by Service Line (%)



Source: Baird Research

UNIFORM RENTAL TRENDS

Executive Summary: Uniform Rental

UNIFORM RENTAL SURVEY SUMMARY

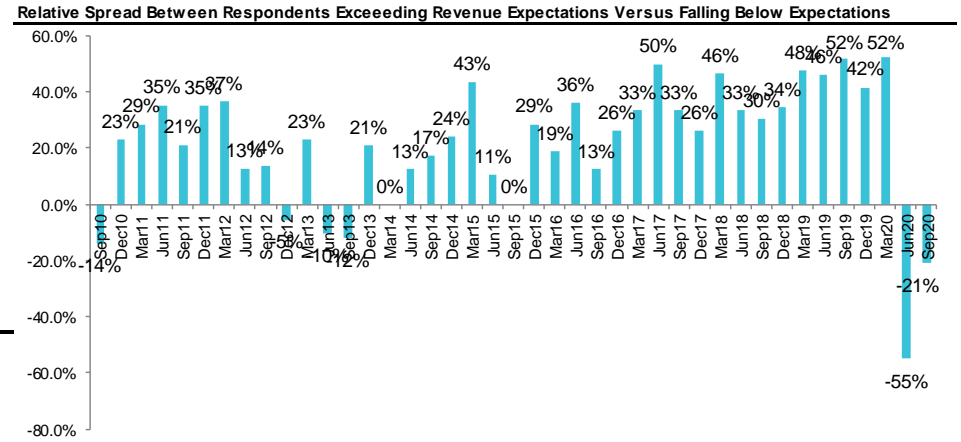
- **Our 3Q20 survey saw sharp rebound, much faster than 2008-2011's recovery, with most business metrics approaching stabilization and growth outlook improved from prior bottom.** The "K-shaped" recovery is the underlying theme: some end markets/geographies showing good gains, others still mired in lockdown. Key details:

3Q20 UNIFORM RENTAL SURVEY HIGHLIGHTS

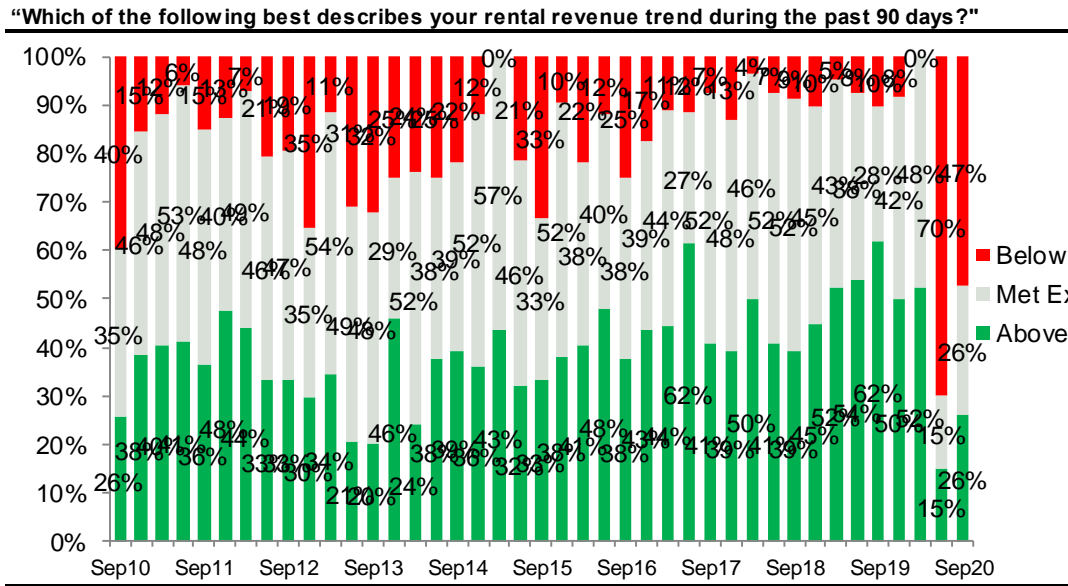
- **Rental Revenue Trends.** 47% of respondents fell short of internal revenue projections for the quarter with 26% meeting target. 26% also exceeded plan. Improvement since 2Q20.
- **Add/Stops.** Employment-driven expansion at existing accounts (i.e., Add/Stop Diffusion Index) rebounded to a mostly neutral 47.5. This is a sharp recovery from 15.8 in 2Q20, the lowest reading since March 2009. The last recession saw add/stops hold sharply negative for years.
- **Pricing.** Base pricing gains increased ~1% (stable) and our diffusion index declined only modestly to 40.0 (this metric is consistently sub-50, in the 40-50 range).
- **No-Programmers.** Our no-programmer diffusion index improved to a Neutral 50.0, from 36.8 last quarter. Anecdotal commentary suggests new sales efforts recovered in 3Q20 after sharp stop in business activity in 2Q20. Healthcare, facility services, and sanitation/PP&E support are areas of relative strength.
- **Growth Outlook.** 12-month growth expectations have rebounded to ~3% after dipping sharply last quarter. Response rates vary considerably here, however, showing a bifurcated recovery. End market mix and geographic position are determining outlook. In general, more big city exposure and/or hospitality mix, the worse. Not surprising.

Uniform Rental: Revenue Trends Versus Expectations

- Rental Revenue Trends.** 47% of respondents fell short of internal revenue projections for the quarter with 26% meeting target. 26% also exceeded plan. Improvement since 2Q20.

