



Business Services Research

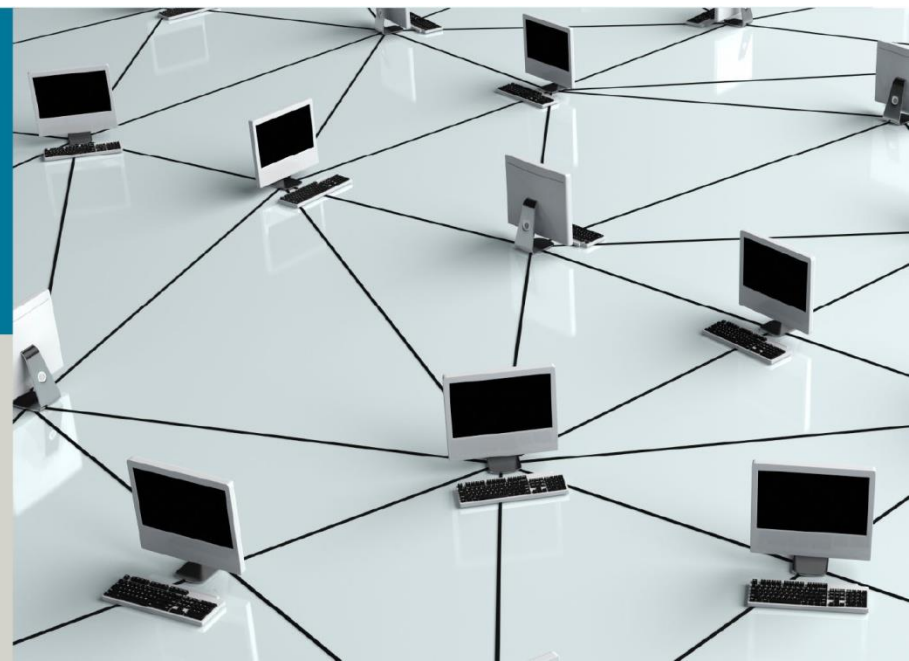
March 15, 2021

Robert W. Baird & Co. 1Q 2021 Textile Rental Services Survey

Andrew J. Wittmann, CFA
Senior Research Analyst
awittmann@rwbaird.com
414.298.1898

Justin P. Hauke
Senior Research Associate
jhauke@rwbaird.com
314.445.6519

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



Overview



- Thank you to the ~250 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

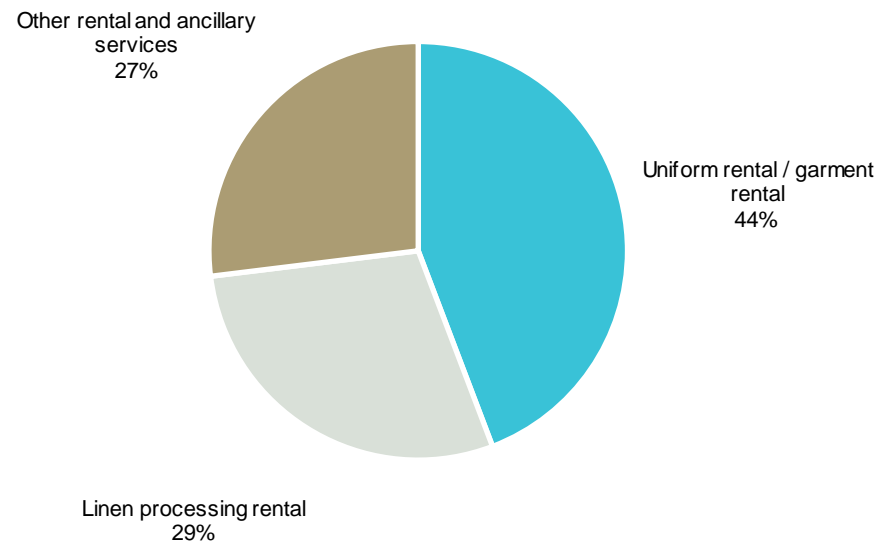
All responses are presented in aggregate form

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 ~250 independent firms (22 responses)

Survey Respondent Prolife: Revenue by Service Line (%)



Source: Baird Research

UNIFORM RENTAL TRENDS

Executive Summary: Uniform Rental

UNIFORM RENTAL SURVEY SUMMARY

- **Our 1Q21 survey results improved from a weaker 4Q20, at least in terms of add/stops (employment improved), though pricing deteriorated further as did FTM revenue growth expectations.** A large percentage of respondents also saw the quarter come in below internal expectations. Further re-opening will obviously help, but not in 1Q. Key details:

