



Business Services Research

December 19, 2022

Robert W. Baird & Co. 4Q 2022 Textile Rental Services Survey

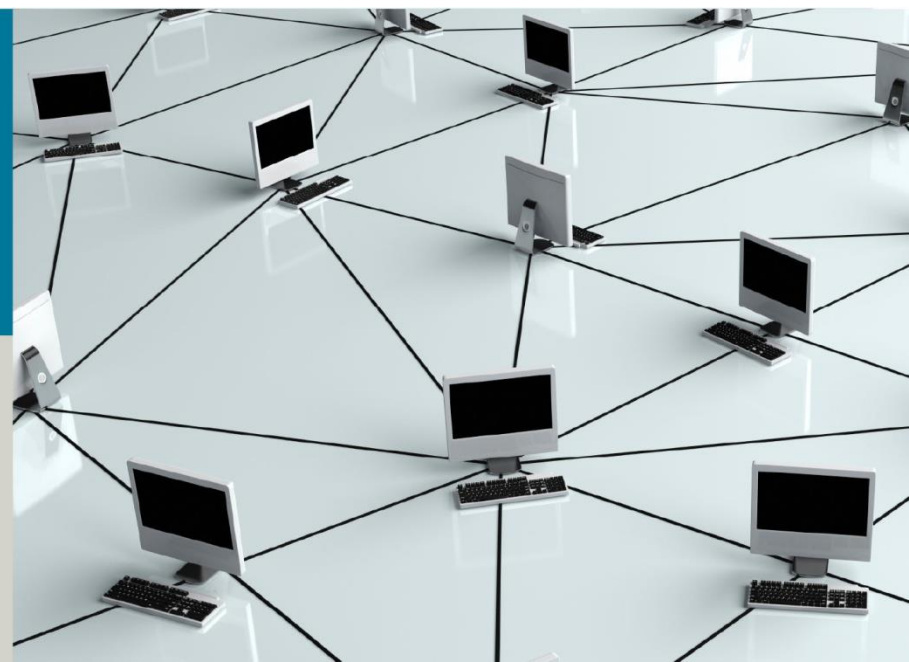
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Please refer to Appendix – Important Disclosures and
Analyst Certification on pages 19-22



Overview



- Thank you to the ~500 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

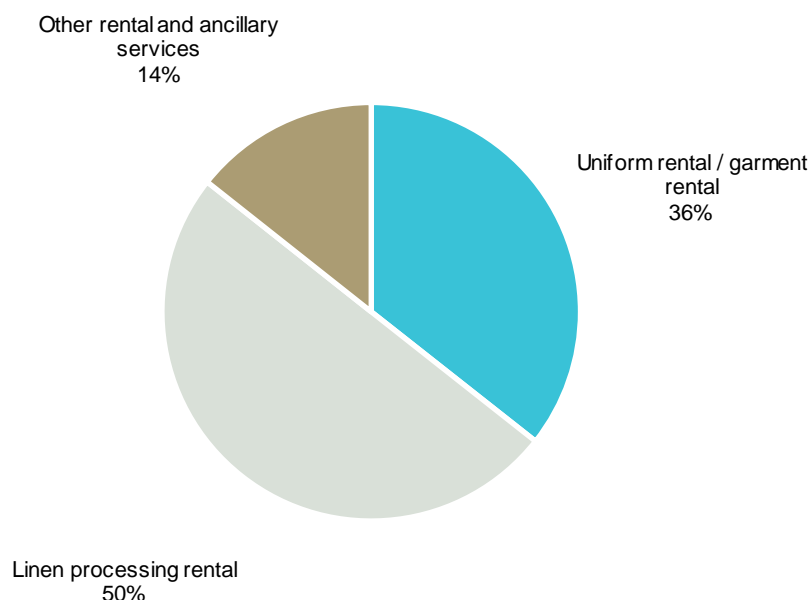
All responses are presented in aggregate form

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 ~500 independent firms (*34 responses*)

Survey Respondent Prolife: Revenue by Service Line (%)



Source: Baird Research

UNIFORM RENTAL TRENDS

Executive Summary: Uniform Rental

UNIFORM RENTAL SURVEY SUMMARY

- **Top-line strength on both volume and pricing.** Results saw most indicators improve QOQ and remain solidly in expansion with good revenue gains and zero respondents citing trends falling short of expectations. Price contribution remains strong, supporting "record" 2023 growth outlook. Offset has been labor/COGS inflationary pressures, though trends have recently moderated (particularly energy). Positive set up. Key results:

