



**Business Services Research**

June 17, 2024

# Robert W. Baird & Co.

## 2Q 2024 Textile Rental Services Survey

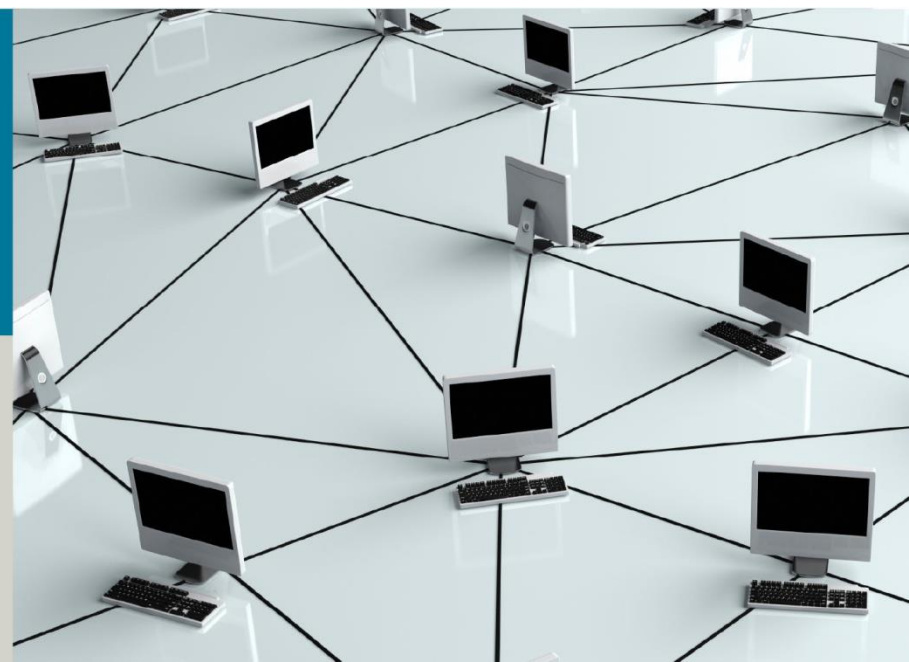
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Please refer to Appendix – Important Disclosures and  
Analyst Certification on pages 20-23



# 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](mailto:awittmann@rwbaird.com))  
Senior Analyst Justin Hauke ([jhauke@rwbaird.com](mailto:jhauke@rwbaird.com))

***IMPORTANT: WE HIGHLY RESPECT SURVEY RESPONDENT ANONYMITY***

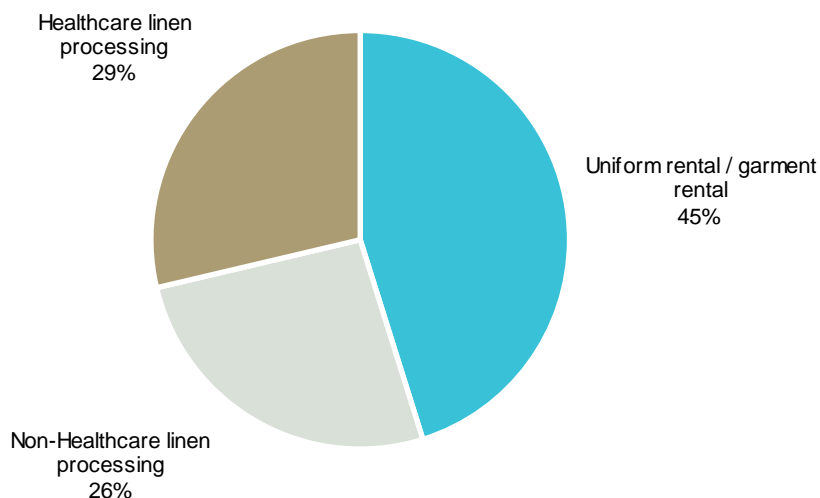
*All responses are presented in aggregate form*

*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 (*21 responses*)

Survey Respondent Prolife: Revenue by Service Line (%)



Source: Baird Research

# **UNIFORM RENTAL TRENDS**

# Executive Summary: Uniform Rental

## UNIFORM RENTAL SURVEY SUMMARY

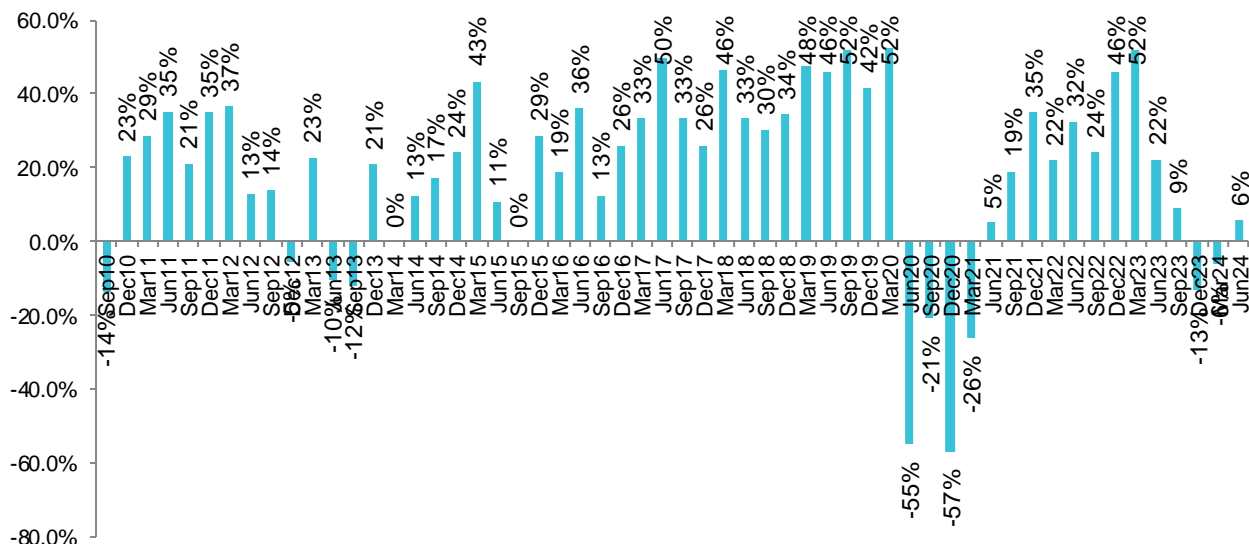
- **Our 2Q24 uniform rental industry survey results were mixed, with our Add/Stop index turning negative for the first time since 2020.** Offsetting, revenue growth expectations actually improved and more respondents beat their revenue forecasts for 2Q24 than fell short. New business interest also remains strong. The Add/Stop indicator is notable, however, with some data demonstrating labor moderation, despite good underlying employment gains. We continue to see more positives than negatives for the sector, however.