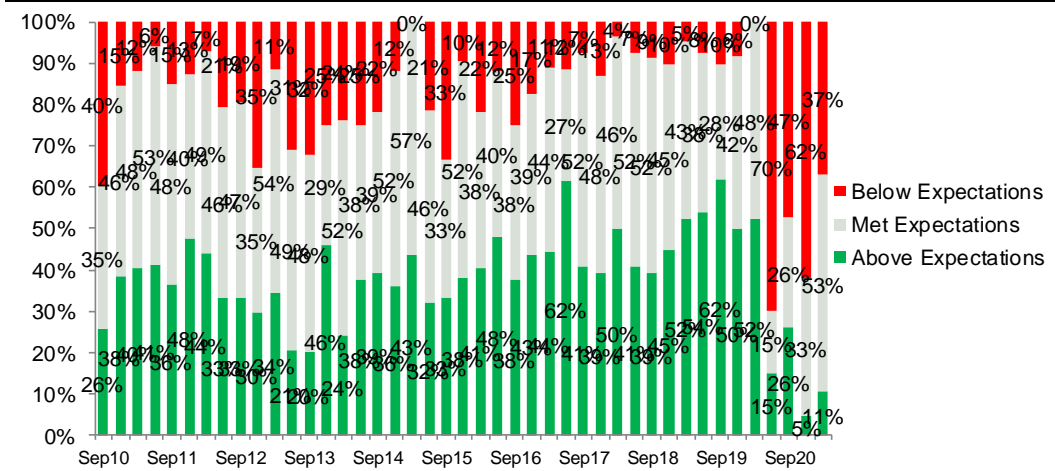
1Q21 UNIFORM RENTAL SURVEY HIGHLIGHTS

- **Rental Revenue Trends.** 37% of respondents fell short of internal revenue projections for the quarter, better than last quarter's 62%, but still a high number historically. Only 11% of respondents saw trends above expectations.
- **Add/Stops.** Employment-driven expansion at existing accounts (i.e., Add/Stop Diffusion Index) improved to 60.0 in March, rebounding to positive/expansionary territory (>50) for the first time in a year. This generally matches recently better employment trends too after disappointing 4Q20.
- **No-Programmers.** Rebound from 4Q20 with our diffusion index returning to positive/expansionary territory at 57.5, its highest post-COVID read. Importantly, this metric has only been negative 3x in the past 10 years (2x in 2020).
- **Pricing.** Our price diffusion index on new business hit a 12-year low and has deteriorated for the past four quarters. Base pricing gains also moderated. This could create margin headwinds as energy and commodity costs rise and with the resumption of deferred COVID-related costs. Several respondents cited labor challenges as well (lack of incentives as well as minimum wage prospects).
- **Growth Outlook.** Industry consensus now sees ~2.4% organic growth over the next 12-months, down from the ~3% of recent quarters and well below the ~5% range pre-COVID. Growth outlook still bifurcated, however, geographically and dependent on relative business mix.

Uniform Rental: Revenue Trends Versus Expectations

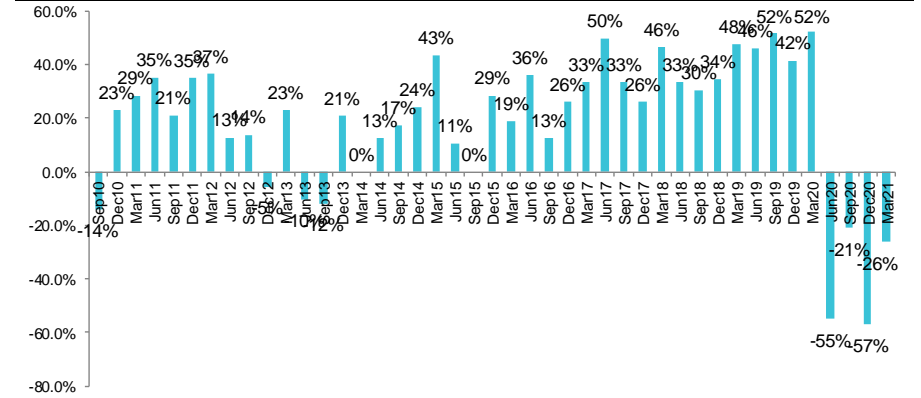
- Rental Revenue Trends.** 37% of respondents fell short of internal revenue projections for the quarter, better than last quarter's 62%, but still a high number historically. Only 11% of respondents saw trends above expectations.

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



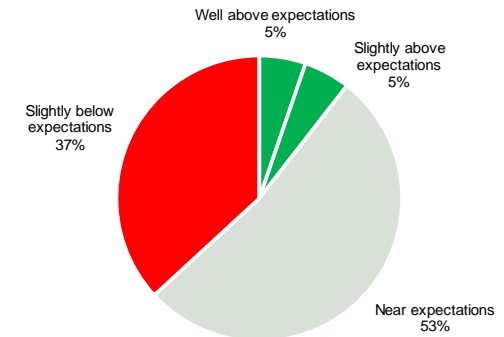
Source: Baird Research

Relative Spread Between Respondents Exceeding Revenue Expectations Versus Falling Below Expectations



Source: Baird Research

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

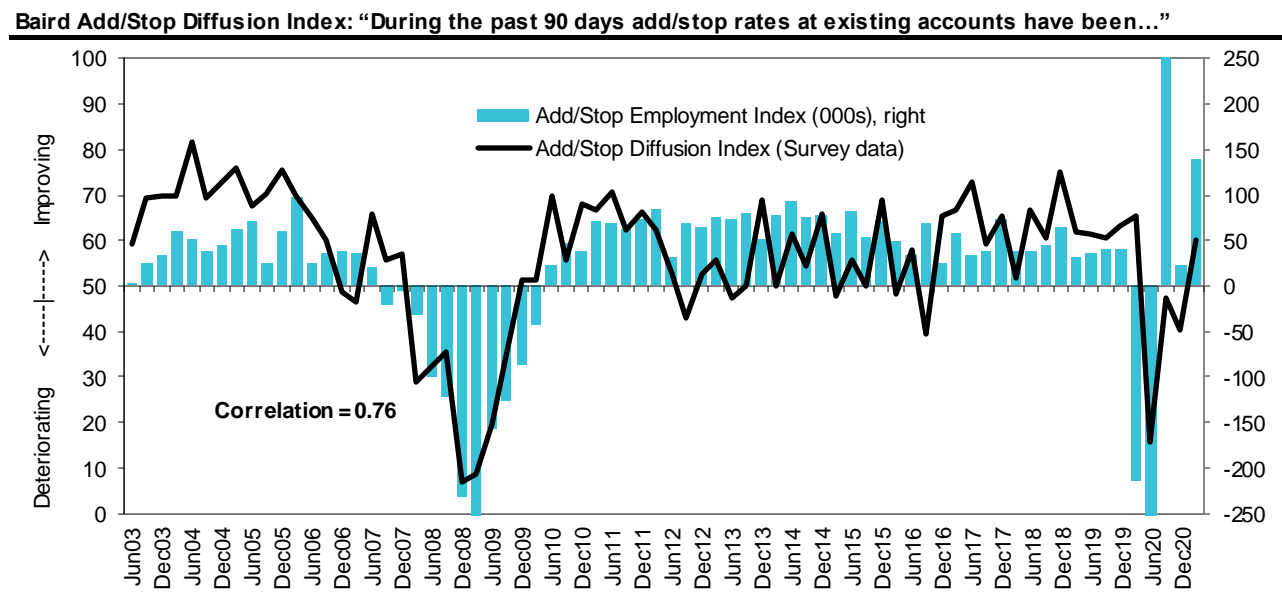


Source: Baird Research

Uniform Rental: Add/Stop Trends

- Add/Stops.** Employment-driven expansion at existing accounts (i.e., Add/Stop Diffusion Index) improved to 60.0 in March, rebounding to positive/expansionary territory (>50) for the first time in a year. This generally matches recently better employment trends too after disappointing 4Q20.

