



# Capital Markets' Day

17 September, 2015



**Lord Allen of Kensington Kt CBE, Chairman**

Welcome

# ISS Executive Group Management

## Today's speakers...



**Jeff Gravenhorst**  
CEO



**Troels Bjerg**  
CEO Northern Europe



**Andrew Price**  
CCO



**John Peri**  
CEO Americas



**Heine Dalsgaard**  
CFO

## Other members of EGM...



**Michelle Healy**  
Chief People & Culture Officer



**Jacob Götzsche**  
CEO Central Europe



**Flemming Bendt**  
CEO Eastern Europe



**Henrik Langebæk<sup>(1)</sup>**  
CEO Western Europe (interim)



**Thomas Hinnerkov<sup>(1)</sup>**  
CEO Asia Pacific

*(1) Not present today*



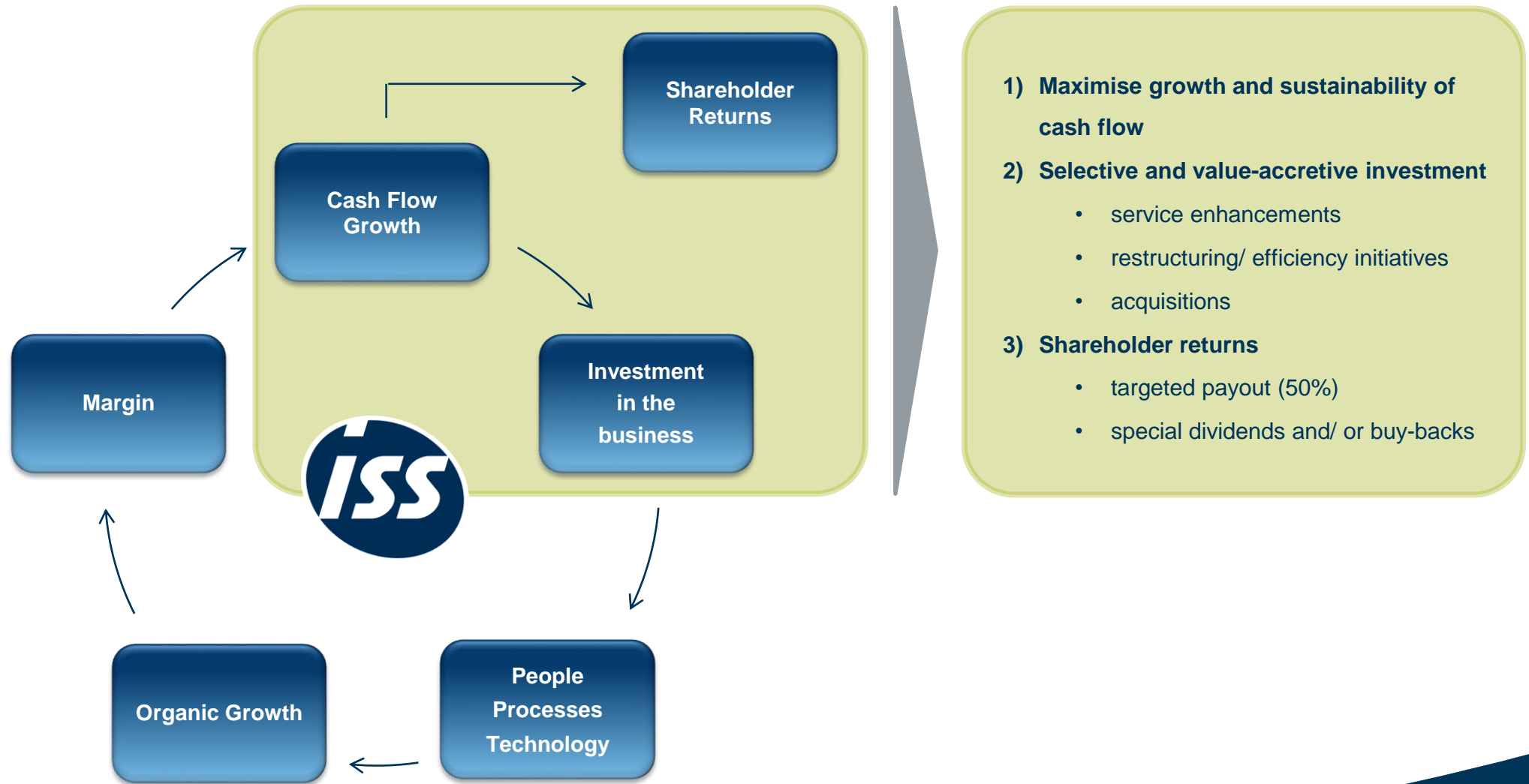
# Jeff Gravenhorst, Group CEO

Vision and Strategy

# Agenda

12.30 – 12.35	5 mins	Welcome	Lord Allen
12.35 – 13.05	30 mins	Vision and Strategy	Jeff Gravenhorst
13.05 – 13.35	30 mins	Operational Excellence	Troels Bjerg
13.35 – 14.05	30 mins	Commercial Development	Andrew Price
14.05 – 14.30	25 mins	Q&A	
14.30 – 15.00	30 mins	Break	
15.00 – 15.30	30 mins	The Americas	John Peri
15.30 – 15.45	15 mins	Acquisitions and Divestments	Jeff Gravenhorst
15.45 – 16.15	30 mins	Financials	Heine Dalsgaard
16.15 – 16.40	25 mins	Q&A	
16.40 – 16.45	5 mins	Closing remarks	Jeff Gravenhorst

# Creating value for shareholders is our priority



# We will ensure capital allocation is optimal

	Objective	Comment
1.	Capital structure	Maintain optimal balance sheet strength, through-cycle
2.	Capital expenditure/ net working capital	Meet the modest, ongoing capital needs of the business
3.	Ordinary dividend	Targeted 50% payout policy
4.	Acquisitions and disposals	Further portfolio optimisation and highly selective acquisitions
5.	Additional shareholder returns	Special dividends or share buy-backs

“ We are going to be  
the world’s greatest  
service organisation ”



# Great service performance...

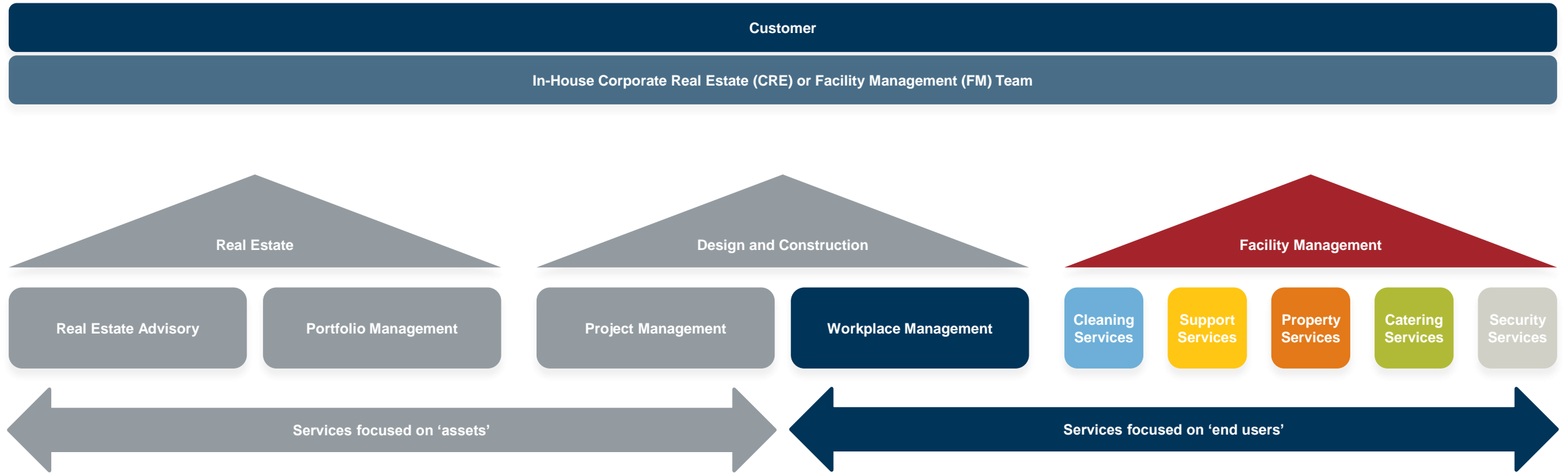


**SERVICE PERFORMANCE**










**FACILITATING OUR CUSTOMERS PURPOSE**

**THROUGH PEOPLE EMPOWERMENT**

# Facility services in context



# Strategic positioning of ISS and key peers

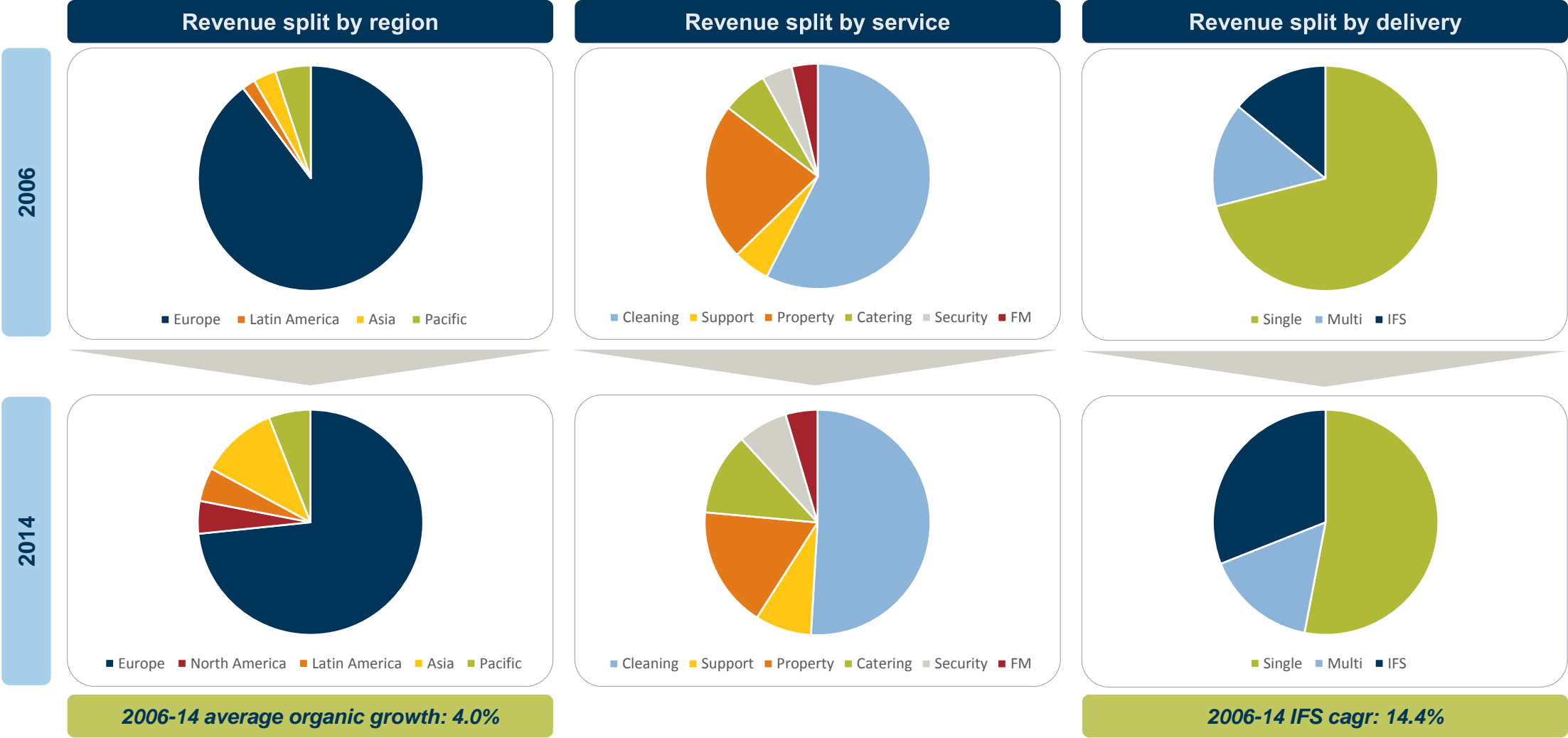
		Revenue DKK bn FY14	Employee Headcount 000s	Core initial segment of operations							Ability to deliver global IFS	Ability to manage global IFS
Self-delivery		74	511	Cleaning	Support	Property	Catering	Security	FM		✓✓✓✓	✓✓✓✓
		134	419	Catering	Cleaning	Support	Security	FM	Property		✓✓✓✓	✓✓✓✓
		155	514	Catering	Cleaning	Support	Security	FM	Property		✓✓	
		83	270	Catering	Support	Property	FM				✓	
		63	623	Security								
Sub-contracting		58	277	Security								
		31	53	FM	Property						✓	✓✓✓✓
		70 <sup>1</sup>	68 <sup>1</sup>	FM	Property						✓✓✓	✓✓✓✓
		31 <sup>2</sup>	43 <sup>2</sup>	FM	Property						✓	✓✓✓✓

(1) After merger with GWS; (2) After merger with Cushman & Wakefield. Source: company filings and websites, ISS estimates.

