



Business Services Research

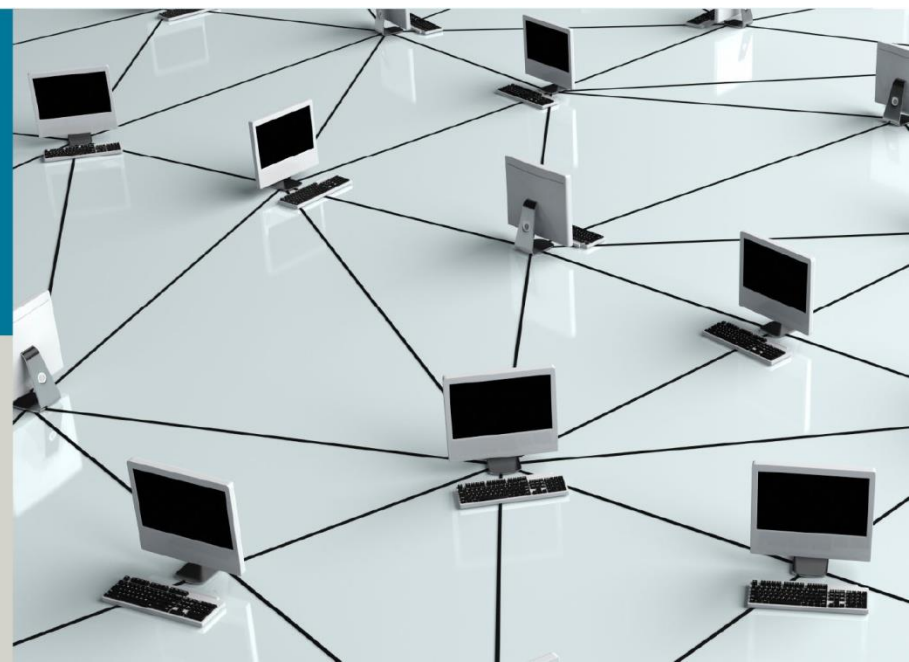
June 15, 2021

Robert W. Baird & Co. 2Q 2021 Textile Rental Services Survey

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Please refer to Appendix – Important Disclosures and
Analyst Certification on pages 20-22



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

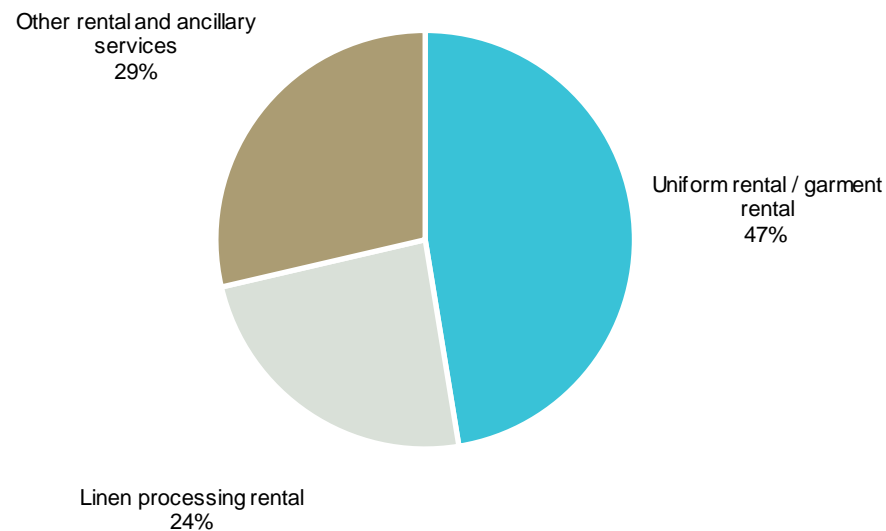
All responses are presented in aggregate form

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

- **Much stronger 2Q21 uniform survey results, supported by pricing.** 2Q21 survey results strengthened further with all tracked metrics improving QOQ. The most notable uptick stemmed from both new account pricing and base account price escalators. This is not surprising against the inflationary backdrop and following ~12-18 months of little industry price contribution. The stronger price contribution is supporting price outlook, though margins less clear. Key details:

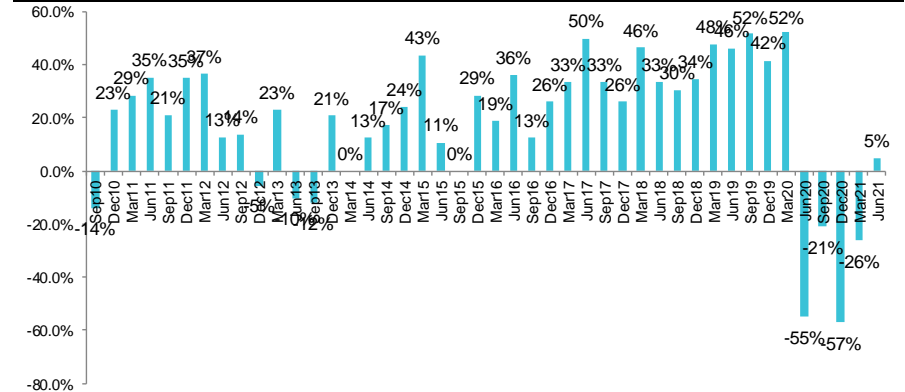
2Q21 UNIFORM RENTAL SURVEY HIGHLIGHTS

- **Rental Revenue Trends.** 25% of respondents fell short of internal revenue projections for the quarter compared to 30% beating expectations, the first positive spread since March 2020.
- **Add/Stops.** Employment-driven expansion at existing accounts (i.e., Add/Stop Diffusion Index) improved to 65.0 in June, its best post-COVID reading since March 2020. This reading was a bit better than we expected against the more modest recent hiring gains.
- **No-Programmers.** Further rebound from 4Q20 trough with our diffusion index now at 62.5, up from 57.5 in March. Importantly, this metric has only been negative 3x in the past 10 years (2x in 2020).
- **Pricing.** Our price diffusion index on new business inflected to a positive 52.5. In our survey's 18-year history, this metric has only been positive in 3 quarters. Base pricing gains +1.9% on average, best since pre-COVID and one of the stronger historical increases. Offsetting, nearly all open-ended responses cite significant inflationary pressure.
- **Growth Outlook.** Industry consensus now sees ~4.2% organic growth over the next 12-months, nearly double last quarter's 2.4% outlook and in the ~4-5% range pre-COVID. Pricing appears to be a significant driver.

