



Business Services Research

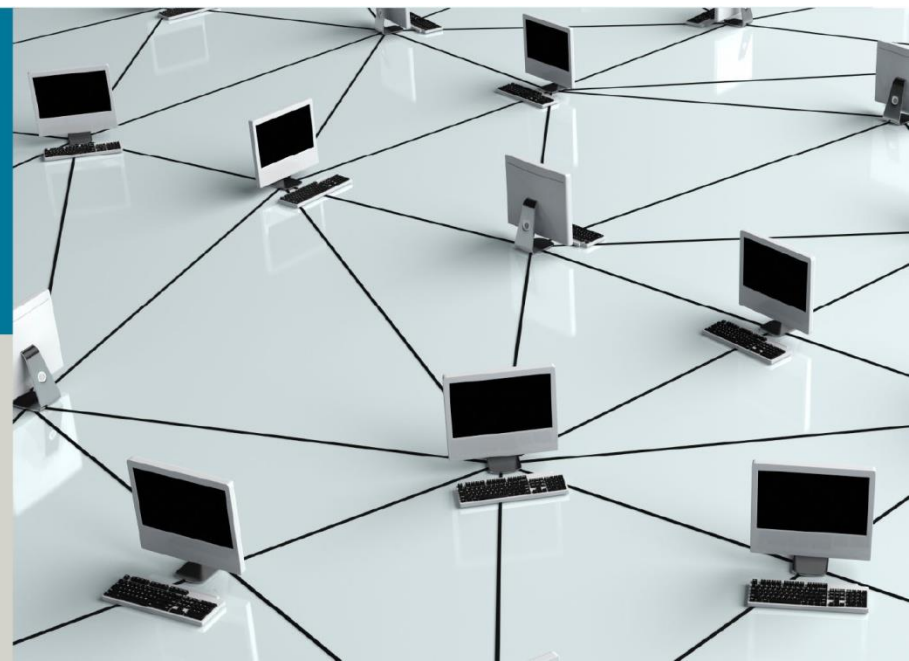
September 23, 2024

Robert W. Baird & Co. 3Q 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)
Senior Analyst Justin Hauke (jhauke@rwbaird.com)

IMPORTANT: WE HIGHLY RESPECT SURVEY RESPONDENT ANONYMITY

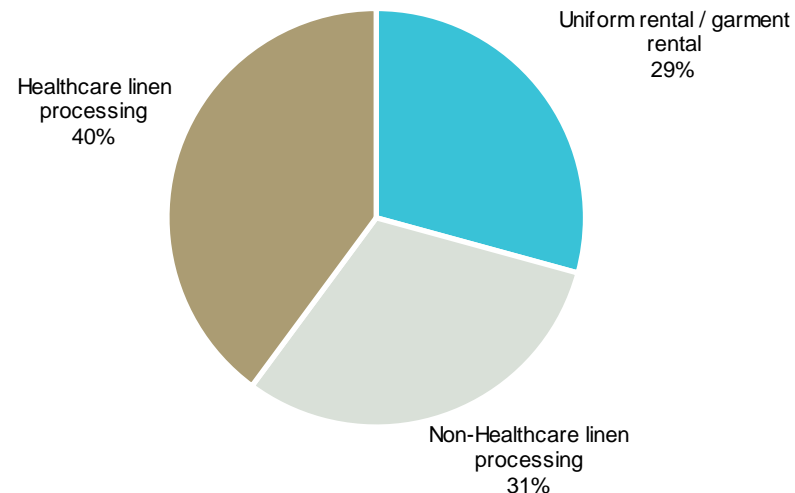
All responses are presented in aggregate form

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 (*23 responses*)

Survey Respondent Prolife: Revenue by Service Line (%)



Source: Baird Research

UNIFORM RENTAL TRENDS

Executive Summary: Uniform Rental

UNIFORM RENTAL SURVEY SUMMARY

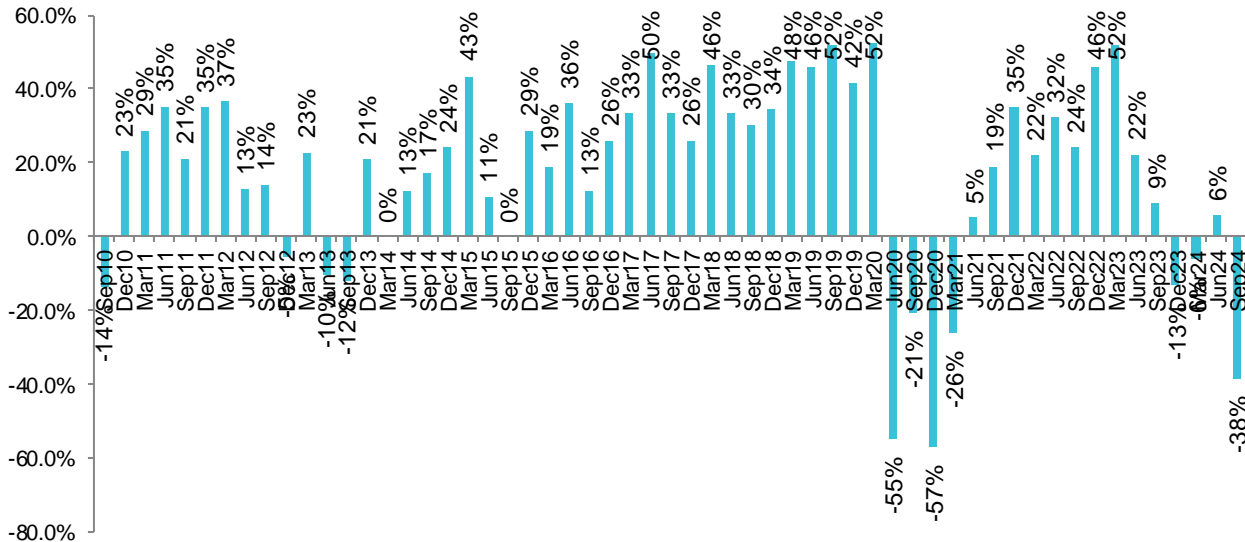
- **Our 3Q24 uniform rental industry survey results showed further moderation, with our Add/Stop index holding negative and 12-month revenue growth expectations at their lowest level since June 2020.** Almost half of respondents reported that revenue trends came in below expectations in 3Q24. Pricing appears to have fully normalized from recent years' strong top-line tailwind. Positively, new business interest remains positive/healthy.