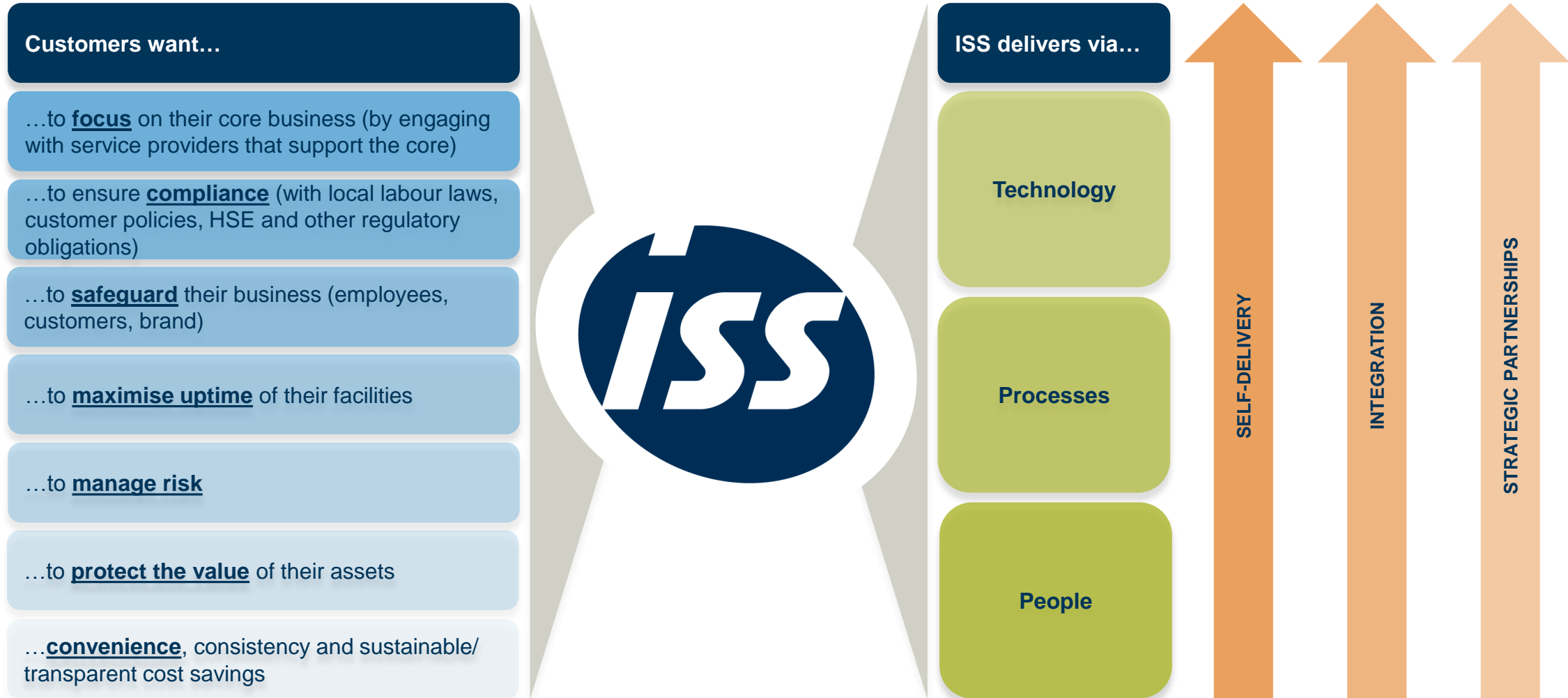
A leader in the  
service, globally

Service is part of the  
portfolio

# ISS' revenue mix continues to improve

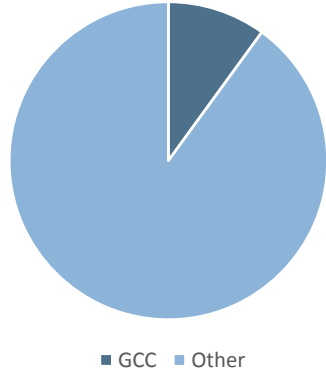


# IFS is where we can provide greatest value for our customers



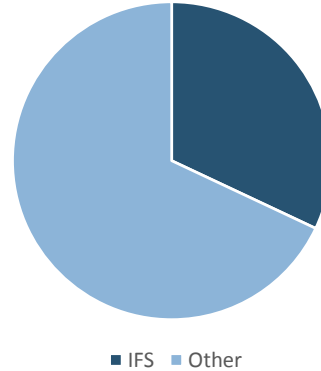
# ISS fully focused on key accounts

## GCC drives 10% of group revenues



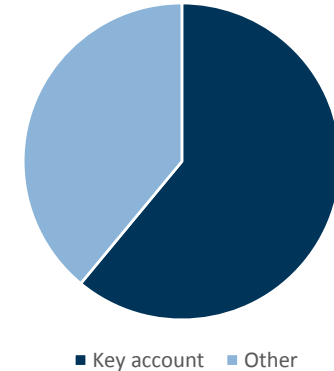
- ISS has had great success within GCC
- GCC customers are some of the most sophisticated
- Significant opportunity to share best practices from GCC across a larger opportunity set
- H1 2015 GCC constant currency revenue growth of 10%

## IFS drives 32% of group revenues



- IFS remains at the core of ISS' strategy...
- ...and is where we typically offer the greatest value to customers
- ISS has won significant local, national and regional IFS contracts
- H1 2015 IFS constant currency revenue growth of 10%

## Key accounts drive 61% of group revenues

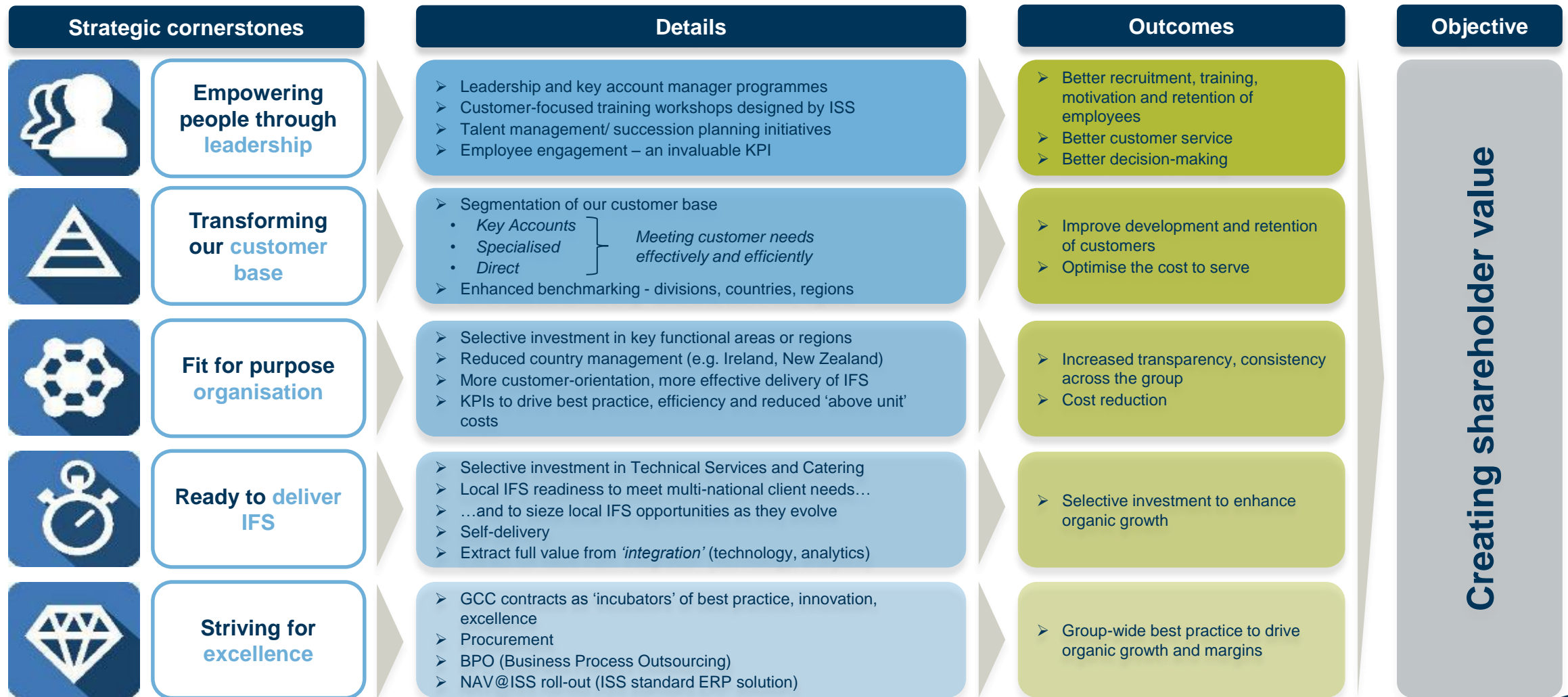


- c. 1,700 key accounts<sup>(1)</sup> identified...
- ...reflecting 'strategic relationships' (size, relevance, etc.)
- Typically performance-based, output-driven...
- ...with significant IFS potential
- ISS fully focused on maximising development/ retention and profitability of these customers

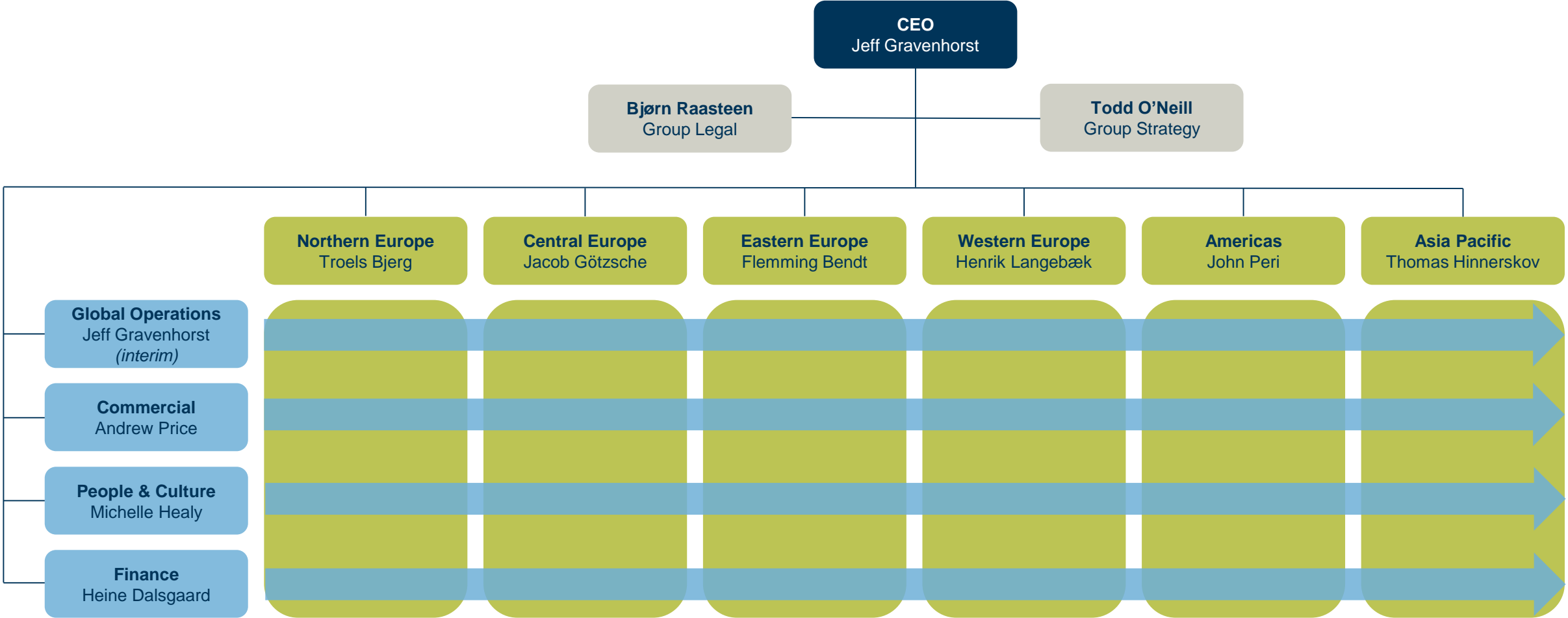
ISS to accelerate the implementation of best practices across the country/ regional operating model

(1) Less than 1% of the total number of ISS customers

# Our strategic initiatives will make us GREAT



# ISS management structure aligned with our key account focus

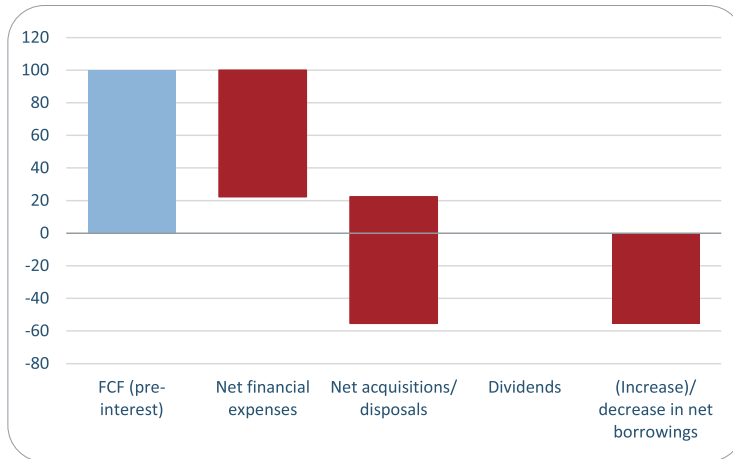




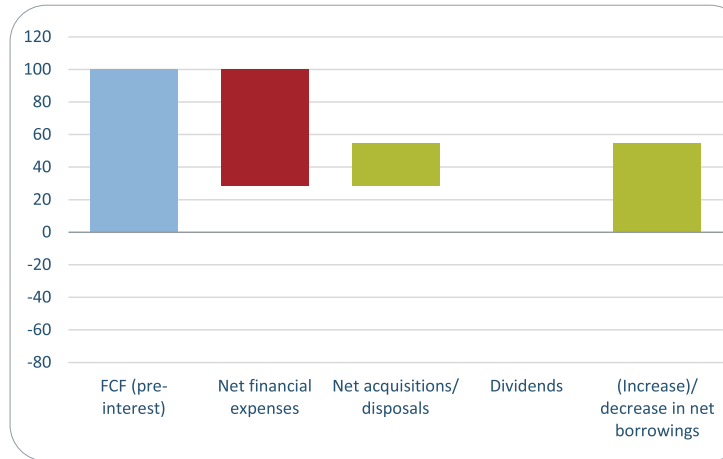
# Shareholders will benefit from our strategy