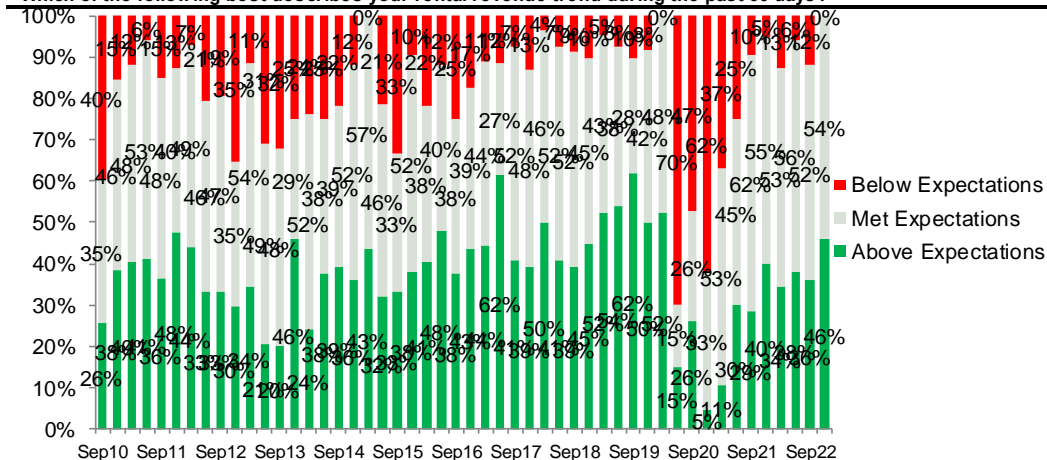
4Q22 UNIFORM RENTAL SURVEY HIGHLIGHTS

- **Rental Revenue Trends.** 46% of respondents beat their internal revenue expectations for the quarter with no respondents falling short. For perspective, that has only occurred once in the 12 years we have tracked this question.
- **Add/Stops.** Employment-driven expansion at existing accounts (i.e., Add/Stop Diffusion Index) held in positive territory at 54.0, essentially unchanged QOQ. Macro labor market trends have also shown unexpected strength. Employment-driven gains at existing accounts are typically the most profitable source of revenue growth. Labor tightness a source of margin pressure, however.
- **No-Programmers.** Our no-programmer diffusion index improved to 58.0 (from 56.3 last quarter), suggesting strong new account growth.
- **Pricing.** Base pricing increases remain near record levels ("calculated" at 3%, but with half of respondents citing "more than 4%" gains). Strong price contribution combined with recent commodity price moderation could support stronger margin recovery in 2023. "New" contract pricing remains, as always, more competitive, with some respondents citing anecdotal customer "reluctance" to absorb price increases.
- **Growth Outlook.** Survey consensus calls for 6%+ revenue growth in 2023, a record for our survey. Survey calculation could understate actual growth expectations, given "bucketed" responses (20% of respondents see ">9%" growth in 2023). Pricing helping.

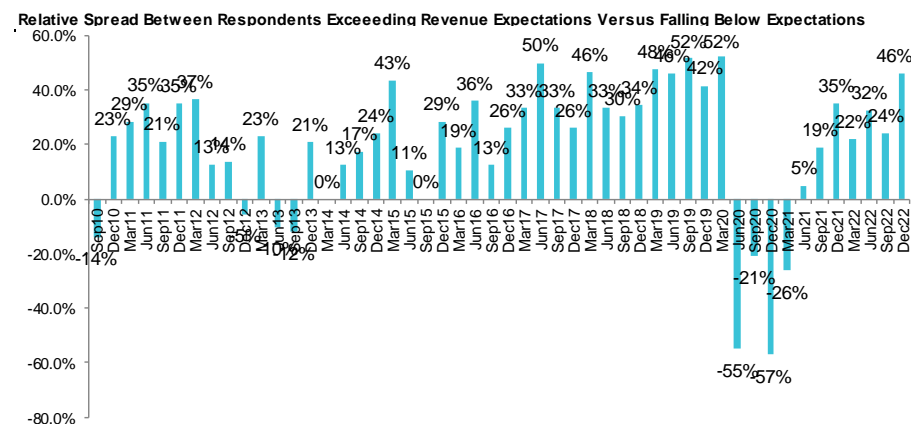
Uniform Rental: Revenue Trends Versus Expectations

- **Rental Revenue Trends.** 46% of respondents beat their internal revenue expectations for the quarter with no respondents falling short. 46% spread widened to largest post-COVID gap (positive).

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

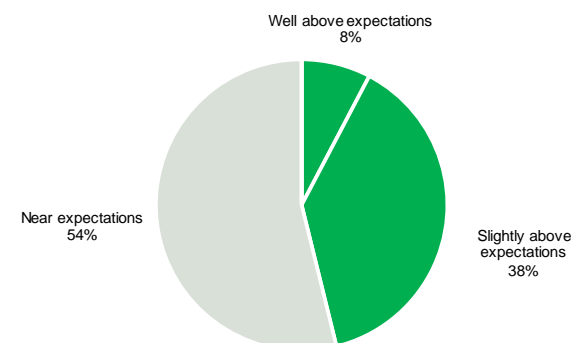


Source: Baird Research



Source: Baird Research

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



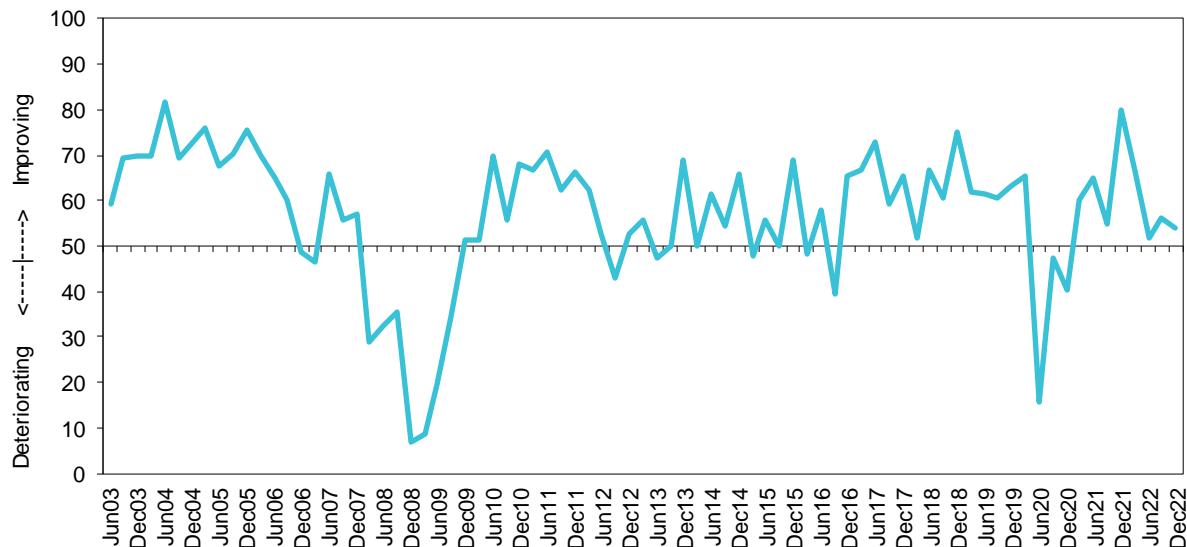
Source: Baird Research

Uniform Rental: Add/Stop Trends

- **Add/Stops.** Employment-driven expansion at existing accounts (i.e., Add/Stop Diffusion Index) held in positive territory at 54.0, essentially unchanged QOQ. Macro labor market trends have also shown unexpected strength.