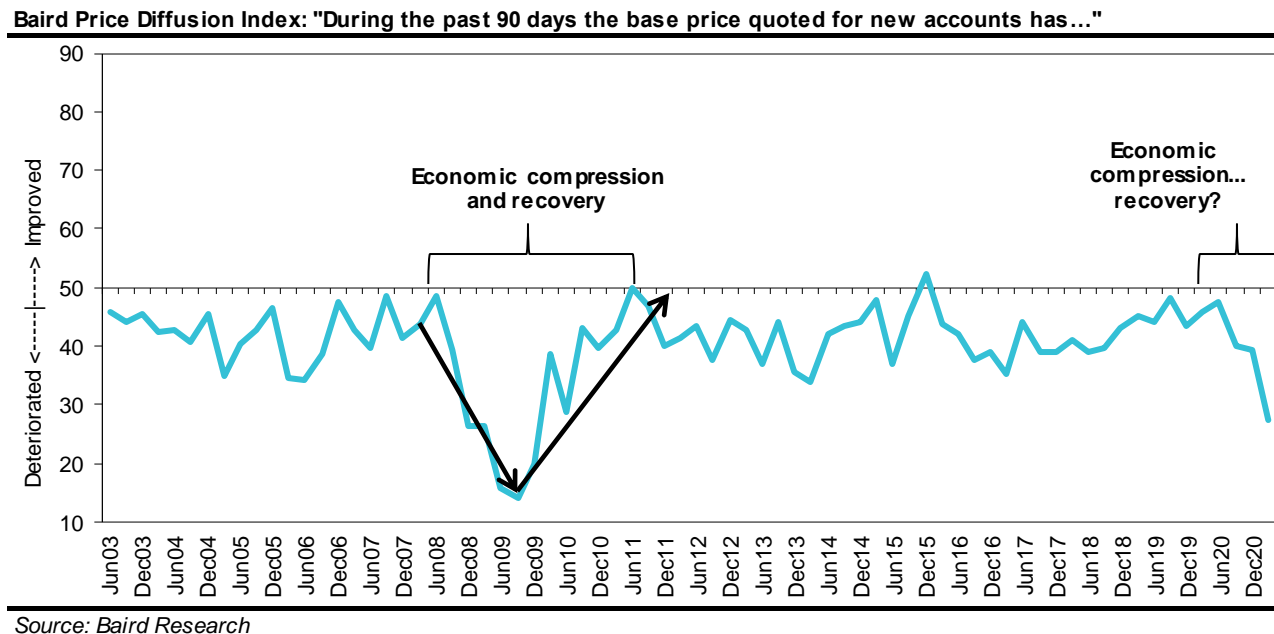
Note: A diffusion index represents a normalized index (to 50=neutral) that is based on the percentage of respondents citing improvement (100) versus deterioration (0), with 50 representing a "base" level (equal number of positive/negative responses)



Source: Bureau of Labor Statistics and Baird Research

Uniform Rental: New Account Pricing Trends

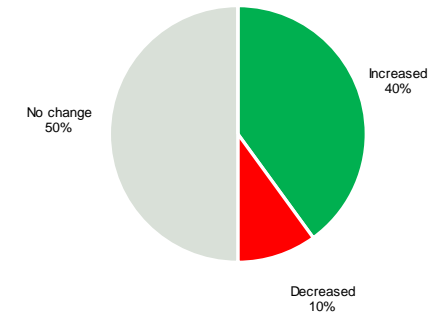
- **New Account Pricing.** Our price diffusion index on new business hit a 12-year low and has deteriorated for the past four quarters. Base pricing gains also moderated. Diffusion index 27.5 (down from 39.5 last quarter).



Uniform Rental: Existing Account Pricing Trends

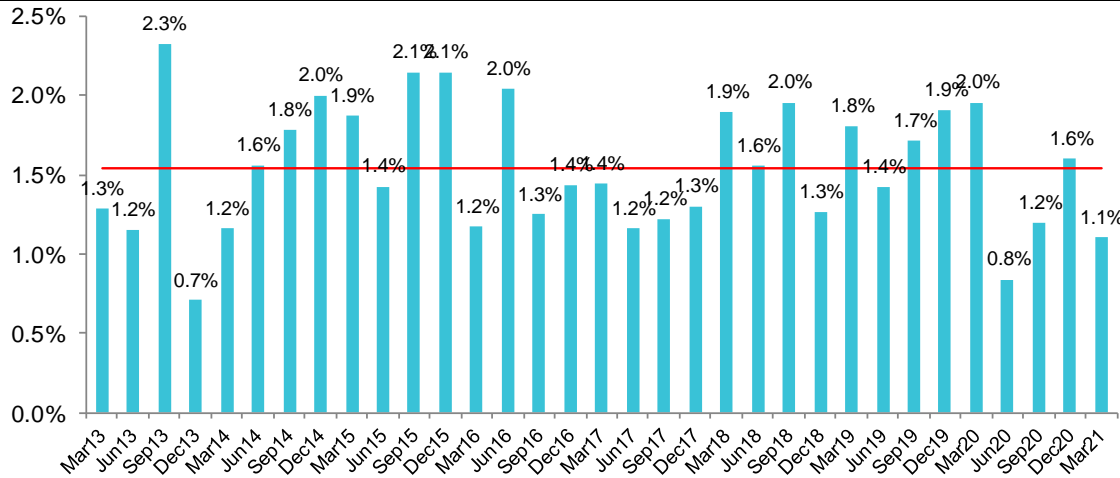
- **Base (Existing) Account Pricing.** Base pricing gains declined to +1.1%. Importantly, pricing gains have remained positive throughout COVID but is now deteriorating as costs are rising.

