



Business Services Research

March 20, 2023

Robert W. Baird & Co. 1Q 2023 Textile Rental Services Survey

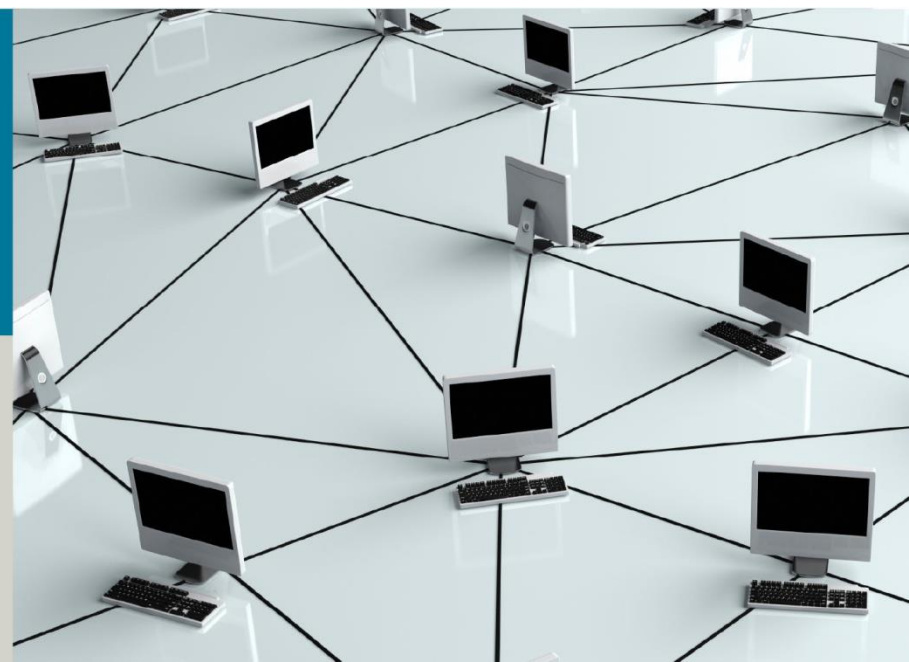
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**Please refer to Appendix – Important Disclosures and
Analyst Certification on pages 19-22**



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

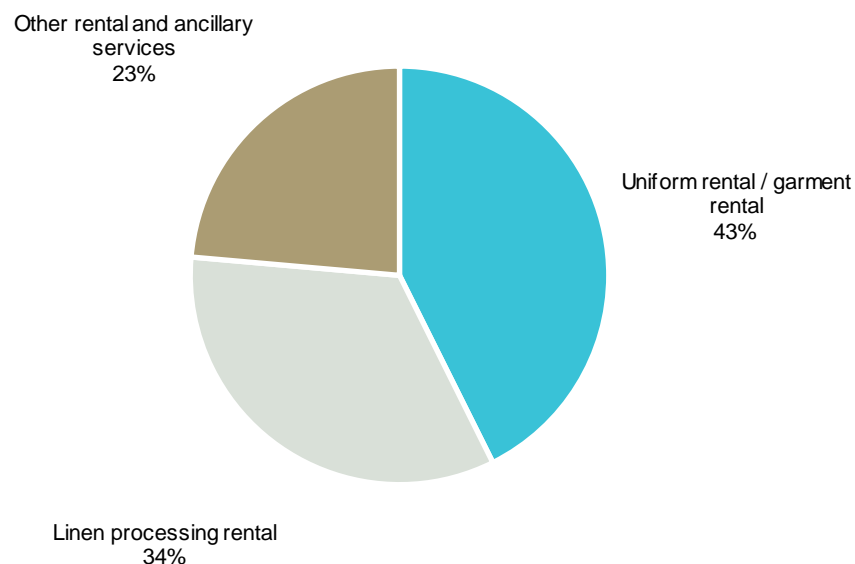
All responses are presented in aggregate form

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 (*32 responses*)

Survey Respondent Prolife: Revenue by Service Line (%)



Source: Baird Research

UNIFORM RENTAL TRENDS

Executive Summary: Uniform Rental

UNIFORM RENTAL SURVEY SUMMARY

- **Record revenue growth on both volume and pricing.** Results saw most indicators improve QOQ and remain solidly in expansion with record revenue gains and 96% of respondents meeting or exceeding their expectations for the quarter. Price contribution hit a record, supporting similar record 12-month growth expectations. Strong price contribution combined with stabilizing/moderating cost factors encouraging. Key results:

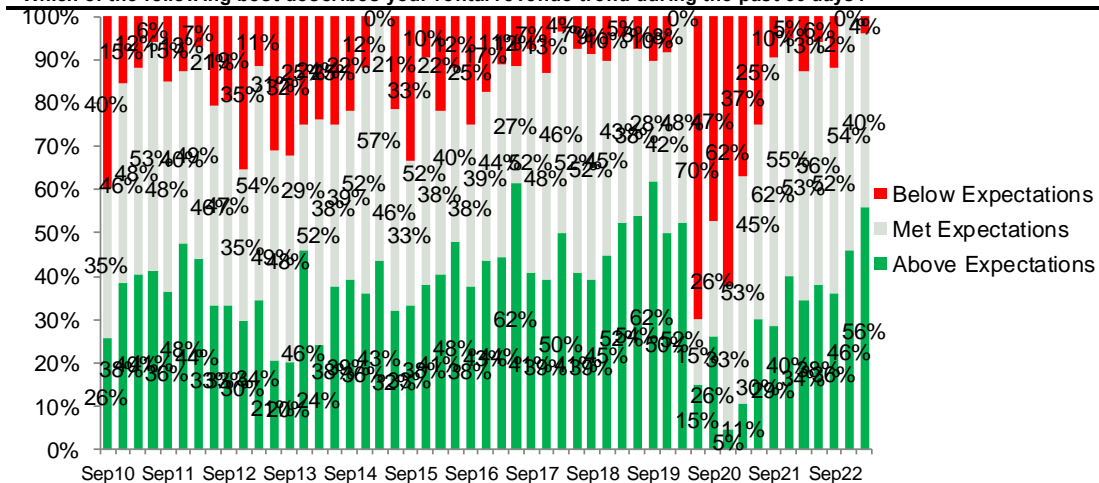
1Q23 UNIFORM RENTAL SURVEY HIGHLIGHTS

- **Rental Revenue Trends.** 56% of respondents beat their internal revenue expectations for the quarter with only 4% of respondents falling short. This is a survey record spread.
- **Add/Stops.** Employment-driven expansion at existing accounts (i.e., Add/Stop Diffusion Index) held in positive territory at 56.0, improving from 54.0 last quarter and consistently positive for three years. This matches similarly consistently strong labor reports. Employment-driven gains at existing accounts are typically the most profitable source of revenue growth.
- **No-Programmers.** Our no-programmer (new customers without an existing uniform program) diffusion index dipped slightly (48.0) but remains generally neutral.
- **Pricing.** Base pricing increases hit a new record at +3.4% (this figure is understated as the upper-range choice of "more than 4%" was selected by half of respondents. Strong price contribution combined with cost moderation (particularly fuel costs) could support stronger margin recovery in 2023. "New" contract pricing remains, as always, more competitive, though this index also improving (48.0, from 44.0 last quarter - this index has only been >50 twice in our survey's 20-year history).
- **Growth Outlook.** Respondents expecting +6.6% organic growth over the next 12-months with 25% of respondents expecting ">9%" growth. This is easily a survey record.

Uniform Rental: Revenue Trends Versus Expectations

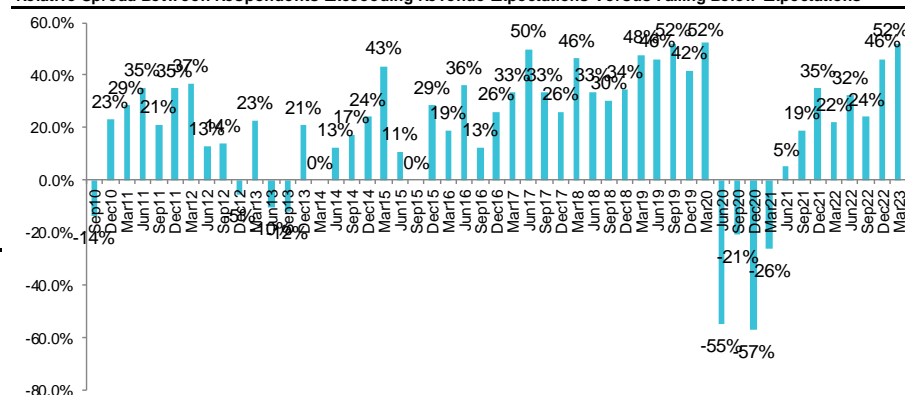
- Rental Revenue Trends.** 56% of respondents beat their internal revenue expectations for the quarter with only 4% of respondents falling short. This is a survey record spread.

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



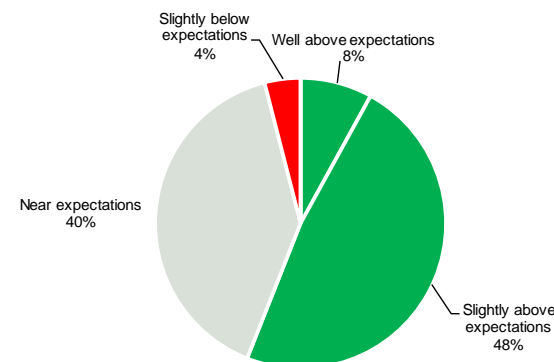
Source: Baird Research

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?