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)

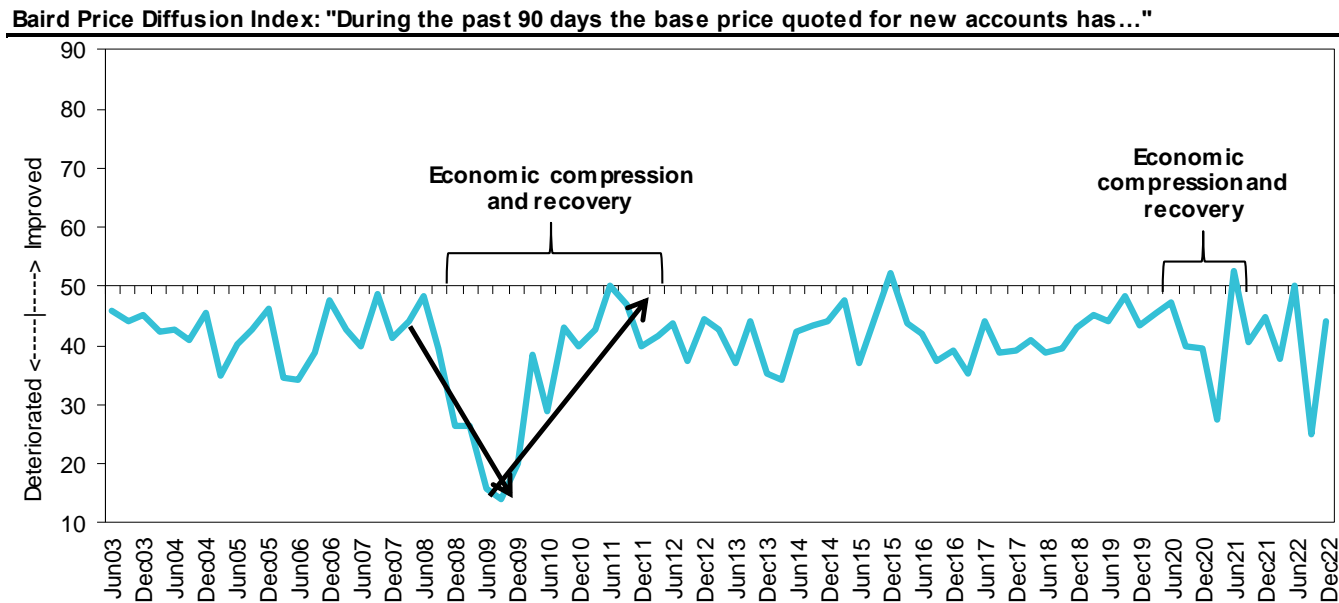
Baird Add/Stop Diffusion Index: "During the past 90 days add/stop rates at existing accounts have been..."



Source: Baird Research

Uniform Rental: New Account Pricing Trends

- **New Account Pricing.** New business pricing improved to 44.0, up from 25.0. This index is historically <50.

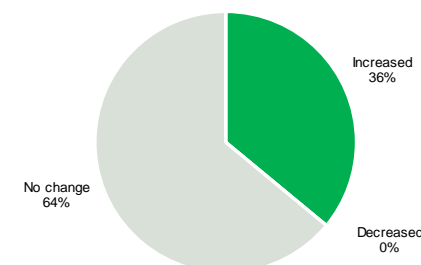


Source: Baird Research

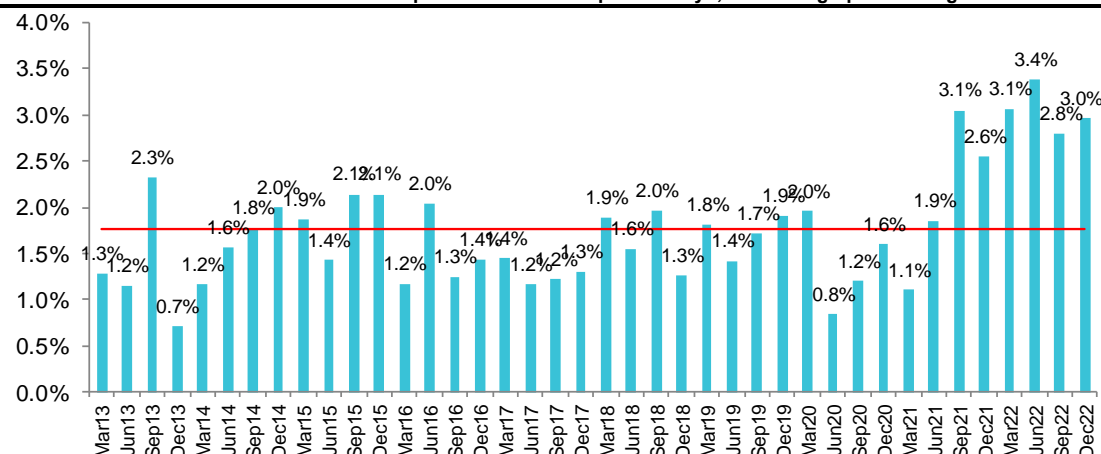
Uniform Rental: Existing Account Pricing Trends

- **Base (Existing) Account Pricing.** Base pricing increases remain near record levels ("calculated" at 3%, but with half of respondents citing "more than 4%" gains). Strong price contribution combined with recent commodity price moderation could support stronger margin recovery in 2023.