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



Source: Baird Research

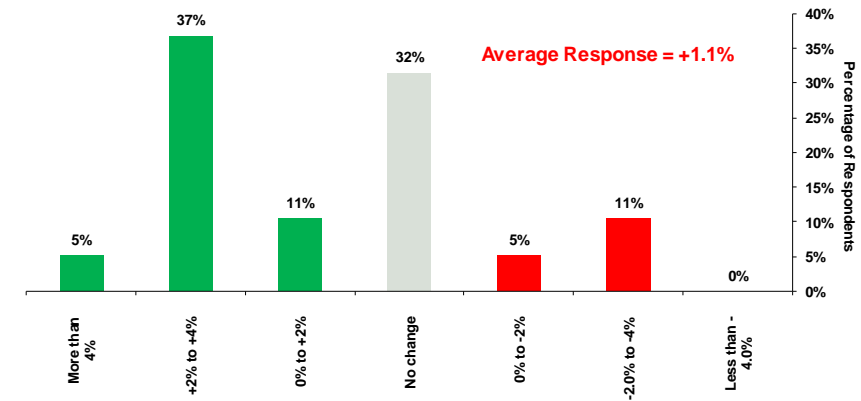
“For accounts which underwent an annual price review in the past 90 days, the average price change was...”



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:

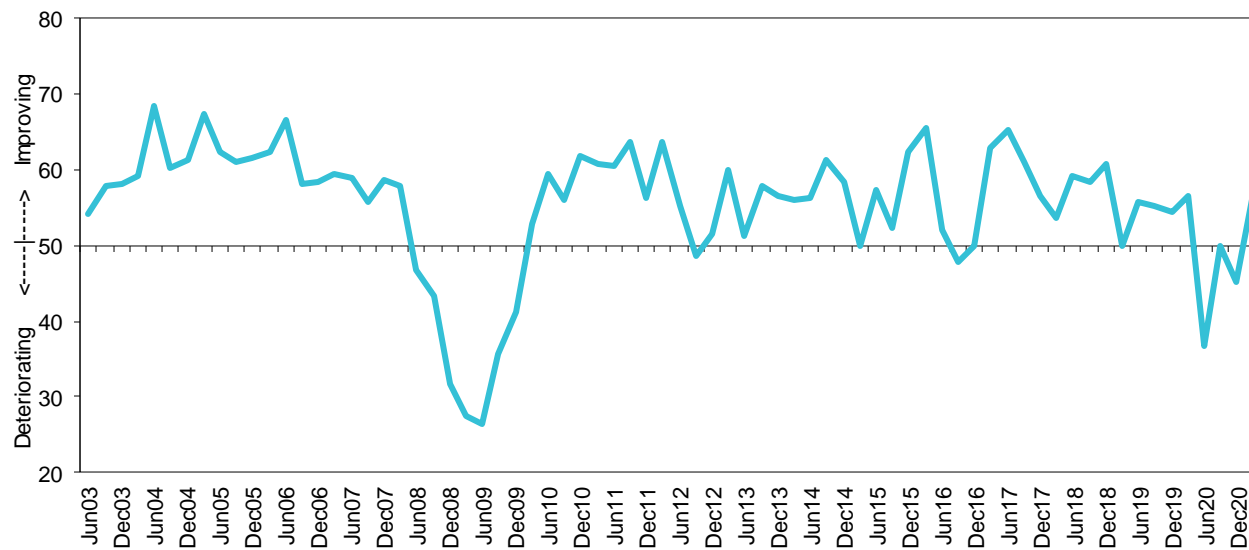


Source: Baird Research

Uniform Rental: New Business (No-Programmers) Trends

- **No-Programmers.** Rebound from 4Q20 with our diffusion index returning to positive/expansionary territory at 57.5, its highest post-COVID read. Importantly, this metric has only been negative 3x in the past 10 years (2x in 2020).