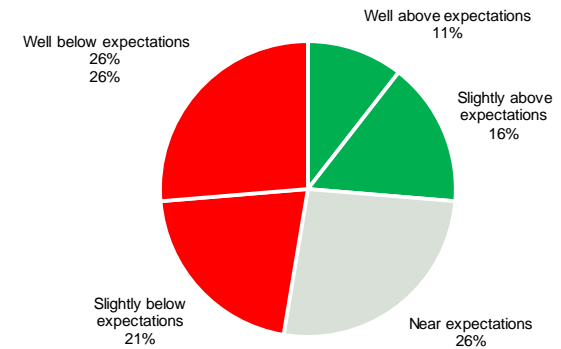


Source: Baird Research



Source: Baird Research

Which of the following best describes your rental revenue trend during the past 90 days?

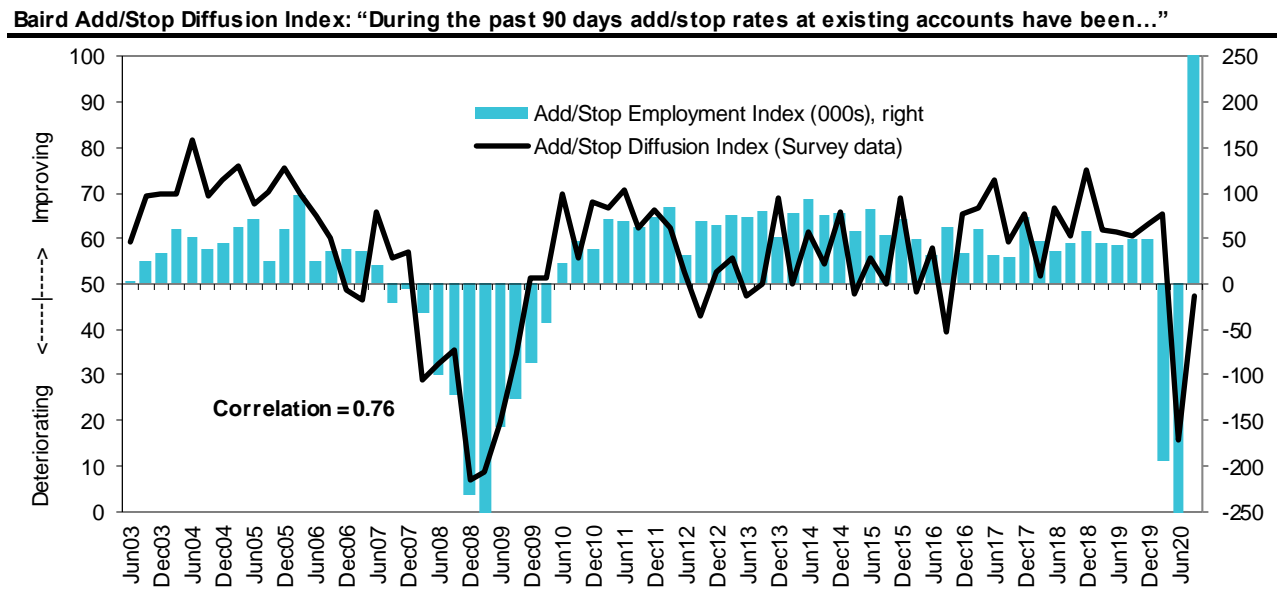


Source: Baird Research

Uniform Rental: Add/Stop Trends

- Add/Stops.** Employment-driven expansion at existing accounts (i.e., Add/Stop Diffusion Index) rebounded to a mostly neutral 47.5. This is a sharp recovery from 15.8 in 2Q20, the lowest reading since March 2009. The last recession saw add/stops hold sharply negative for years.

Note: A diffusion index represents a normalized index (to 50=neutral) that is based on the percentage of respondents citing improvement (100) versus deterioration (0), with 50 representing a "base" level (equal number of positive/negative responses)