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



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

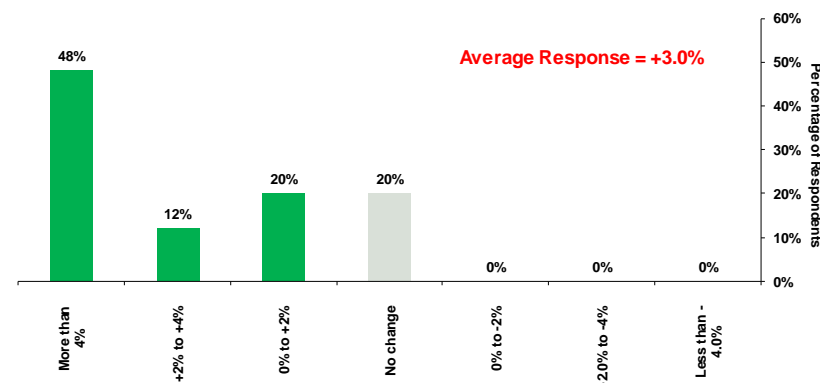


Note: Growth rates reflect average responses of survey participants; Red line indicates sample average

Source: Baird Research

Source: Baird Research

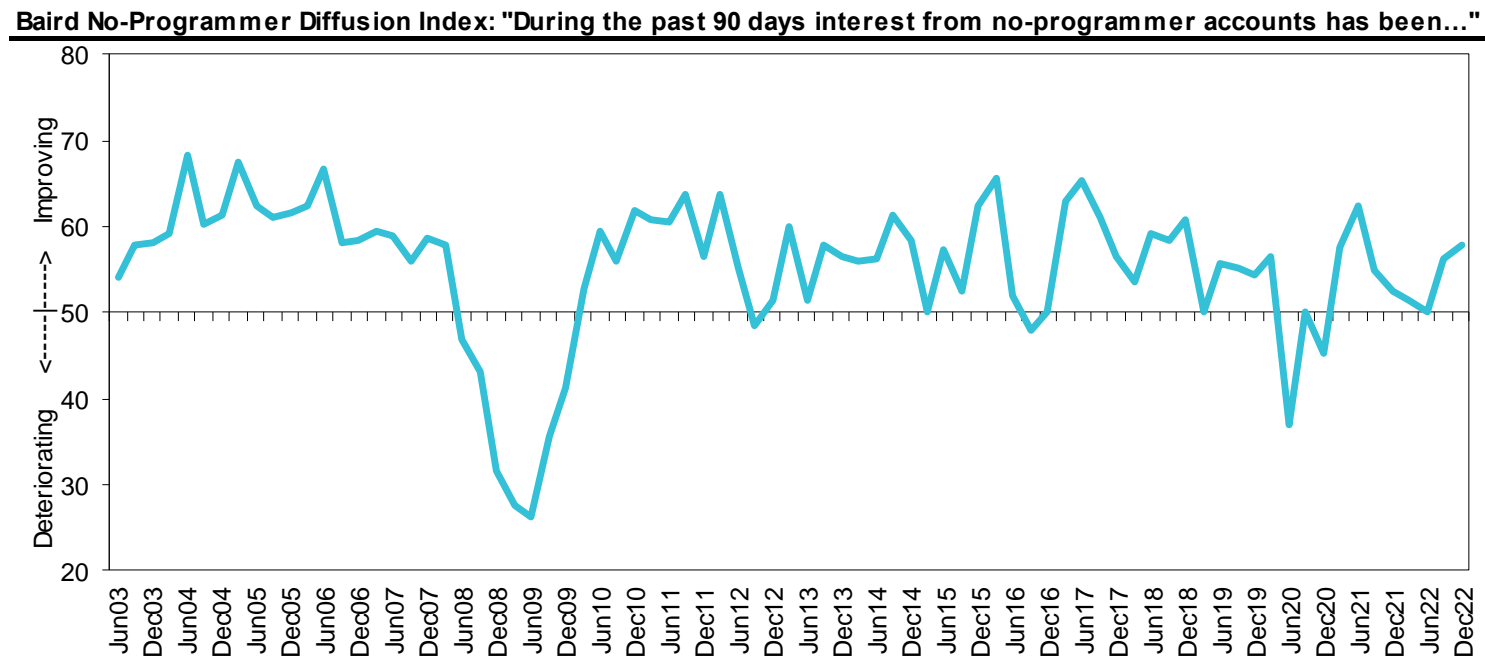
For existing accounts which underwent an annual price review this quarter, the average price change was:



Source: Baird Research

Uniform Rental: New Business (No-Programmers) Trends

- **No-Programmers.** Our no-programmer diffusion index improved to 58.0 (from 56.3 last quarter), suggesting strong new account growth.



