

MOODY'S

INVESTORS SERVICE

COMPANY PROFILE

ISS A/S

Copenhagen, Denmark

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Company Overview

ISS A/S is a worldwide facility services provider delivering integrated cleaning, office support, property service, catering, security and facility management service solutions. Most operations are conducted through operating entities owned by ISS Global A/S, a wholly owned subsidiary of ISS World Services A/S.

The company's services are provided in more than 50 countries throughout Europe, Asia, North America, Latin America and the Pacific. Western Europe accounted for 51% of total revenues in 2011.

ISS A/S was established in 1901 as a security company and entered the cleaning services business in 1934. Historically, the company has expanded both organically and through acquisitions. In 2005, the company was acquired by funds advised by EQT Partners (EQT) and Goldman Sachs Capital Partners, which, as of 31 December 2011, together held 98% of total share capital. The remaining 2% is held by the company's management.

Source: Company Report (annual report Dec 2011), Company data, Moody's research

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Business Description

ISS A/S was founded in Denmark in 1901 as a security company, trading as København-Frederiksberg Nattevagt. In 1934, it established its first cleaning services company, Det Danske Rengørings Selskab A/S, as an independent subsidiary. Company shares have been listed on the Copenhagen Stock Exchange since 1977. During the last two years, the company has been divesting non-core activities wherever relevant. Historically, ISS A/S has expanded both organically and through acquisitions. The company's two largest transactions have been the acquisition of Abilis, a leading European provider of cleaning and specialised services, in 1999 for DKK3.6 billion and the outstanding 51% of shares in Tempo Services Ltd., in 2006 for DKK1.02 billion. ISS also made a large acquisition in 2007 as Sanitors, Inc., a cleaning, building maintenance, landscaping, bridge tending and security services company, was purchased for DKK1.8 billion in order to secure a stronger foothold in the US. The company's last acquisition to date is SDB Cisco in 2010.

In 2005, ISS A/S was acquired by FS Funding, a wholly owned subsidiary of FS Equity A/S, a company ultimately owned and controlled by funds advised by EQT Partners (EQT) and Goldman Sachs Capital Partners. It was de-listed from the Copenhagen Stock Exchange in 2005.

The company pursues a site-based strategy in which services are delivered as single-services, multi-services or integrated facility services (IFS). Under single-service outsourcing, the client buys a service solution from ISS. In a multi-service outsourcing agreement – consisting of two or more services – clients can obtain the same benefits as single-service outsourcing but with some additional benefits derived from service integration. Under contracts based on IFS, ISS A/S delivers two or more services within the same contract, through a single point of contact at the customer's premises. IFS is a focus area and strategic priority to the company as ISS believes the segment will see continued strong growth going forward.

ISS A/S's revenues are derived from six broad categories of services:

Cleaning Services: These include miscellaneous services varying from basic general cleaning to highly specialised niche cleaning. In 2011, Cleaning Services was ISS A/S's largest service, contributing 51% of total revenues.

Property Services: Building maintenance, technical maintenance, landscaping, pest control and damage control are all included under this business line. Property services is the company's second largest division and represented 19% of group revenues in 2011.

Catering Services: The operation of in-house restaurants, hospital canteens, catering services to remote sites, executive dining, corporate catering and office catering services including coffee solutions are offered through this segment. Catering services represented 10% of revenues in 2011.

Support Services: These include the provision of reception and switchboard services, internal mail handling, scanning and other office logistics, operation of call centres and delivery of manpower supply and outplacement services. Support services represented 8% of 2011 revenues.

Security Services: Manned guarding, access control, customer facility patrols, and installation of alarm and access systems are services available through this segment. The service accounted for 7% of total revenues in 2011.

Facility Management: These include on-site management of facility services, change management, space management and consulting. The group's smallest operating segment by size, Facility Management accounted for 5% of 2011 revenues.