## ISS allocation of FCF (pre-interest)<sup>(1)</sup>, %

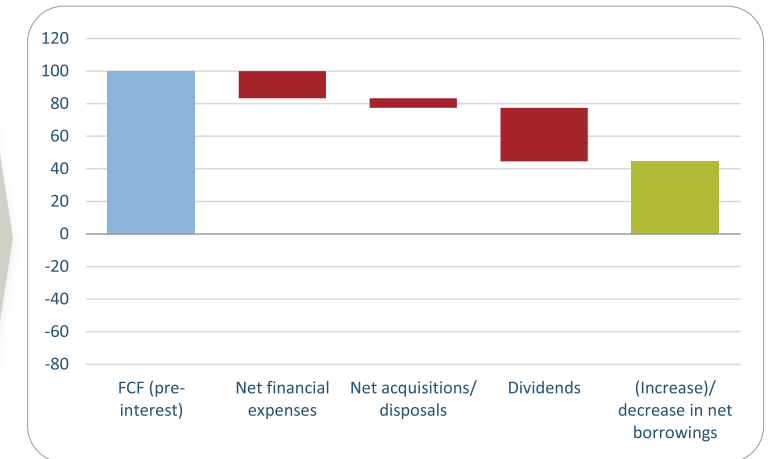
2006-09



2010-13



LTM



(1) FCF (pre-interest) = [Cash flow from operating activities, add back net interest paid/ received] + net acquisition/ divestment of intangible assets (e.g. software) and PPE

Significant potential to increase future shareholder returns beyond our 50% dividend payout ratio



# **Troels Bjerg, CEO Northern Europe**

Operational Excellence

# The ISS journey continues



ISS was founded in 1901

114 years later and after 600+ acquisitions (and 60+ divestments)...

...we now have 509,133 employees...

...and operate in 77 countries<sup>(1)</sup>

The focus on alignment started in 2008 with 'The ISS Way' strategy...

...and has gathered momentum under 'Project GREAT'

Driving operational excellence across the group is now an even higher priority

## PEOPLE

*Improving our investment in and development of human capital across the group*

## SCALE

*Ensuring we deliver cost leadership, through rigorous and disciplined adherence to group standards and processes*

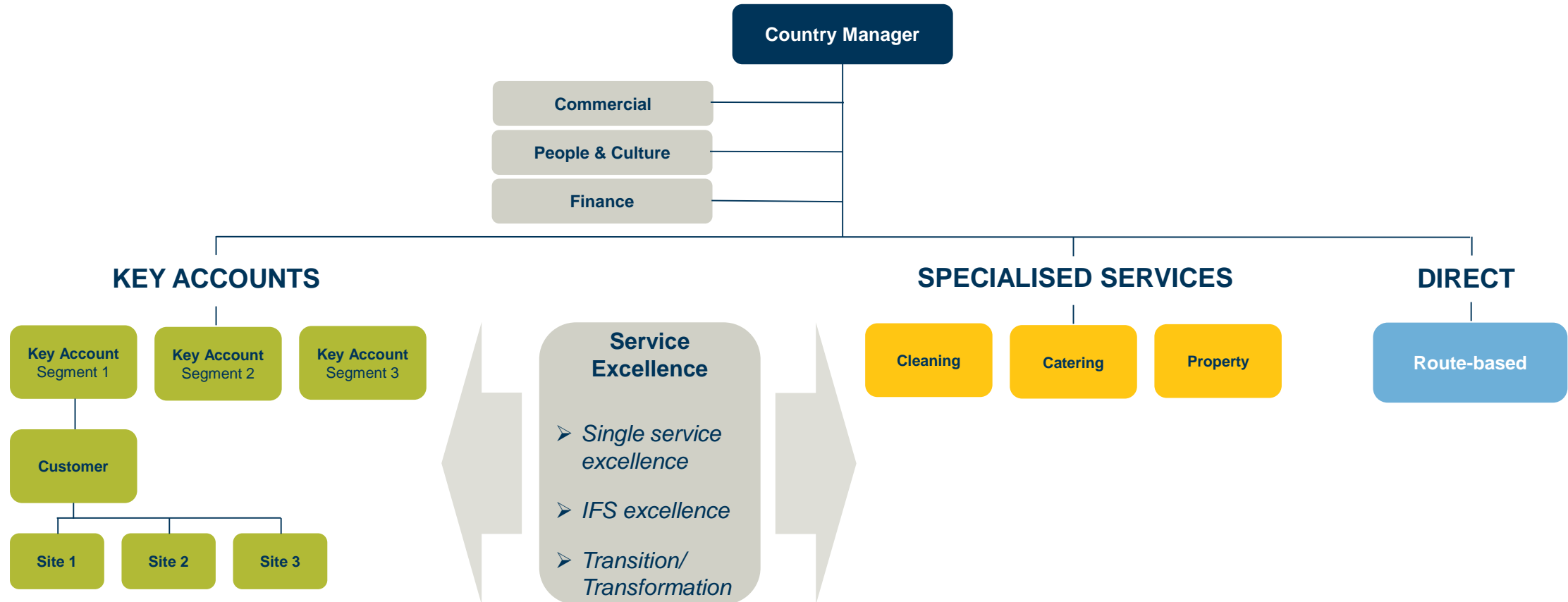
## CONCEPTS

*Enhanced sharing of best practices and innovation, thereby supporting 'best-in-class' solutions for our customers*

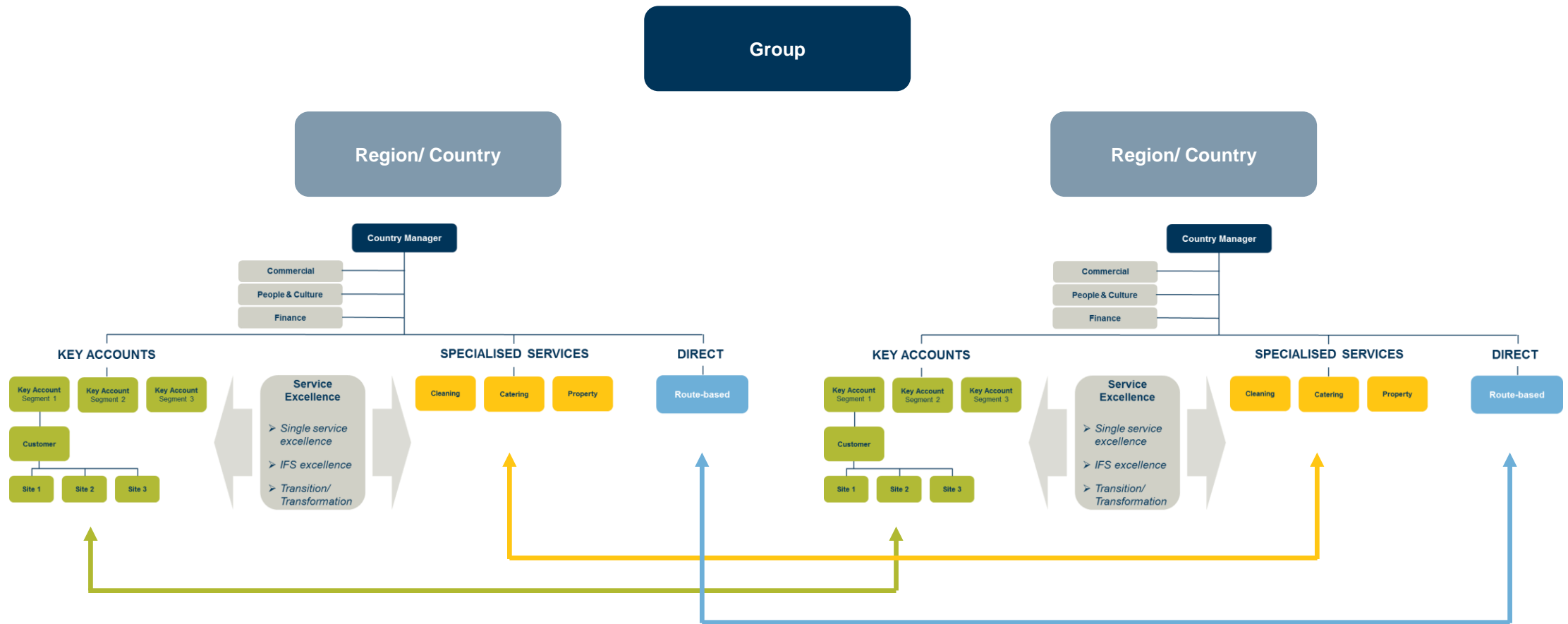
(1) ISS employs its own people in 48 countries



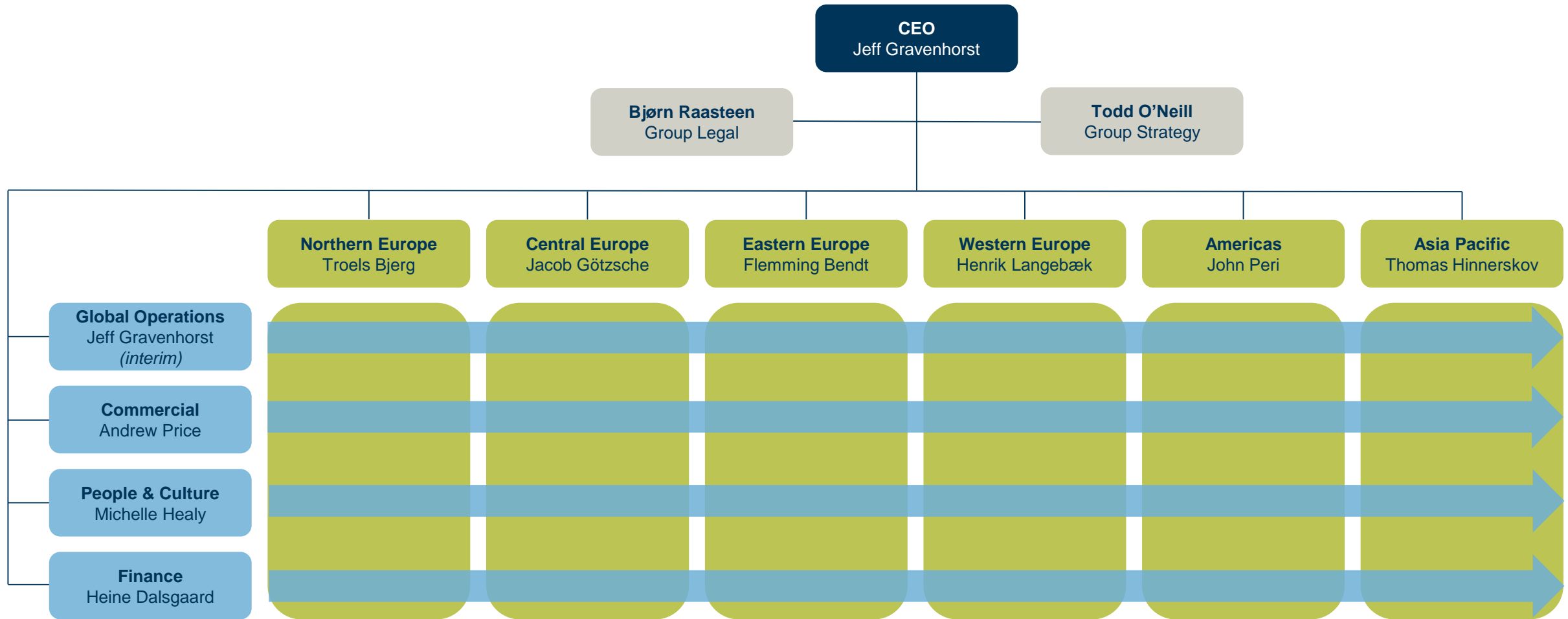
# ISS organisational blueprint for countries...



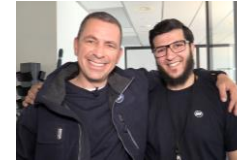
# ...which will support collaboration across countries & regions..



# ...and is fundamental to our new group structure



# It's all about people



## Driving employee engagement

- EES and eNPS<sup>(1)</sup>
- Recognition of the front line
- Company Day for management

## Instilling a service culture

- Frontline training
- Recruitment programme
- First line management training

## Talent pipeline management

- Key Account Manager (KAM) training
- Building a pipeline of future KAMs

## Building leadership

- Leadership development on all levels
- KAM certification
- Onboarding programmes

(1) Employee Engagement Survey, employee Net Promoter Score

# Scale: Procurement

A selection of Wave I and II Categories covered to-date...