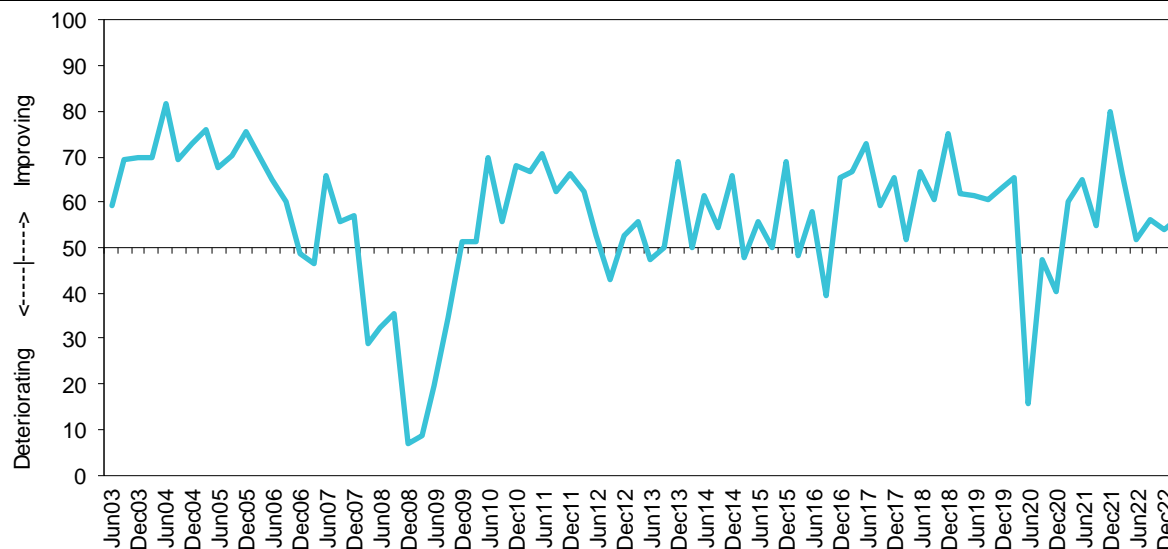
Source: Baird Research

Uniform Rental: Add/Stop Trends

- **Add/Stops.** Employment-driven expansion at existing accounts (i.e., Add/Stop Diffusion Index) held in positive territory at 56.0, improving from 54.0 last quarter and consistently positive for three years. This matches similarly consistently strong labor reports.

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)

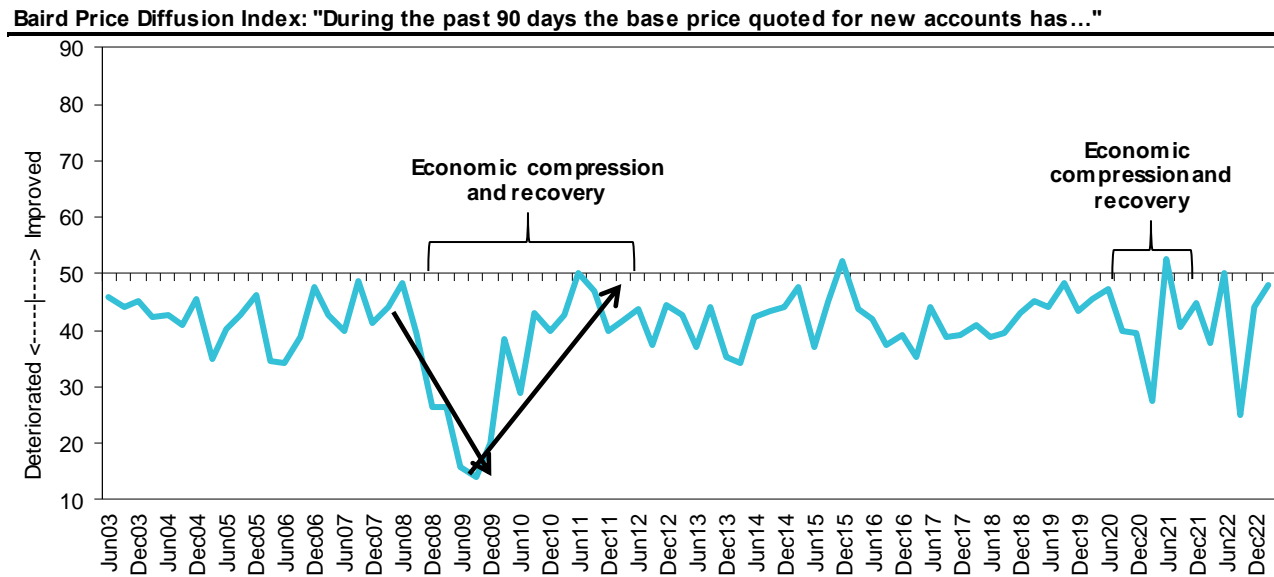
Baird Add/Stop Diffusion Index: "During the past 90 days add/stop rates at existing accounts have been..."



Source: Baird Research

Uniform Rental: New Account Pricing Trends

- **New Account Pricing.** New" contract pricing remains, as always, more competitive, though this index also improving (48.0, from 44.0 last quarter - this index has only been >50 twice in our survey's 20-year history).

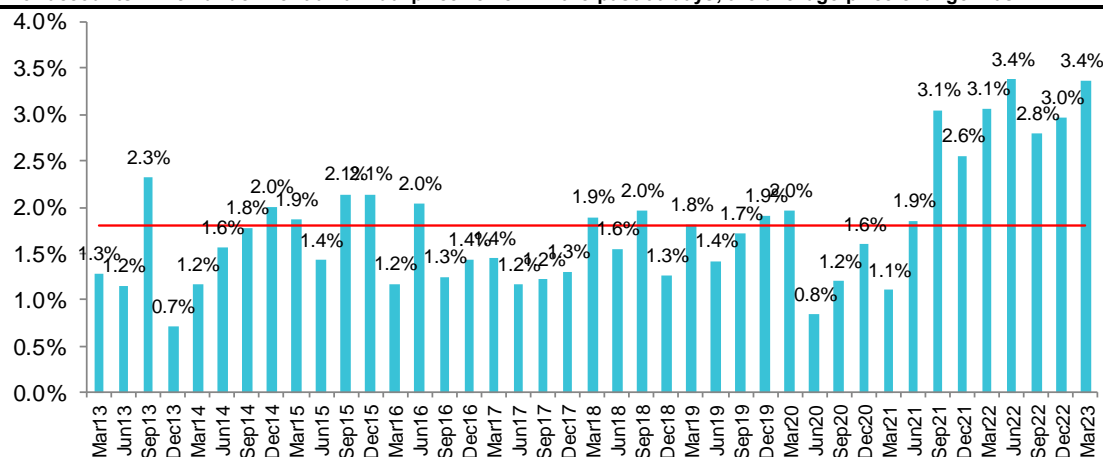


Source: Baird Research

Uniform Rental: Existing Account Pricing Trends

- **Base (Existing) Account Pricing.** Base pricing increases hit a new record at +3.4% (this figure is understated as the upper-range choice of "more than 4%" was selected by half of respondents. Strong price contribution combined with cost moderation (particularly fuel costs) could support stronger margin recovery in 2023.