Uniform Rental: Revenue Trends Versus Expectations

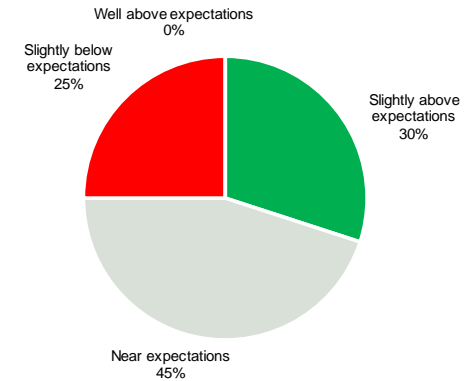
- **Rental Revenue Trends.** 25% of respondents fell short of internal revenue projections for the quarter compared to 30% beating expectations, the first positive spread since March 2020.

Relative Spread Between Respondents Exceeding Revenue Expectations Versus Falling Below Expectations



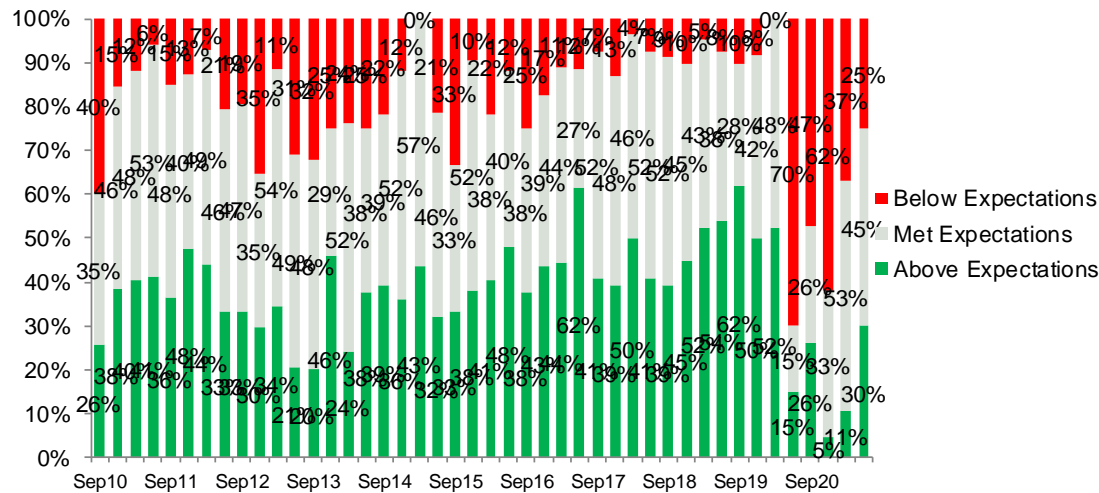
Source: Baird Research

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



Source: Baird Research

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

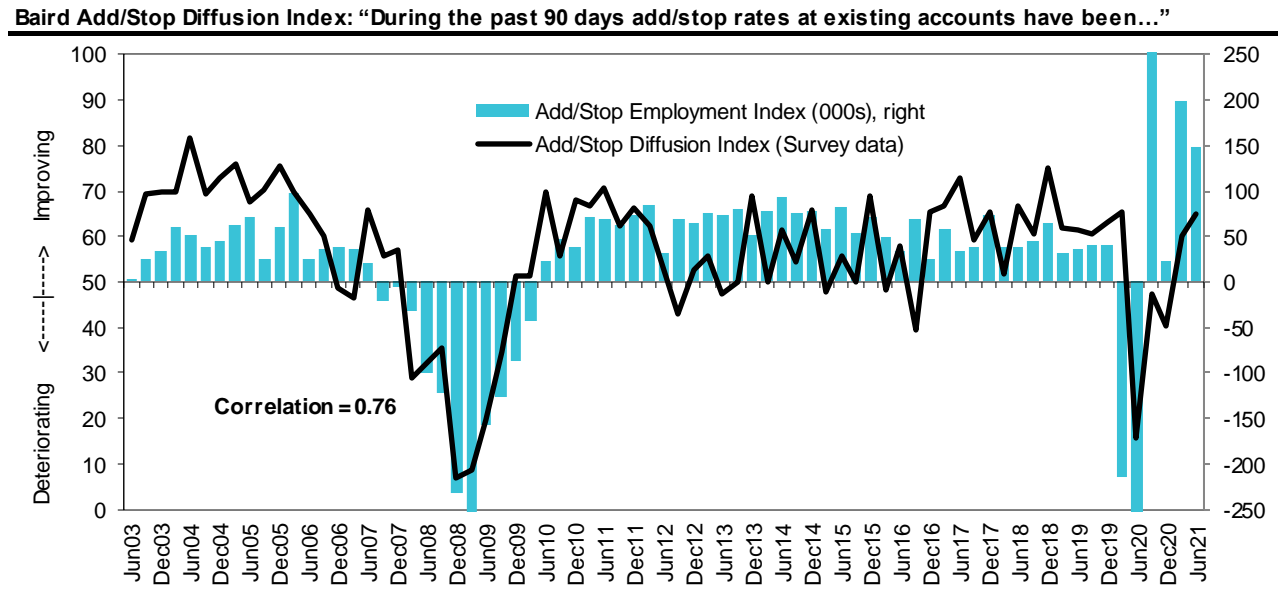


Source: Baird Research

Uniform Rental: Add/Stop Trends

- Add/Stops.** Employment-driven expansion at existing accounts (i.e., Add/Stop Diffusion Index) improved to 65.0 in June, its best post-COVID reading since March 2020. This reading was a bit better than we expected against the more modest recent hiring gains.