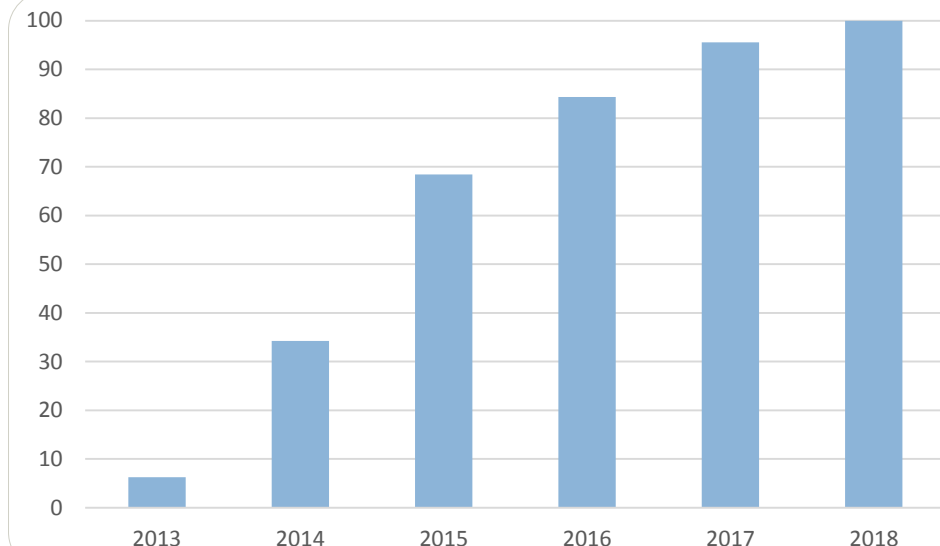
Category	Progress
1. Fleet	<ul style="list-style-type: none"> <li>Pan-European agreements with 3 OEMs</li> <li>2 leasing partners in place</li> </ul>
2. Cleaning	<ul style="list-style-type: none"> <li>Strategic partner in place</li> <li>Secondary suppliers identified</li> </ul>
3. Food spend (6 countries)	<ul style="list-style-type: none"> <li>Detailed spend review</li> <li>Country tender processes conducted</li> </ul>
4. Office supplies	<ul style="list-style-type: none"> <li>Pan-European supplier selected</li> <li>Implementation across 17 countries</li> </ul>
5. IT hardware	<ul style="list-style-type: none"> <li>Global agreement covering 28 countries</li> <li>New standard range defined and implemented</li> </ul>
6. Sub-contracting (vending, lifts, fast-track)	<ul style="list-style-type: none"> <li>Pan-European agreements for vending &amp; lifts</li> <li>Fast track negotiations ongoing</li> </ul>
7. Travel	<ul style="list-style-type: none"> <li>Pan-European agreements in place</li> <li>Replaces a total of 17 European agencies</li> </ul>
8. Uniforms	<ul style="list-style-type: none"> <li>New global design approved</li> <li>New European suppliers confirmed</li> </ul>

## Financial impact

- Total ISS addressable spend of c. DKK 22,000m
  - Waves I and II comprise 8,000m of addressable spend
    - Gross savings target from Waves I and II remains DKK 350-450m
  - Wave III being launched, additional savings targeted
  - All P&L savings expected to be realised by end-2018
- A significant proportion of savings will be 'reinvested' in the business

## Waves I and II: Cumulative gross savings profile<sup>(1)</sup>, %

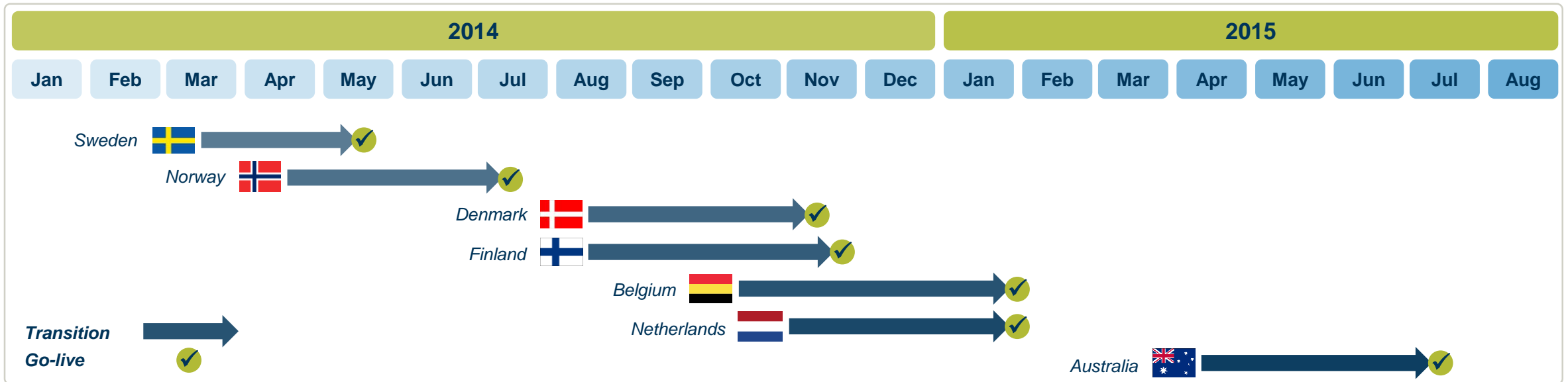
Latest ISS estimate



(1) Note data shows cumulative savings realised by year-end. Actual in-year P&L impact will be subject to exact timing.



# Scale: BPO



- To-date, ISS has outsourced 83 FTE roles to Cognizant (Hyderabad, India)
- 7-year contractual productivity improvements in place
- Key roles outsourced (transactional finance only):
  - *Procure to pay (accounts payable)*
  - *Order to cash (customer invoicing)*
  - *Record to report (accounting journal entries, reconciliation)*
  - *Catering accounting*
- Prudent, step-by-step approach adopted, no 'one-size fits all' across countries

## Benefits

- **Increased flexibility**
- **Improved transparency**
- **Risk reduction**
- **Lower cost**

**Further roll-out across additional ISS countries planned for 2016**

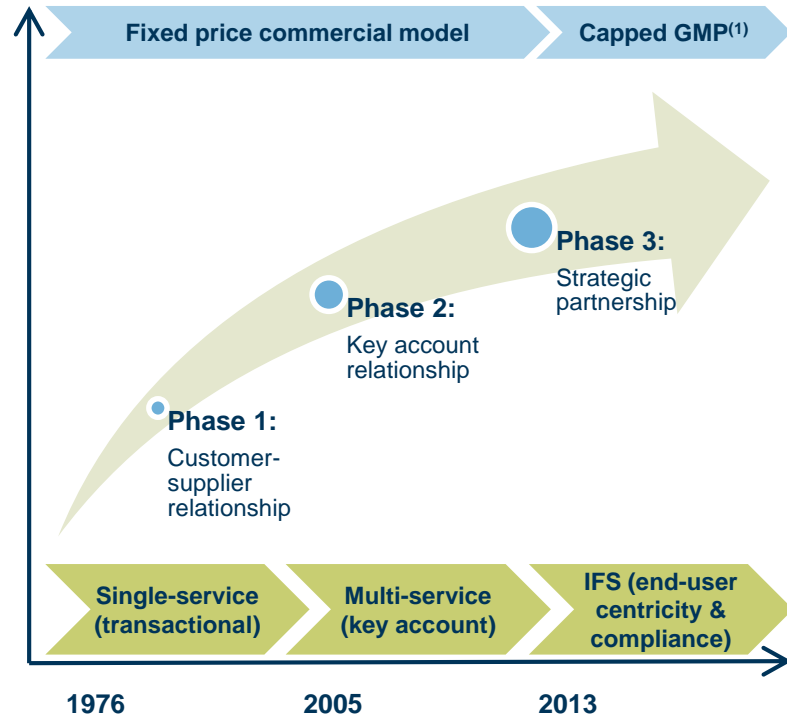
# Christian Kofoed Jakobsen



***Nordic Key Account  
Director***  
*Age: 45*

- 2014 – present **ISS A/S** (*Nordic Key Account Director*)
- 2012 – 2014 **ISS A/S** (*Regional CFO, Nordic Region*)
- 2010 – 2012 **Saxo Bank A/S** (*CEO of Saxo Private Banking*)
- 2004 – 2010 **ISS A/S** (*Group Treasurer*)
- 2001 – 2004 **ABN Amro Bank NV** (*Global Account Manager*)
- 1995 – 2001 **ABN Amro Bank NV** (*Structured & Project Finance Manager*)
- 1989 – 1995 **Nordea Bank A/S** (*various roles*)

# Nordea case study: Background



- ISS and Nordea have a long history of collaboration...
- ...which has developed into a true strategic partnership

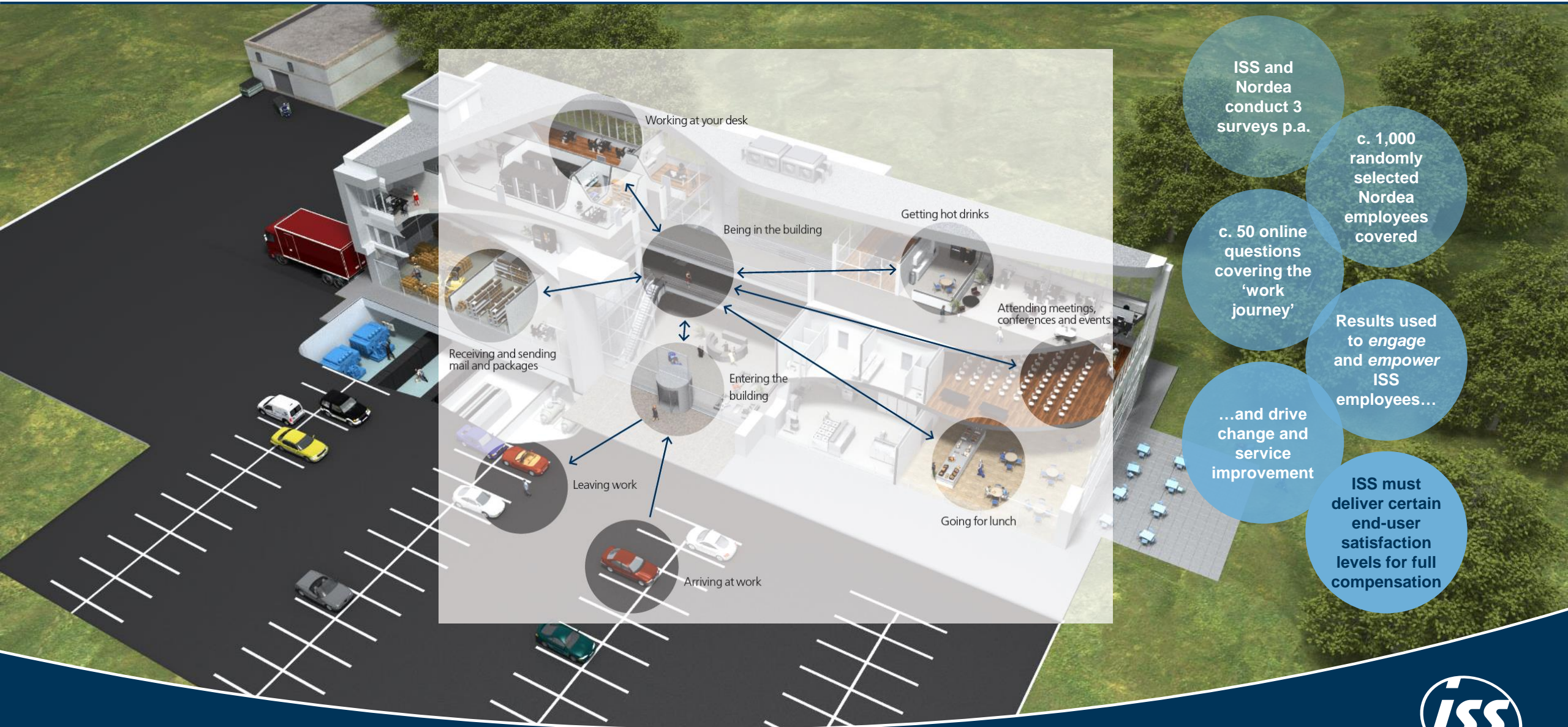
(1) Guaranteed maximum price



- 39 multi-user (HQ) buildings in Denmark, Sweden, Norway and Finland
- 11 main service categories (with c. 50 sub-service components)
- 100% output-based (service delivery based on a regional, open book model)
- Strong focus on end-user satisfaction and KPI scorecard



# Nordea case study: End-user satisfaction



ISS and Nordea conduct 3 surveys p.a.