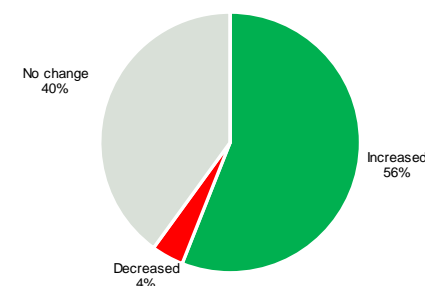
"For accounts which underwent an annual price review in the past 90 days, the average price change was..."



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

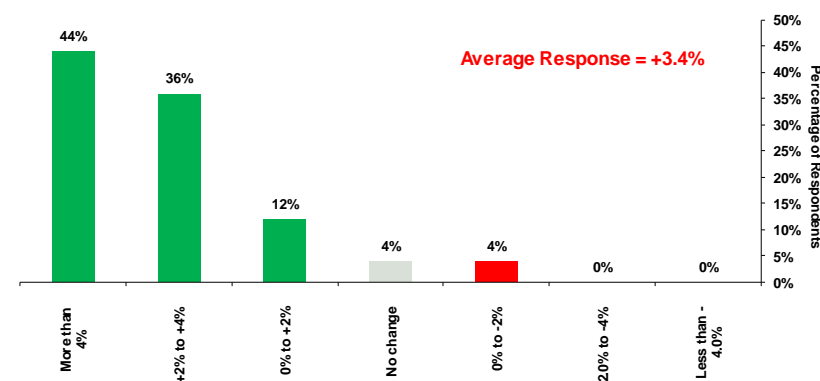
Source: Baird Research

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



Source: Baird Research

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

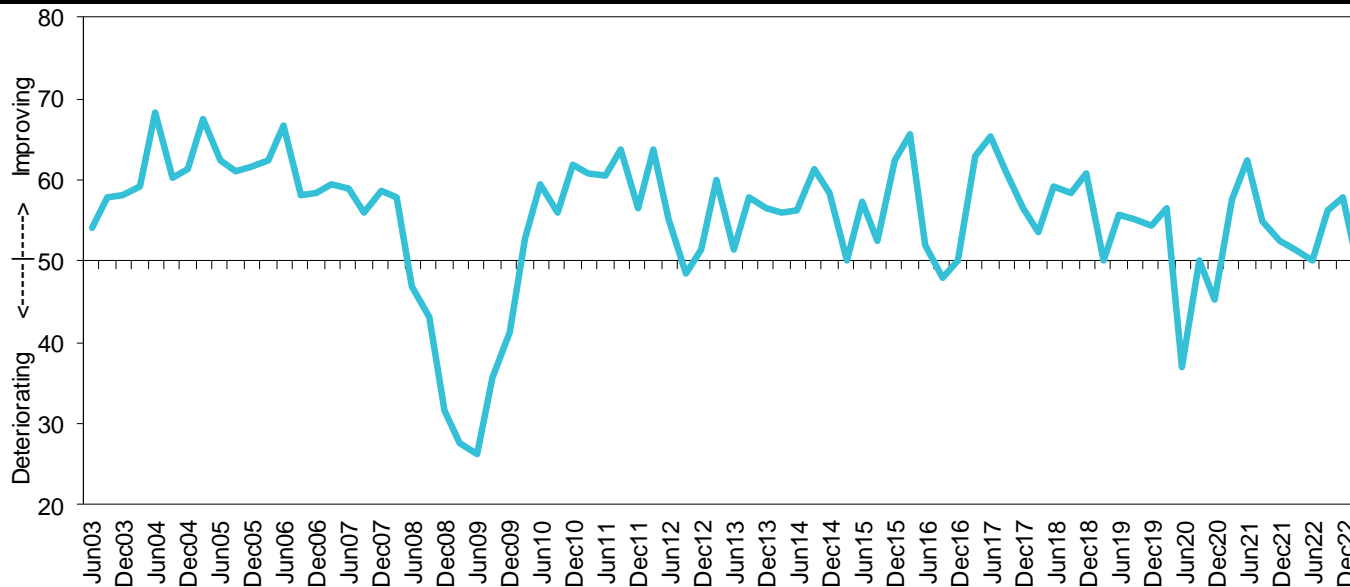


Source: Baird Research

Uniform Rental: New Business (No-Programmers) Trends

- **No-Programmers.** Our no-programmer (new customers without an existing uniform program) diffusion index dipped slightly (48.0) but remains generally neutral.