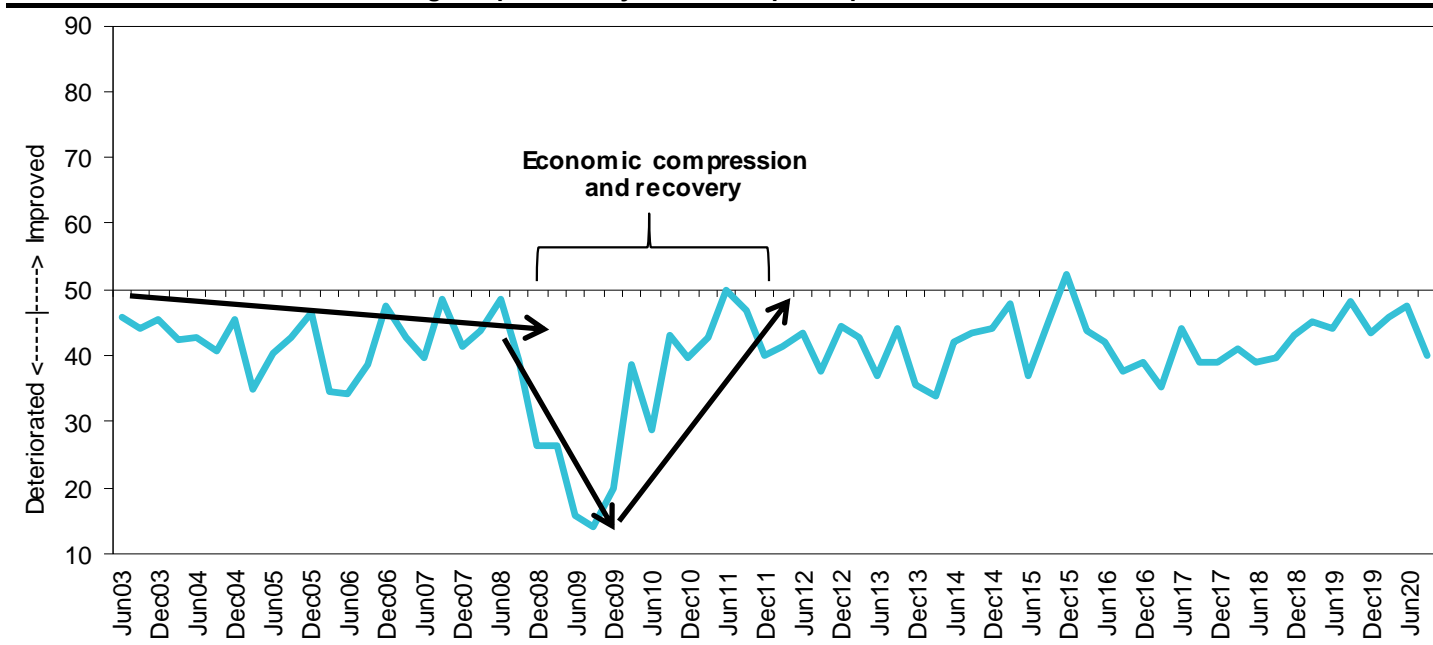


Source: Bureau of Labor Statistics and Baird Research

Uniform Rental: New Account Pricing Trends

- **New Account Pricing.** Our diffusion index for new business pricing declined only modestly to 40.0 (this metric is consistently sub-50, in the 40-50 range). In prior recessions, pricing was cut sharply to move inventories/reduce cost overhead. The sharp recovery from an artificial demand shock makes this recovery different.

Baird Price Diffusion Index: "During the past 90 days the base price quoted for new accounts has..."

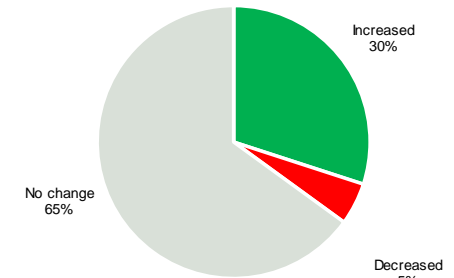


Source: Baird Research

Uniform Rental: Existing Account Pricing Trends

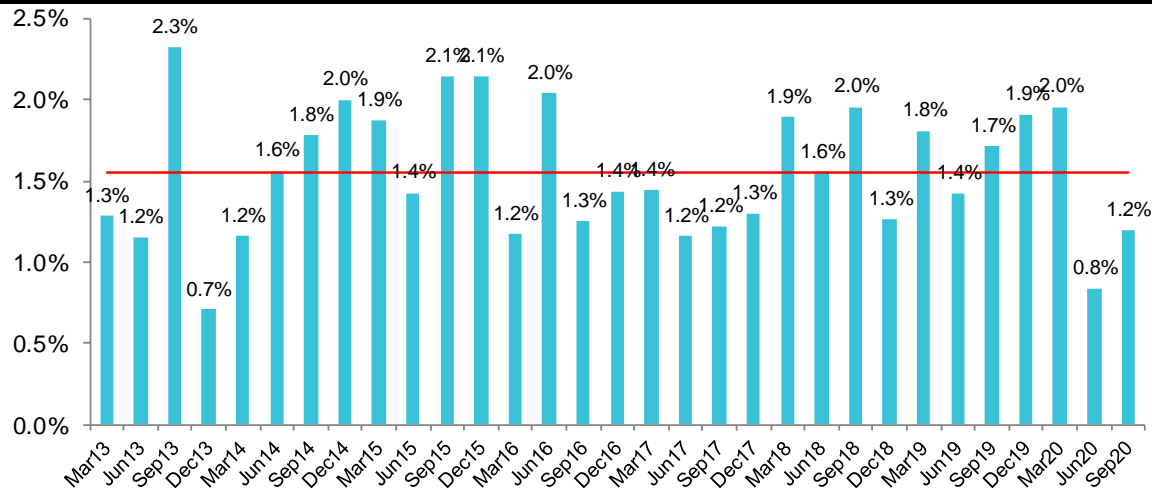
- **Base (Existing) Account Pricing.** Base pricing gains continue to hold in the ~1% range. Importantly, pricing gains remain positive (so far) while costs have fallen from temporary furloughs and discretionary cuts.

During the past 90 days, pricing on existing rental accounts has:



Source: Baird Research

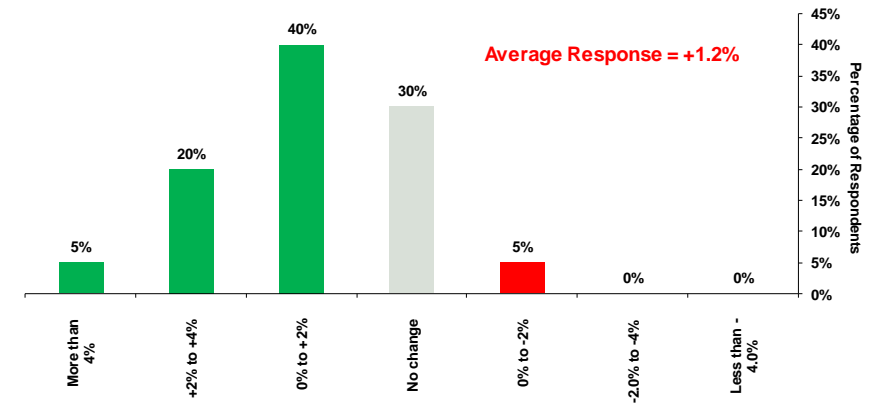
“For accounts which underwent an annual price review in the past 90 days, the average price change was...”