3Q24 UNIFORM RENTAL SURVEY HIGHLIGHTS

- **Revenues broadly fell short of expectations in 3Q24.** 46% of respondents reported revenues falling short of expectations in 3Q24 with additional 46% reporting revenues in-line. Only 8% of respondents beat internal expectations. The beat/miss gap (-38%) is the widest gap since peak-COVID (2Q20-4Q20) and has been negative in three of the past four quarters.
- **Add/Stops remain negative.** Employment-driven expansion at existing accounts (i.e., Add/Stop Diffusion Index) turned negative at 47.1 last quarter for the first time since December 2020 and saw further decline in 3Q24 at 38.5.
- **Pricing contribution pretty modest, prior years' gains have normalized.** Average base price increase reported was +2.6% in 3Q24, similar to 2.4% in 2Q24 and well below gains that were approaching 4% two years ago. Pricing for new contracts (as opposed to existing annual increases) remains competitive with our diffusion index holding negative at 38.5 slightly better than 38.2 last quarter. This metric has historically been <50.
- **Revenue growth forecast at lowest level since COVID.** Respondents expect just ~2.8% rental revenue growth over the next twelve months, a steep downtick from +5.5% last quarter (unusually high) and previously steady ~4.0-4.5% expectations.
- **Positively, new business interest remains strong.** Our no-programmer diffusion index (a measure of the amount of new business available) strengthened to 67.4 in 3Q24 (from 55.9 in 2Q24). This index has been vacillating between positive/negative.

Uniform Rental: Revenue Trends Versus Expectations

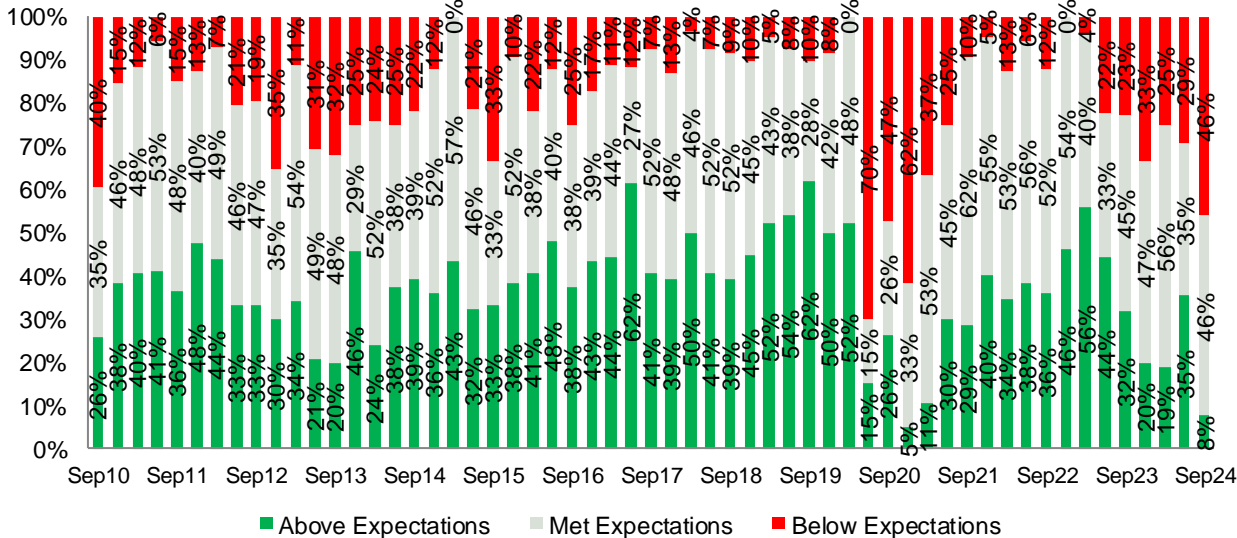
Relative Spread Between Respondents Exceeding Revenue Expectations Versus Falling Below Expectations



Source: Baird Research

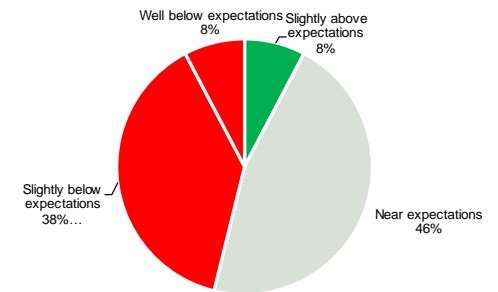
Rental Revenue Trends. 46% of respondents reported revenues falling short of expectations in 3Q24 with additional 46% reporting revenues in line. Only 8% of respondents beat internal expectations. The beat/miss gap (-38%) is the widest gap since peak-COVID (2Q20-4Q20) and has been negative in three of the past four quarters.

“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?