c. 1,000 randomly selected Nordea employees covered

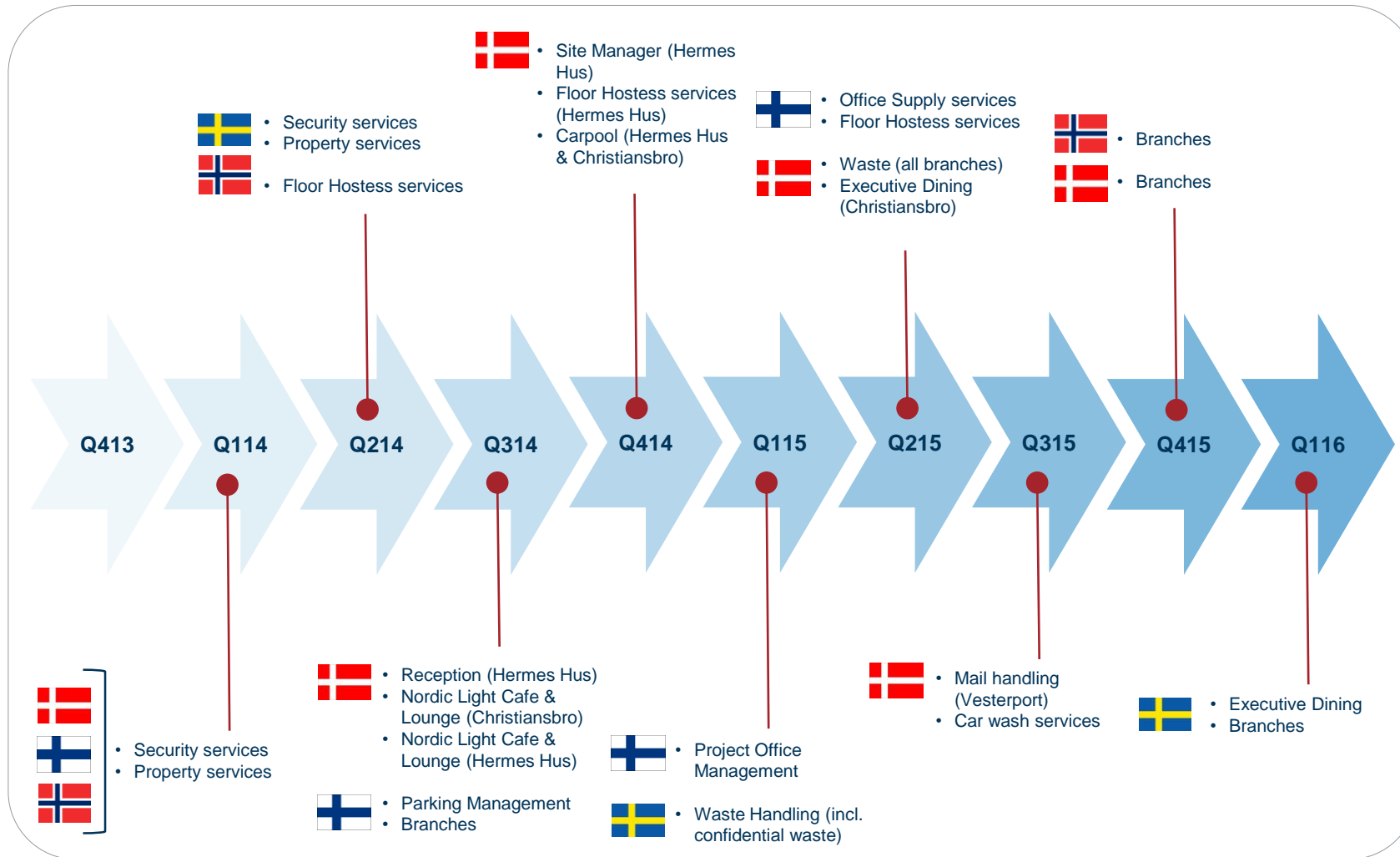
c. 50 online questions covering the 'work journey'

Results used to *engage* and *empower* ISS employees...

...and drive change and service improvement

ISS must deliver certain end-user satisfaction levels for full compensation

# Nordea case study: Increasing scope of services



**Clear evidence of growth potential afforded by existing customers**

# The ISS experience



**Greg Daniel**  
Account Director UK -  
UBS

*'I am new to the company and I have been amazed at the range of valuable initiatives being implemented to support our customers across the business - very impressive!'*



UBS





**Andrew Price, Group CCO**

Commercial Development



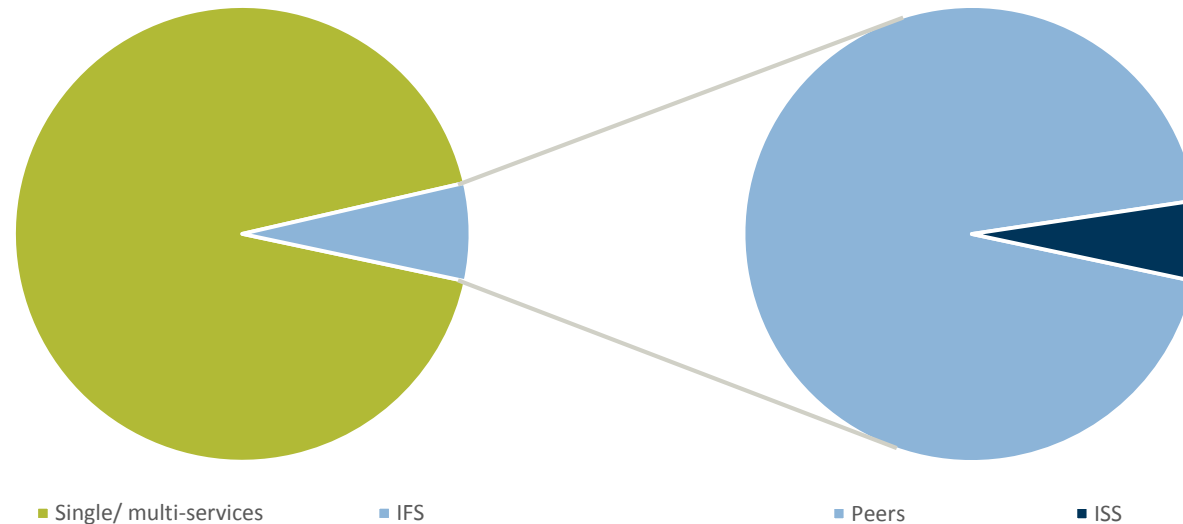
# IFS and the broader facility services market

## 2014: Global IFS revenues in context

### Global outsourced facility services

- 55-60% of global facility services are estimated to be outsourced...
- Leading to a global outsourced market of around USD 1 trillion...
- ...which is growing at c. 5% p.a.
- IFS revenues account for some 8% of this market

### Integrated Facility Services (IFS)



- Global IFS revenues are growing at 8-9% p.a....
- ...and ISS has an approximate 6% share of the global IFS market
- IFS revenues at ISS have delivered a cagr of 14.4%<sup>(1)</sup>

Sources: ISS estimates based on third-party data  
(1) Over the 2006-14 period

**ISS expects to capture further share within the high growth IFS market**



# What does the customer want?

How important are the following criteria in purchasing IFS for Multinational companies? (1-5)

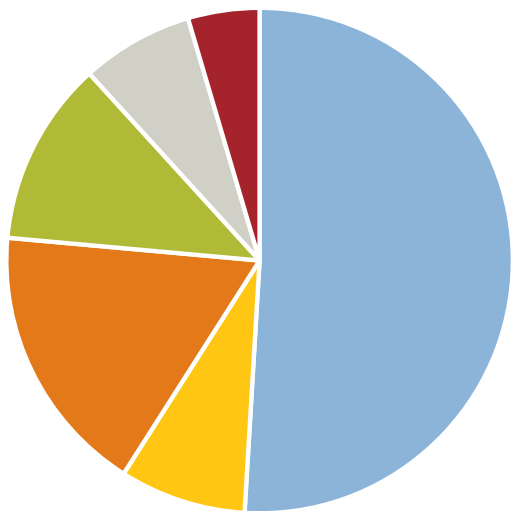


**IFS buyers rate  
self-delivery  
highly**

Source: Global customer interview programme undertaken by a third-party

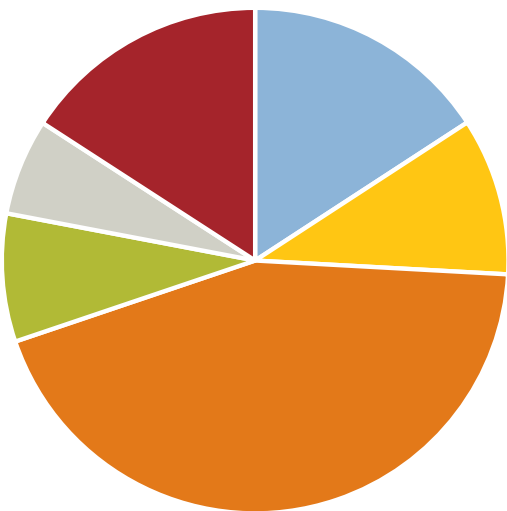
# International Key Accounts (GCC): Revenues by service

2014: ISS group revenue split by service



■ Cleaning ■ Support ■ Property ■ Catering ■ Security ■ FM

2014: GCC revenue split by service



■ Cleaning ■ Support ■ Property ■ Catering ■ Security ■ FM

Across some of our largest and most important clients, ISS delivers a broader suite of services

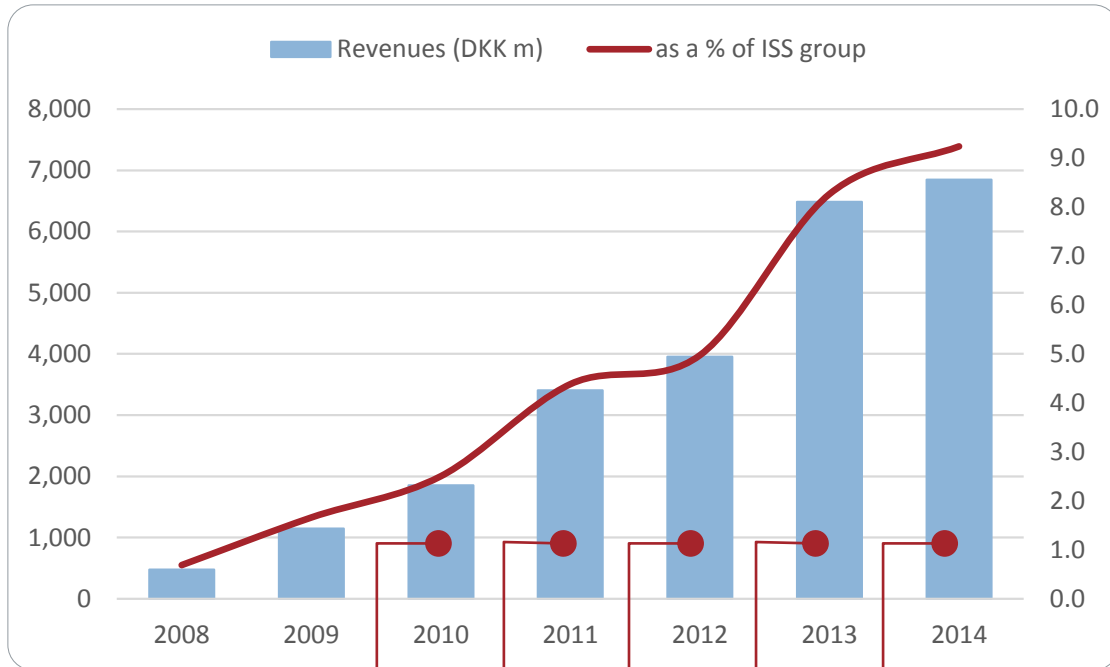
GCC: Q2 2015 constant currency growth of 13%

IFS: Q2 2015 constant currency growth of 10%



# International Key Accounts (GCC): Revenue development

## GCC revenue development



### New GCC customer launches



### New or extended Key Account wins

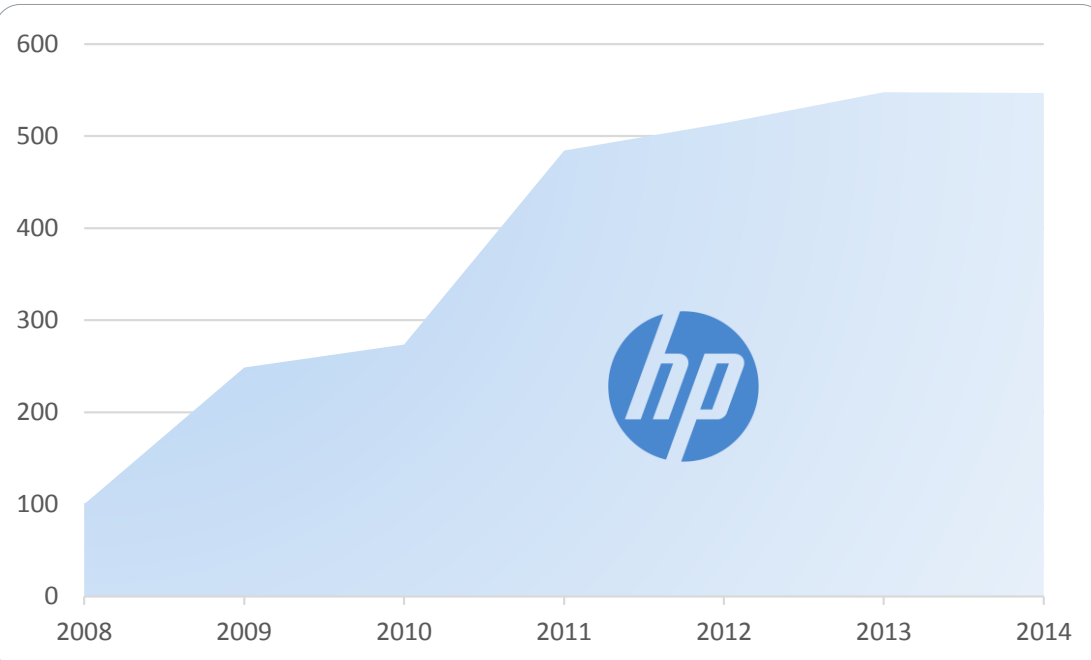


## Comments

- Global Corporate Clients (GCC) has been a tremendous success story within ISS
- Significant growth to-date has 3 key drivers
  - New contract wins
  - Increased scope of services with existing customers (upselling)
  - 'Above-base' (non-portfolio) opportunities
- GCC will remain a key focus for ISS...
- ...but there is a significant opportunity to leverage best practices from GCC contracts across a broader opportunity-set (Key Accounts)