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

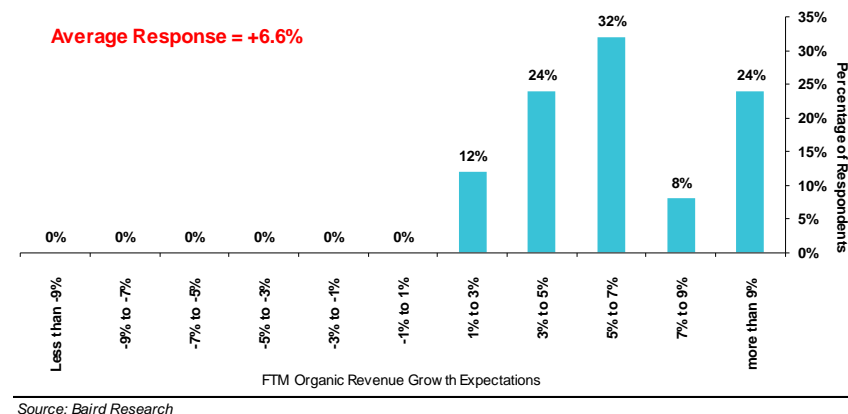


Source: Baird Research

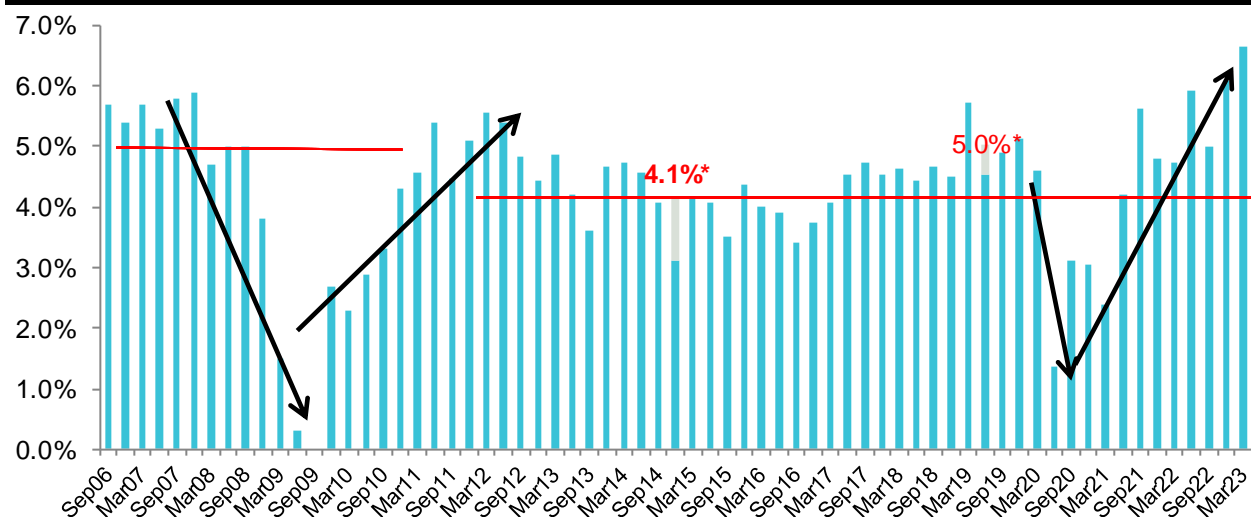
Uniform Rental: 12-Month Growth Outlook

- Growth Outlook.** Respondents expecting +6.6% organic growth over the next 12-months with 25% of respondents expecting ">9%" growth. This is easily a survey record. See charts.

Organic Rental Growth Expectations (FTM)



"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

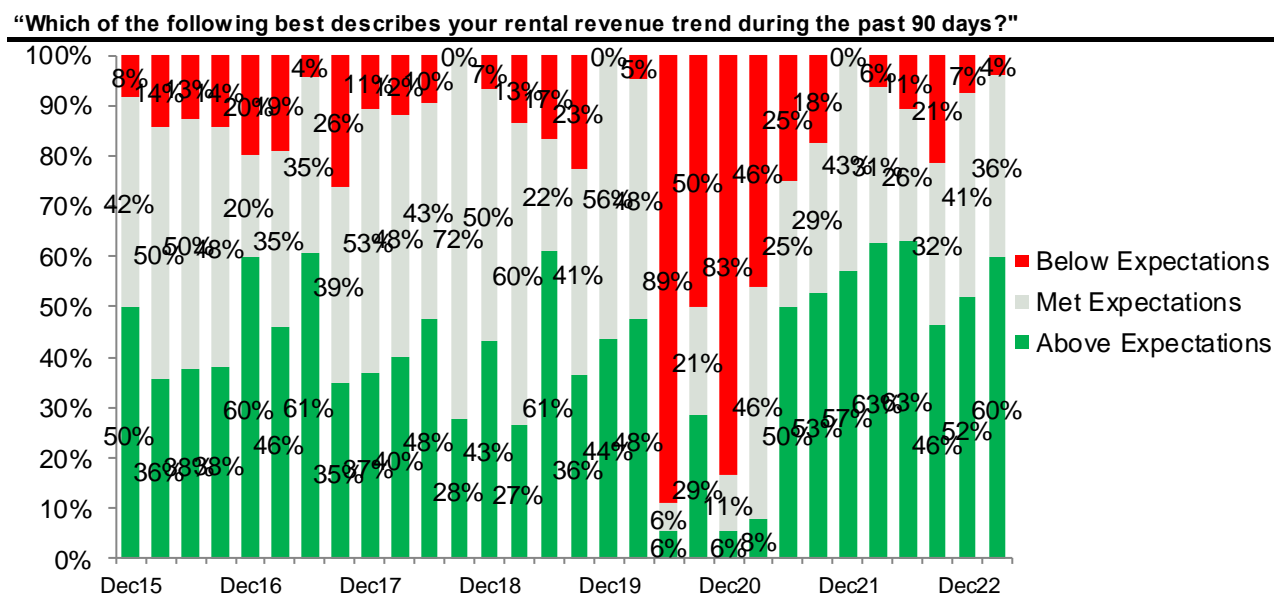
- **Linen rental trends remain similarly strong with healthy price contribution and growth outlook.** Revenue growth expectations and price contributions remain near record levels. Continued steady no-programmer interest is leading and was stronger than that seen in uniform rental. Vast majority of respondents beat their internal revenue growth expectations in 1Q23 and cite strong pricing gains.