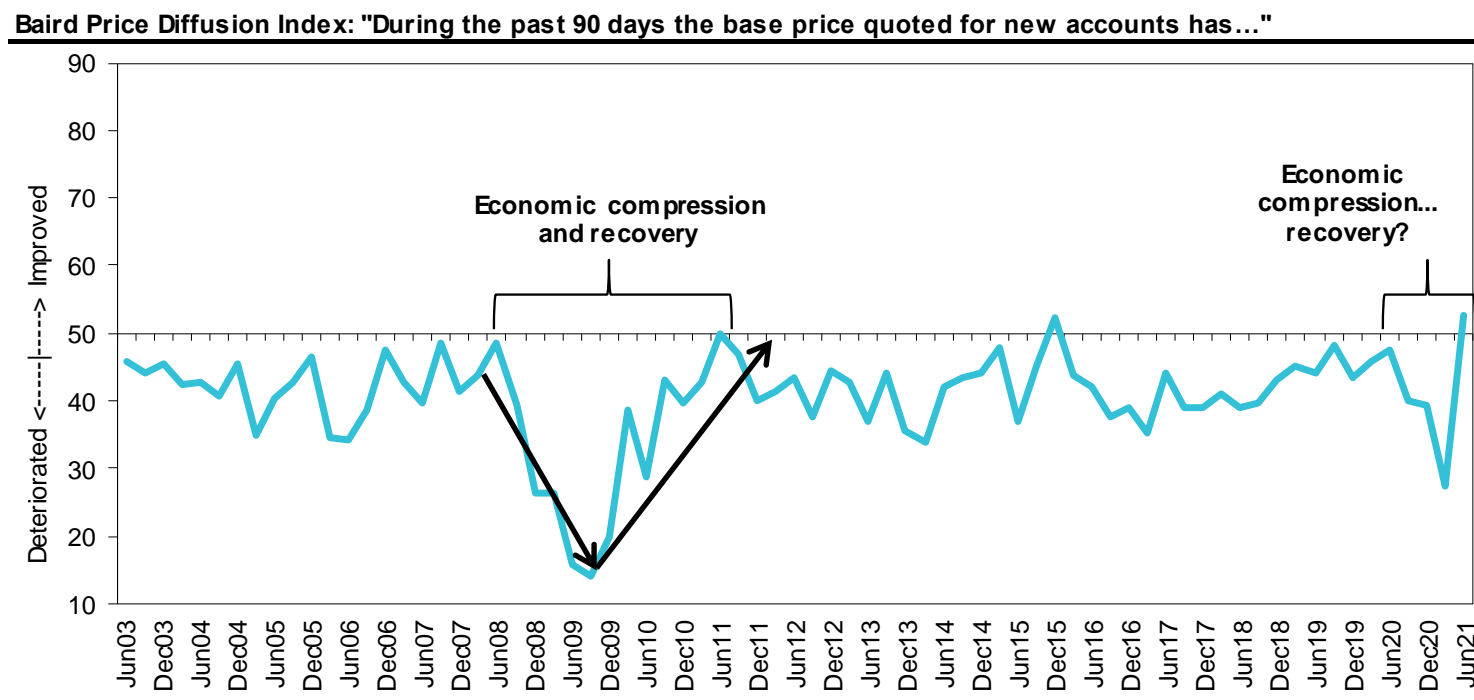
Note: A diffusion index represents a normalized index (to 50=neutral) that is based on the percentage of respondents citing improvement (100) versus deterioration (0), with 50 representing a "base" level (equal number of positive/negative responses)



Source: Bureau of Labor Statistics and Baird Research

Uniform Rental: New Account Pricing Trends

- New Account Pricing.** Our price diffusion index on new business inflected to a positive 52.5. In our survey's 18-year history, this metric has only been positive in 3 quarters.

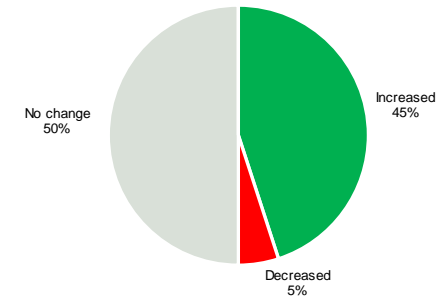


Source: Baird Research

Uniform Rental: Existing Account Pricing Trends

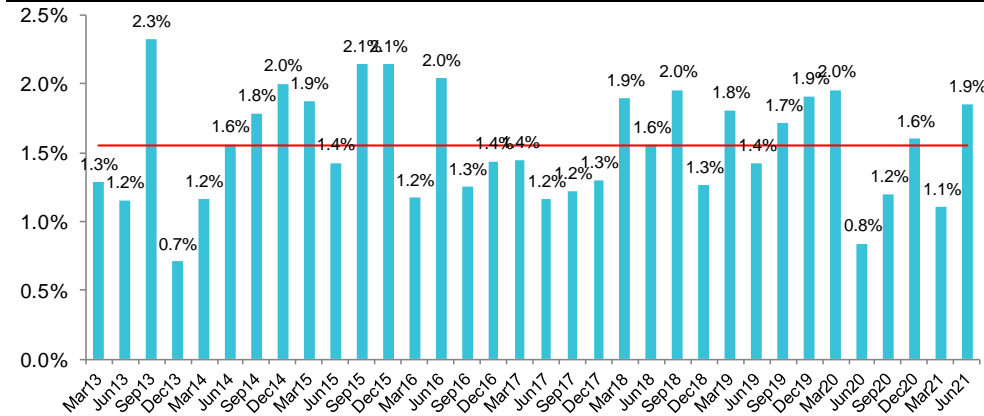
- Base (Existing) Account Pricing.** Base pricing gains +1.9% on average, best since pre-COVID and one of the stronger historical increases. Offsetting, nearly all open-ended responses cite significant inflationary pressure.