Note: Growth rates reflect average responses of survey participants; Red line indicates sample average

Source: Baird Research

For existing accounts which underwent an annual price review this quarter, the average price change was:



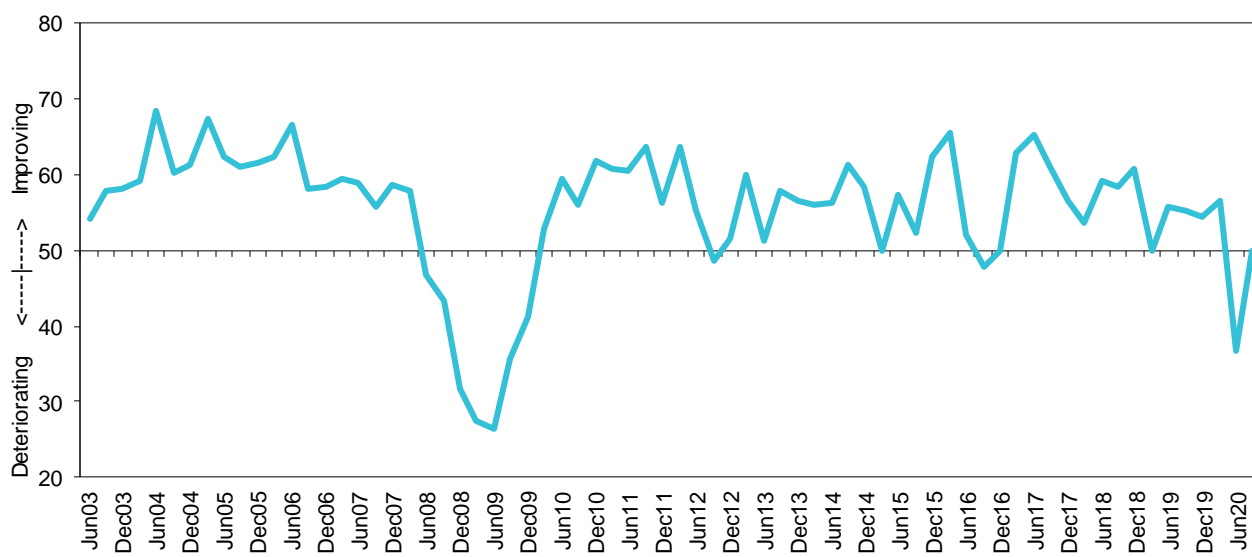
Source: Baird Research



Uniform Rental: New Business (No-Programmers) Trends

- No-Programmers.** Our no-programmer diffusion index improved to a Neutral 50.0, from 36.8 last quarter. Anecdotal commentary suggests new sales efforts recovered in 3Q20 after sharp stop in business activity in 2Q20. Healthcare, facility services, and sanitation/PP&E support are areas of relative strength.

Baird No-Programmer Diffusion Index: "During the past 90 days interest from no-programmer accounts has been..."

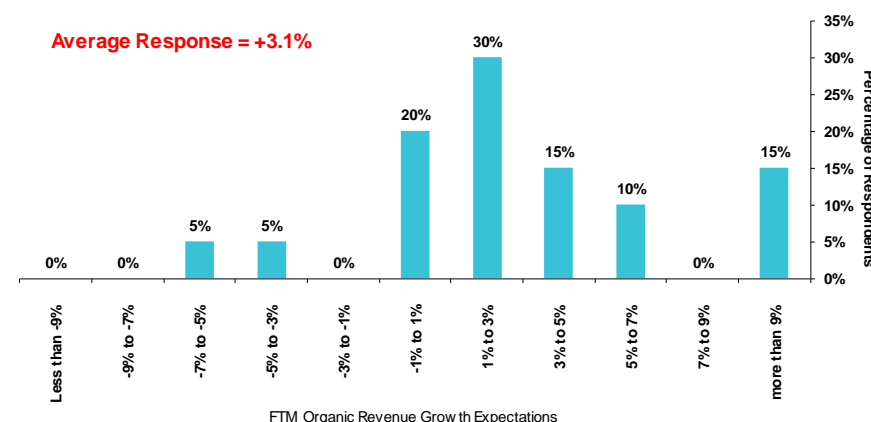


Source: Baird Research

Uniform Rental: 12-Month Growth Outlook

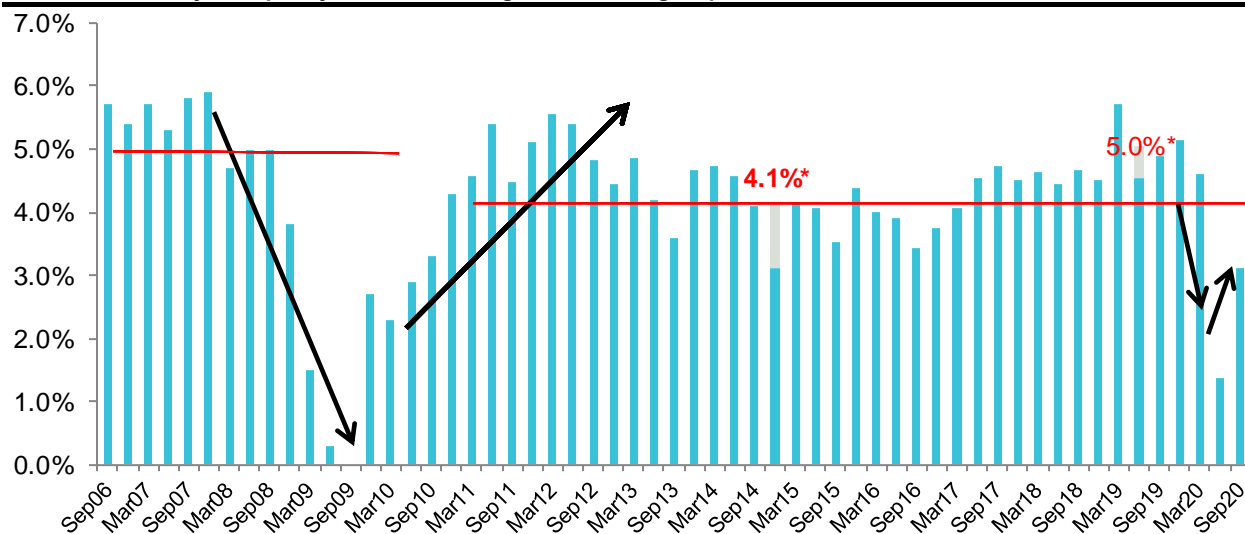
- Growth Outlook.** 12-month growth expectations have rebounded to ~3% after dipping sharply last quarter. Response rates vary considerably here, however, showing a bifurcated recovery. End-market mix and geographic position are determining outlook. In general, more big city exposure and/or hospitality mix, the worse. Not surprising. See charts.