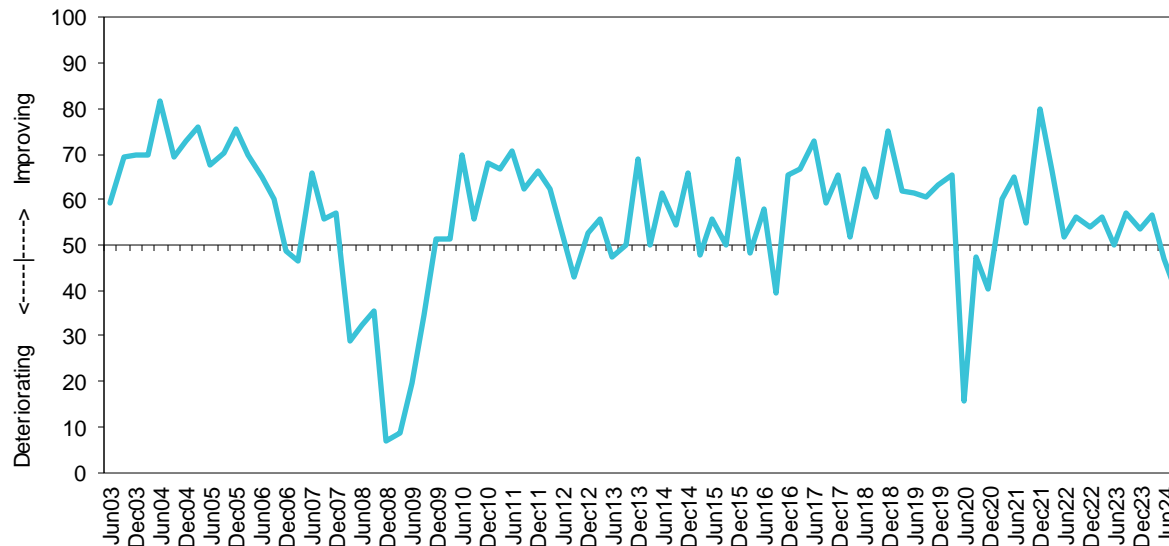
Source: Baird Research

Uniform Rental: Add/Stop Trends

- **Add/Stops.** Employment-driven expansion at existing accounts (i.e., Add/Stop Diffusion Index) turned negative at 47.1 last quarter for the first time since December 2020 and saw further decline in 3Q24 at 38.5.

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..."

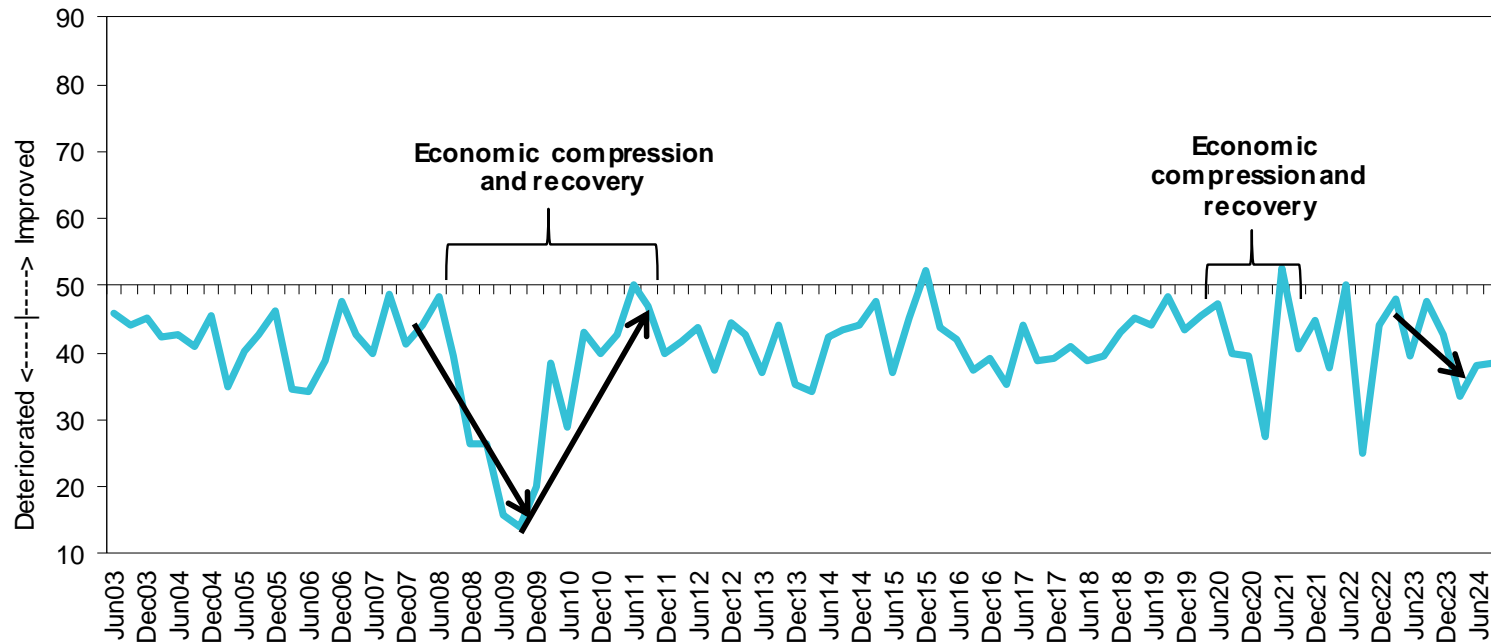


Source: Baird Research

Uniform Rental: New Account Pricing Trends

- New Account Pricing.** Pricing for new contracts (as opposed to existing annual increases) remains competitive with our diffusion index holding negative at 38.5 slightly better than 38.2 last quarter. This metric has historically been <50.

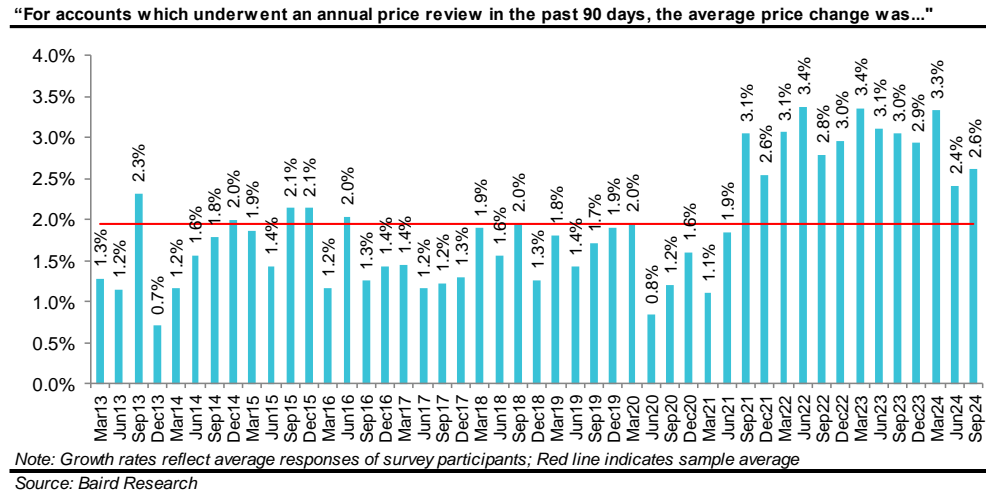
Baird Price Diffusion Index: "During the past 90 days the base price quoted for new accounts has..."