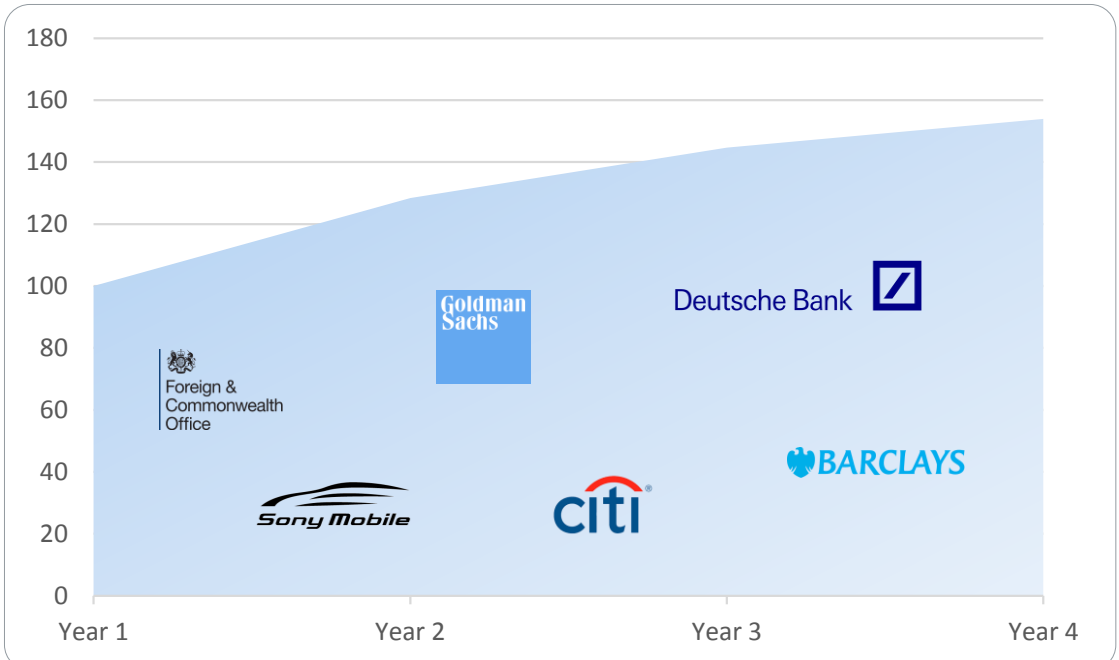
# International Key Accounts: A source of strong growth

HP: Year-end indexed portfolio value (2008 = 100)



- HP is one of ISS' largest customers
- The relationship has expanded over time both geographically...
- ...and by service line
- The value of portfolio services today is c. 5x greater than in 2008
- Total revenue growth has been greater still given non-portfolio demand

Other GCC customers: Year-end indexed portfolio value<sup>(1,2)</sup>

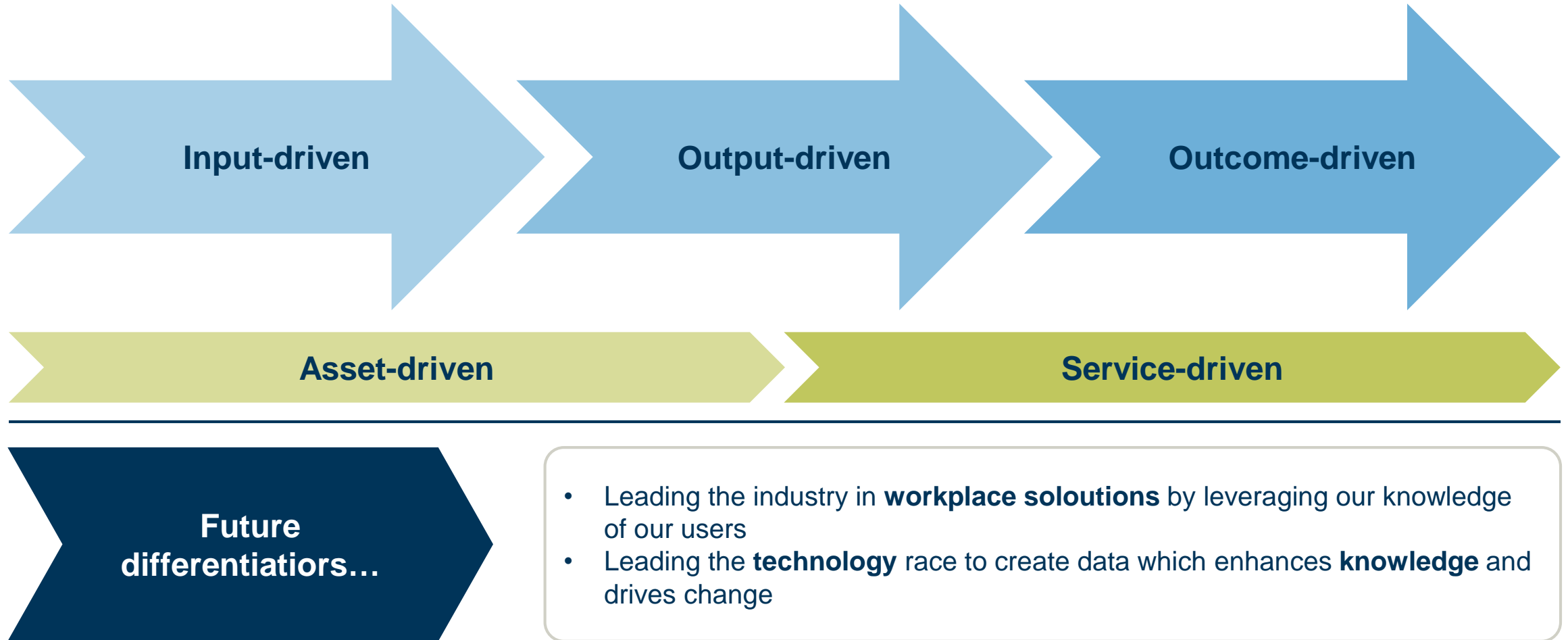


- HP is clearly not the only source of 'like-for-like' expansion within GCC
- The analysis above shows all major GCC contracts with a 4+ year track record
- It is clear that existing IFS customers offer strong, ongoing growth potential

(1) Takes aggregate value of all other GCC contracts (with a duration of at least 4 years by end-2014) as a % of the Year 1 value.

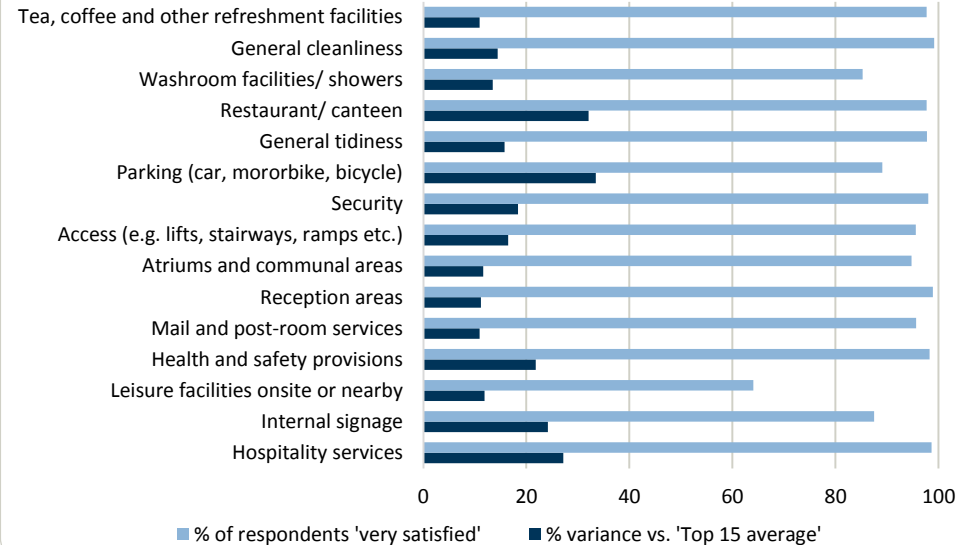
(2) Data for Deutsche Bank and Barclays includes ISS year-end 2015 estimates of respective portfolio values

# The evolution of Facility Services



# ISS understands workplace management

## ISS HQ (Buddingevej) Workplace Facilities Satisfaction Survey



Source: Leesman

## Is this the most effective workplace in the world?

**ISS Group HQ in Copenhagen** has achieved one of the highest Leesman LMI workplace effectiveness results, but how? And what could others learn?

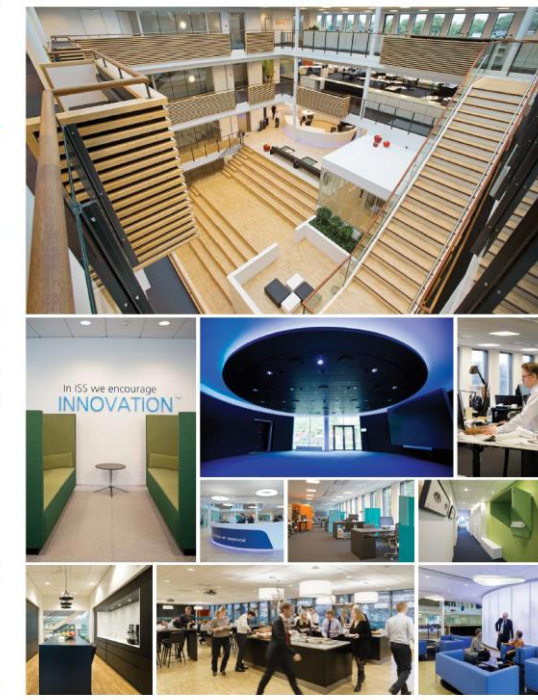
**1. The ISS Group HQ in Copenhagen** is a prime example of a workplace that has achieved a high level of effectiveness. The building is a prime example of a workplace that has achieved a high level of effectiveness. The building is a prime example of a workplace that has achieved a high level of effectiveness.

**2. Why is the ISS Group HQ in Copenhagen so effective?** The building is a prime example of a workplace that has achieved a high level of effectiveness. The building is a prime example of a workplace that has achieved a high level of effectiveness. The building is a prime example of a workplace that has achieved a high level of effectiveness.

**3. What is your relationship with the ISS Group HQ in Copenhagen?** The building is a prime example of a workplace that has achieved a high level of effectiveness. The building is a prime example of a workplace that has achieved a high level of effectiveness. The building is a prime example of a workplace that has achieved a high level of effectiveness.

**4. What is your relationship with the ISS Group HQ in Copenhagen?** The building is a prime example of a workplace that has achieved a high level of effectiveness. The building is a prime example of a workplace that has achieved a high level of effectiveness. The building is a prime example of a workplace that has achieved a high level of effectiveness.

**5. What is your relationship with the ISS Group HQ in Copenhagen?** The building is a prime example of a workplace that has achieved a high level of effectiveness. The building is a prime example of a workplace that has achieved a high level of effectiveness. The building is a prime example of a workplace that has achieved a high level of effectiveness.



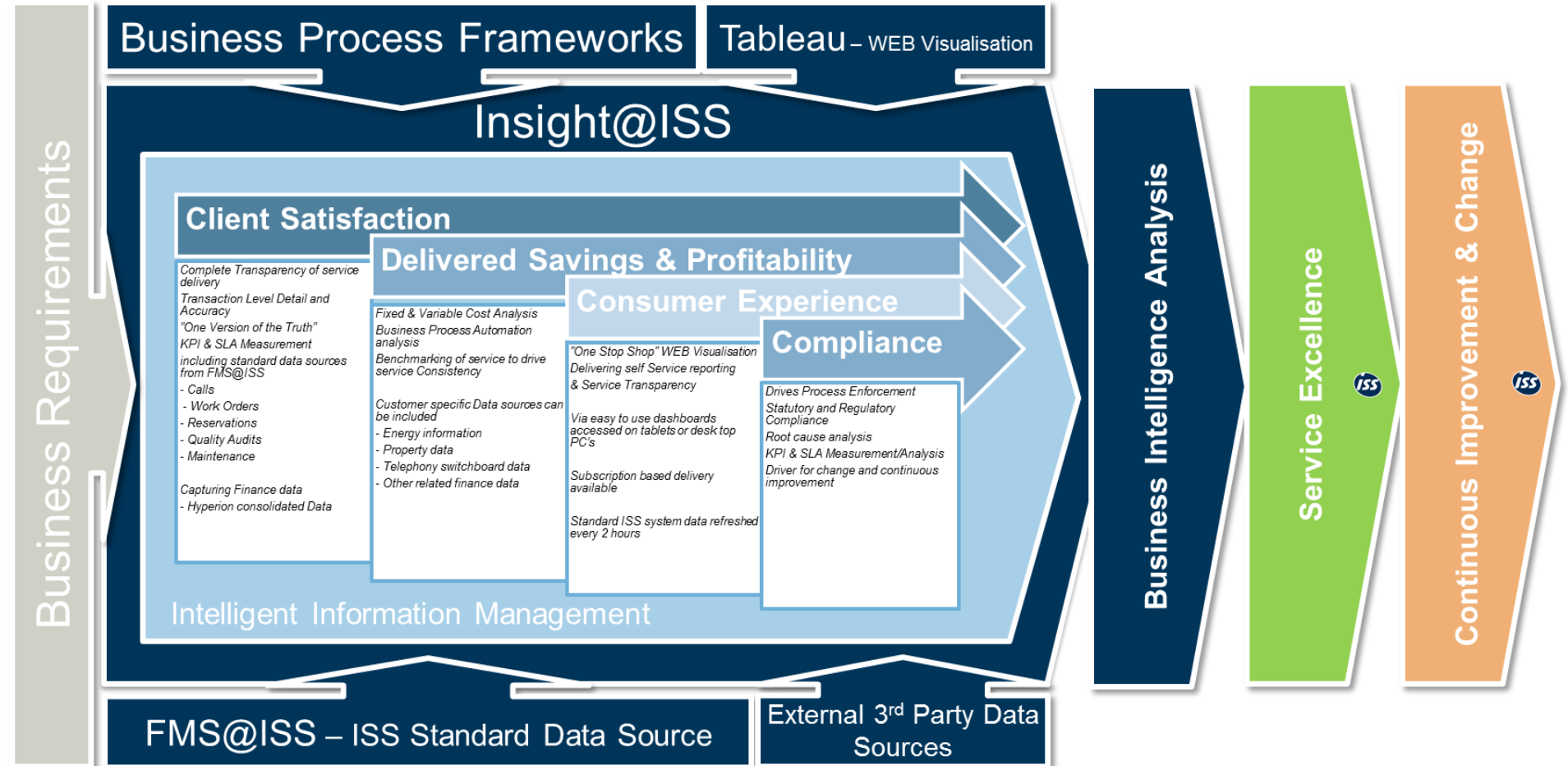
Supporting our customers to win their war on talent

Supporting our customers to drive productivity and efficiency of their own workforce

Supporting our customers' brand and reputation...