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



Source: Baird Research

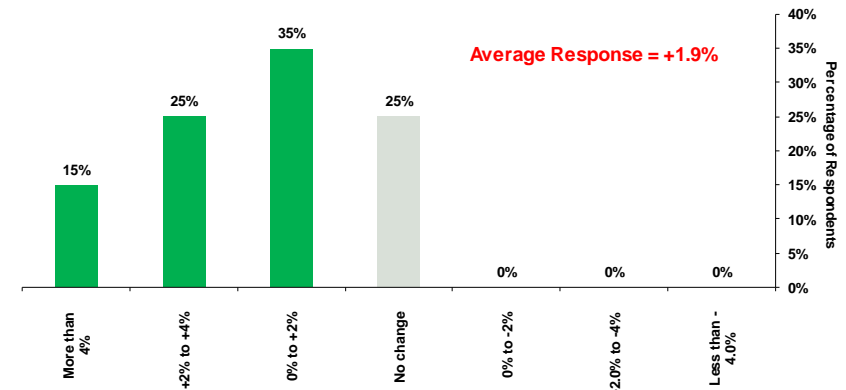
“For accounts which underwent an annual price review in the past 90 days, the average price change was...”



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:

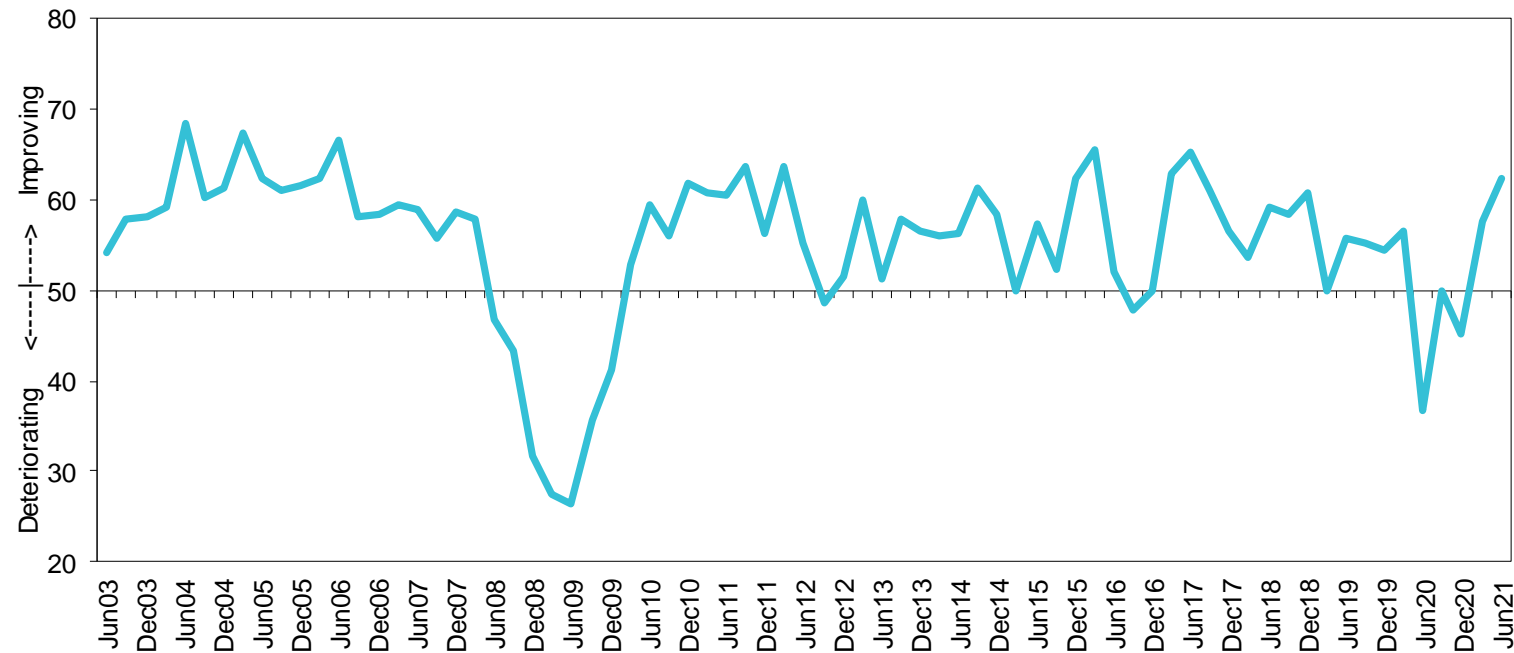


Source: Baird Research

Uniform Rental: New Business (No-Programmers) Trends

- **No-Programmers.** Further rebound from 4Q20 trough with our diffusion index now at 62.5, up from 57.5 in March. Importantly, this metric has only been negative 3x in the past 10 years (2x in 2020).

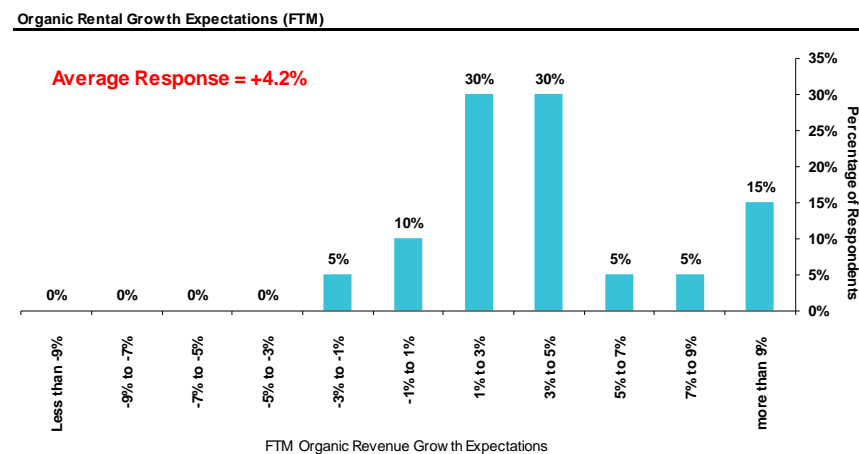
Baird No-Programmer Diffusion Index: "During the past 90 days interest from no-programmer accounts has been..."