The company reports its segment operations on a geographical basis that includes:

Western Europe: Operations in Austria, Belgium, Luxembourg, France, Germany, Greece, Ireland, Israel, Italy, the Netherlands, Portugal, Spain, Switzerland, Turkey and the UK are covered within this segment. In 2011, it accounted for 51% of total revenues.

Nordic: Accounting for 23% of total revenues in 2011, this segment includes operations in Denmark, Finland, Greenland, Iceland, Norway and Sweden.

Asia: This segment includes operations in Brunei, China, Hong Kong, India, Indonesia, Japan, Malaysia, the Philippines, Singapore, Taiwan and Thailand. In 2011, it accounted for 8% of total revenues.

Pacific: Operations in Australia and New Zealand are covered in this segment. In 2011, it accounted for 7% of total revenues.

Latin America: This segment includes operations in Argentina, Brazil, Chile, Columbia, Costa Rica, Ecuador, Mexico, Panama, Peru, Puerto Rico, Uruguay and Venezuela. In 2011, it accounted for 5% of total revenues.

North America: Accounting for 4% of total revenues in 2011, this segment includes operations in Canada and the US.

Eastern Europe: This segment includes operations in Croatia, the Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia and Slovenia. In 2011, it accounted for 2% of total revenues.

Other Countries: Operations in Bahrain, Egypt, Nigeria, Pakistan, South Africa, Ukraine and the UAE are included within this segment.

Source: Company Reports (annual report Dec 2011, Dec 2010 and Dec 2006), Company data, Moody's research, Moody's Financial Metrics

FIGURE 1

Revenue by Region

(in DKK Million)

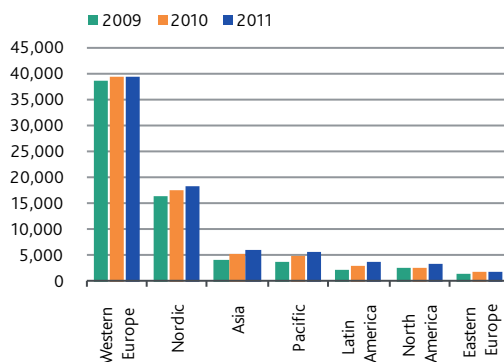
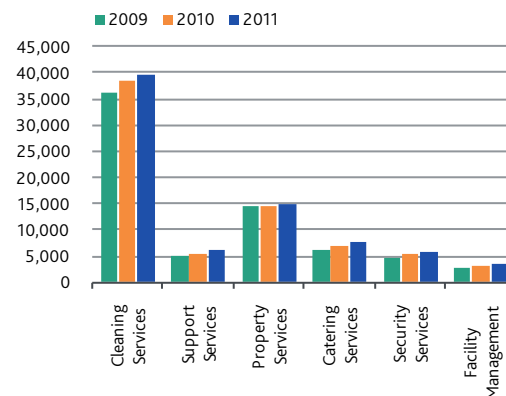


FIGURE 2

Revenue by Services

(in DKK Million)



Note: 1) 'Other Countries' segment has been excluded due to its negligible contribution
 2) Excluding "Corporate"

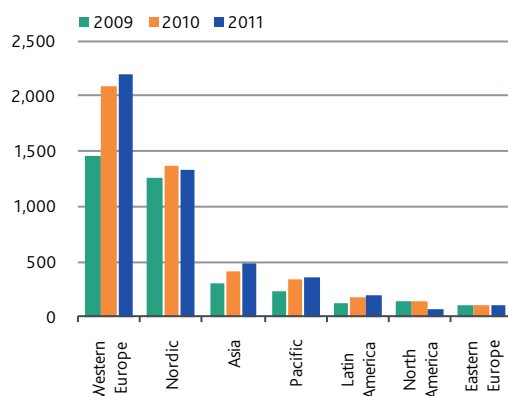
Source: Moody's Financial Metrics

Source: Moody's Financial Metrics

FIGURE 3

Operating Profit by Region

(in DKK Million)



Note: 1) 'Other Countries' segment has been excluded due to its negligible contribution
 2) Excluding Goodwill impairment and Amortisation and impairment of brands and customer contracts