Organic Rental Growth Expectations (FTM)



Source: Baird Research

“At what rate do you expect your revenue to grow excluding acquisitions in the next 12 months?”



Note: Growth rates reflect average responses of survey participants; *4Q14/2Q19 adjusts for "outlier" response rates

Source: Baird Research

LINEN RENTAL TRENDS

Executive Summary: Linen Rental

LINEN RENTAL SURVEY SUMMARY

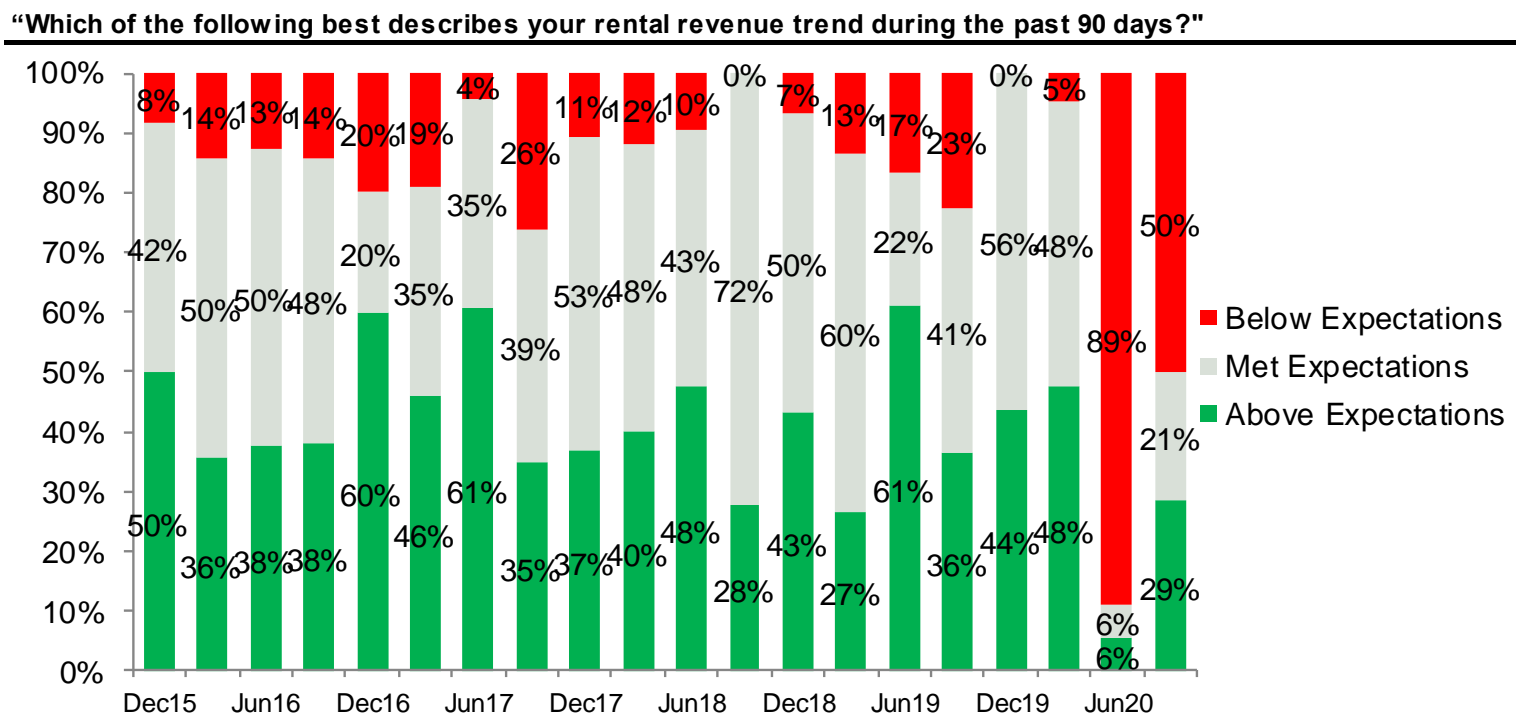
- **Linen rental business trends were similar to uniform rental.** This is somewhat surprising, given the heavier skew toward the hotel and restaurant industry though the re-opening of sub-acute healthcare seems to have been an important factor. All metrics improved sharply from 2Q20 levels and the growth outlook is now solidly positive, following a negative outlook last quarter. Only 50% of respondents reported 3Q20 revenue trends “below expectations.”

3Q20 LINEN RENTAL SURVEY HIGHLIGHTS

- **Rental Revenue Trends.** 50% of respondents cited rental revenue trends falling below expectations in 3Q20 with 21% citing revenue near expectation and 29% actually reporting trends above expectations. This is much better than last quarter’s 89% of respondents falling short.
- **New Account Pricing.** 8% of respondents cited more aggressive new account pricing in 2Q20 while 8% saw less aggressive pricing. The vast majority (85%) saw no change. As a result, our diffusion index held at a neutral 50.0 reading.
- **Base Account Pricing.** The average price increase on existing accounts undergoing price review in 3Q20 was +0.7%, virtually unchanged from 2Q20 levels. Overall, 21% of respondents cited price increases with 71% reporting no material change. Only 7% saw contraction.
- **No-Programmers.** No-programmer interest showed QOQ improvement and turned positive at 53.6 after dipping negative (36.1) for the first time since we began tracking this industry category in 2015 last quarter.
- **Growth Outlook.** Forecasted 12-month revenue is now expected to grow, increasing 1.7% versus last quarter’s expectation for a 4.2% decline.