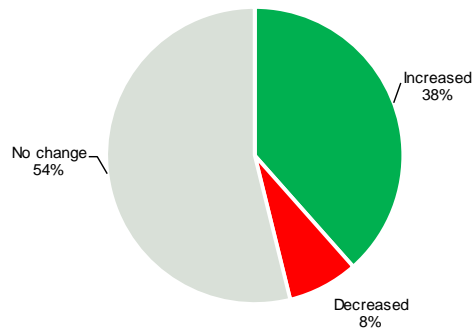
Source: Baird Research

Uniform Rental: Existing Account Pricing Trends

- Base (Existing) Account Pricing.** Average base price increase reported was +2.6% in 3Q24, similar to 2.4% in 2Q24 and well below gains that were approaching 4% two years ago. Historical price contribution has been closer to +2%.

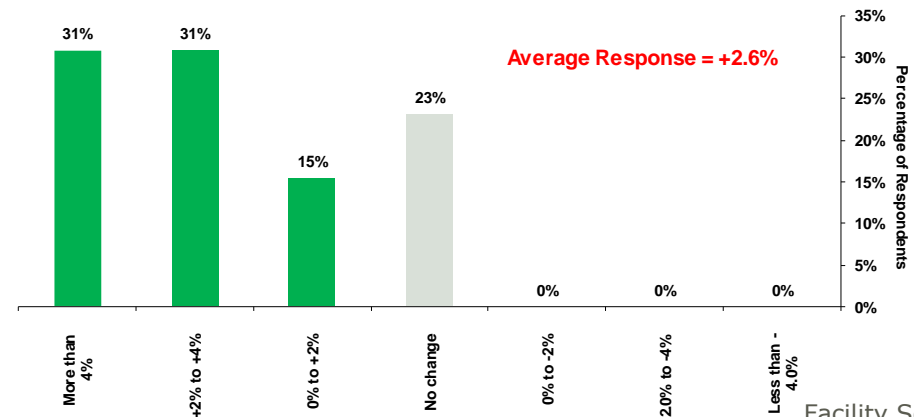


During the past 90 days, pricing on existing rental accounts has:



Source: Baird Research

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

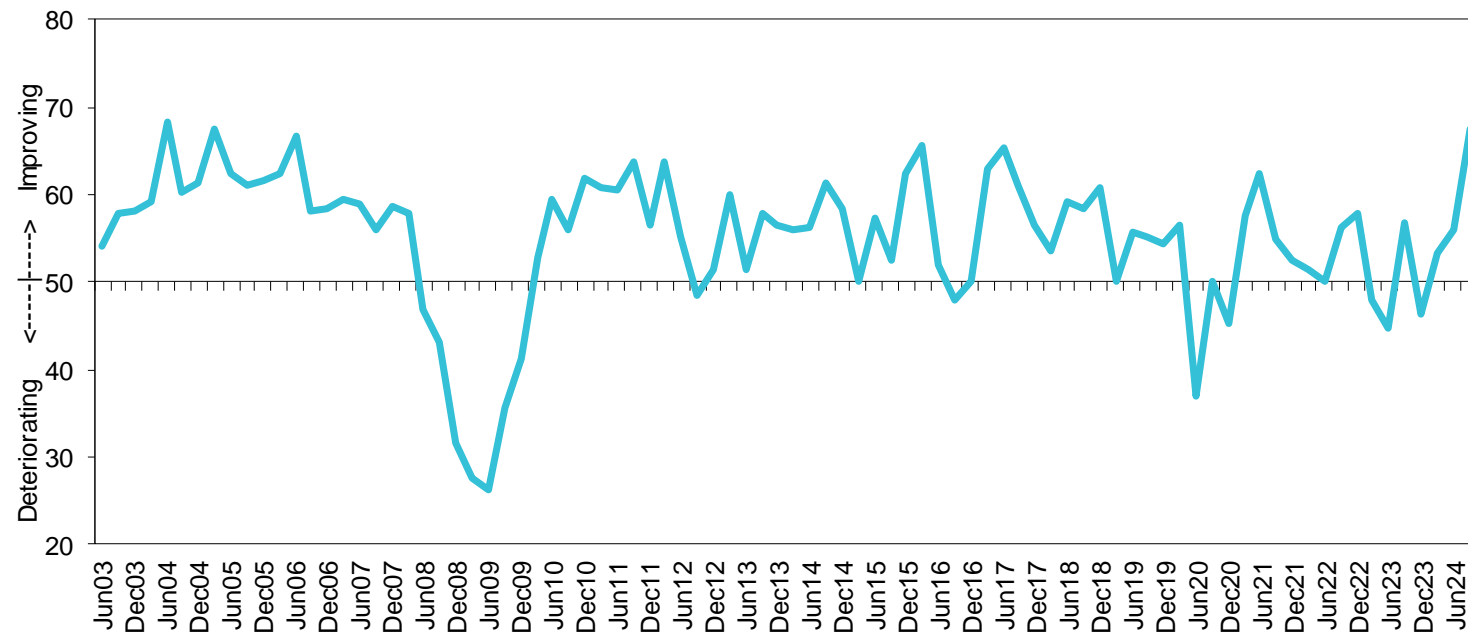


Source: Baird Research

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 67.4 in 3Q24 (from 55.9 in 2Q24). 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..."