Source: Moody's Financial Metrics

Management Strategy/Priorities

ISS's strategic direction has been unchanged for a decade as it pursues an integrated facility services strategy while at the same time maintaining a strong position and further development of single services. In 2008, the company launched "The ISS Way Strategy" with the aim of establishing the capability to provide a global self-delivery of services as part of an integrated offering. The strategy is focusing on aligning the organisation based on international best practices and standard business procedures. The ISS Way Strategy is underpinned by four principal cornerstones:

- » Customer Focus – the customer needs are in focus and ISS seeks to serve local, regional or global customers by adapting to their needs
- » People Management – managing people is a core competence to the company and they seek to develop high quality human resource skills through investments in best leadership practices, strong human resource policies, and employee training
- » IFS Strategy – the development of advanced IFS services is a strategic aim and ISS focuses on self-delivering multiple site-based services through product innovation and development of facility management capabilities
- » Multi-local Approach – striking a balance in between autonomy and alignment, local market knowledge and expertise are leveraged throughout the organisation while fundamental company policies and strategic direction is implemented in order to maximise best practices

Following the company's postponed IPO in 2011 and the termination of the G4S proposed acquisition of ISS, the company announced its intention to supplement The ISS Way Strategy with some additional strategic priorities coined "the New Beginning:"

- » Targeting an IPO in 2015 with less leverage and lower net debt in absolute terms. In order to address any near-term refinancing requirements, the company had already, in June 2011, extended the maturities of certain tranches of its Senior Facilities Agreement and its securitisation programme.
- » Accelerating the strategic alignment process and the divestment of the selected non-core activities. During 2011, ISS completed twelve divestments.

Source: Company Report (annual report Dec 2011), Moody's research

Financial Highlights

Overview

Company Type: Private
 Fiscal Year End: December
 Auditor: KPMG

Note: The financials presented below have been adjusted for Moody's analytic purposes. To see how adjustments have been made, please see [Moody's Financial Metrics](#), a fundamental financial data and analytics platform that offers insight into the drivers of Moody's Corporate ratings.