## 2Q24 UNIFORM RENTAL SURVEY HIGHLIGHTS

- **Revenue trends.** 35% of respondents beat internal revenue expectations for the quarter versus 29% falling short (6% as expected). The positive spread reverses two quarters of revenue falling short of expectations and is a positive data point.
- **Add/Stops.** Employment-driven expansion at existing accounts (i.e., Add/Stop Diffusion Index) turned negative at 47.1 for the first time since December 2020 (and down from 56.7 last quarter).
- **New business interest.** Our no-programmer diffusion index (a measure of the amount of new business available) strengthened to 55.9 in 2Q24 (53.3 in 1Q24). This index has been vacillating between positive/negative.
- **Pricing.** Base pricing contribution moderated, with average respondent citing +2.4% gains. This is closer to historical average and down from +3.3% last quarter. Pricing for new contracts remains competitive with our diffusion index holding negative at 38.2 from 33.3 last quarter.
- **Growth outlook.** Respondents expect ~5.5% rental revenue growth over the next twelve months, much higher than recent ~4.0-4.5% expectations.

# Uniform Rental: Revenue Trends Versus Expectations

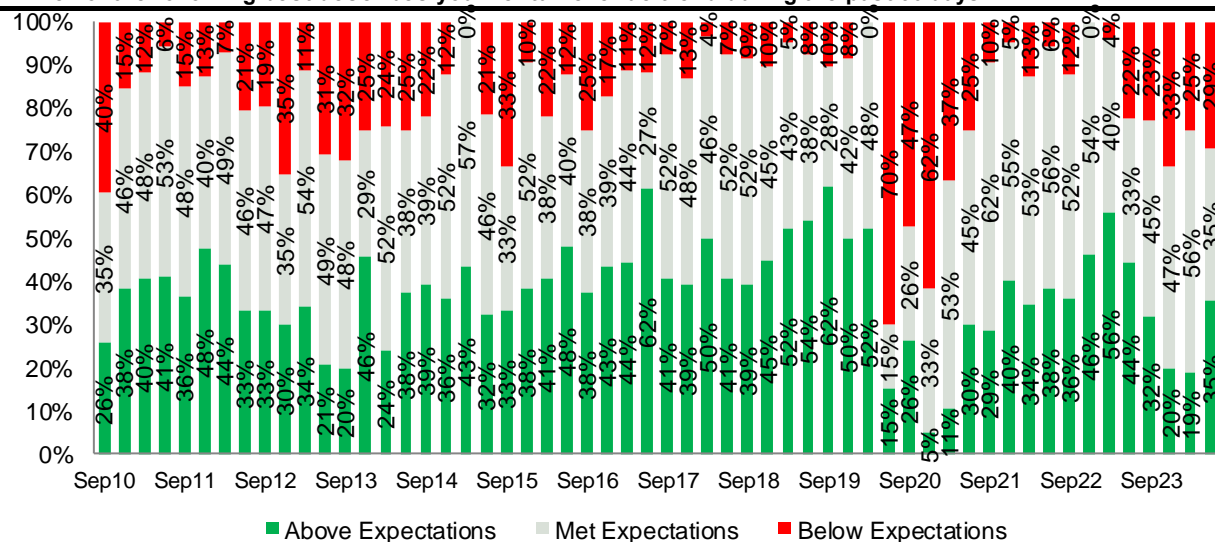
Relative Spread Between Respondents Exceeding Revenue Expectations Versus Falling Below Expectations



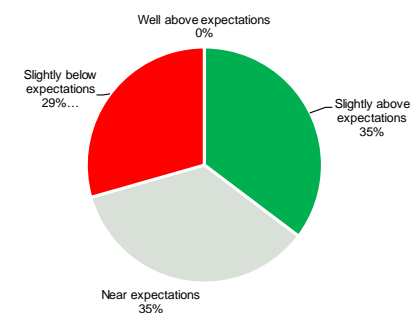
**Rental Revenue Trends.** 35% of respondents beat internal revenue expectations for the quarter versus 29% falling short (6% as expected). The positive spread reverses two quarters of revenue falling short of expectations and is a positive data point.

Source: Baird Research

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



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



Source: Baird Research

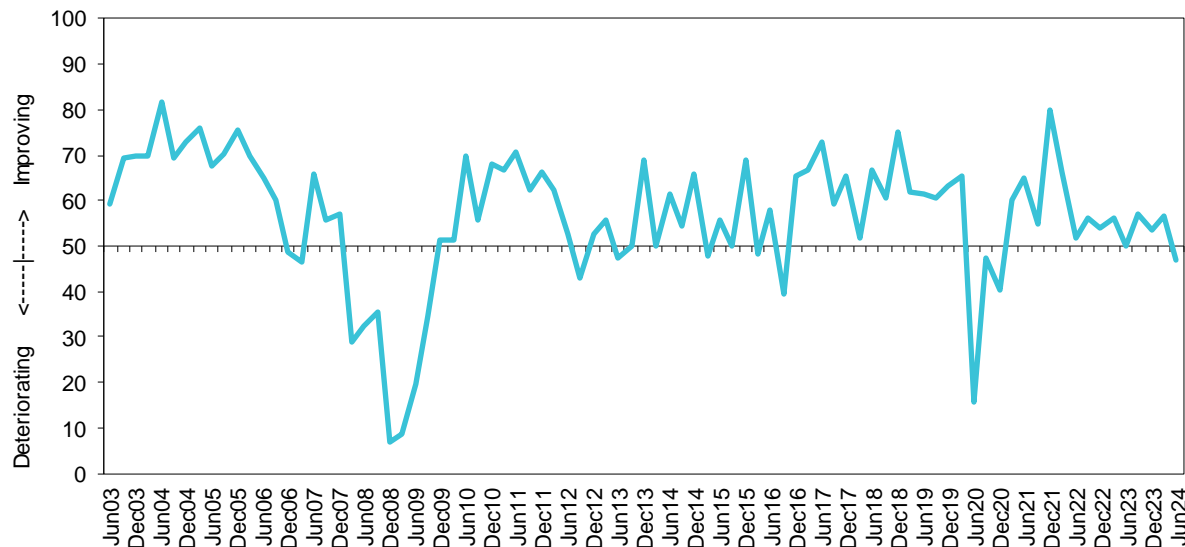
Source: Baird Research

## Uniform Rental: Add/Stop Trends

- **Add/Stops.** Employment-driven expansion at existing accounts (i.e., Add/Stop Diffusion Index) turned negative at 47.1 for the first time since December 2020 (and down from 56.7 last quarter).