Source: Baird Research

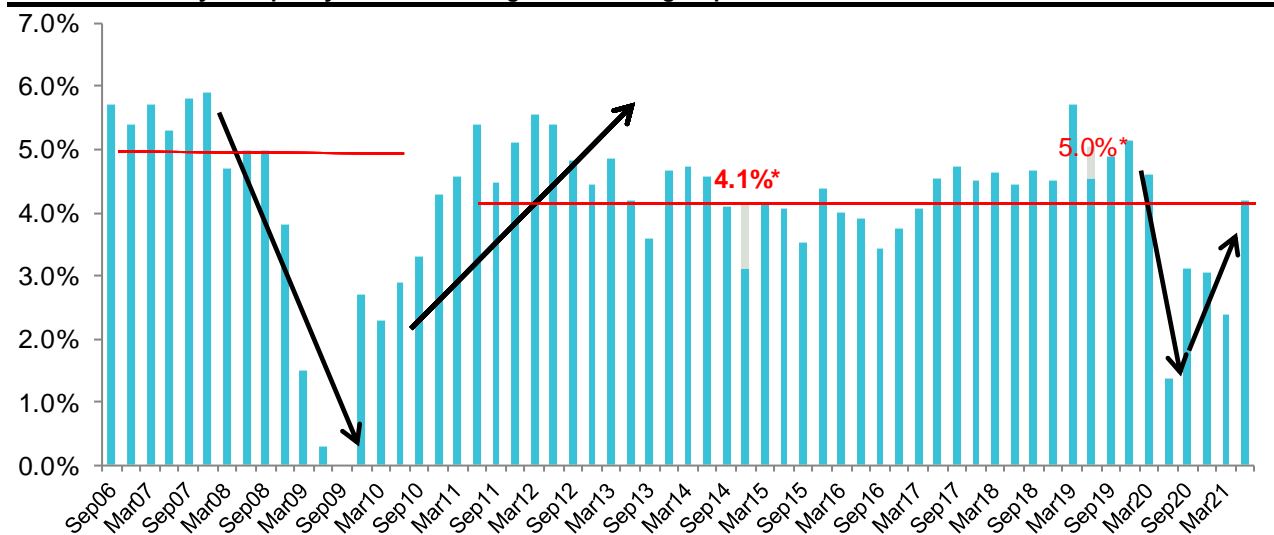
Uniform Rental: 12-Month Growth Outlook

- Growth Outlook.** Industry consensus now sees ~4.2% organic growth over the next 12-months, nearly double last quarter's 2.4% outlook and in the ~4-5% range pre-COVID. Pricing appears to be a significant driver. See charts.



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

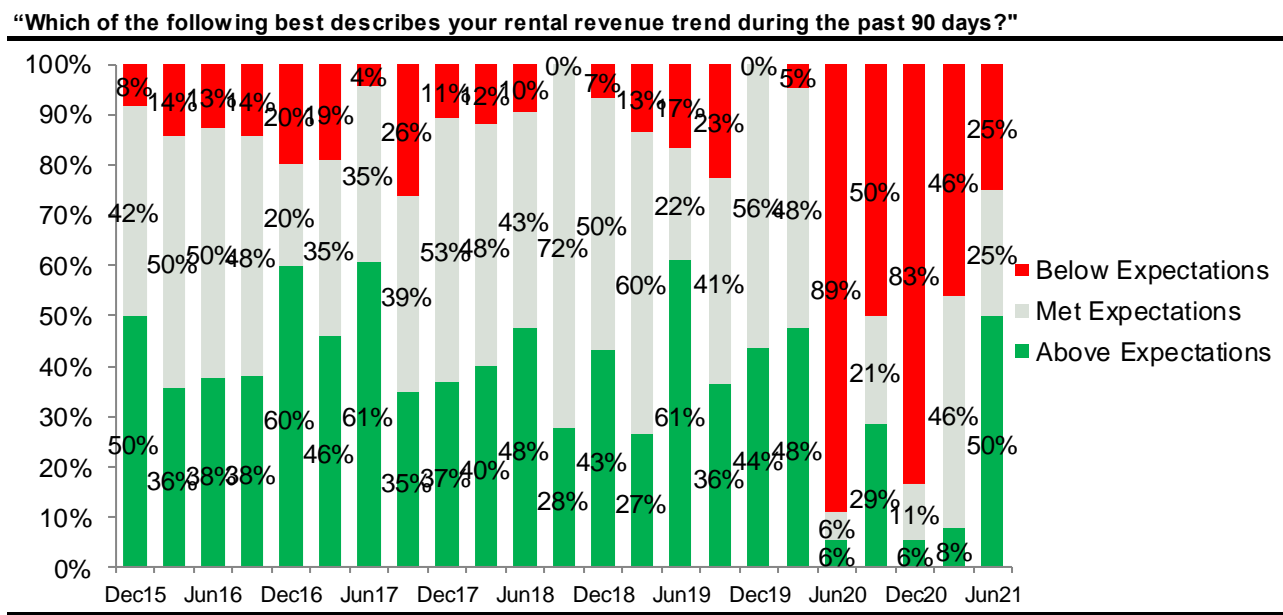
- **Linen rental business trends also much stronger with similar pricing contribution.** All metrics improved with 50% of respondents seeing revenue above expectations versus just 25% falling short. Pricing power improved dramatically on both new and existing business and the growth outlook is now the highest in our survey's (shorter) history (since December 2015) against very easy comparisons.