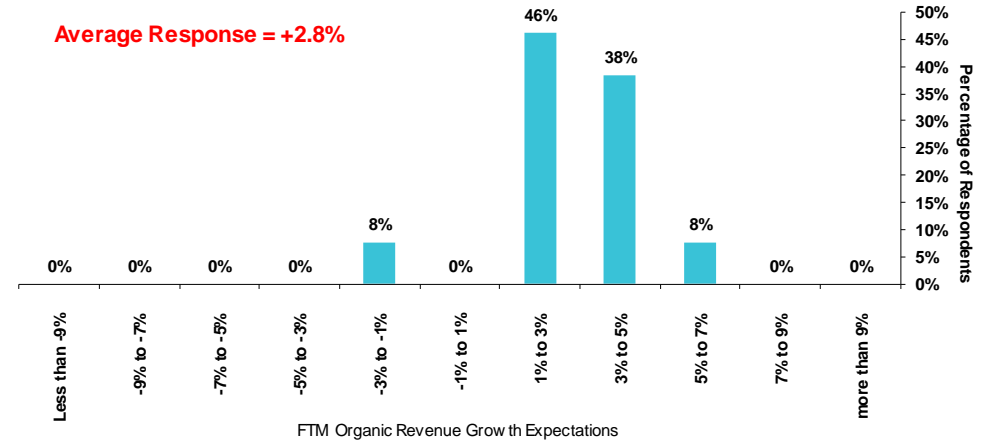


Source: Baird Research

Uniform Rental: 12-Month Growth Outlook

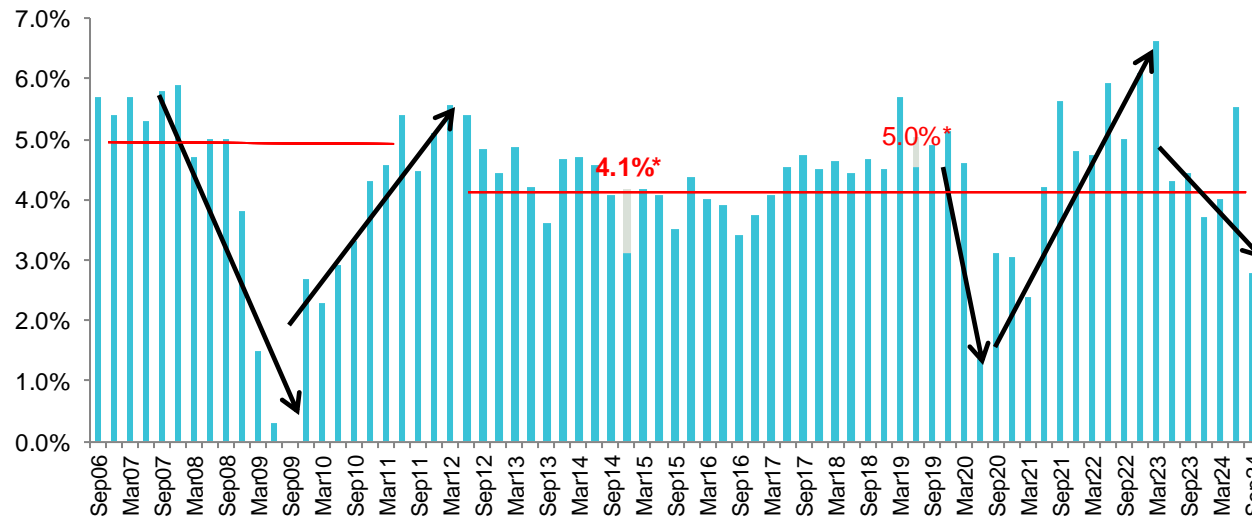
- Growth Outlook.** Respondents expect just ~2.8% rental revenue growth over the next twelve months, a steep downtick from +5.5% last quarter (unusually high) and previously steady ~4.0-4.5% expectations. See charts.

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 also showed general moderation.** 3Q24 revenue similarly saw more respondents falling short of expectations and 12-month growth expectations were revised materially lower. Unlike uniform rental, new business interest also deteriorated with our diffusion index turning negative for the first time since December 2020. Positively, price contribution remains stable.

3Q24 LINEN RENTAL SURVEY HIGHLIGHTS

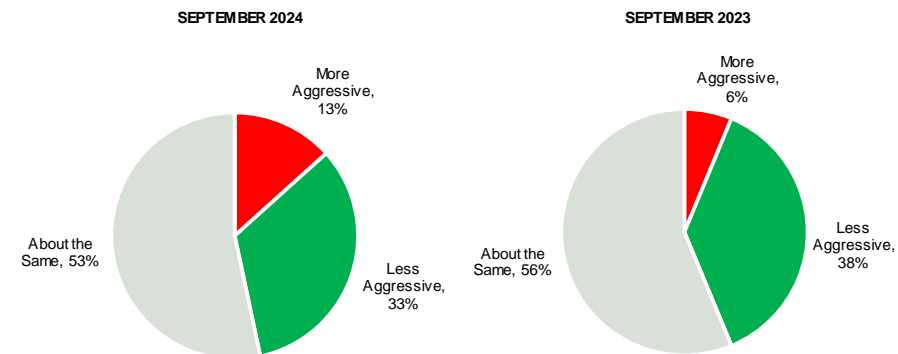
- **Rental Revenue Trends.** 47% of respondents cited rental revenue trends below expectations in 3Q24 with just 13% above (40% in line). This was the first quarter in which more respondents saw revenue trends below expectations than above since March 2021.
- **New Account Pricing.** 53% reported no change in new account pricing (which is good), with 13% seeing more aggressive pricing bids versus 33% seeing easing. Our diffusion index thus improved to 60.0. 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 3Q24 was +2.7%. This is generally in line with uniform rental and substantially unchanged from the last two quarters (+2.6% and +2.8%, respectively).
- **No-Programmers.** No-programmer interest dipped in 3Q24 to 43.3, its first negative (i.e., <50) print since December 2020. This contrasted with uniform rentals strong positive reading this quarter.
- **Growth Outlook.** Forecasted 12-month revenue outlook saw significant moderation, now expected at +2.1%, versus +4.7% last quarter. Growth expectations were steadily in the +5-6% range post-COVID recovery, showing steady moderation over the last several quarters.