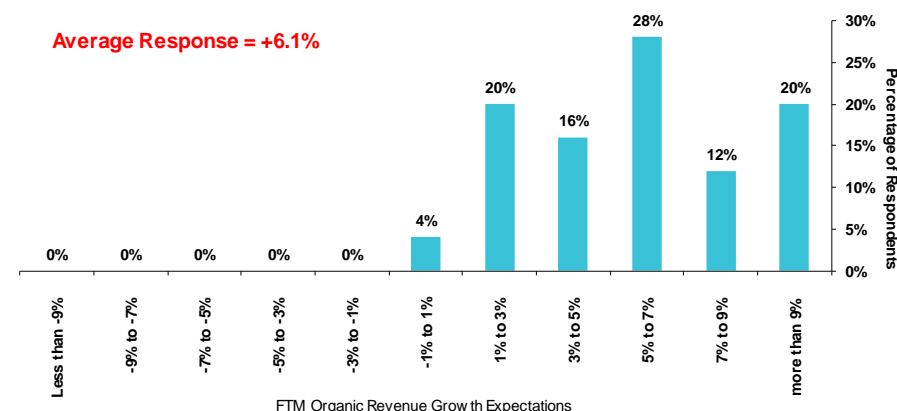
Source: Baird Research

Uniform Rental: 12-Month Growth Outlook

- Growth Outlook.** Survey consensus calls for 6%+ revenue growth in 2023, a record for our survey. Survey calculation could understate actual growth expectations, given "bucketed" responses (20% of respondents see ">9%" growth in 2023). Pricing helping. See charts.

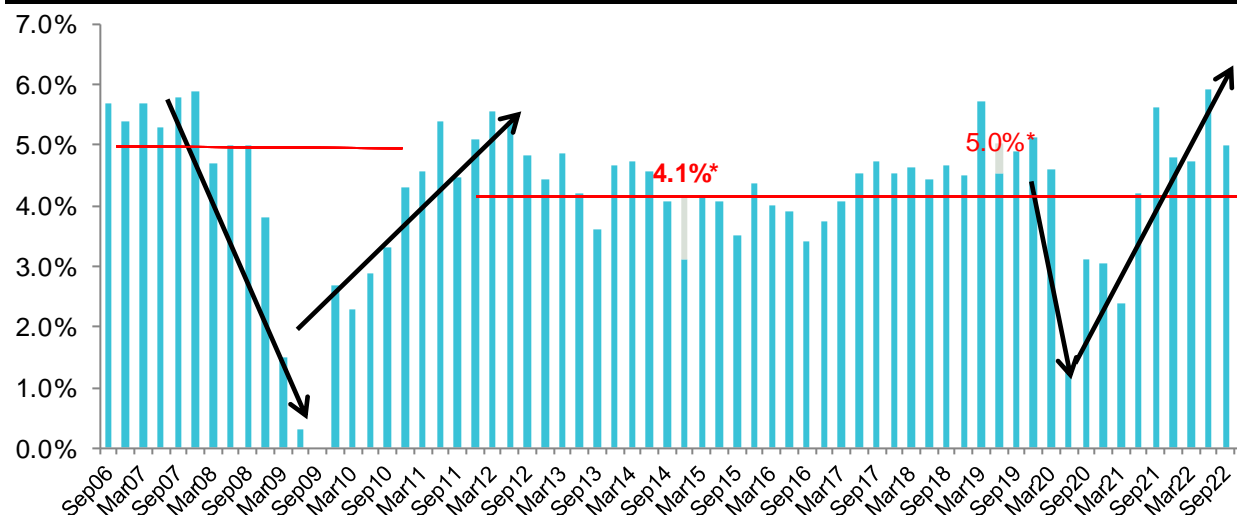
Organic Rental Growth Expectations (FTM)

Average Response = +6.1%



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; *4Q 14/2Q 19 adjusts for "outlier" response rates

Source: Baird Research

LINEN RENTAL TRENDS

Executive Summary: Linen Rental

LINEN RENTAL SURVEY SUMMARY

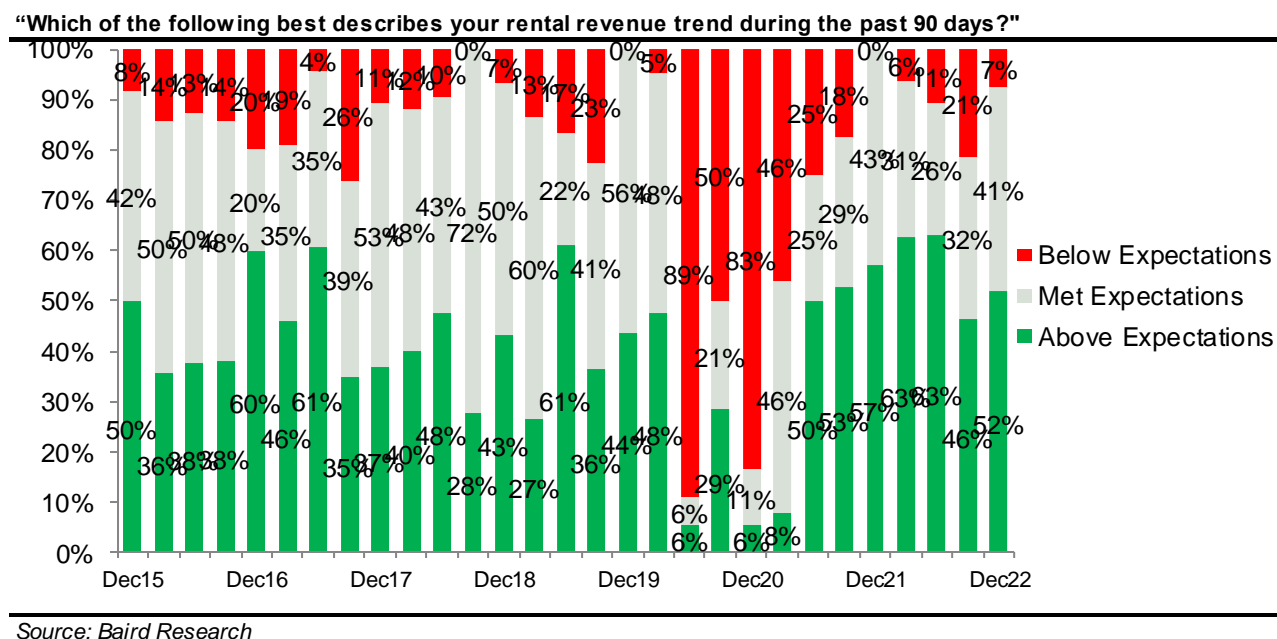
- **Linen rental trends remain good, perhaps a bit more modest relative to uniforms.** Revenue growth expectations and price contributions remain at/near record levels but did moderate slightly from 3Q22 levels. Continued steady no-programmer interest, however, with a larger percentage of respondents beating their internal revenue growth expectations and with 100% of respondents citing positive price contribution.