FIGURE 4

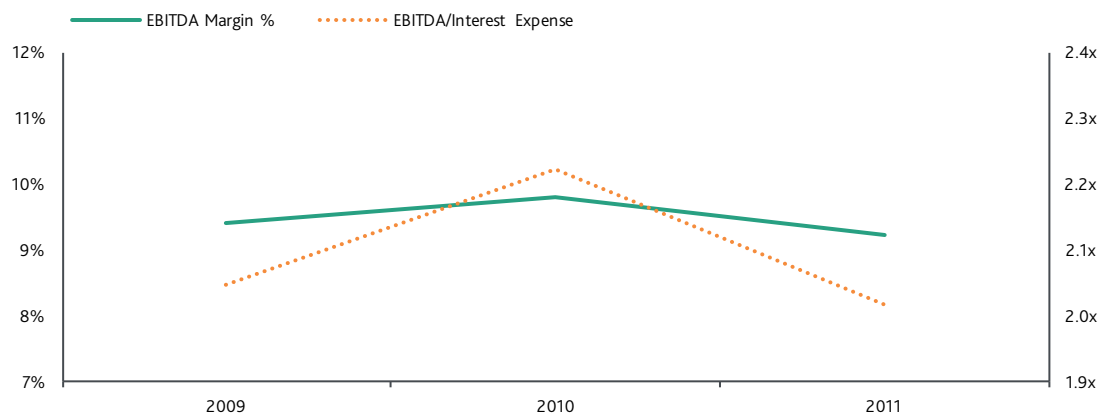
Selected Adjusted Financial Data

ISS AS

In DKK Million	31-Dec-11	31-Dec-10	31-Dec-09
INCOME STATEMENT			
Revenue/Sales	77,644	74,073	69,004
EBITDA	7,179	7,260	6,505
EBIT	4,206	4,157	3,337
Interest Expense	3,560	3,268	3,178
Net Income	(61)	431	(109)
BALANCE SHEET			
Cash & Cash Equivalents	4,005	3,576	3,364
Current Assets	17,826	16,264	15,473
Net PP&E	14,773	14,859	14,424
Total Assets	67,719	68,259	66,774
Current Liabilities	22,076	20,648	20,474
Total Debt	48,404	48,687	48,022
Total Liabilities	66,276	66,146	65,004
Shareholders' Equity	1,443	2,113	1,770
CASH FLOW			
Funds from Operations (FFO)	2,778	3,122	3,195
Cash Flow from Operations (CFO)	2,886	3,181	2,911
CAPEX	(2,514)	(2,410)	(2,387)
Cash from Investing Activities	(1,743)	(2,140)	(3,212)
Dividends	(8)	(9)	(14)
Retained Cash Flow (RCF)	2,770	3,113	3,181
Share Repurchases	—	—	—
Cash from Financing Activities	(673)	(908)	654

Source: Moody's Financial Metrics

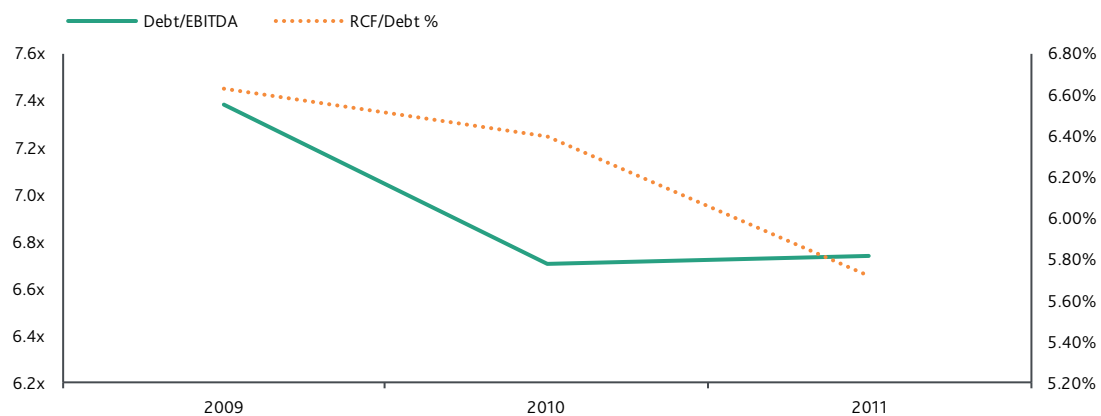
FIGURE 5

EBITDA Margin & EBITDA/Interest Expense (Adjusted)

As of 31 Dec 2011

Source: Moody's Financial Metrics

FIGURE 6

Debt/EBITDA & RCF/Debt (Adjusted)

As of 31 Dec 2011

Source: Moody's Financial Metrics

Capital Structure and Debt Maturity Schedule

Note: Some financials presented below have been adjusted for Moody's analytic purposes. To see how adjustments have been made, please see [Moody's Financial Metrics](#), a fundamental financial data and analytics platform that offers insight into the drivers of Moody's Corporate ratings.