1Q23 LINEN RENTAL SURVEY HIGHLIGHTS

- **Rental Revenue Trends.** 60% of respondents cited rental revenue trends above expectations with 36% in-line. 4% fell short. Relative spread again at/near record.
- **New Account Pricing.** 24% of respondents cited more aggressive new account pricing in 1Q23 while 28% saw less aggressive pricing. 48% reported no change. Our diffusion index improved to 52.0. Like uniforms, this metric has historically been negative (i.e., <50) demonstrating the very strong gains today.
- **Base Account Pricing.** The average price increase on existing accounts undergoing price review in 1Q23 was +3.1%, similar to recent quarters but off of the record +3.5% reported in early 2022. Nearly all respondents cite healthy pricing gains.
- **No-Programmers.** No-programmer interest remained solidly positive at 60.4 and improved from last quarter's 59.3 reading. The index has been in expansionary territory since dipping negative in 2020.
- **Growth Outlook.** Forecasted 12-month revenue outlook increased to +6.2% and remains near prior quarter's record gains in the ~6-7% range.

Linen Rental: Revenue Trends Versus Expectations

- **Rental Revenue Trends.** 60% of respondents cited rental revenue trends above expectations with 36% in line. 4% fell short. Relative spread again at/near record.

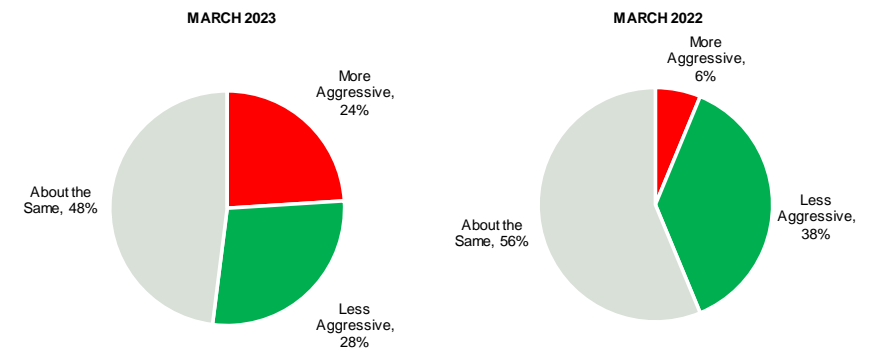


Source: Baird Research

Linen Rental: New Account Pricing Trends

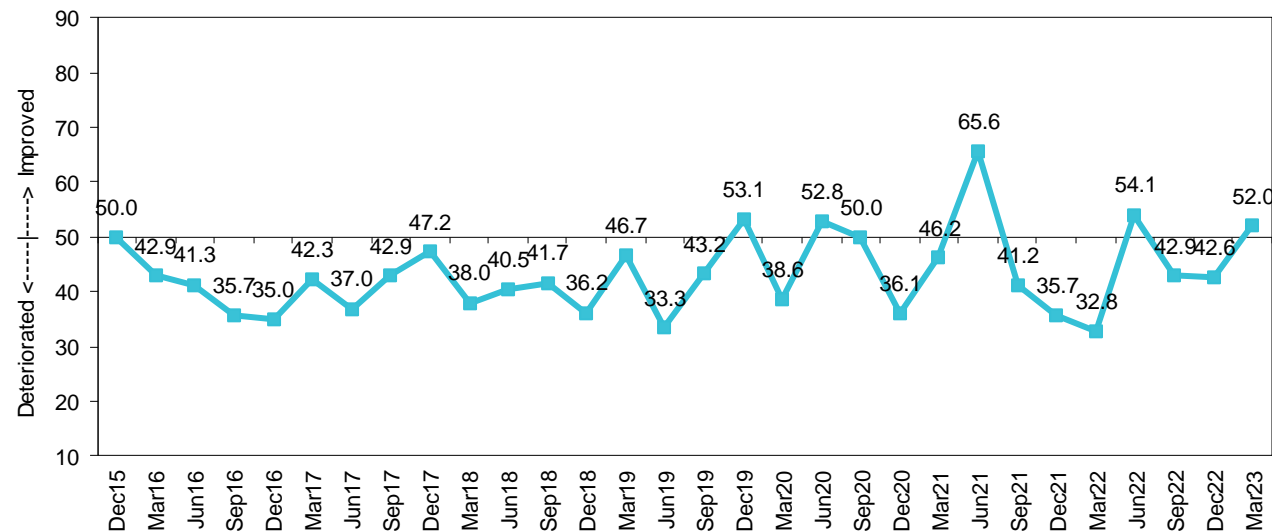
- New Account Pricing.** 24% of respondents cited more aggressive new account pricing in 1Q23 while 28% saw less aggressive pricing. 48% reported no change. Our diffusion index improved to 52.0. Like uniforms, this metric has historically been negative (i.e., <50) demonstrating the very strong gains today. 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