Linen Rental: New Account Pricing Trends

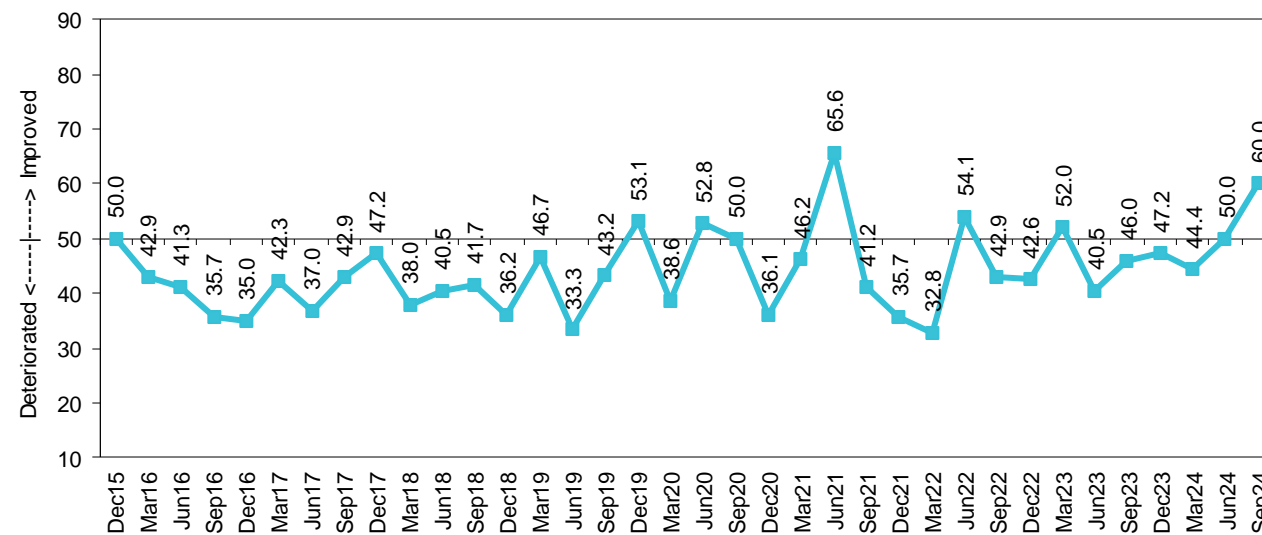
- New Account Pricing.** 53% reported no change in new account pricing (which is good), with 13% seeing more aggressive pricing bids versus 33% seeing easing. Our diffusion index thus improved to 60.0. Like uniforms, this metric has historically been negative (i.e., <50). See charts.

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



Source: Baird Research

Baird Linen Rental Price Diffusion Index



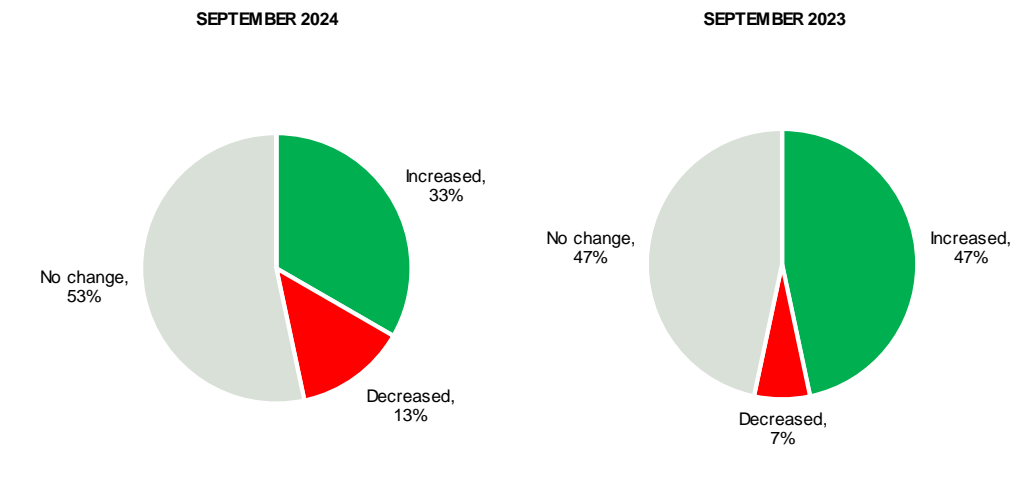
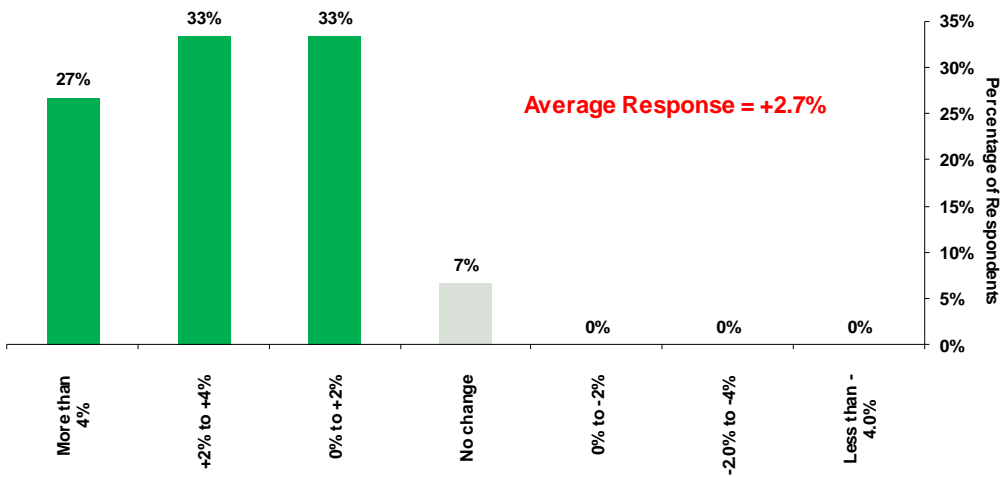
Source: Baird Research

Linen Rental: Existing Account Pricing Trends

- Base Account Pricing.** The average price increase on existing accounts undergoing price review in 3Q24 was +2.7%. This is generally in line with uniform rental and substantially unchanged from the last two quarters (+2.6% and +2.8%, respectively).