FIGURE 7

Capital Structure

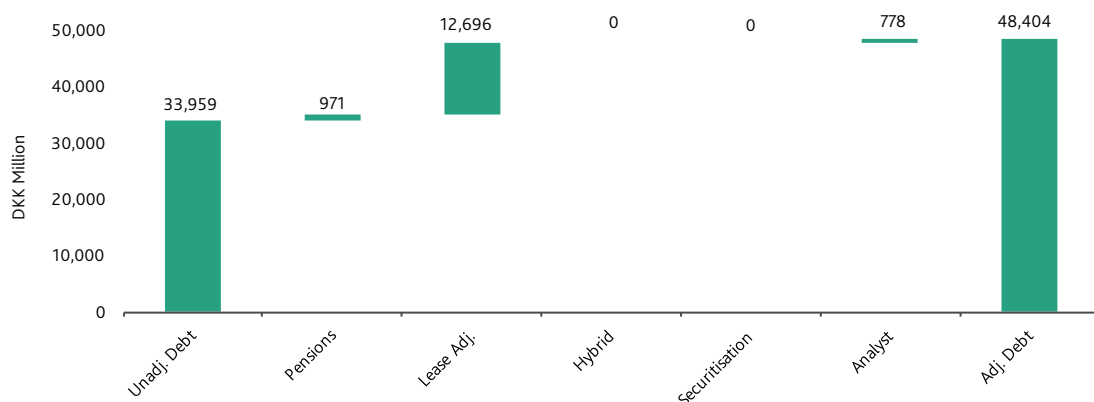
ISS AS

In DKK Million	31-Dec-11	31-Dec-10	31-Dec-09
SHORT-TERM DEBT			
Short-Term Debt	5,778	5,216	5,710
Current Portion of Long-Term Debt	824	980	4,400
Total Short-Term Debt	6,602	6,196	10,110
TOTAL DEBT			
Secured Debt	24,915	25,161	23,486
Senior Debt	4,636	4,646	7,365
Subordinated Debt	4,262	4,259	3,300
Financial Liabilities - Non-Current	–	–	94
Capitalised Leases	146	182	208
Total Debt	33,959	34,248	34,359
Total Adjusted Debt	48,404	48,687	48,022
SHAREHOLDERS' EQUITY			
Preferred Stock	–	–	–
Common Stock & Paid-In Capital	7,840	7,675	7,584
Retained Earnings	(5,947)	(5,276)	(4,711)
Accumulated Other Comprehensive Income	177	227	(683)
Total Equity	2,070	2,626	2,190
Total Adjusted Equity	1,443	2,113	1,770
Adjusted Book Capitalisation	51,960	53,185	52,185
Adjusted Market Capitalisation	–	–	–
Adjusted Debt/Adjusted Book Capital (%)	93.16	91.54	92.02
Company Loans and Borrowings /Total Debt (%)	28.41	25.40	22.62
Secured Debt/Total Debt (%)	73.37	73.47	68.35

Source: Moody's Financial Metrics

Of ISS A/S's total adjusted debt in the fiscal year 2011, the largest debt-adjustments were related to lease and pension adjustments.

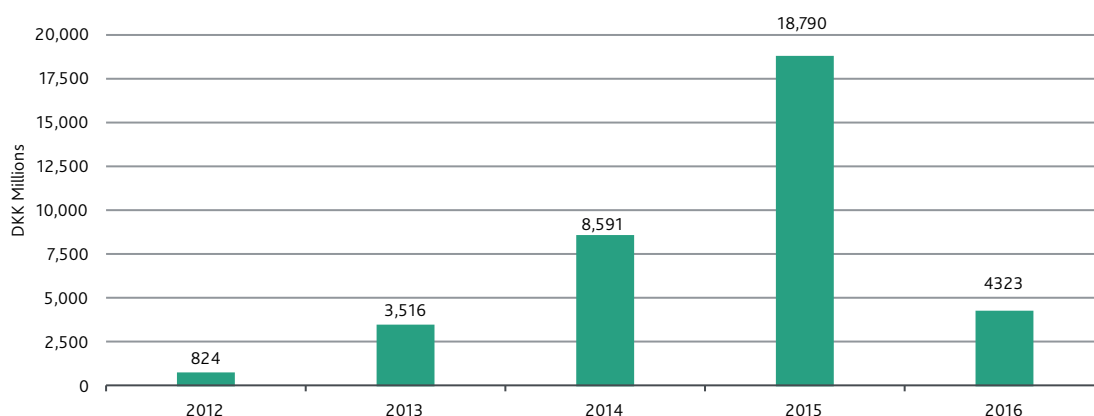
FIGURE 8

Components of Debt

As of 31 Dec 2011

Source: Moody's Financial Metrics

FIGURE 9

Upcoming Long-Term Debt Maturities

As of 31 Dec 2011

Source: Moody's Financial Metrics

Company Management

Company Management	Current Title	Age	Previous Roles
Jeff Gravenhorst	Chief Executive Officer	49	ISS A/S: Chief Operating Officer; ISS A/S: Chief Financial Officer; ISS UK: Chief Financial Officer
Henrik Andersen	Chief Financial Officer	44	ISS UK: Country Manager; ISS UK: Chief Financial Officer; ISS A/S: Executive Vice President and International Business Director, Northern Europe, Head of Group Treasury