*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..."**

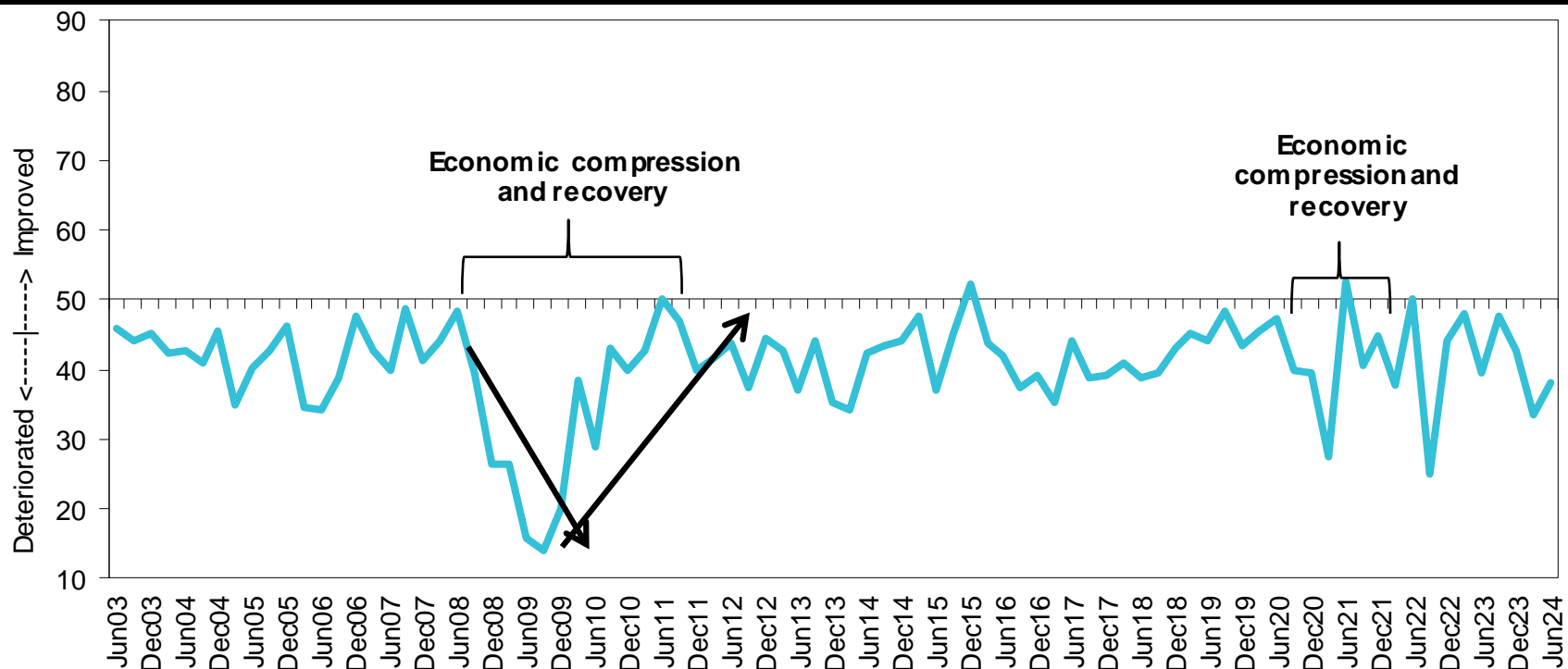


Source: Baird Research

## Uniform Rental: New Account Pricing Trends

- **New Account Pricing.** Pricing for new contracts remains competitive with our diffusion index holding negative at 38.2 from 33.3 last quarter.

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

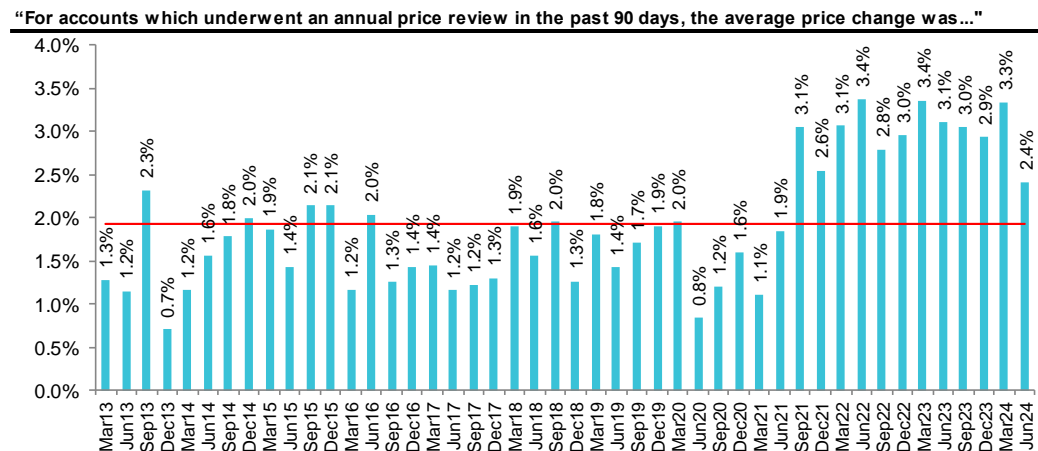


Source: Baird Research



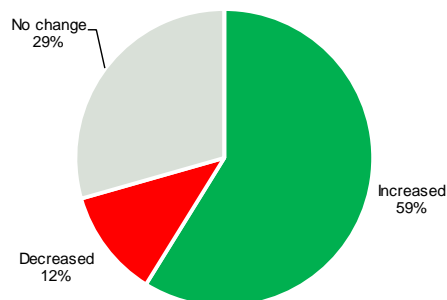
# Uniform Rental: Existing Account Pricing Trends

- **Base (Existing) Account Pricing.** Base pricing contribution moderated, with average respondent citing +2.4% gains. This is closer to historical average and down from +3.3% last quarter. Historical price contribution has been closer to +2%.