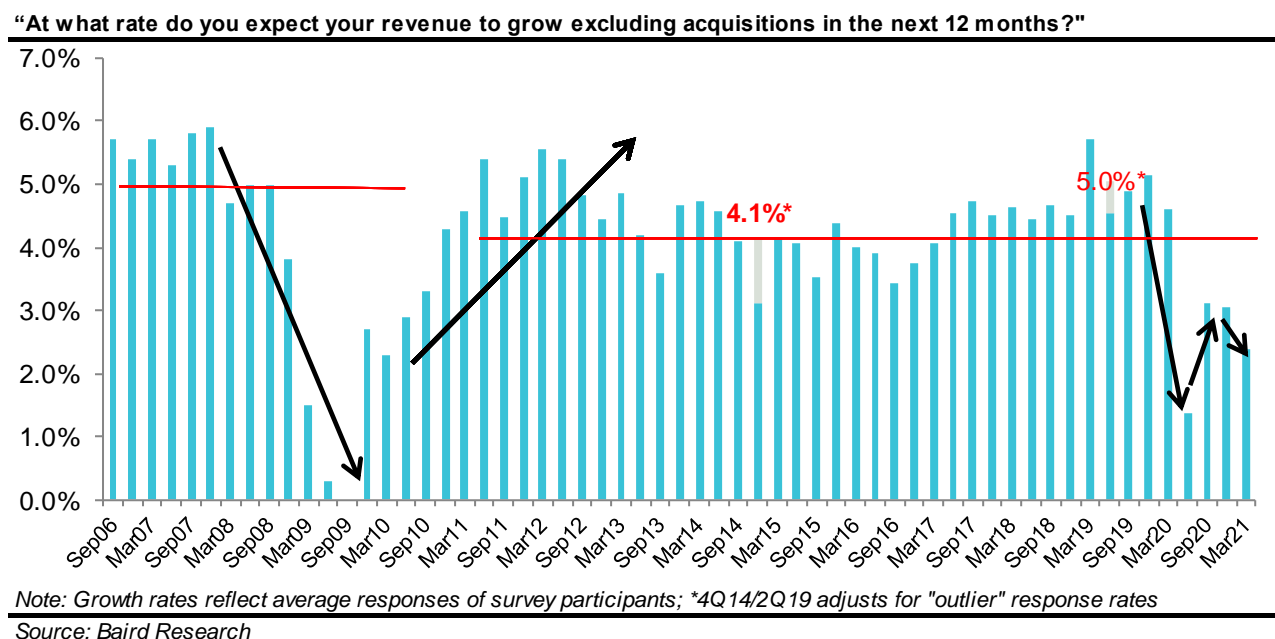
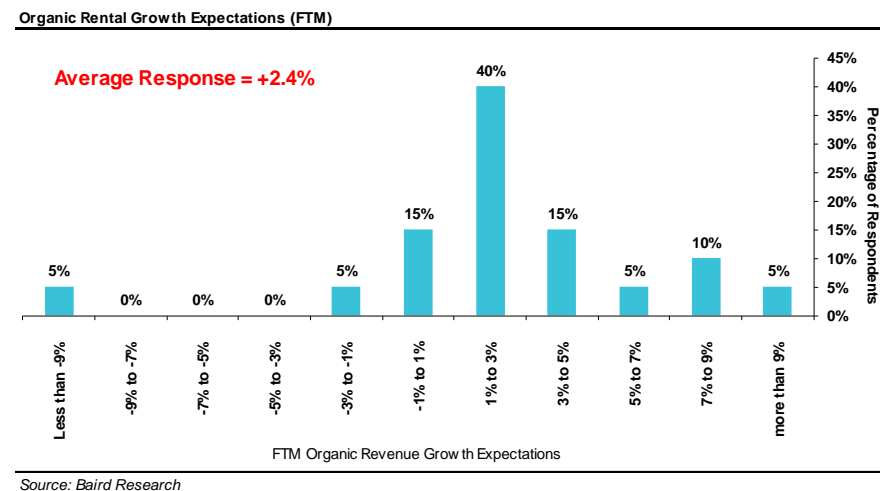
Baird No-Programmer Diffusion Index: "During the past 90 days interest from no-programmer accounts has been..."



Source: Baird Research

Uniform Rental: 12-Month Growth Outlook

- Growth Outlook.** Industry consensus now sees ~2.4% organic growth over the next 12-months, down from the ~3% of recent quarters and well below the ~5% range pre-COVID. Growth outlook still bifurcated, however, geographically and dependent on relative business mix. See charts.



LINEN RENTAL TRENDS

Executive Summary: Linen Rental

LINEN RENTAL SURVEY SUMMARY

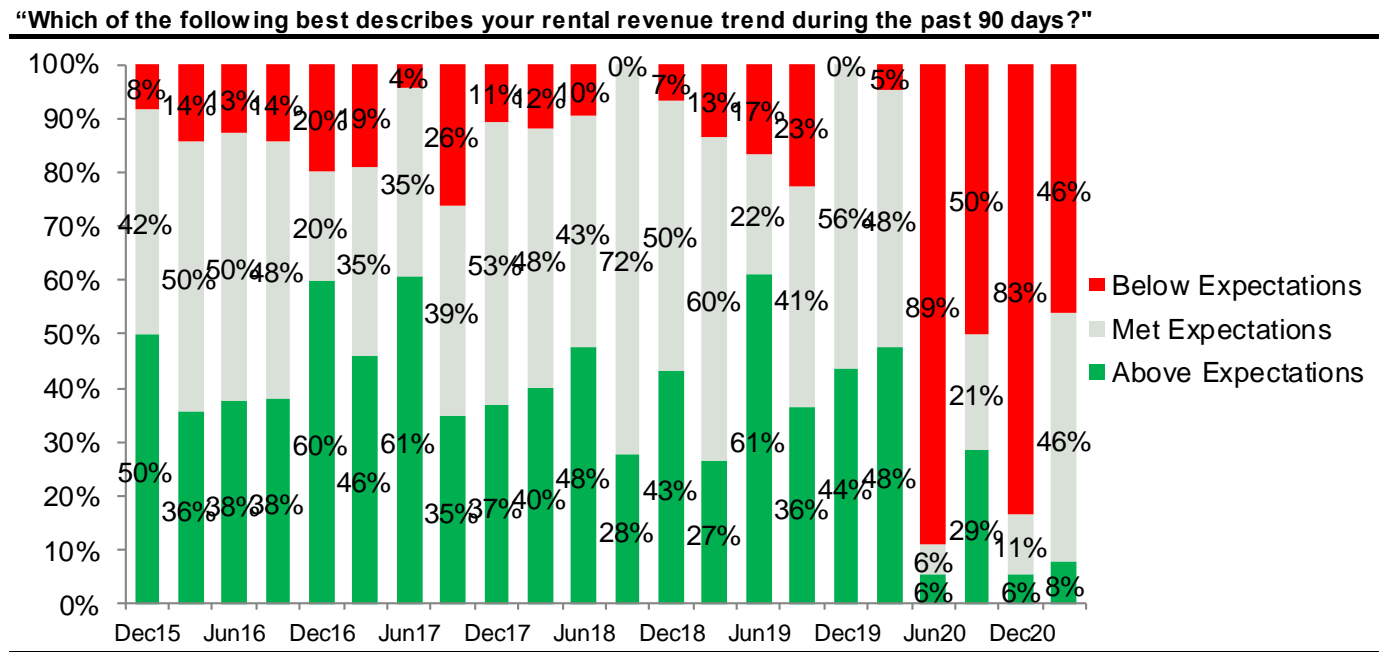
- **Linen rental business trends a little bit better but has been more heavily pressured than uniform rental.** All metrics improved but 46% of respondents still saw revenue fall short of expectations in the quarter but pricing and no-programmer diffusion indices improved from last quarter's sharply negative readings. Growth expectations also improved, now similar to uniform rental, but remain subdued relative to prior years.