As of 19 Mar 2012

Board of Directors	Age	Affiliation
Ole Andersen	55	ISS A/S: Chairman; Danske Bank A/S, Chr. Hansen Holding A/S, Bang & Olufsen A/S: Chairman of the Board of Directors
Leif Östling	66	ISS A/S: Deputy Chairman; Scania AB: President and Chief Executive Officer; AB SKF, Confederation of Swedish Enterprise (Svenskt Näringsliv) and The Association of Swedish Engineering Industries (Teknikföre-tagen): Chairman of the Board of Directors; Scania AB: Board Member; Toyota Industries Cooperation: Advisory Board Member
Steven Sher	41	ISS A/S: Director; Goldman Sachs International (Merchant Banking Division): Managing Director; Ahlseil AB, Edam Acquisition I B.V. Cooperatief U.A., Endemol B.V., Nybrojarl New 1 AB and Nybrojarl New 3 AB: Board Member
Michel Combes	49	ISS A/S: Director; Vodafone Plc: Board Member and Chief Executive Officer of Vodafone Europe; Assystem SA: Chairman of the Supervisory Board
Harry Klagsbrun	57	ISS A/S: Director; EQT Partners AB: Senior Partner; Gambro AB and AcadeMedia AB: Board Member
Jennie Chua	67	ISS A/S: Director; CapitaLand Limited: Chief Corporate Officer; Ascott Residence Trust Management Limited and CapitaMalls Asia Limited: Board Member; Sentosa Cove Pte Ltd. and Alexandra Health Pte Ltd.: Chairman; Temasek Foundation: Deputy Chairman
Pernille Benborg	41	ISS A/S: Director and Employee Representative; ISS World Services A/S: Compliance Head
Joseph Nazareth	51	ISS A/S: Director and Employee Representative; ISS World Services A/S: Head of Group Health, Safety and Environment and Corporate Responsibility
Palle Fransen Queck	36	ISS A/S: Director and Employee Representative; ISS World Services A/S: Head of Process Innovation