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

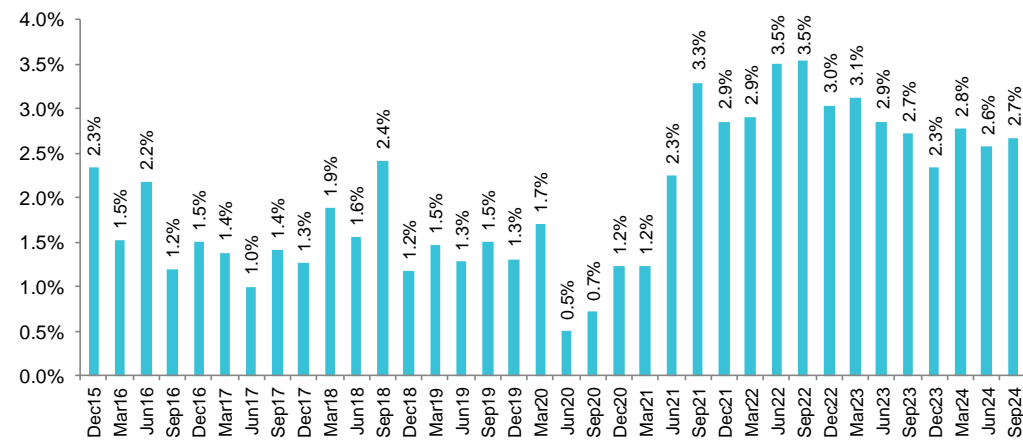
During the past 90 days, pricing on existing rental accounts has:



Source: Baird Research

Source: Baird Research

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

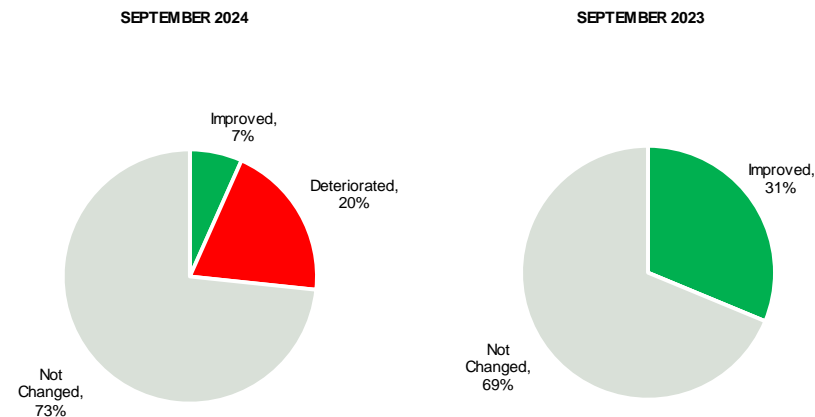


Source: Baird Research

Linen Rental: New Business (No-Programmers) Trends

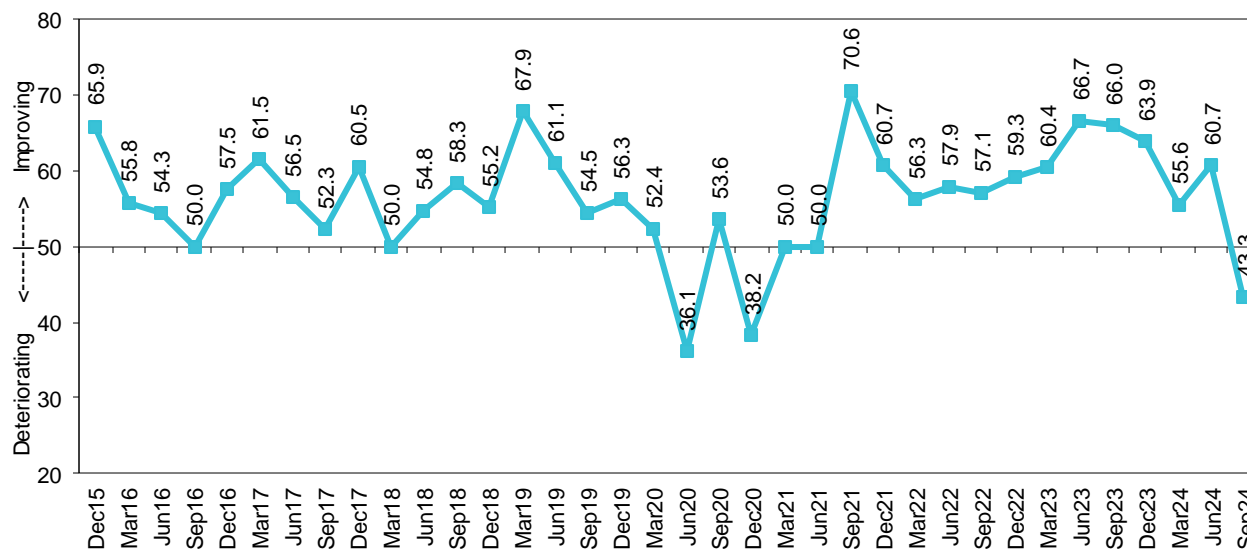
- No-Programmers.** No-programmer interest dipped in 3Q24 to 43.3, its first negative (i.e., 50) print since December 2020. This contrasted with uniform rentals strong positive reading this quarter. See charts.