1Q21 LINEN RENTAL SURVEY HIGHLIGHTS

- **Rental Revenue Trends.** 46% of respondents cited rental revenue trends falling below expectations in 1Q21 with 46% also citing revenue near expectation and 8% above expectations. This is better than last quarter's sharp declines but still has an elevated number of shortfalls.
- **New Account Pricing.** 15% of respondents cited more aggressive new account pricing in 1Q21 while 8% saw less aggressive pricing. Most (77%) saw no change. As a result, our diffusion index improved from 36.1 to 46.2 (but is still in negative territory).
- **Base Account Pricing.** The average price increase on existing accounts undergoing price review in 1Q21 was +1.2%, similar to 4Q20 levels. Overall, 15% of respondents cited price increases with 62% reporting no material change.
- **No-Programmers.** No-programmer interest showed QOQ improvement and is now neutral at a 50.0 reading, compared to 38.2 last quarter. Like uniform rental, this index has consistently been in expansionary (>50) territory, with exception of COVID.
- **Growth Outlook.** Forecasted 12-month revenue outlook improved to +2.8%, now similar to expected gains in uniform rental, but below previous years' forecasts of ~5%.

Linen Rental: Revenue Trends Versus Expectations

- Rental Revenue Trends.** 46% of respondents cited rental revenue trends falling below expectations in 1Q21 with 46% also citing revenue near expectation and 8% above expectations. This is better than last quarter's sharp declines but still has an elevated number of shortfalls.

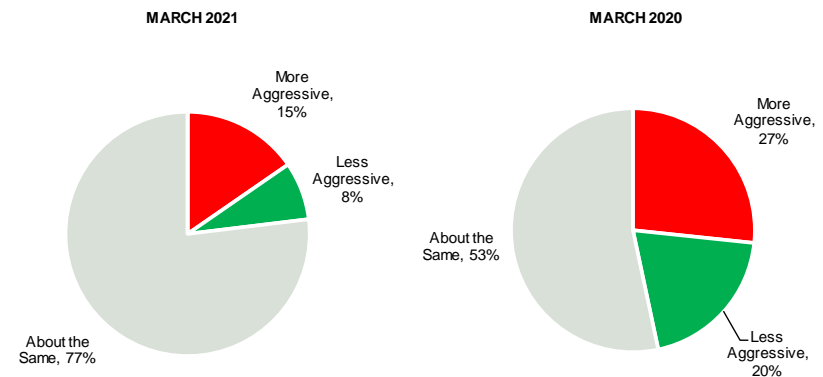


Source: Baird Research

Linen Rental: New Account Pricing Trends

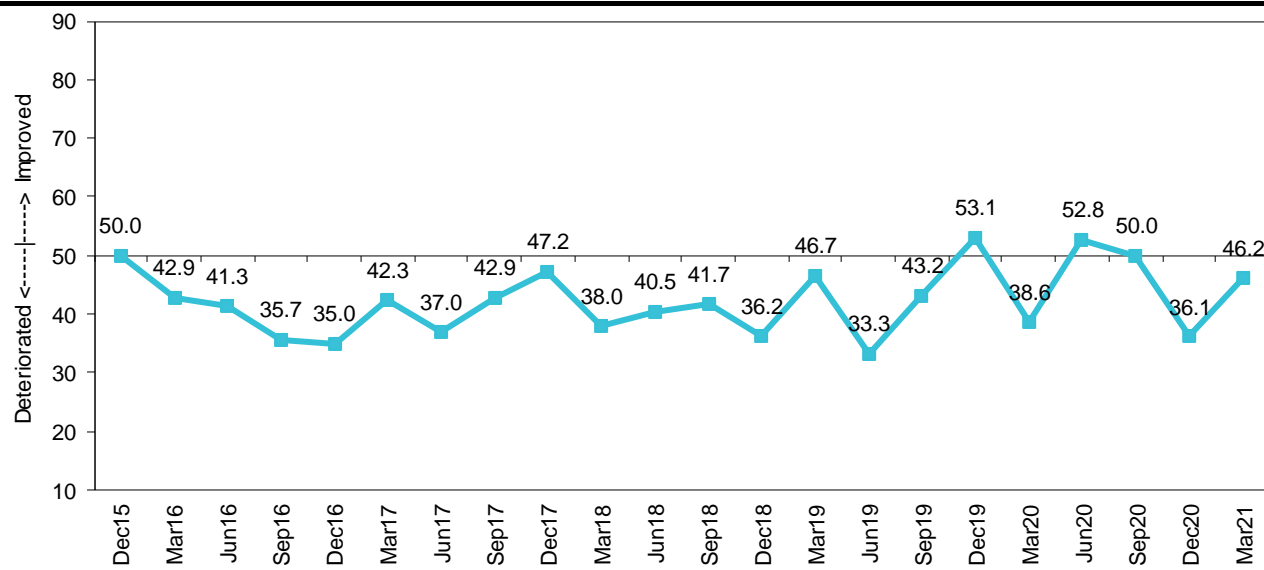
- New Account Pricing.** 15% of respondents cited more aggressive new account pricing in 1Q21 while 8% saw less aggressive pricing. Most (77%) saw no change. As a result, our diffusion index improved from 36.1 to 46.2 (but is still in negative territory). See charts.