2Q21 LINEN RENTAL SURVEY HIGHLIGHTS

- **Rental Revenue Trends.** 25% of respondents cited rental revenue trends falling below expectations in 2Q21 with 25% also citing revenue near expectation and 50% above expectations. This is the first positive spread of outperformance post-COVID.
- **New Account Pricing.** 6% of respondents cited more aggressive new account pricing in 2Q21 while 38% saw less aggressive pricing. Most (56%) saw no change. As a result, our diffusion index improved from 46.2 to a very strong 65.6 (now in positive territory).
- **Base Account Pricing.** The average price increase on existing accounts undergoing price review in 1Q21 was +2.3%, well above last quarter's 1.2% reading. Overall, 47% of respondents cited price increases with 47% reporting no material change (just 7% reported lowering prices).
- **No-Programmers.** No-programmer interest held stable at a neutral 50.0 reading, similar to 1Q21. 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 +5.5%, well above last quarter's 2.8% forecast and the highest rate of forecasted growth in our survey's history (since December 2015 for this sector).

Linen Rental: Revenue Trends Versus Expectations

- Rental Revenue Trends.** 25% of respondents cited rental revenue trends falling below expectations in 2Q21 with 25% also citing revenue near expectation and 50% above expectations. This is the first positive spread of outperformance post-COVID.

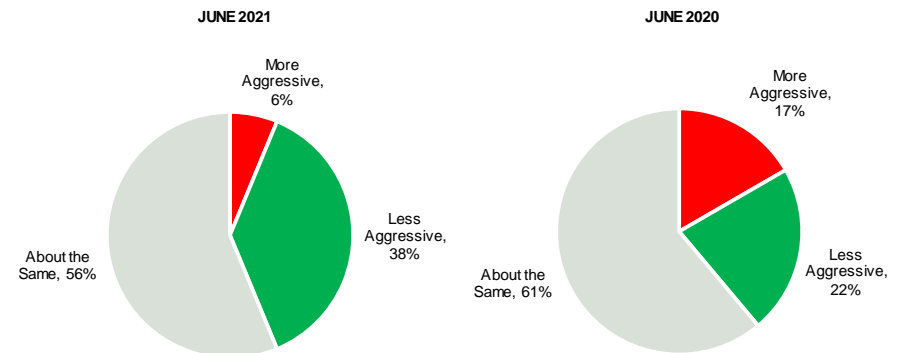


Source: Baird Research

Linen Rental: New Account Pricing Trends

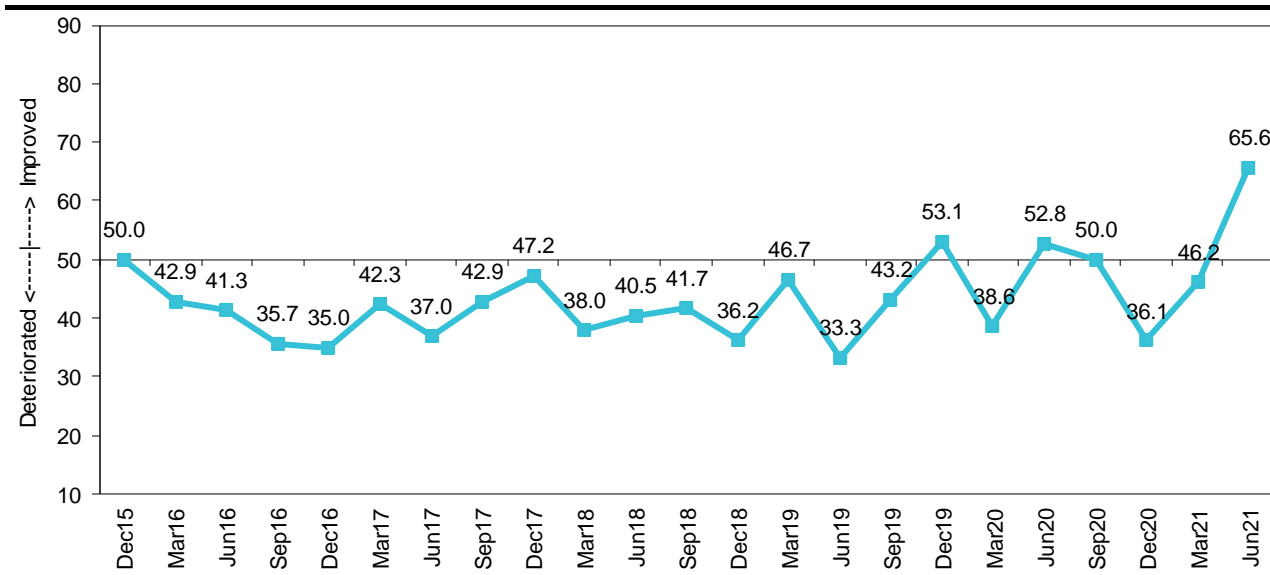
- New Account Pricing.** 6% of respondents cited more aggressive new account pricing in 2Q21 while 38% saw less aggressive pricing. Most (56%) saw no change. As a result, our diffusion index improved from 46.2 to a very strong 65.6 (now in positive territory). See charts.