Linen Rental: Revenue Trends Versus Expectations

- Rental Revenue Trends.** 50% of respondents cited rental revenue trends falling below expectations in 3Q20 with 21% citing revenue near expectation and 29% actually reporting trends above expectations. This is much better than last quarter's 89% of respondents falling short.



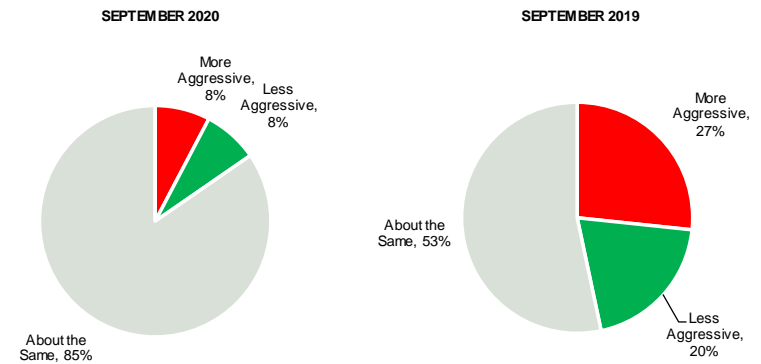
Source: Baird Research



Linen Rental: New Account Pricing Trends

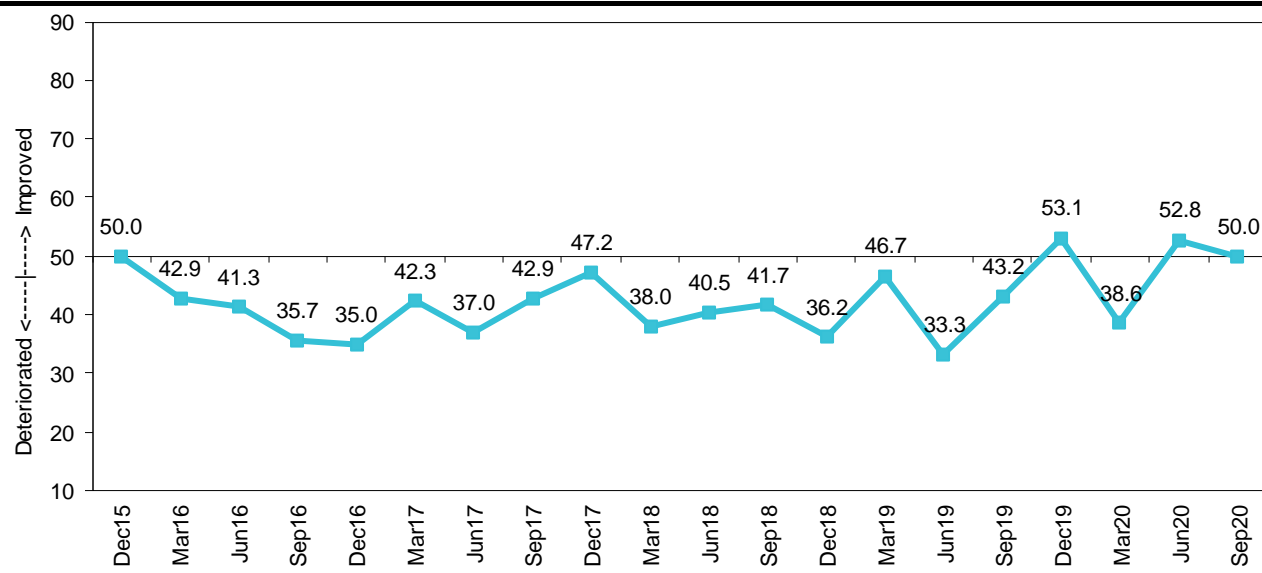
- New Account Pricing.** 8% of respondents cited more aggressive new account pricing in 3Q20 while 8% saw less aggressive pricing. The vast majority (85%) saw no change. As a result, our diffusion index held at a neutral 50.0 reading. See charts.

During the past 90 days the base price quoted for new accounts generally has become:



Source: Baird Research

Baird Linen Rental Price Diffusion Index

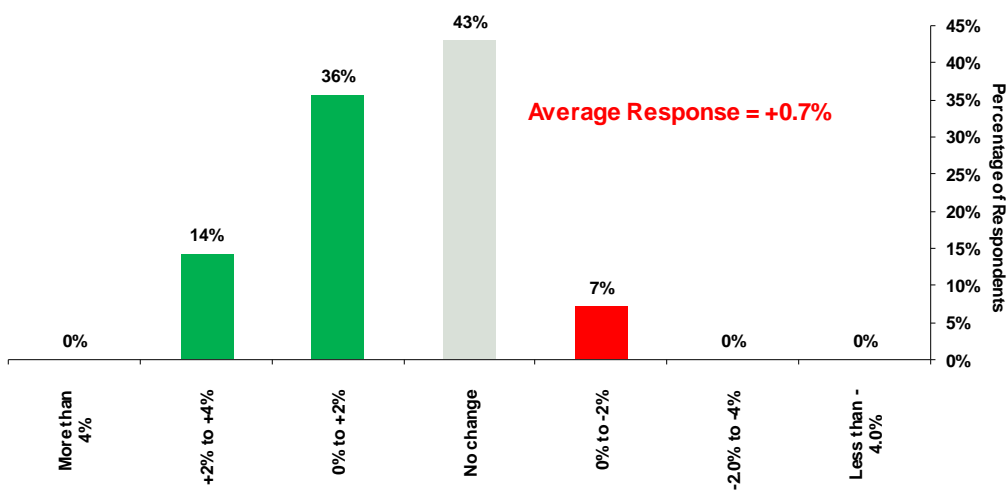


Source: Baird Research

Linen Rental: Existing Account Pricing Trends

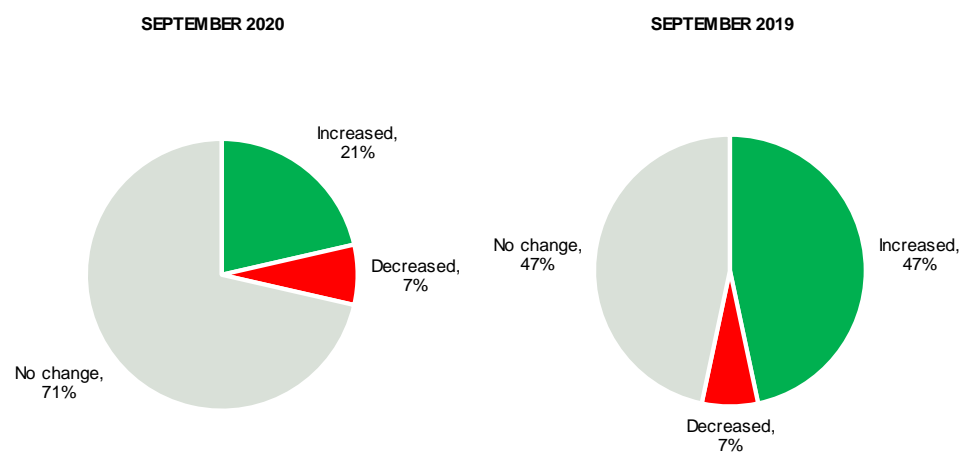
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For existing accounts which underwent an annual price review this quarter, the average price change was:



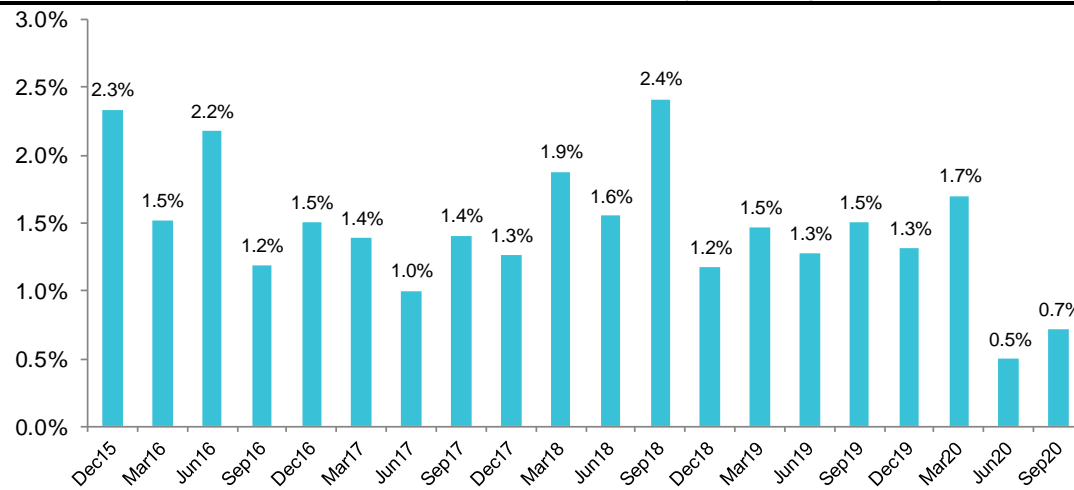
Source: Baird Research

During the past 90 days, pricing on existing rental accounts has:



Source: Baird Research

“For accounts which underwent an annual price review in the past 90 days, the average price change was...”