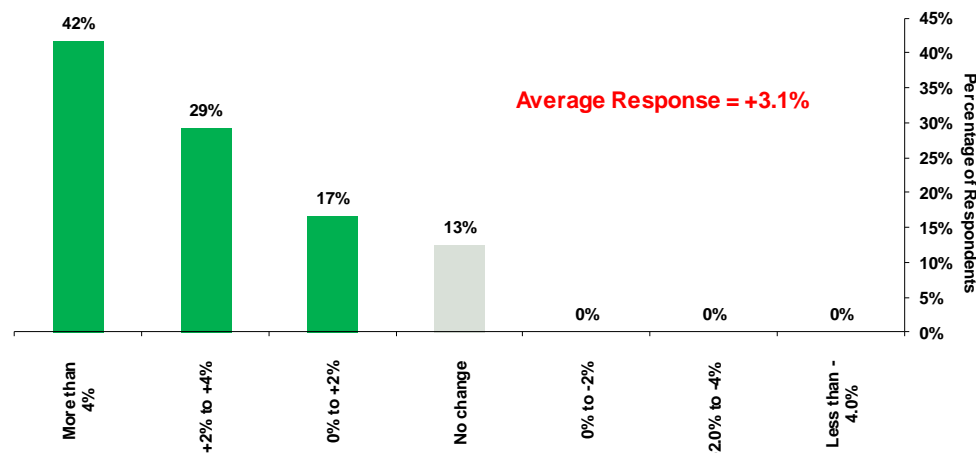


Source: Baird Research

Linen Rental: Existing Account Pricing Trends

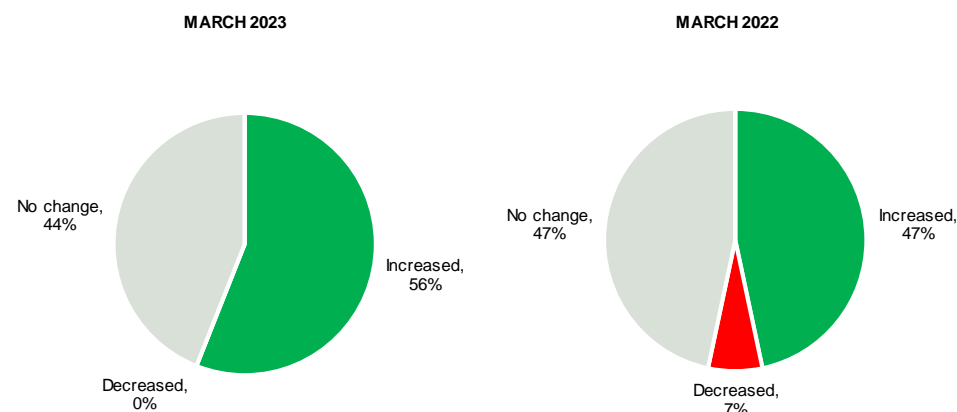
- **Base Account Pricing.** The average price increase on existing accounts undergoing price review in 1Q23 was +3.1%, similar to recent quarters but off of the record +3.5% reported in early 2022. Nearly all respondents cite healthy pricing gains.

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



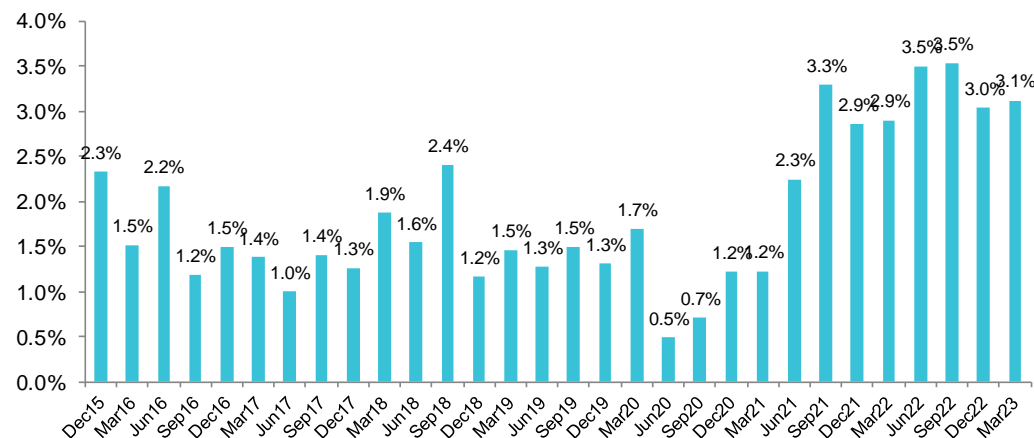
Source: Baird Research

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..."