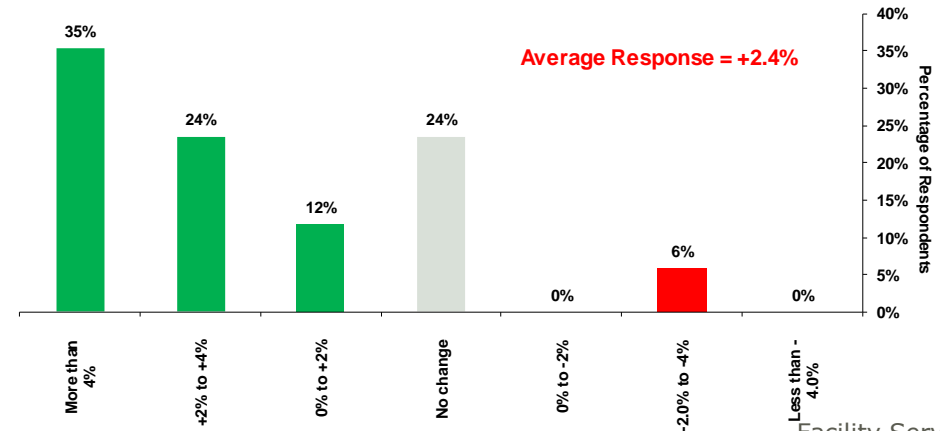
Note: Growth rates reflect average responses of survey participants; Red line indicates sample average  
Source: Baird Research

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:

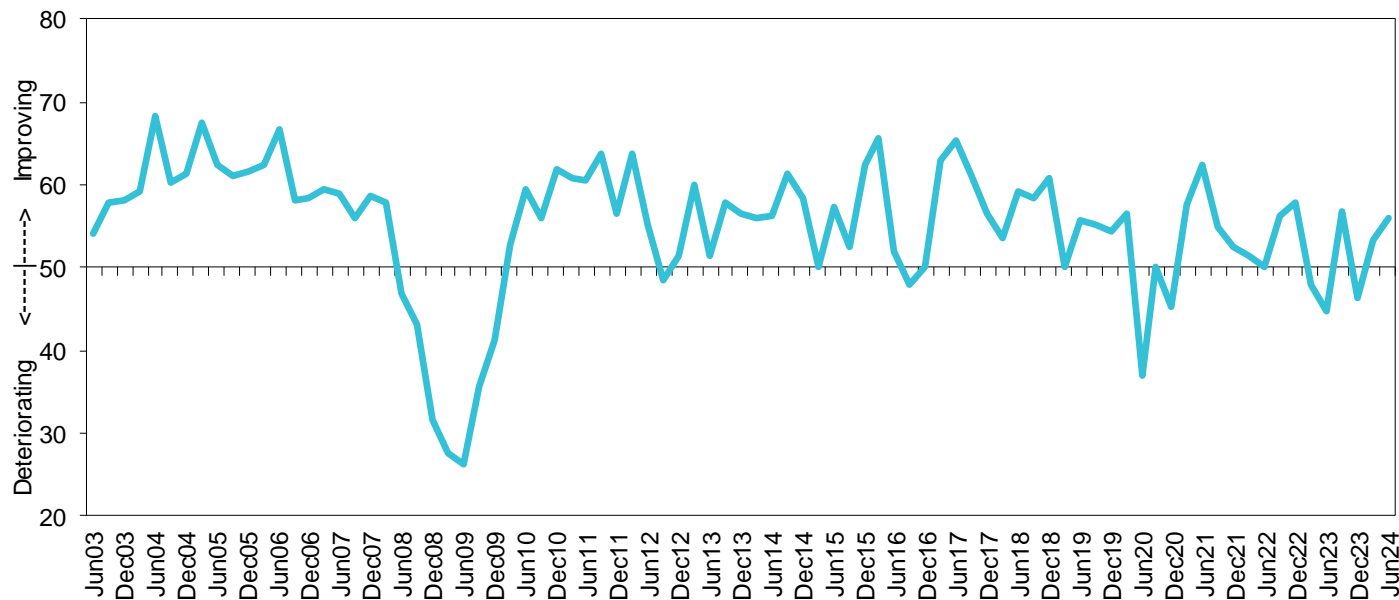


Source: Baird Research

## Uniform Rental: New Business (No-Programmers) Trends

- **No-Programmers.** Our no-programmer diffusion index (a measure of the amount of new business available) strengthened to 55.9 in 2Q24 (53.3 in 1Q24). This index has been vacillating between positive/negative.