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

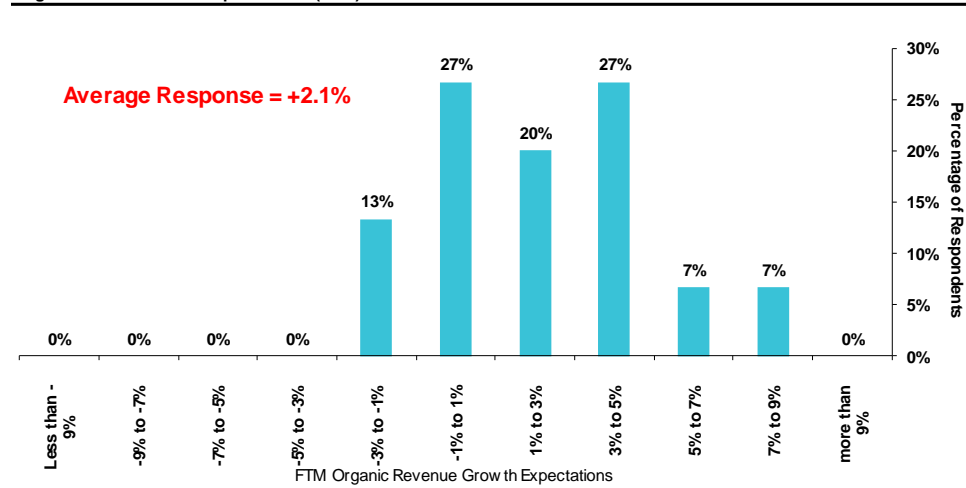


Source: Baird Research

Linen Rental: 12-Month Growth Outlook

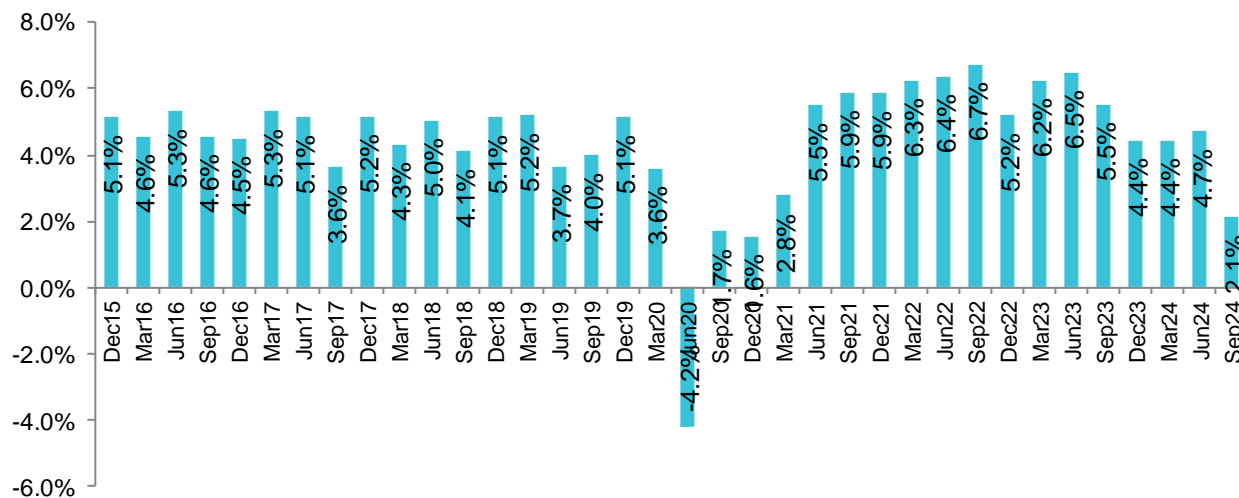
- Growth Outlook.** Forecasted 12-month revenue outlook saw significant moderation, now expected at +2.1%, versus +4.7% last quarter. Growth expectations were steadily in the +5-6% range post-COVID recovery, showing steady moderation over the last several quarters. See charts.

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?”

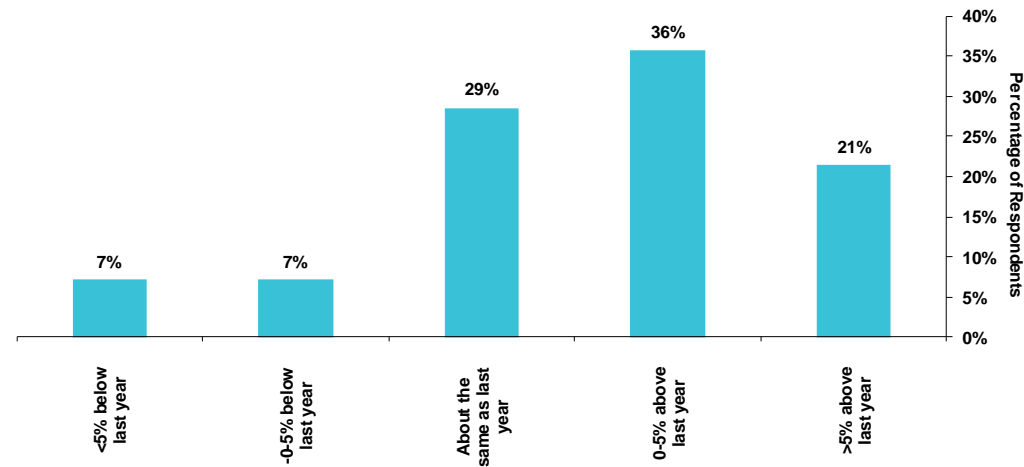


Source: Baird Research

NEW(ER) QUESTION: Healthcare Linen Operations

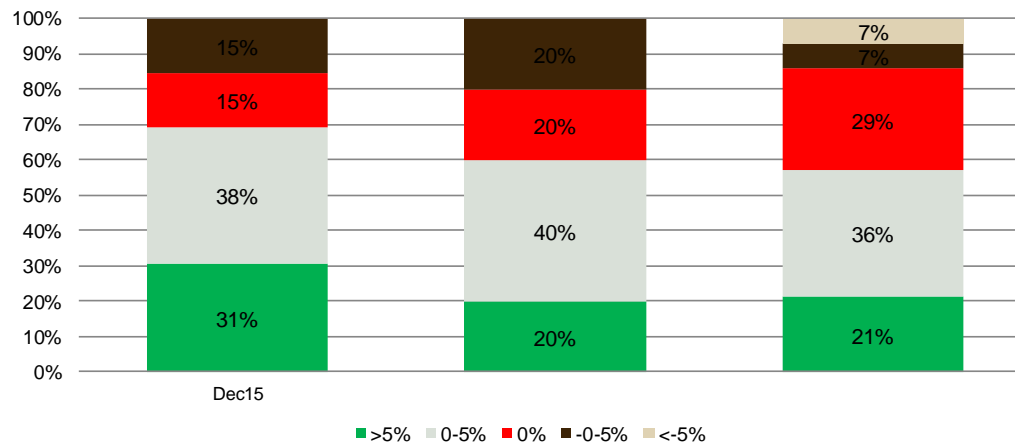
- FOR YOUR HEALTHCARE LINEN PROCESSING AND OTHER RENTAL SERVICES BUSINESS (if any):** Which of the following best describes your rental revenue growth rate trend during the past 90 days versus last year's levels?

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



Source: Baird Research

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



Source: Baird Research

Appendix – Important Disclosures and Analyst Certification

The logo for Baird, consisting of the word "BAIRD" in white, uppercase letters on a blue, parallelogram-shaped background.

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