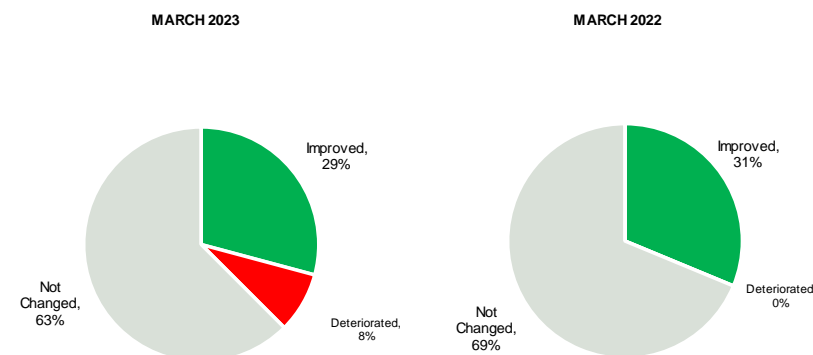


Source: Baird Research

Linen Rental: New Business (No-Programmers) Trends

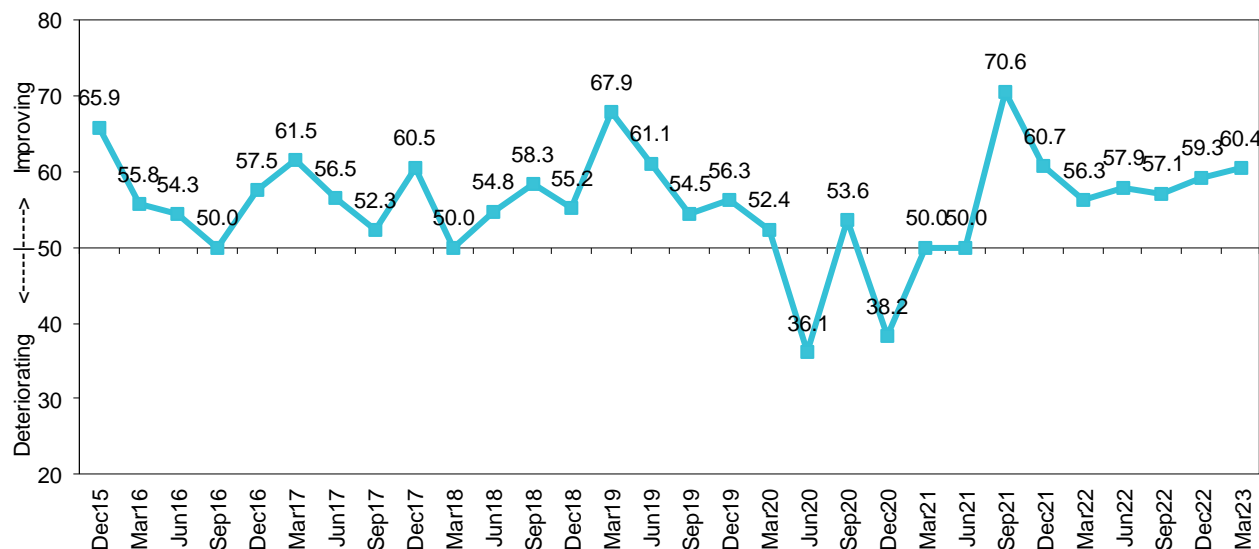
- **No-Programmers.** No-programmer interest remained solidly positive at 60.4 and improved from last quarter's 59.3 reading. The index has been in expansionary territory since dipping negative in 2020. See charts.

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

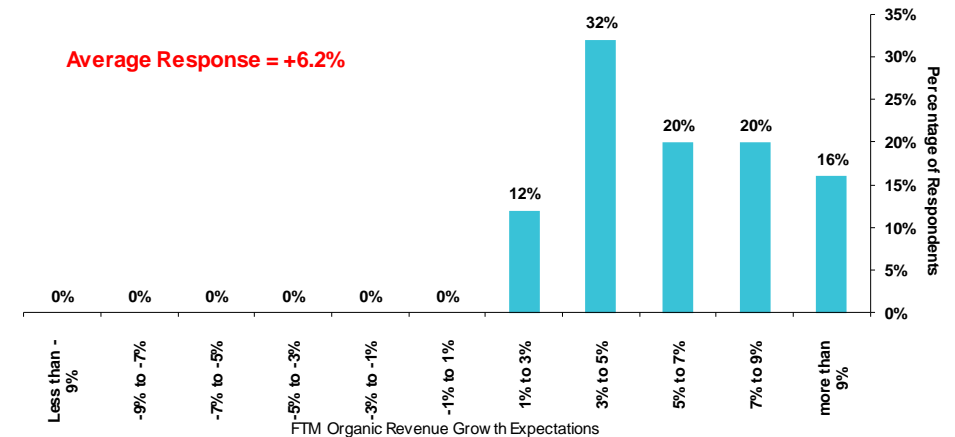


Source: Baird Research

Linen Rental: 12-Month Growth Outlook

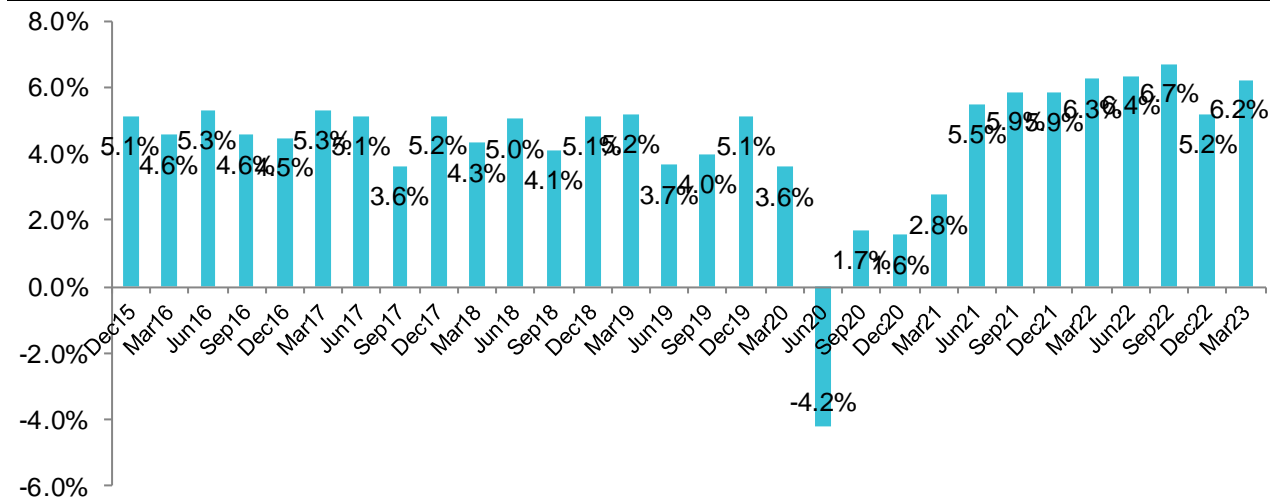
- Growth Outlook.** Forecasted 12-month revenue outlook increased to +6.2% and remains near prior quarter's record gains in the ~6-7% range. See charts.

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

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