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

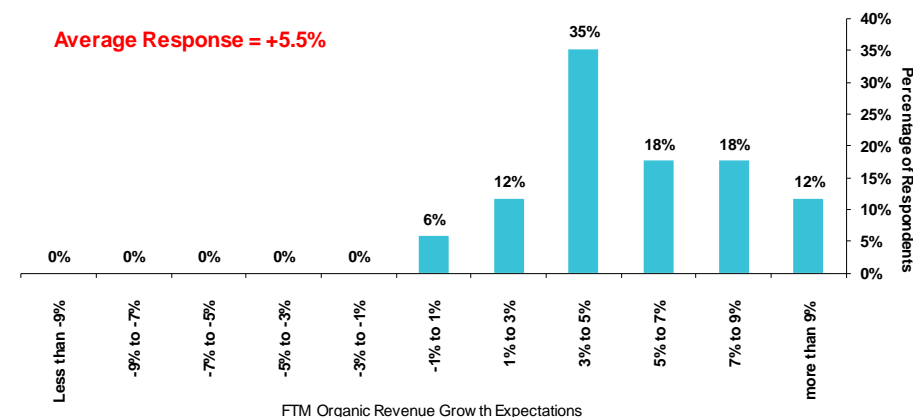


Source: Baird Research

# Uniform Rental: 12-Month Growth Outlook

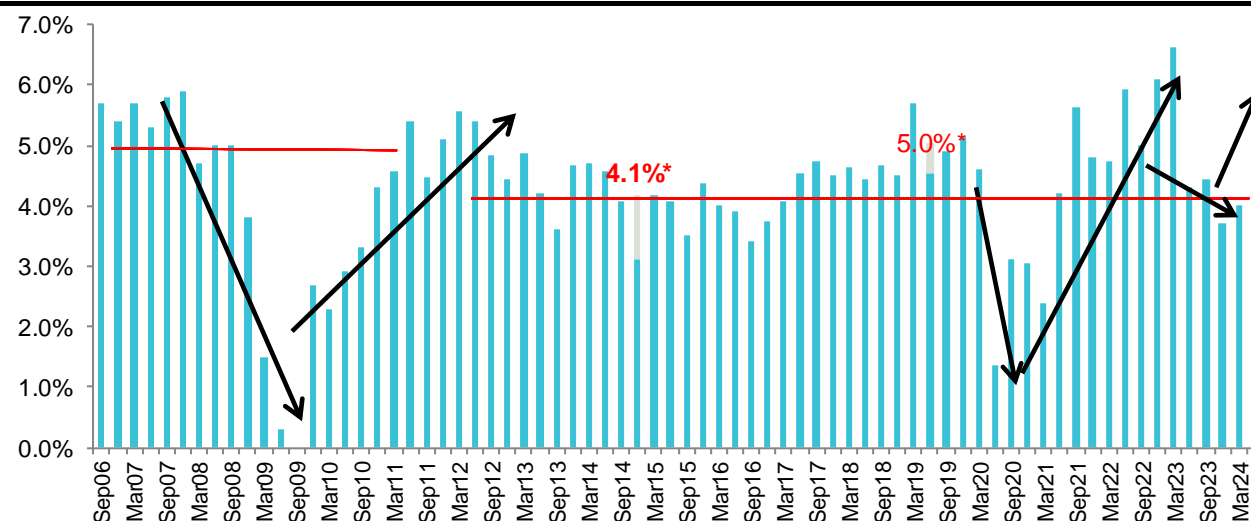
- **Growth Outlook.** Respondents expect ~5.5% rental revenue growth over the next twelve months, much higher than recent ~4.0-4.5% expectations. See charts.

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 trends remains strong, all major metrics hold stable or improve from 1Q24 levels.** Revenue growth expectations and price contributions were stable and support mid single digit gains. Continued strong no-programmer interest strengthened from 1Q24 levels. More respondents beat their internal revenue growth expectations than fell short.

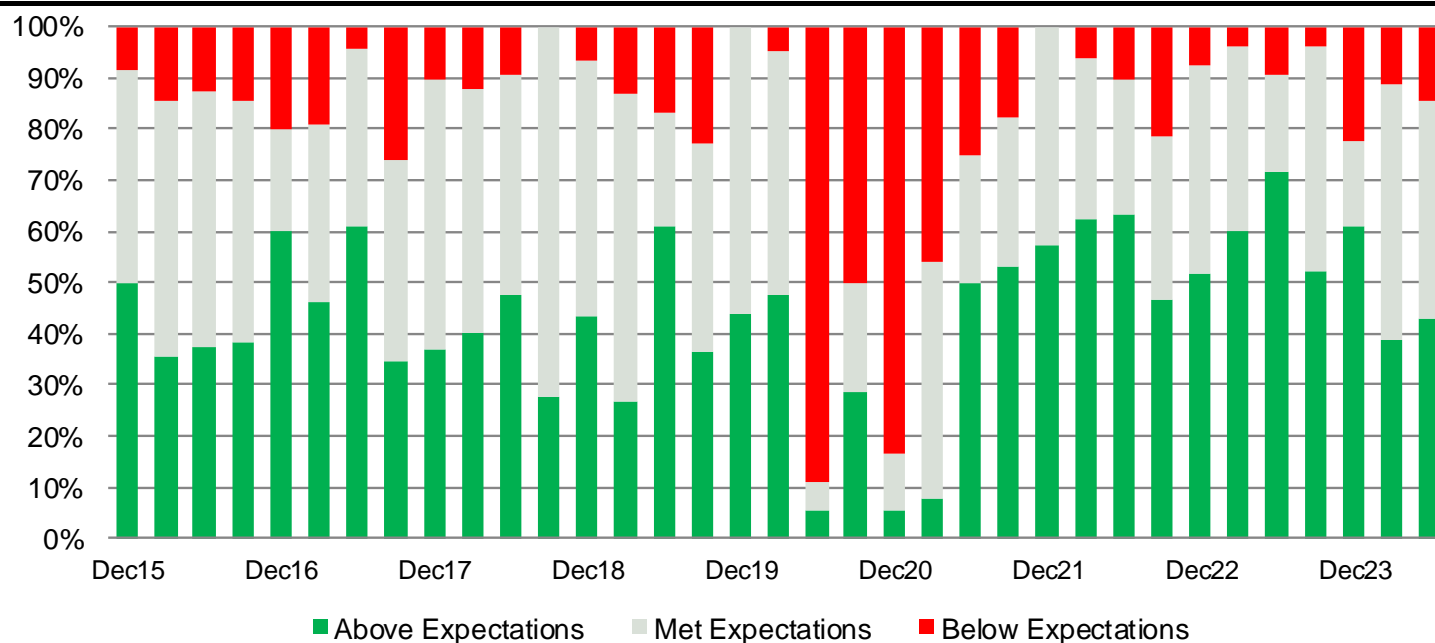
## 2Q24 LINEN RENTAL SURVEY HIGHLIGHTS

- **Rental Revenue Trends.** 43% of respondents cited rental revenue trends above expectations with 43% in-line and just 14% falling short. 29% relative spread continues trends of revenue at/above expectations, versus uniform rental, where this has been more mixed.
- **New Account Pricing.** 43% reported no change in new account pricing (which is good), with 29% seeing more aggressive pricing bids versus 29% seeing easing. Our diffusion index thus was "neutral" at 50. 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 1Q24 was +2.6%. This is generally in line with uniform rental and substantially unchanged from last quarter.
- **No-Programmers.** No-programmer interest remained solidly positive at 60.7 and improved from 55.6 last quarter. The index has been in expansionary territory since dipping negative in 2020.
- **Growth Outlook.** Forecasted 12-month revenue outlook held mostly stable at 4.7%, slightly above the outlook last quarter (+4.4%).