4Q22 LINEN RENTAL SURVEY HIGHLIGHTS

- **Rental Revenue Trends.** 52% of respondents cited rental revenue trends above expectations with 41% in-line. 7% fell short. Relative spread widened (positive).
- **New Account Pricing.** 22% of respondents cited more aggressive new account pricing in 4Q22 while 7% saw less aggressive pricing. 70% saw no change. Our diffusion index declined to 42.6, essentially unchanged from 42.8 in 3Q22. Like uniforms, this metric has historically been negative (i.e., <50).
- **Base Account Pricing.** The average price increase on existing accounts undergoing price review in 4Q22 was +3.0%, moderating a bit from last quarter's survey history record at +3.5%. Notable, 100% of respondents cited price increases in base account pricing.
- **No-Programmers.** No-programmer interest remained solidly positive at 59.3 and improved from last quarter's 57.1 reading. The index has been in expansionary territory since dipping negative in 2020.
- **Growth Outlook.** Forecasted 12-month revenue outlook moderated to +5.2% from a record +6.7% last quarter. That said, this outlook remains well within historical ranges of ~+5%.

Linen Rental: Revenue Trends Versus Expectations

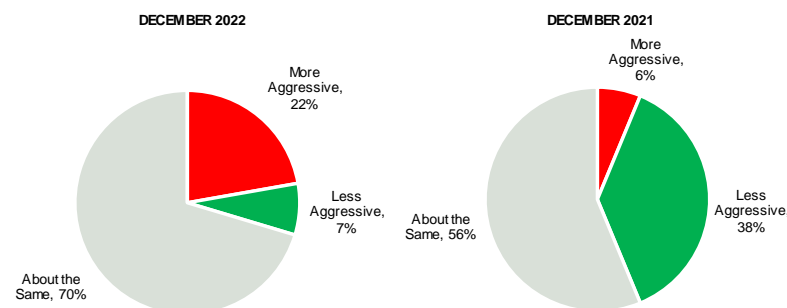
- **Rental Revenue Trends.** 52% of respondents cited rental revenue trends above expectations with 41% in-line. 7% fell short. Relative spread widened (positive).



Linen Rental: New Account Pricing Trends

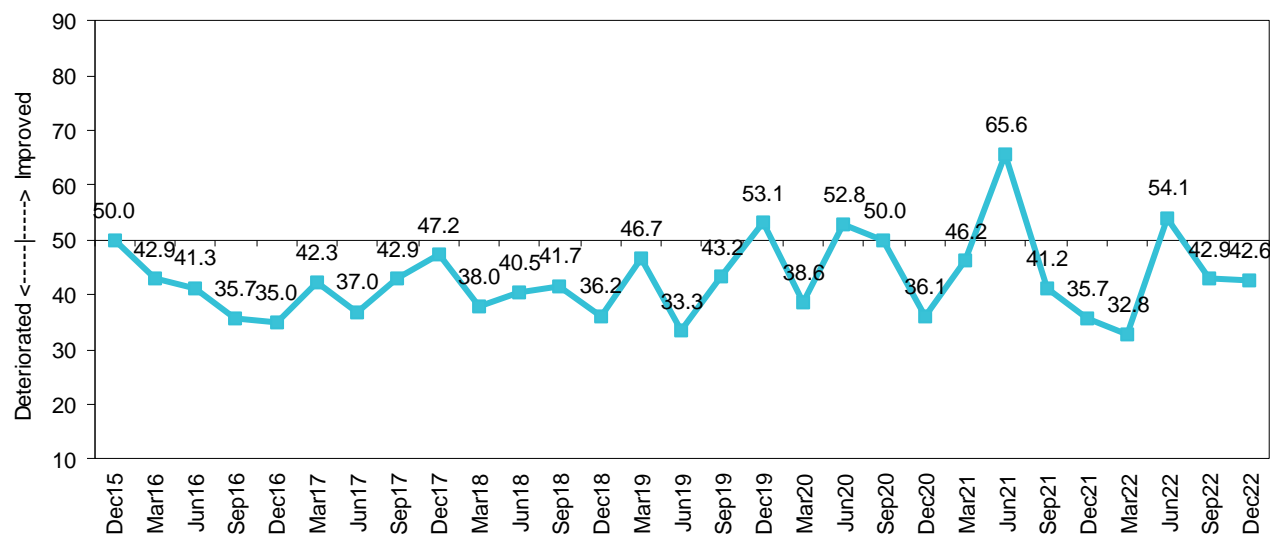
- New Account Pricing.** 22% of respondents cited more aggressive new account pricing in 4Q22 while 7% saw less aggressive pricing. 70% saw no change. Our diffusion index declined to 42.6, essentially unchanged from 42.8 in 3Q22. Like uniforms, this metric has historically been negative (i.e., <50). 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