As of 19 Mar 2012

Source: Company Report (annual report Dec 2011), Company data

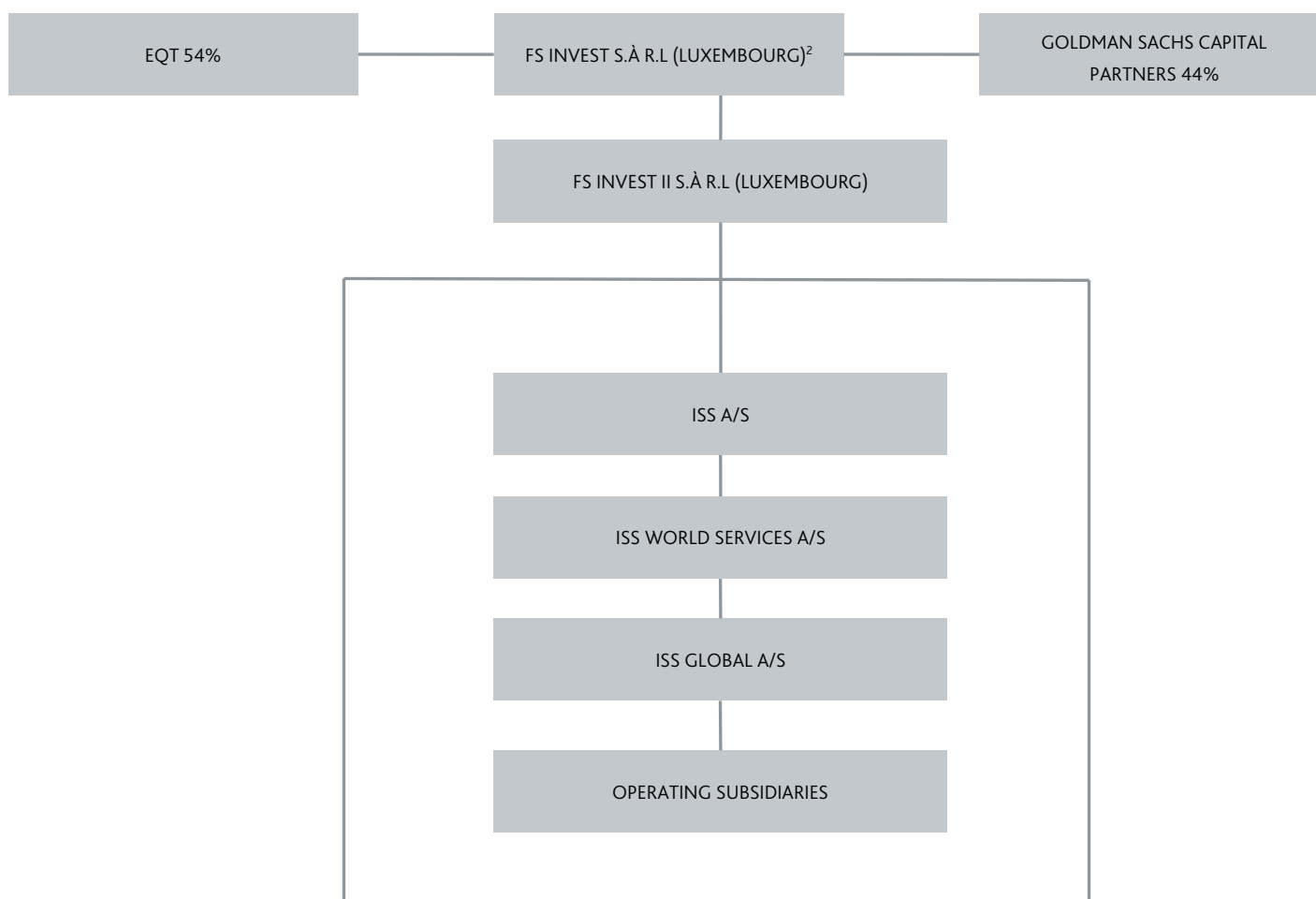
Ownership Structure

As of 31 December 2011, ISS A/S was owned by FS Invest II S.à r.l. (Luxembourg), a company indirectly owned by funds advised by EQT and Goldman Sachs Capital Partners which together held 98% of total share capital. The remaining 2% was held by the company's management.

Source: Company Report (annual report Dec 2011), Moody's research

FIGURE 10

Ownership Structure¹ as of 31 December 2011



Note: 1) The company was founded under the name of Det Danske Rengørings Selskab A/S and renamed ISS A/S in 1968. In 2005, the company was taken private by FS Funding (renamed ISS Holding A/S in 2007) – a wholly owned subsidiary of FS Equity A/S (renamed ISS Equity A/S in 2007). In February 2011, ISS Holding A/S further changed its name to ISS A/S. Simultaneously, the "Old" ISS A/S, a subsidiary of ISS Holding A/S, changed its company name to ISS World Services A/S.

2) Certain members of the Board of Directors, members of the Executive Group Management Board and a number of senior officers of the company have invested, directly or indirectly, in shares and warrants in FS Invest S.à r.l., ISS A/S's ultimate parent company. The total number of shares held by these directors and officers is below 2% of the total share capital.

Source: Company Report (annual report Dec 2011)

Sector/Industry Peer Group (Rated peers)

» [Compass Group Plc](#)

Related Websites and Information Sources

For additional information, please see:

The company's website:

» www.issworld.com

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Rating Methodology:

» [Global Business & Consumer Service Industry Rating Methodology, October 2010 \(127102\)](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available on the [issuer's page](#). All research may not be available to all clients.

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