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



Source: Baird Research

Baird Linen Rental Price Diffusion Index

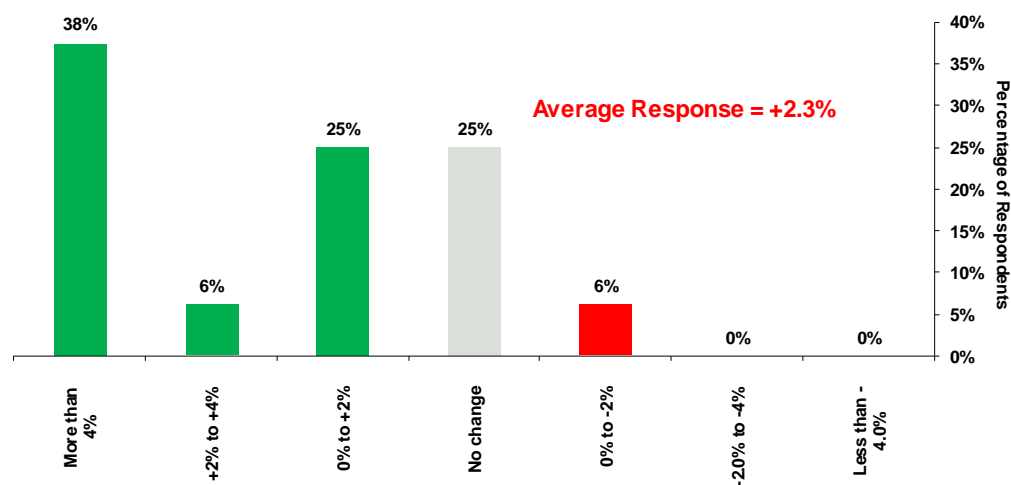


Source: Baird Research

Linen Rental: Existing Account Pricing Trends

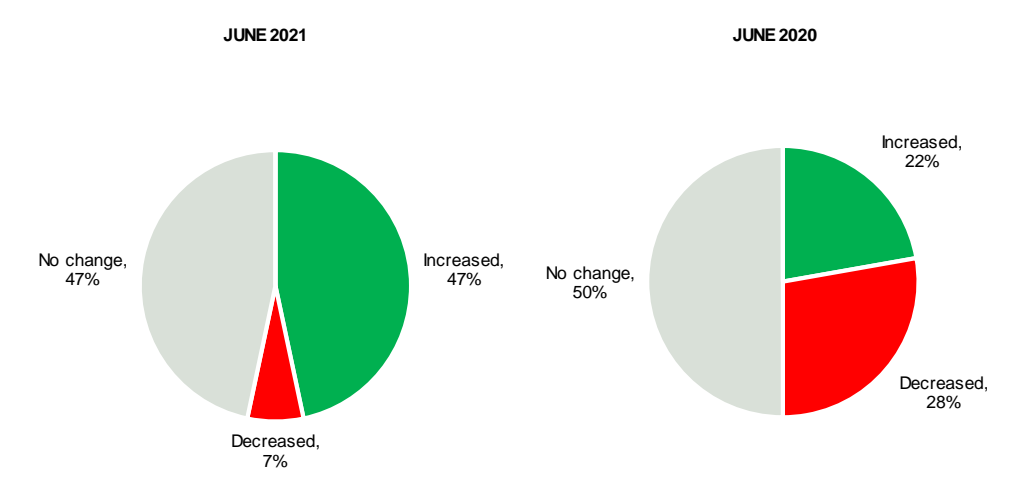
- Base Account Pricing.** The average price increase on existing accounts undergoing price review in 1Q21 was +2.3%, well above last quarter's 1.2% reading. Overall, 47% of respondents cited price increases with 47% reporting no material change (just 7% reported lowering prices).

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



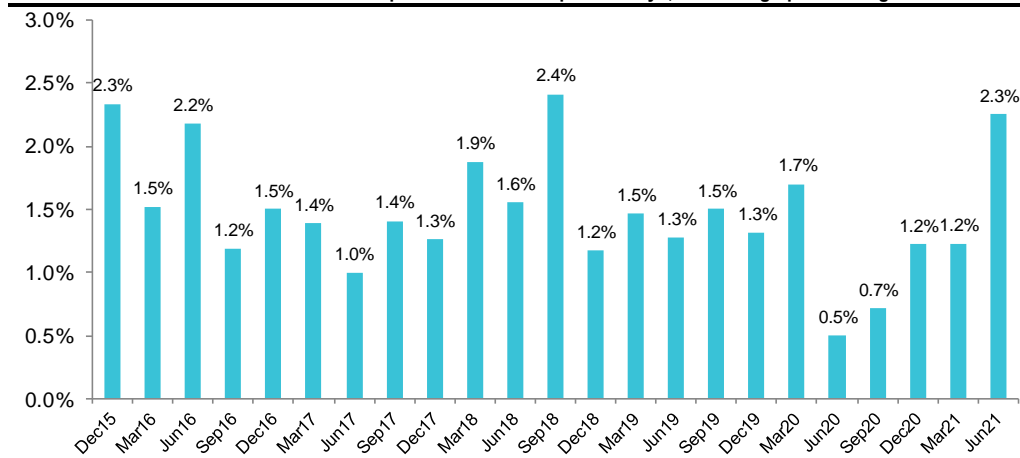
Source: Baird Research

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..."