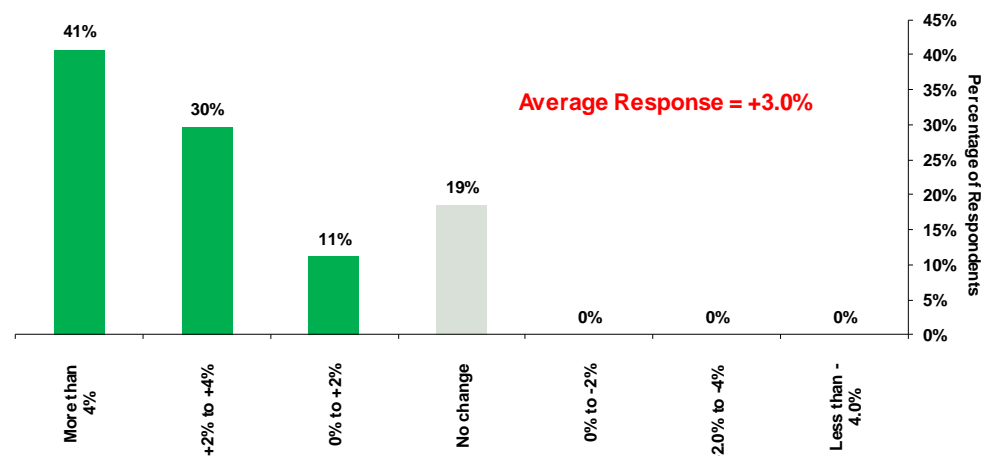


Source: Baird Research

Linen Rental: Existing Account Pricing Trends

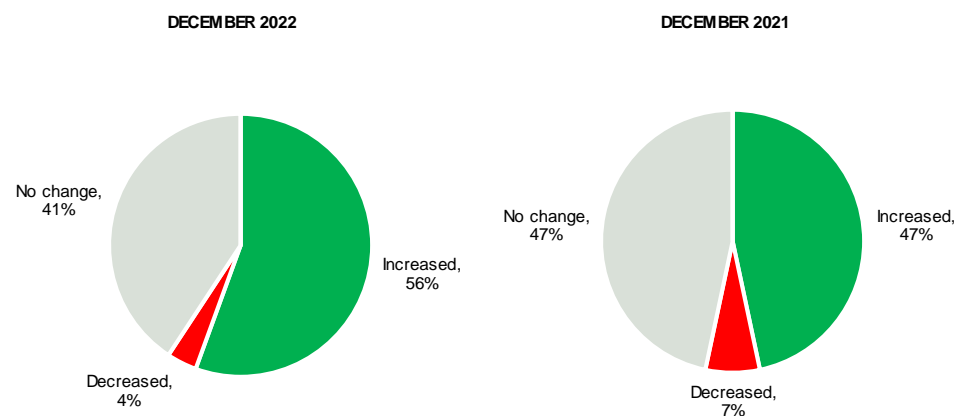
- **Base Account Pricing.** The average price increase on existing accounts undergoing price review in 4Q22 was +3.0%, moderating a bit from last quarter's survey history record at +3.5%. Notable, 100% of respondents cited price increases in base account pricing.

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



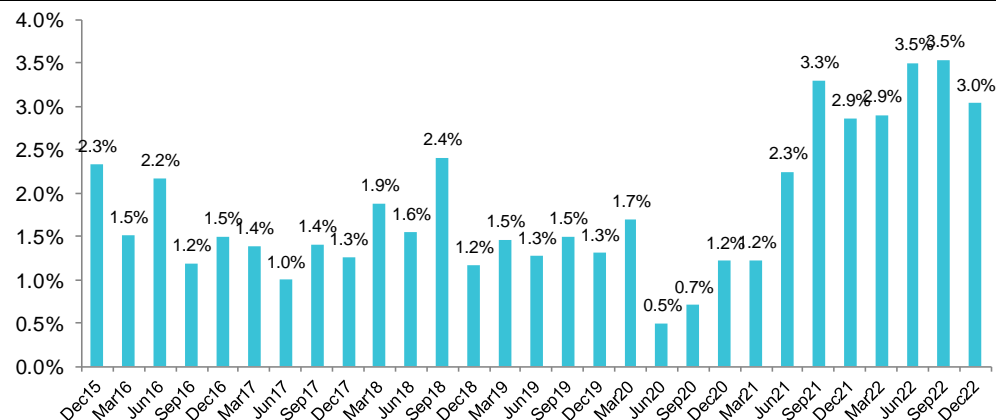
Source: Baird Research

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..."