...all at the right cost

# A transparent technology model with people-facing analytics





Protect  
reputation

Protect  
investment

End-user  
satisfaction

Safety and  
security

Sustainability





## Video

Interview with Christian Barthélémy

Vice President Real Estate & Facility Management, Vattenfall Germany



Q&A



## Coffee Break

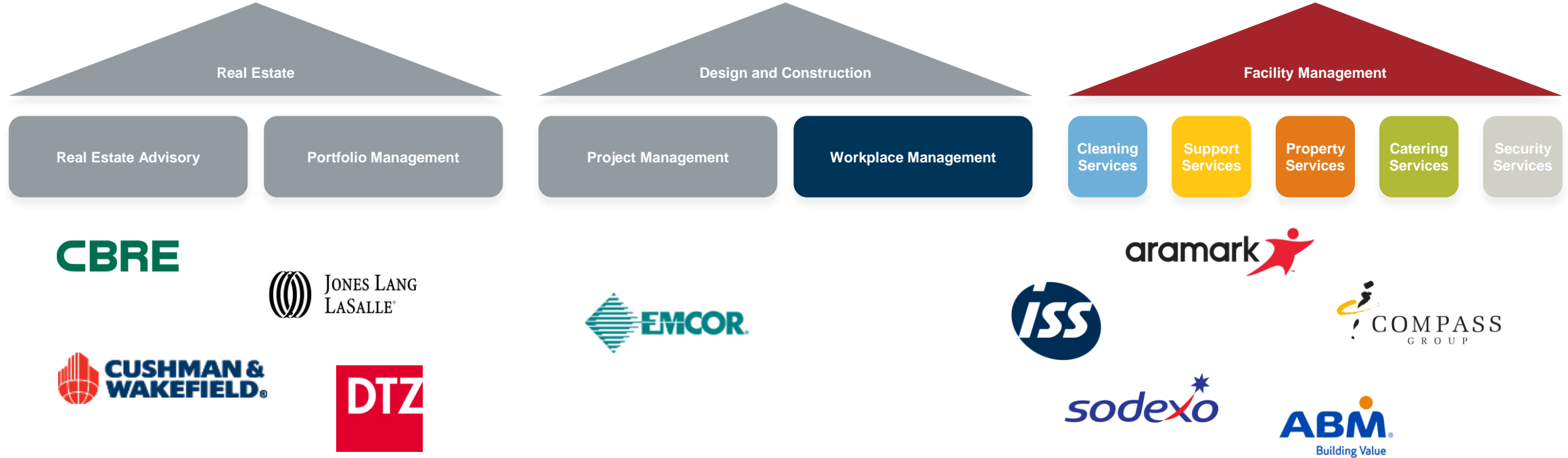
Presentations will resume shortly



# John Peri, CEO Americas

The Americas

# The North American facility services market



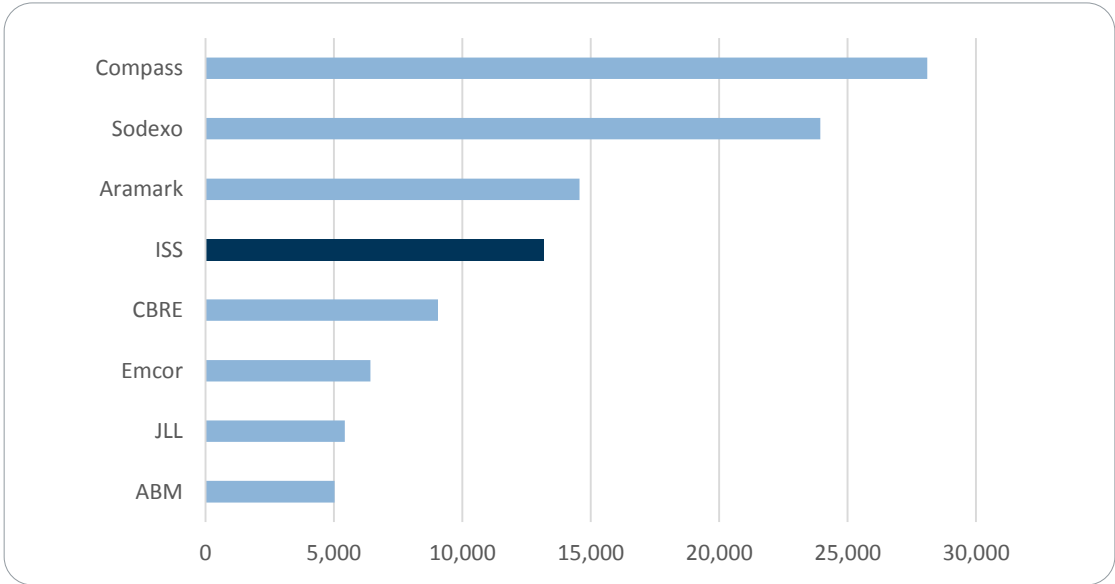
- (1) CBRE acquired Global WorkPlace Solutions (GWS) from Johnson Controls on 31 March 2015  
 (2) Cushman & Wakefield and DTZ announced their merger on 11 May, 2015



# Leading North American facility services companies

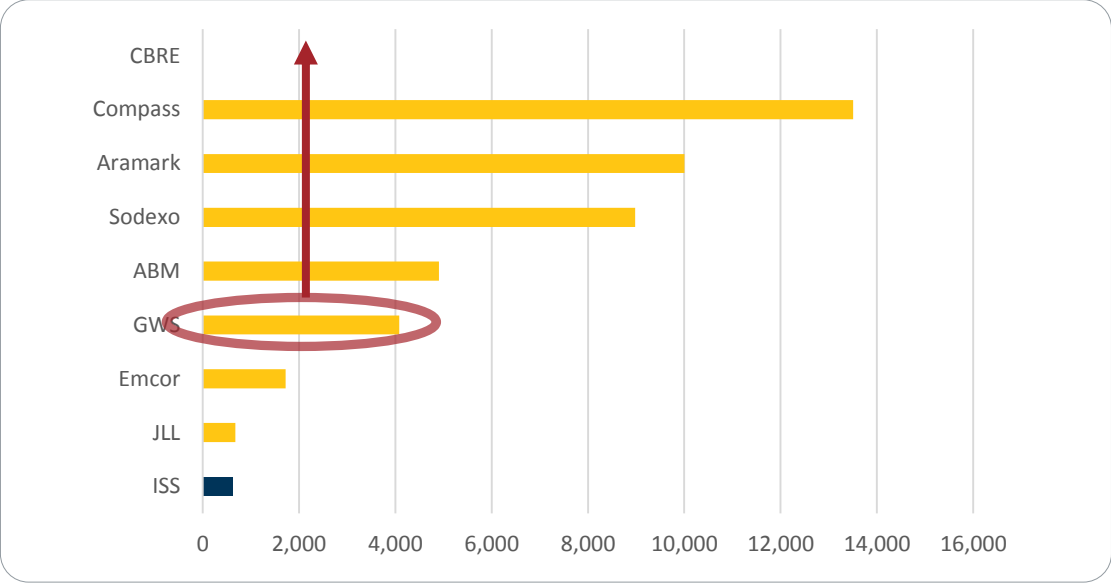
The North American outsourced facility services market is worth c. USD 200bn

Total worldwide revenues (USDm)



All data taken from companies' 2014 annual reports

Total North American FM revenues (USDm)

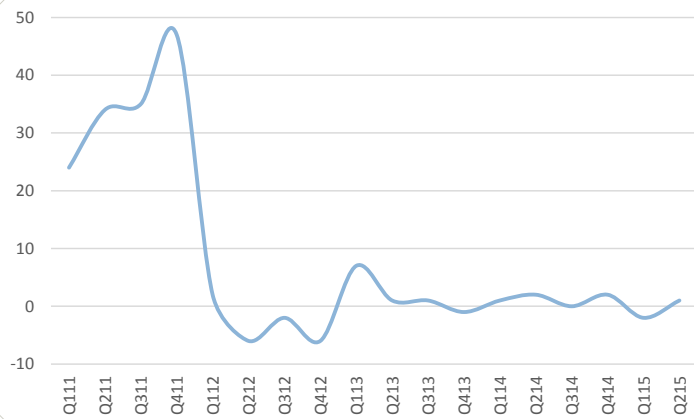


(1) JLL revenues include 'Property & FM' and 'Project & Development Services' but exclude 'Gross contract costs' (2) Emcor revenues include 'US Building Services' (3) GWS revenues are worldwide (4) Aramark revenues include 'FSS North America' (5) CBRE revenues omitted as North American FM component is not broken out

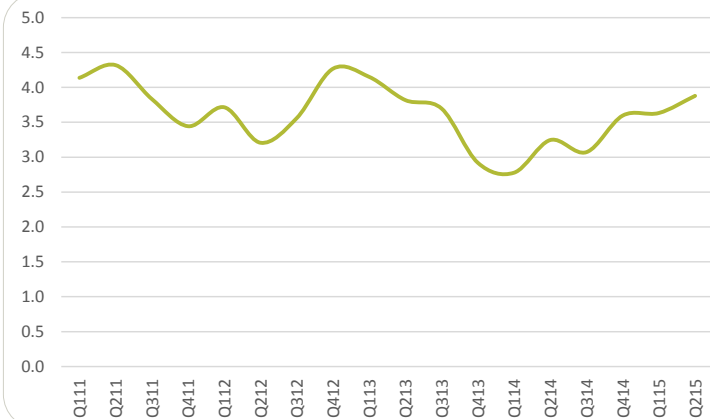


# ISS North America business performance

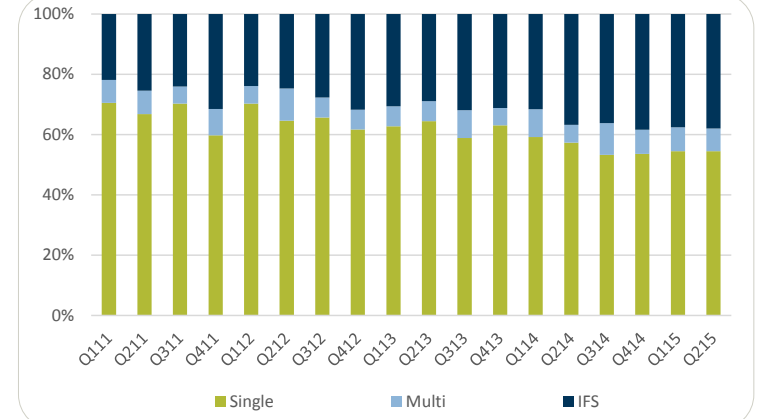
ISS North America organic growth (%)



ISS North America operating margin (%)



ISS North America revenue split by delivery



Large parts of the North American FM market remain commoditised but change is happening, driven by...

## COMPLIANCE

*Customers need transparency (from their suppliers) to ensure they can meet their CSR and governance objectives*

## THE WAR FOR TALENT

*Customers want to work with their suppliers to create highly attractive working environments*



## Video

GoDaddy and Polycom



# ISS North America customer focus

Customer segment	2014		Strategic objectives		
	No. of customers	Share of revenue	Service offerings and delivery models	Industry focus	Share of revenue
Key Accounts	25	50%		<ul style="list-style-type: none"> <li>Business Services &amp; IT</li> <li>Industry &amp; Manufacturing</li> <li>Aviation</li> </ul>	
Specialised	384	42%		<ul style="list-style-type: none"> <li>Focus on Business Services &amp; IT, Public Administration, Retail &amp; Wholesale, Industry &amp; Manufacturing</li> </ul>	
Direct	1,930	8%		<ul style="list-style-type: none"> <li>Cross-industry (no specific focus)</li> </ul>	

*Provision of specialised Catering solutions subject to completion of an appropriate acquisition*



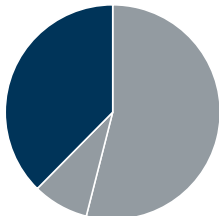

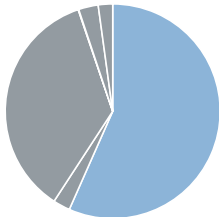

# ISS in North America






- Large branch network focused on Janitorial
- Supports large number of smaller customers
- Migrating to a focused network supporting target segments and Key Accounts



# ISS North America progress report

Priority	Revenue split (LTM)	Status	Comments
Increase Catering and Technical competence	Property (36%), Catering (0%) 		<ul style="list-style-type: none"> <li>• Strong Technical capability notably with International Key Accounts and Aviation customers</li> <li>• Early self-delivery initiatives within Catering</li> <li>• Catering and Technical investments targeted</li> </ul>
IFS exposure	IFS (38%) 		<ul style="list-style-type: none"> <li>• International Key Accounts drive IFS exposure in North America</li> <li>• Clear evidence of ISS' credentials in this market place</li> </ul>
Focus on larger accounts	Cleaning (57%) 		<ul style="list-style-type: none"> <li>• Exposure to (single-service) Cleaning remains high</li> <li>• Migrating to focus on larger accounts and in targeted segments</li> </ul>