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



Source: Baird Research

Baird Linen Rental Price Diffusion Index

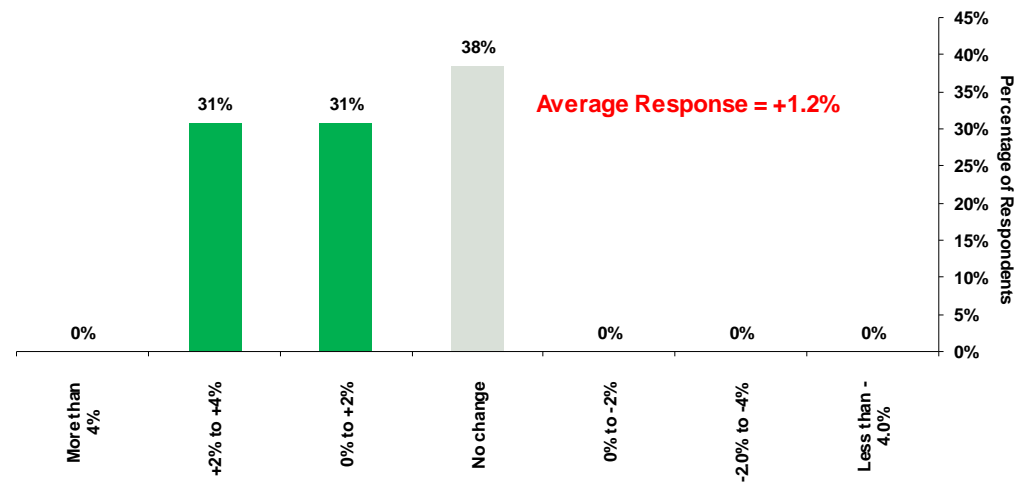


Source: Baird Research

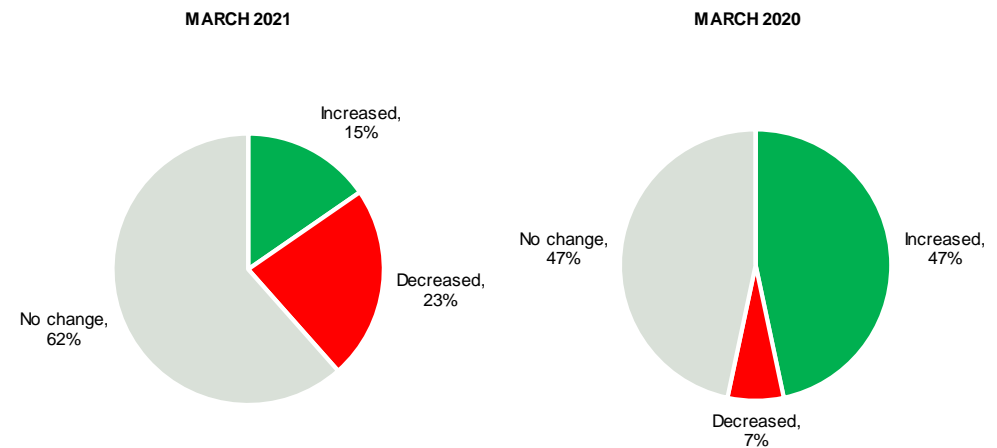
Linen Rental: Existing Account Pricing Trends

- Base Account Pricing.** The average price increase on existing accounts undergoing price review in 1Q21 was +1.2%, similar to 4Q20 levels. Overall, 15% of respondents cited price increases with 62% reporting no material change.

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



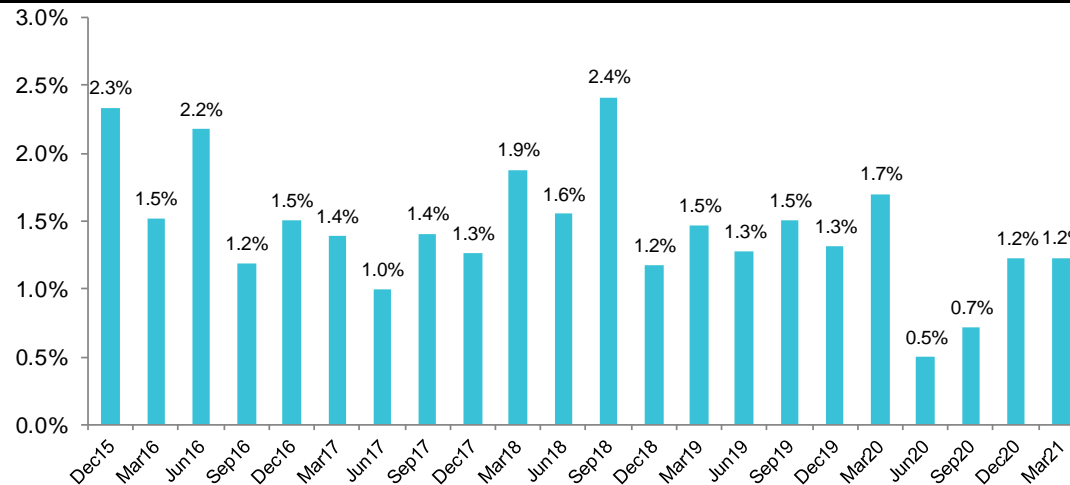
During the past 90 days, pricing on existing rental accounts has:



Source: Baird Research

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



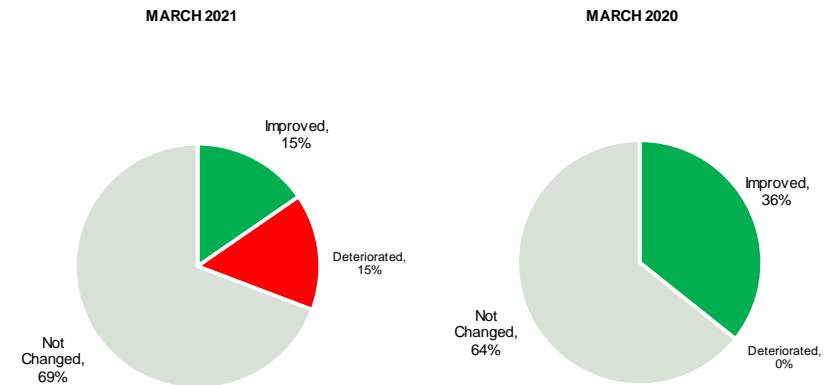
Source: Baird Research



Linen Rental: New Business (No-Programmers) Trends

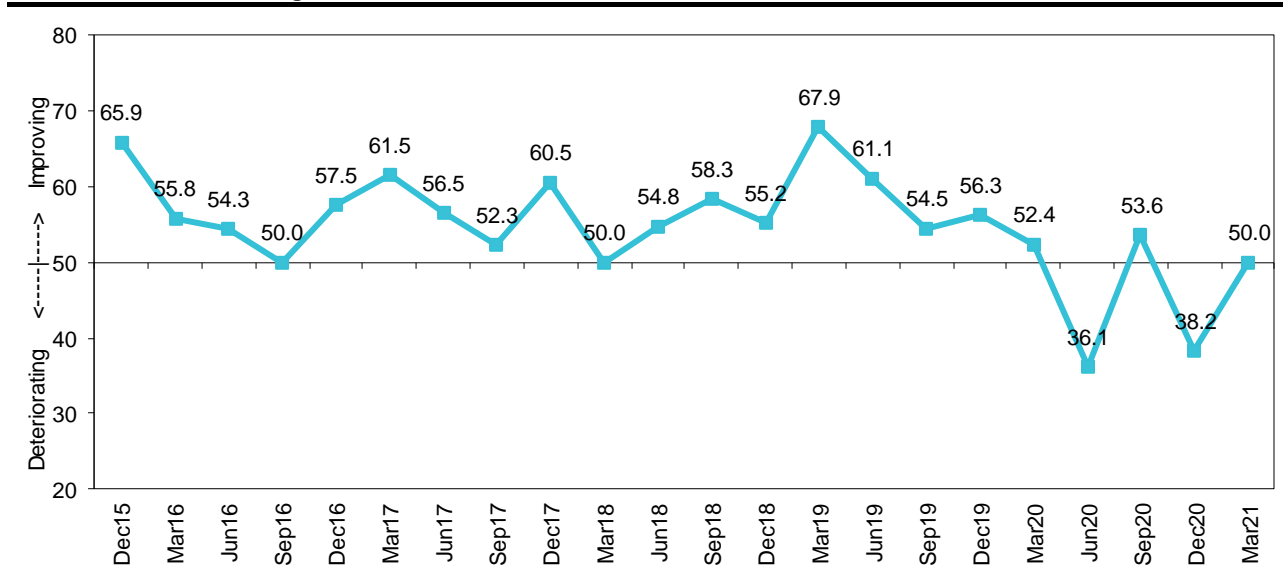
- No-Programmers.** No-programmer interest showed QOQ improvement and is now neutral at a 50.0 reading, compared to 38.2 last quarter. Like uniform rental, this index has consistently been in expansionary (>50) territory, with exception of COVID. See charts.

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

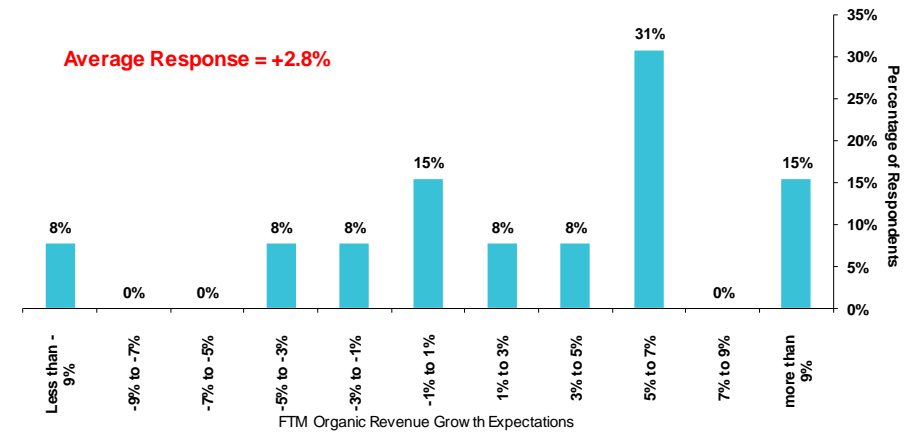


Source: Baird Research

Linen Rental: 12-Month Growth Outlook

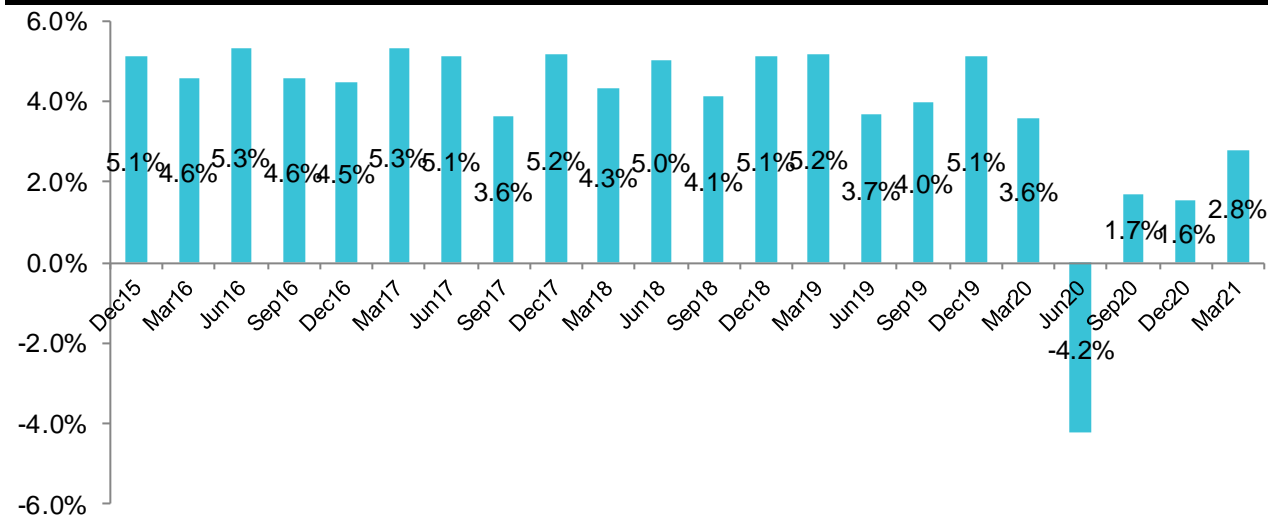
- Growth Outlook.** Forecasted 12-month revenue outlook improved to +2.8%, now similar to expected gains in uniform rental, but below previous years' forecasts of ~5%. See charts.

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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Appendix – Important Disclosures and Analyst Certification



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