## Linen Rental: Revenue Trends Versus Expectations

- **Rental Revenue Trends.** 43% of respondents cited rental revenue trends above expectations with 43% in-line and just 14% falling short. 29% relative spread continues trends of revenue at/above expectations, versus uniform rental, where this has been more mixed.

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

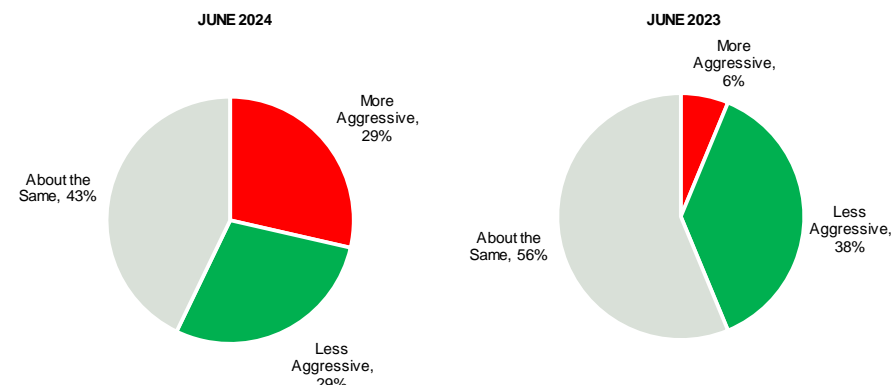


Source: Baird Research

# Linen Rental: New Account Pricing Trends

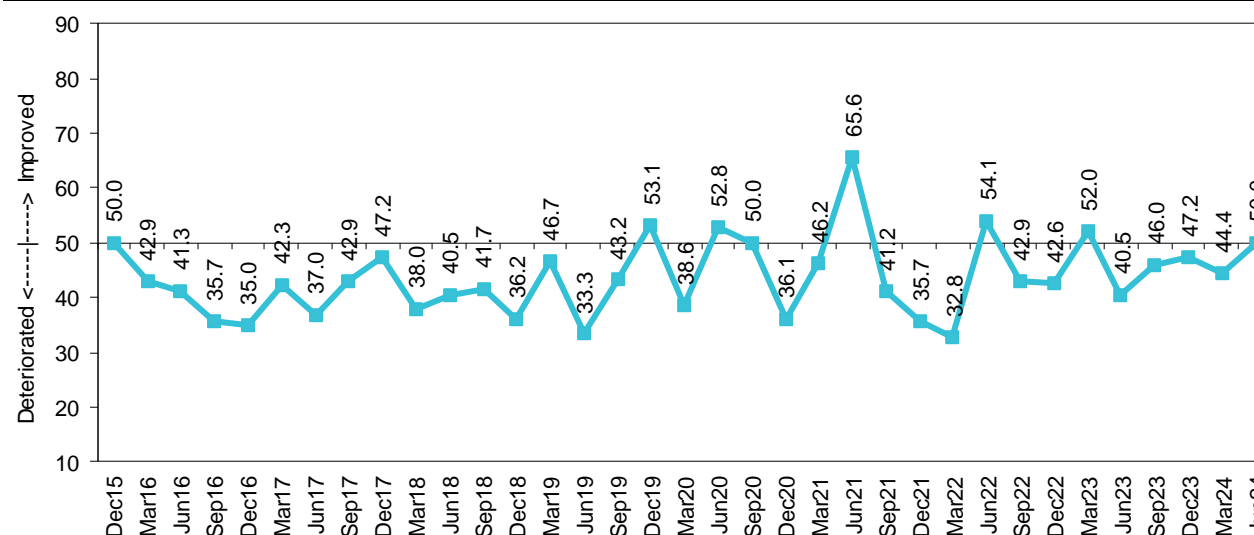
- New Account Pricing.** 43% reported no change in new account pricing (which is good), with 29% seeing more aggressive pricing bids versus 29% seeing easing. Our diffusion index thus was “neutral” at 50. Like uniforms, this metric has historically been negative (i.e., <50). See charts.