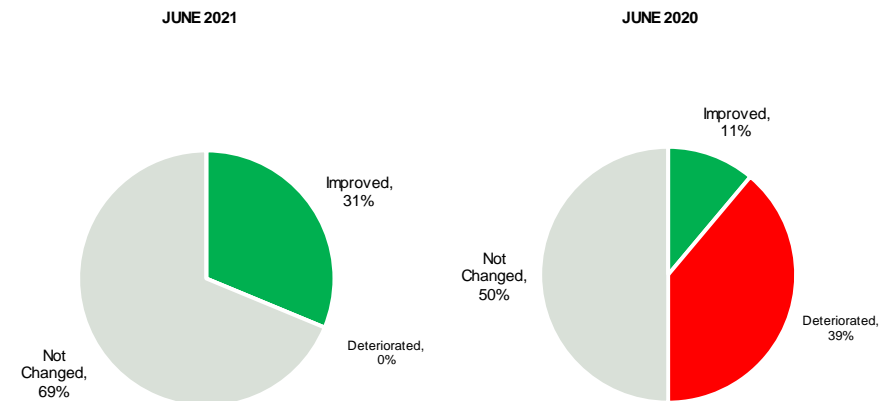
Source: Baird Research



Linen Rental: New Business (No-Programmers) Trends

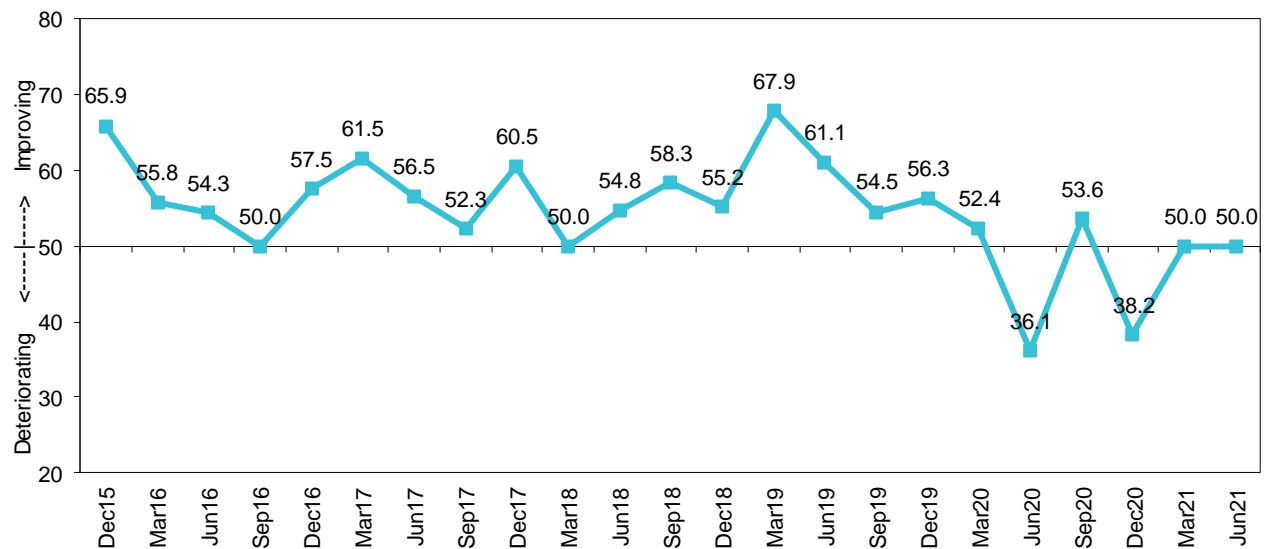
- No-Programmers.** No-programmer interest held stable at a neutral 50.0 reading, similar to 1Q21. Like uniform rental, this index has consistently been in expansionary (>50) territory, with exception of COVID. See charts.

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

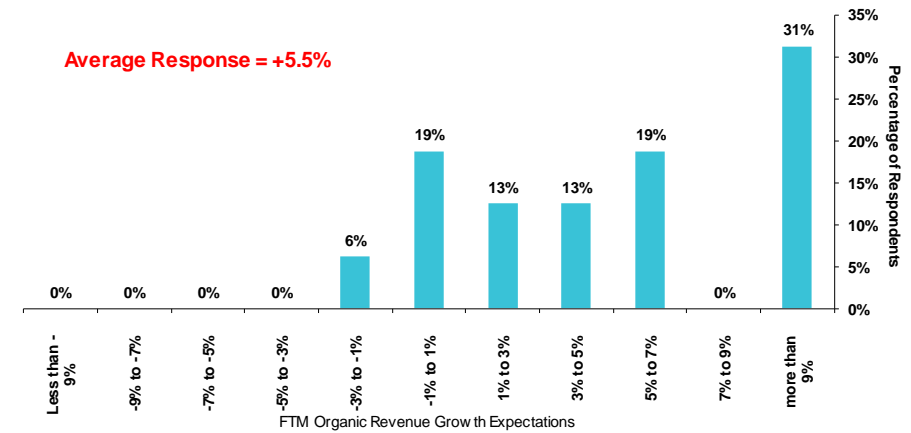


Source: Baird Research

Linen Rental: 12-Month Growth Outlook

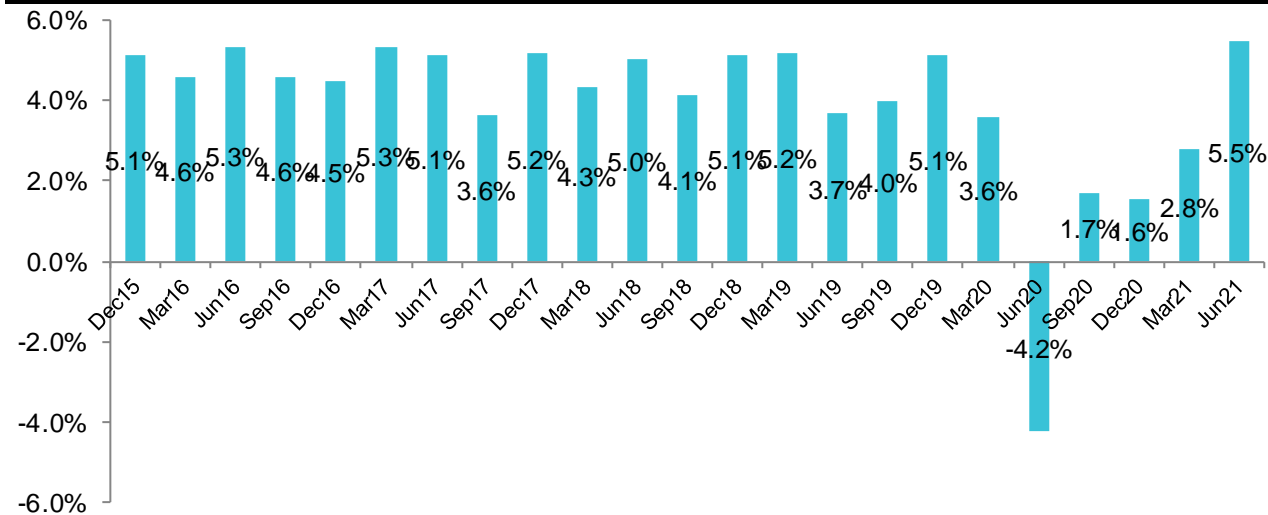
- Growth Outlook.** Forecasted 12-month revenue outlook improved to +5.5%, well above last quarter's 2.8% forecast and the highest rate of forecasted growth in our survey's history (since December 2015 for this sector). See charts.

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

Open-Ended Responses on Inflation / Labor Challenges

- “The likelihood of a softening of the labor market. How much of today's nightmare environment is the result of government monies rather than a true shortage or lower wage labor”
- “Wage and supply prices are soaring. We can't raise our prices fast enough.”
- “How much are people raising wages for production Team members and RSR's in order to keep their facilities operational during the labor shortages”
- “Inflation and price increases across all supply chain categories”
- “Labor expense trends”

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Appendix – Important Disclosures and Analyst Certification



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