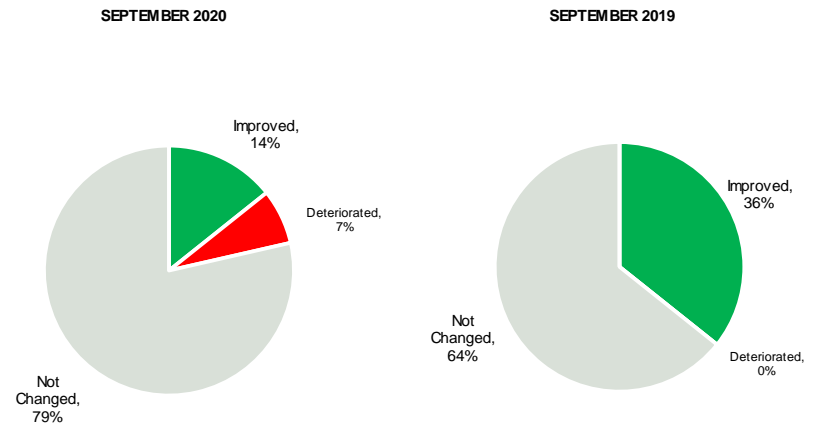
Source: Baird Research



Linen Rental: New Business (No-Programmers) Trends

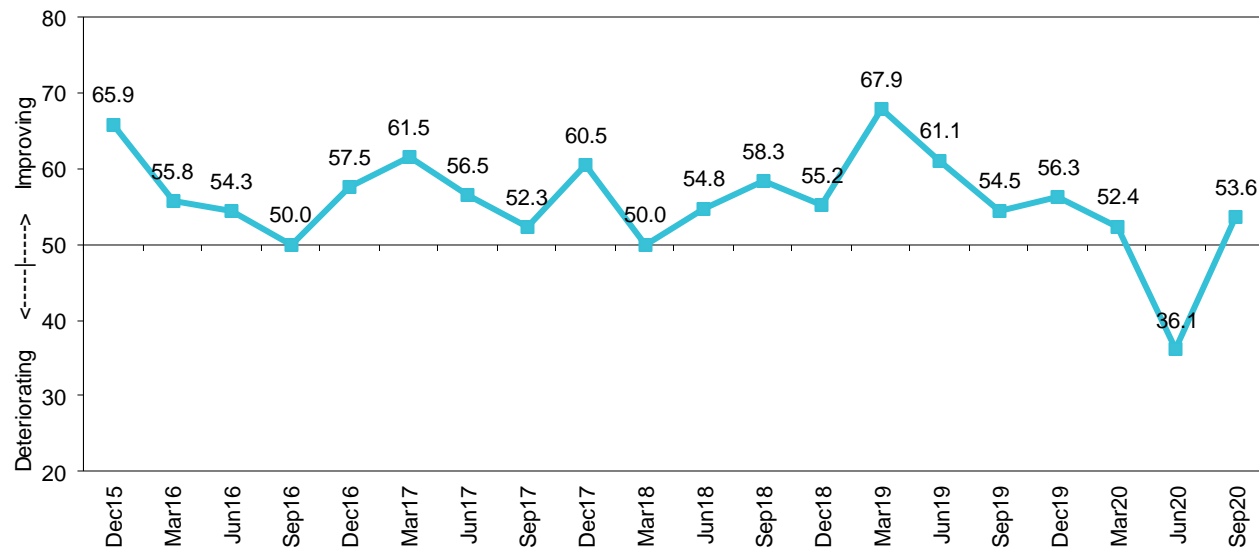
- No-Programmers.** No-programmer interest showed QOQ improvement and turned positive at 53.6 after dipping negative (36.1) for the first time since we began tracking this industry category in 2015 last quarter. See charts.

During the past 90 days interest from no-programmer accounts (those without an existing contract) has:



Source: Baird Research

Baird Linen Rental No-Programmer Diffusion Index

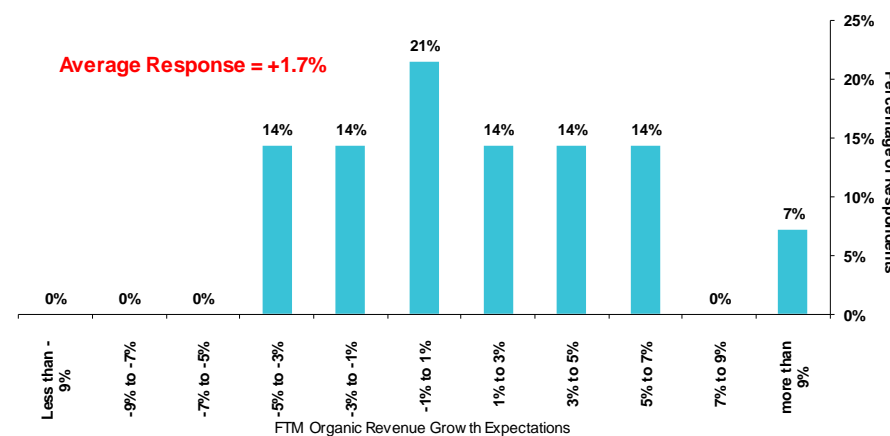


Source: Baird Research

Linen Rental: 12-Month Growth Outlook

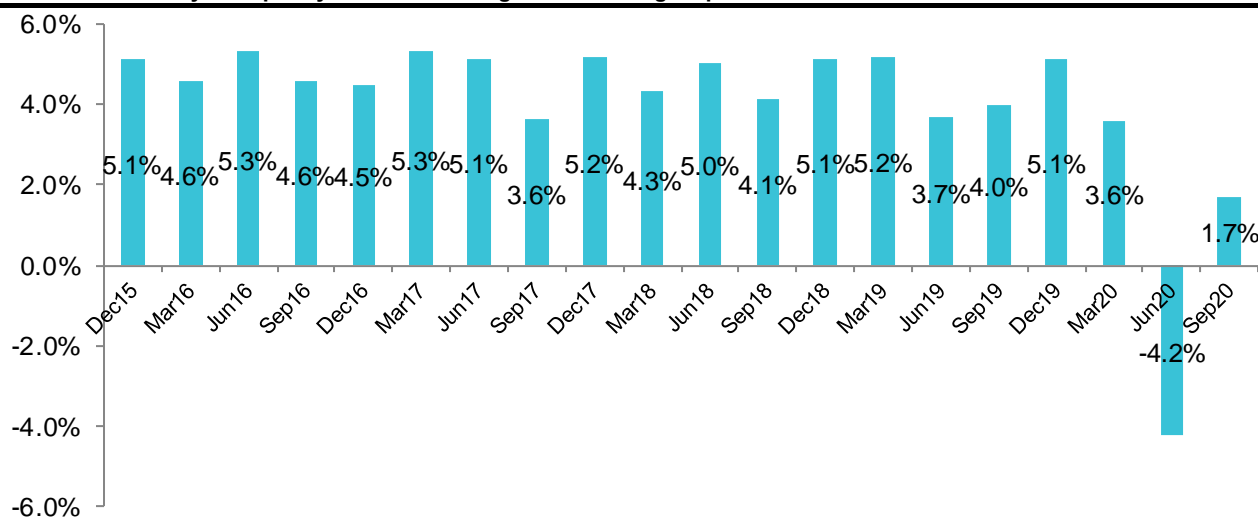
- Growth Outlook.** Forecasted 12-month revenue is now expected to grow, increasing 1.7% versus last quarter's expectation for a 4.2% decline. See charts.

Organic Rental Growth Expectations (FTM)



Source: Baird Research

“At what rate do you expect your revenue to grow excluding acquisitions in the next 12 months?”



Source: Baird Research

Appendix – Important Disclosures and Analyst Certification

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