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



Source: Baird Research

Baird Linen Rental Price Diffusion Index

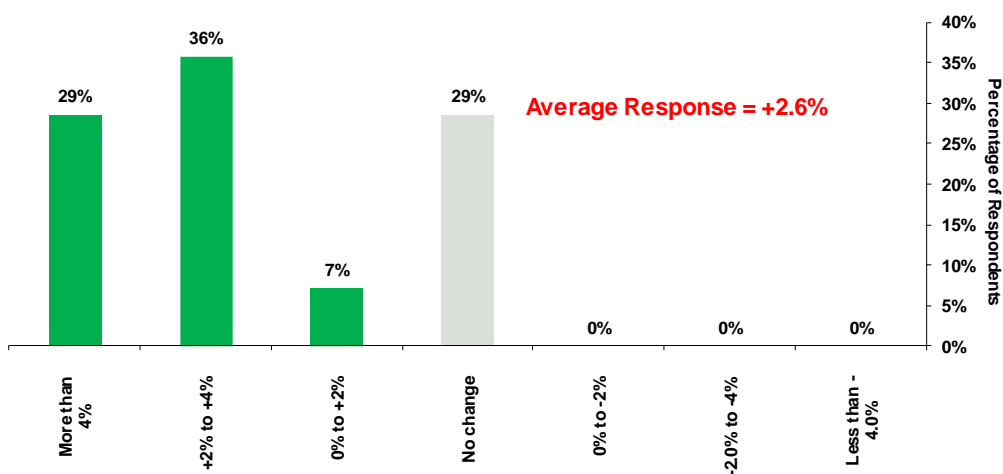


Source: Baird Research

# Linen Rental: Existing Account Pricing Trends

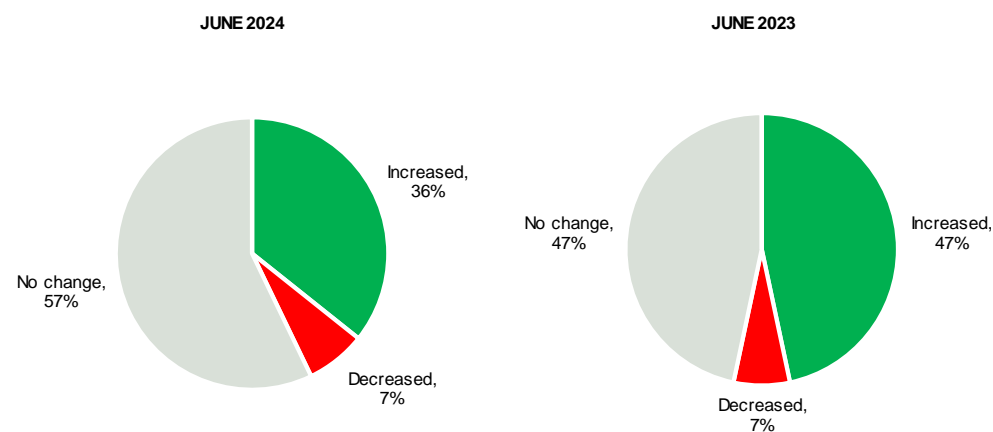
- **Base Account Pricing.** The average price increase on existing accounts undergoing price review in 1Q24 was +2.6%. This is generally in line with uniform rental and substantially unchanged from last quarter.

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



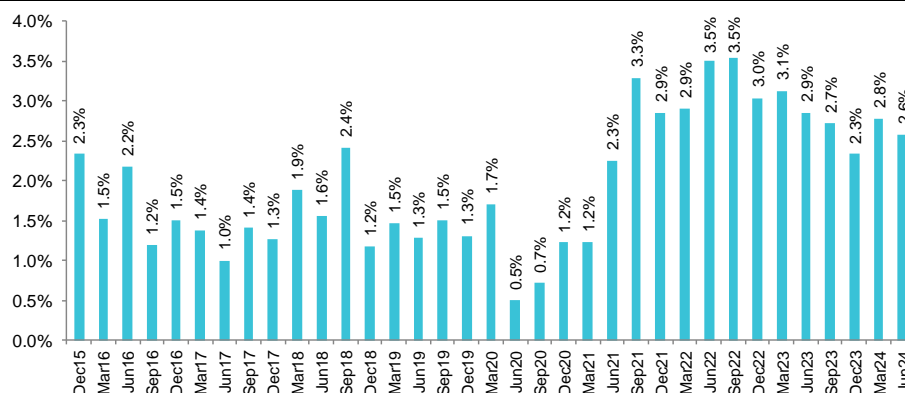
Source: Baird Research

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..."



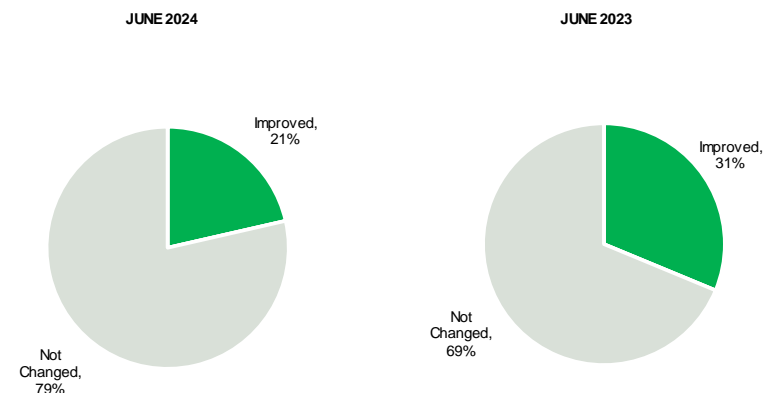
Source: Baird Research



# Linen Rental: New Business (No-Programmers) Trends

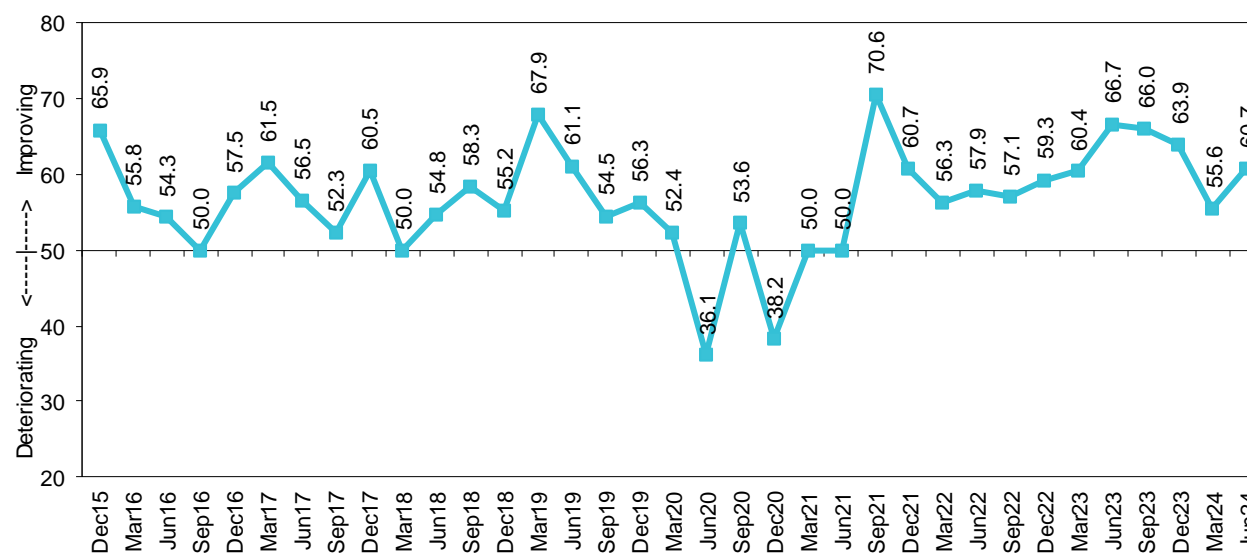
- **No-Programmers.** No-programmer interest remained solidly positive at 60.7 and improved from 55.6 last quarter. The index has been in expansionary territory since dipping negative in 2020. See charts.