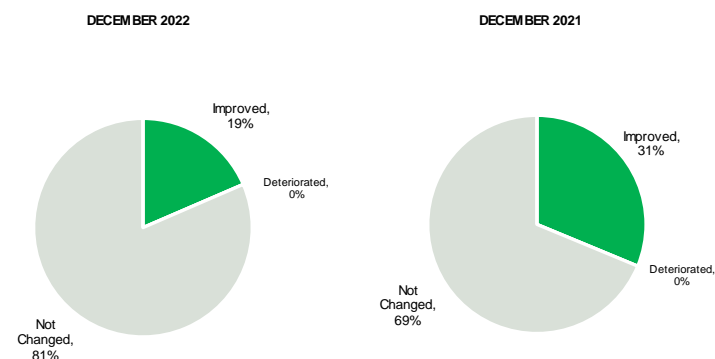


Source: Baird Research

Linen Rental: New Business (No-Programmers) Trends

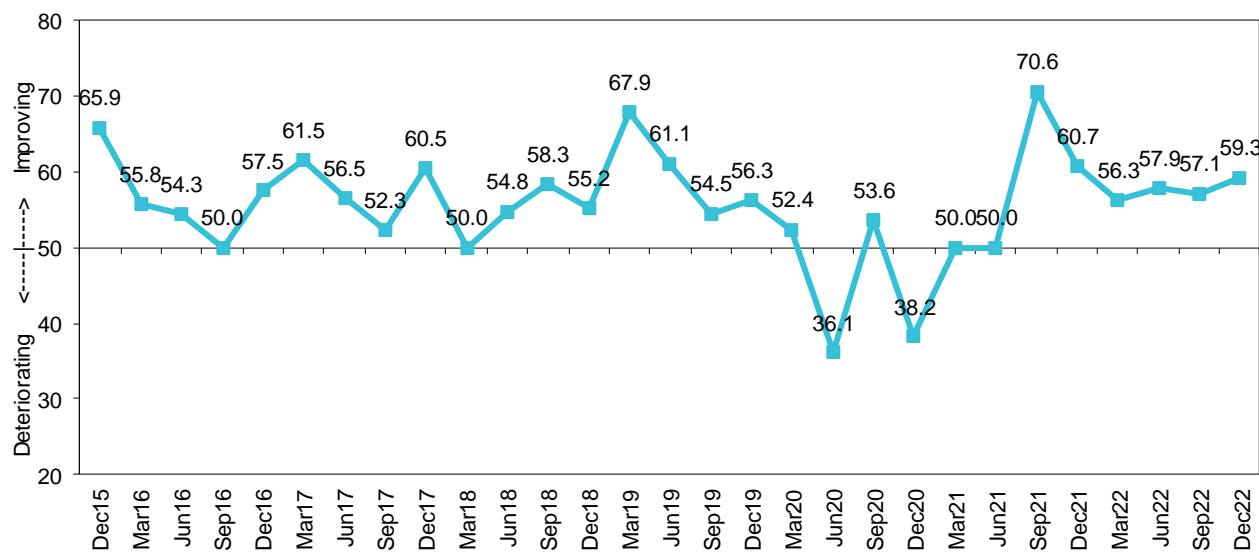
- **No-Programmers.** No-programmer interest remained solidly positive at 59.3 and improved from last quarter's 57.1 reading. The index has been in expansionary territory since dipping negative in 2020. See charts.

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

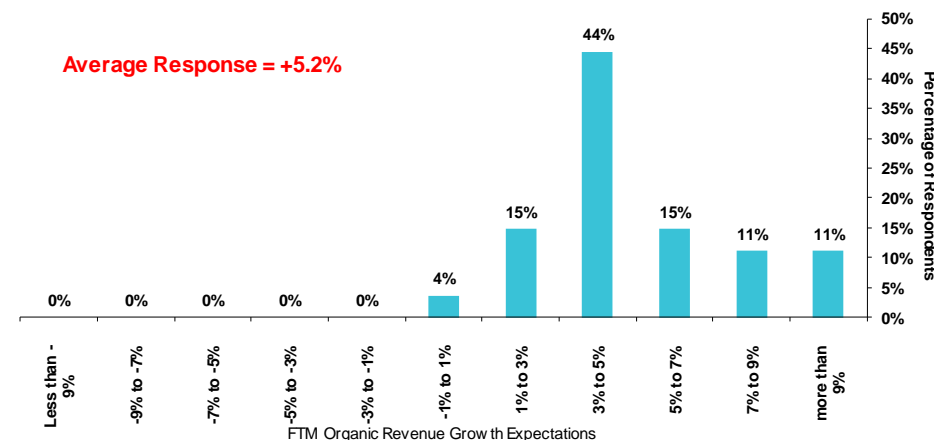


Source: Baird Research

Linen Rental: 12-Month Growth Outlook

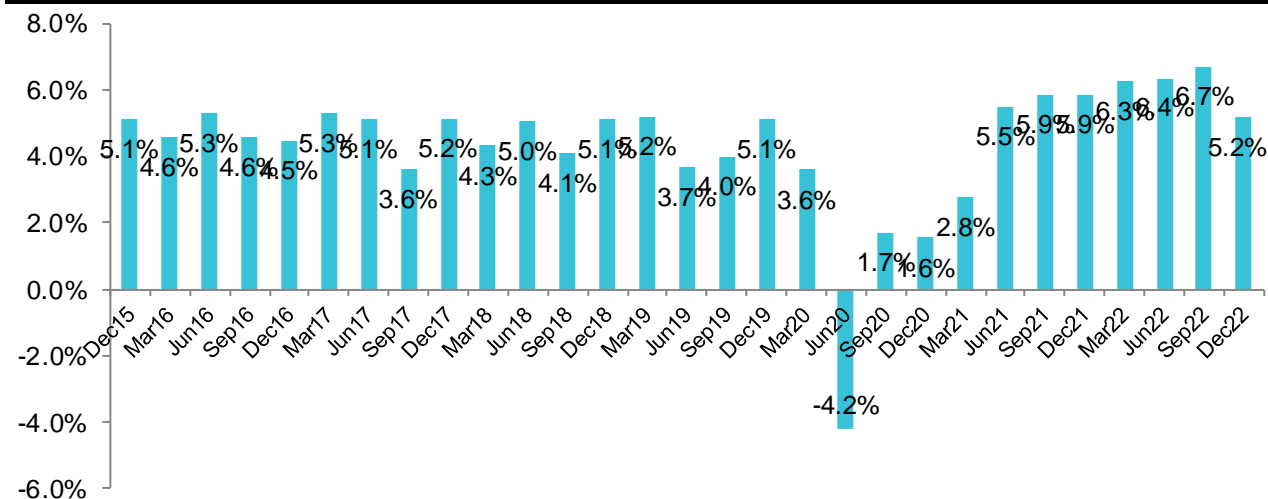
- Growth Outlook.** Forecasted 12-month revenue outlook moderated to +5.2% from a record +6.7% last quarter. That said, this outlook remains well within historical ranges of ~+5%. See charts.

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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