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

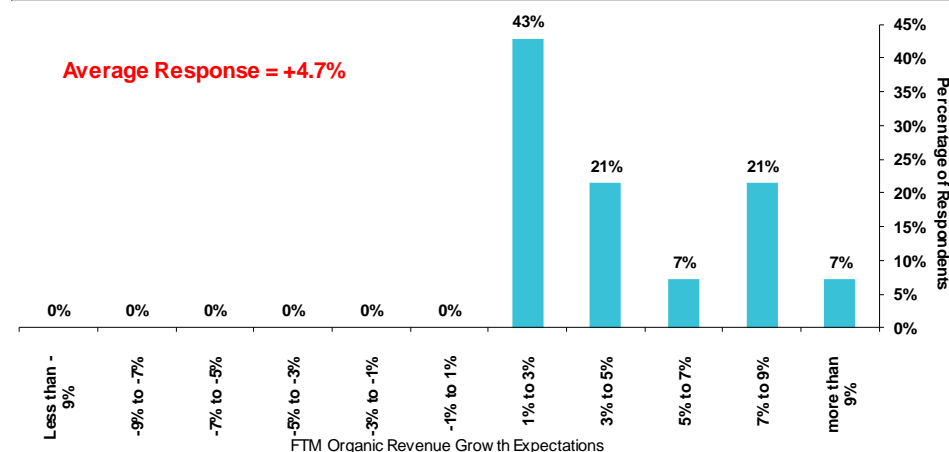


Source: Baird Research

## Linen Rental: 12-Month Growth Outlook

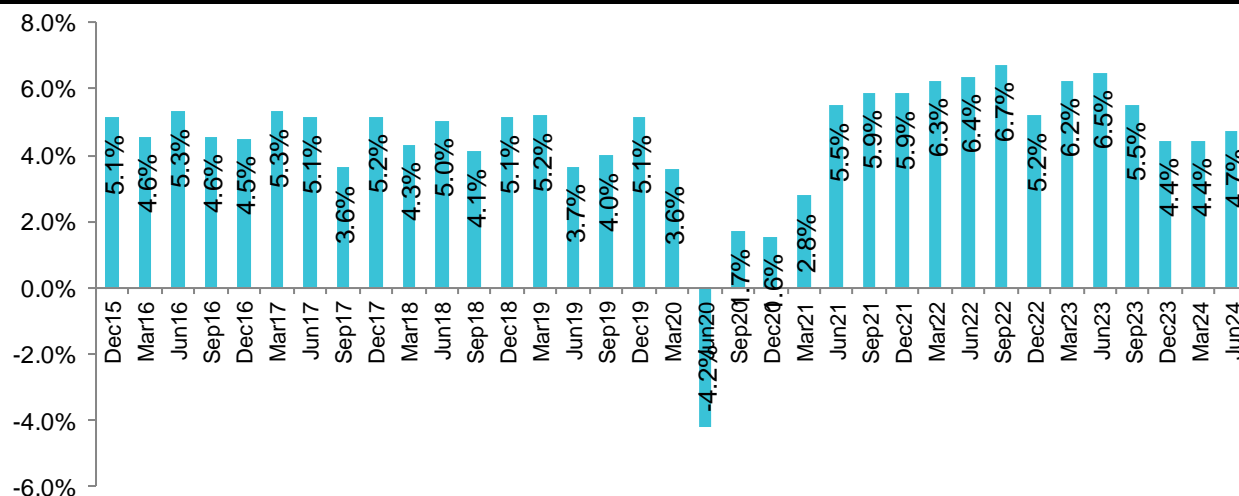
- Growth Outlook.** Forecasted 12-month revenue outlook held mostly stable at 4.7%, slightly above the outlook last quarter (+4.4%). See charts.

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?"

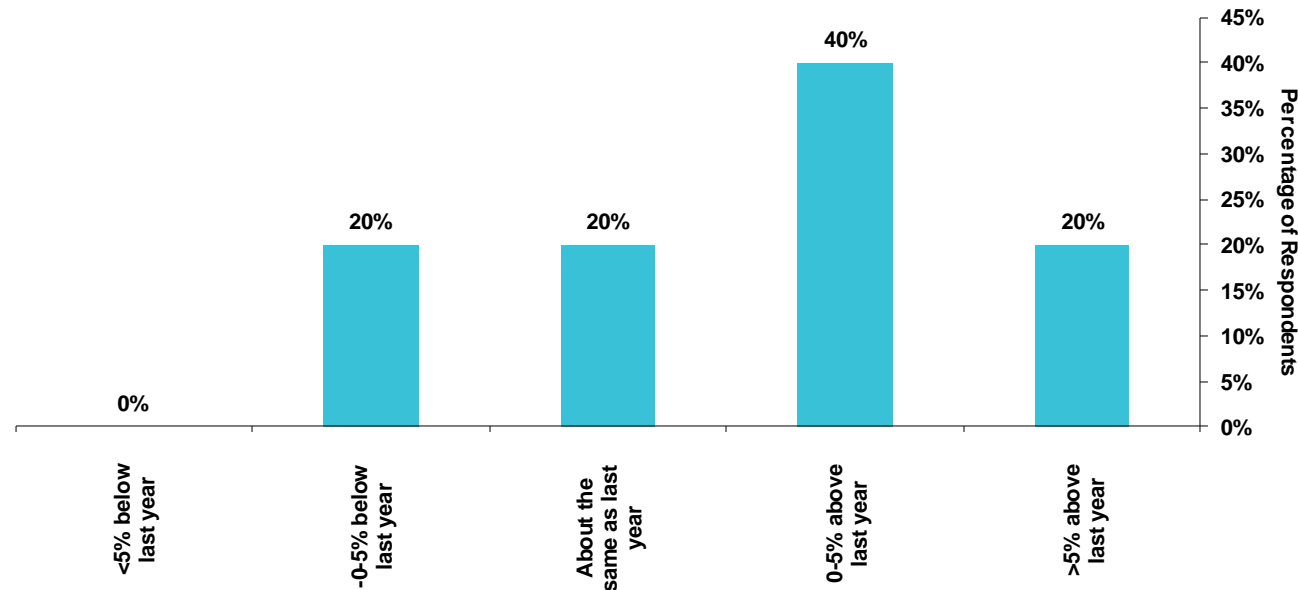


Source: Baird Research

## NEW(ER) QUESTION: Healthcare Linen Operations

- **FOR YOUR HEALTHCARE LINEN PROCESSING AND OTHER RENTAL SERVICES BUSINESS (if any):** Which of the following best describes your rental revenue growth rate trend during the past 90 days versus last year's levels?

For healthcare linen: Rental revenue growth rate trend during the past 90 days versus last year's levels?



Source: Baird Research

# Appendix – Important Disclosures and Analyst Certification

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