# Facility Services in Latin America

	Groupings	Characteristics	ISS countries
Developed	 <p>Argentina Brazil Chile Colombia Mexico Panama Puerto Rico</p>	<ul style="list-style-type: none"> <li>Outsourcing concept well established although largely input based</li> <li>Multi-national companies driving outsourcing of integrated service (regional approach is relevant)</li> <li>Local national companies starting to follow</li> </ul>	<ul style="list-style-type: none"> <li>Argentina</li> <li>Brazil</li> <li>Chile</li> <li>Mexico</li> </ul>
Developing	 <p>Costa Rica Uruguay</p>	<ul style="list-style-type: none"> <li>Outsourcing concept established but in-house solutions commonplace</li> <li>Mostly single-service solutions with integrated solutions part of global agreements</li> </ul>	<ul style="list-style-type: none"> <li>Uruguay</li> </ul>
Immature	 <p>Ecuador Peru Venezuela</p>	<ul style="list-style-type: none"> <li>Very undeveloped outsourcing market</li> <li>Legal restrictions in place</li> <li>Single service</li> </ul>	

# Facility Services in Latin America contd.

The Latin America outsourced facility services market is estimated at USD 35-40bn<sup>(1)</sup>

Major Pan-Regional Players	Other Regional Players	Local Players
  	     	    

(1) Source: ISS estimates based on third-party data

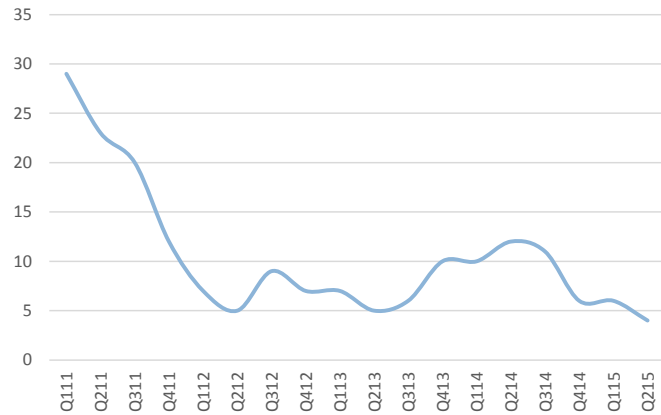
High growth	 Colombia	 Peru	 Panama
Good growth	 Chile	 Mexico	
Macro challenges		 Brazil	 Argentina

(1) Sources: ISS estimates based on third-party data

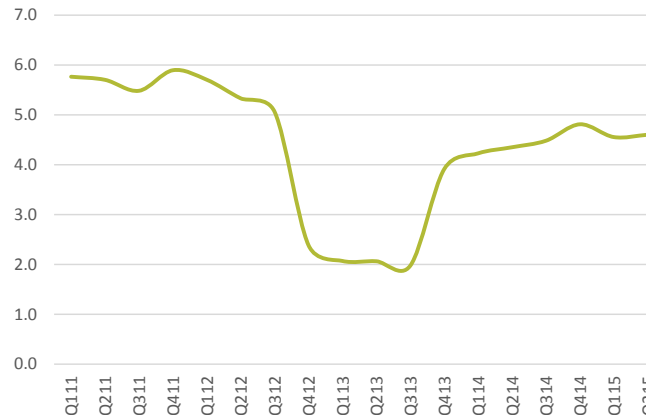


# ISS Latin America business performance

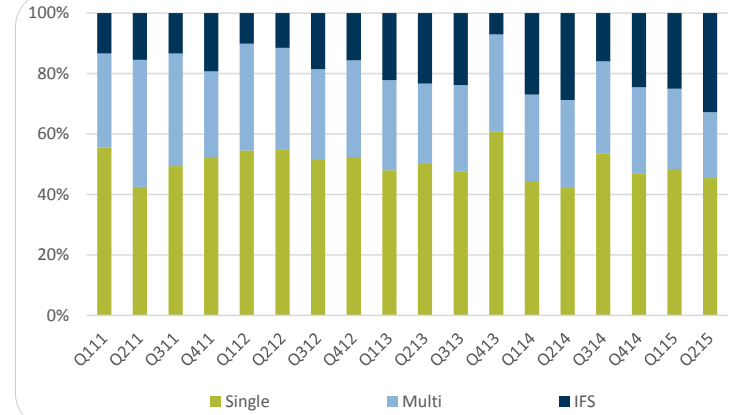
ISS Latin America organic growth (%)



ISS Latin America operating margin (%)



ISS Latin America revenue split by delivery



Target segments

- Business Services & IT
- Manufacturing/ Food & Beverage
- Healthcare/ Pharmaceutical
- Transportation/ Infrastructure
- PPP (Public Private Partnerships)

Regional priorities

- Grow IFS
- Key accounts
- Shift from input to output
- Regional and International accounts

Brazil update

- Represents 2 % of group revenue
- Deteriorating economic trend
- Focus on cost management, reducing exposure to weak/ small customers
- New leadership team in place



# Jeff Gravenhorst, Group CEO

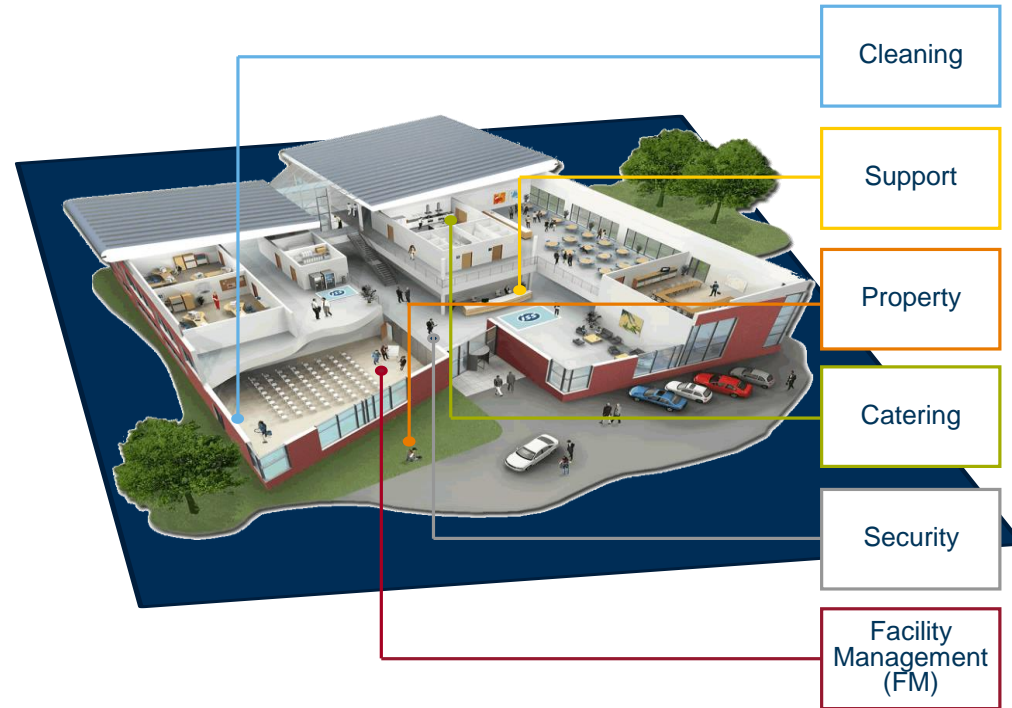
Acquisitions and Disposals



# We will focus on our core service proposition

## Customers want...

- ...to **focus** on their core
- ...to ensure **compliance**
- ...to **safeguard** their business
- ...to **maximise uptime** of their facilities
- ...to **manage risk**
- ...to **protect the value** of their assets
- ...**convenience**, consistency and sustainable/ transparent cost savings



## ISS delivers via...

SELF-DELIVERY

INTEGRATION

STRATEGIC PARTNERSHIPS

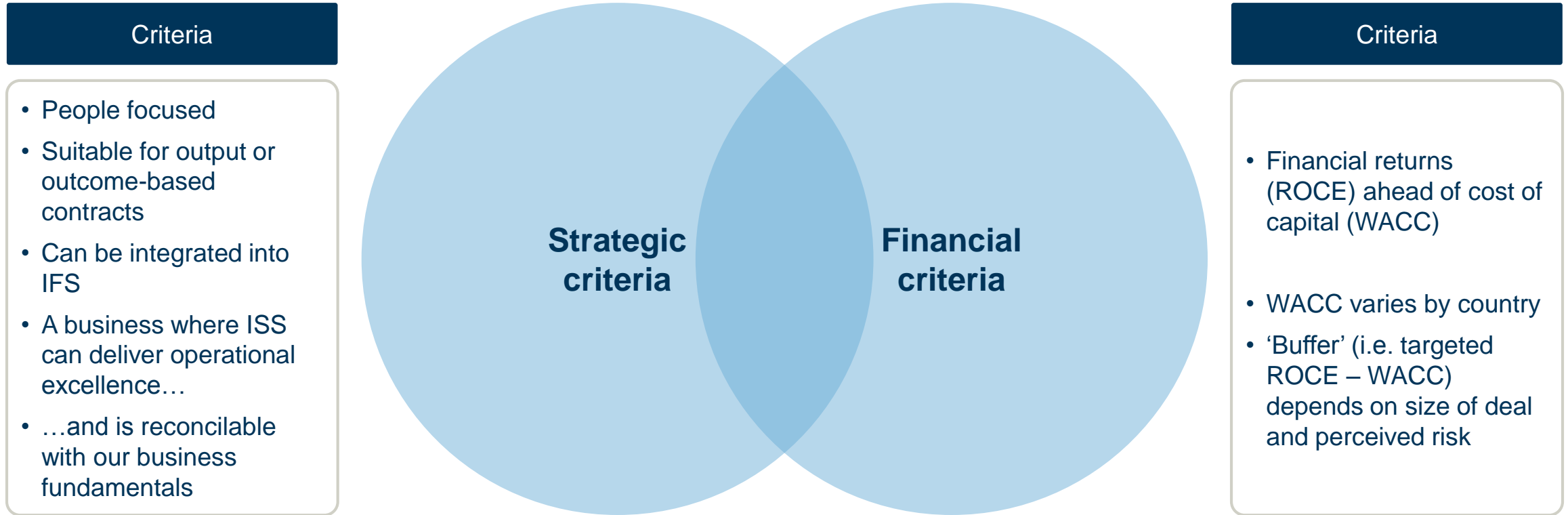
People

Processes

Technology



# We impose strict acquisition criteria



# More than 60 divestments completed in 6 years

2009	2010	2011	2012	2013	2014
<ul style="list-style-type: none"> <li>• <b>Asker</b> (Norway, Property)</li> <li>• <b>Base Care Ltd</b> (New Zealand, Property)</li> <li>• <b>Landscaping</b> (Sweden, Property)</li> <li>• <b>Shun Tak</b> (Hong Kong, Cleaning)</li> <li>• <b>Pest Control Services</b> (UK, Property)</li> <li>• <b>Contact Centres</b> (Netherlands, Support)</li> <li>• <b>Laundry Services</b> (Norway/Sweden, Cleaning)</li> <li>• <b>FS South</b> (Italy, Cleaning)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Refrigeration</b> (Spain, Property)</li> <li>• <b>Industriservice</b> (Norway, Property)</li> <li>• <b>Contact Centre</b> (Denmark, Support)</li> <li>• <b>Securite</b> (France, Security)</li> <li>• <b>Europe Filtration</b> (France, Property)</li> <li>• <b>Waste Management</b> (France, Property)</li> <li>• <b>Property services</b> (Ireland, Property)</li> <li>• <b>Washroom</b> (Denmark/Norway/Sweden, Support/Cleaning)</li> <li>• <b>I8</b> (Belgium, Property)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>ISS Batiservices</b> (France, Property)</li> <li>• <b>mo.hotel</b> (Germany, FM)</li> <li>• <b>Elektro Kristiansand</b> (Norway, Property)</li> <li>• <b>Elektro Oslo</b> (Norway, Property)</li> <li>• <b>Ventilasjon</b> (Norway, Property)</li> <li>• <b>ISS Industrial Services</b> (Belgium, Property)</li> <li>• <b>VATRO</b> (Germany, Property)</li> <li>• <b>ISS Industrial Services</b> (Finland, Property)</li> <li>• <b>Event Catering</b> (Singapore, Catering)</li> <li>• <b>Domestic Care</b> (Netherlands, Cleaning)</li> <li>• <b>ISS Property Development</b> (Sweden, Property)</li> <li>• <b>House of Coffee</b> (Denmark/Norway, Catering)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>ISS Proko Infra OY</b> (Finland, FM)</li> <li>• <b>Reaktorskolen AS</b> (Norway, Support)</li> <li>• <b>ISS Landscaping</b> (Netherlands, Property)</li> <li>• <b>Security</b> (Norway, Security)</li> <li>• <b>ISS Mailroom Services</b> (France, Property)</li> <li>• <b>Washroom</b> (Netherlands, Cleaning)</li> <li>• <b>Washroom</b> (Belgium &amp; Luxembourg, Cleaning)</li> <li>• <b>Office support</b> (France, Support)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>COOLIT HVAC</b> (Austria, Property)</li> <li>• <b>ISS Document A/S</b> (Denmark, Support)</li> <li>• <b>Pest Control</b> (Global, Property)</li> <li>• <b>Hygeine and Experience</b> (Belgium, Property)</li> <li>• <b>ISS Security Services</b> (Netherlands, Security)</li> <li>• <b>Washroom Services</b> (Austria, Cleaning)</li> <li>• <b>ISS Landscaping Services</b> (USA, Property)</li> <li>• <b>Damage Control</b> (Nordic, Support)</li> <li>• <b>Security services &amp; Reception single services</b> (Denmark, Security/Support)</li> <li>• <b>Hardware services</b> (Belgium, Support)</li> <li>• <b>Karmak</b> (Italy, Cleaning)</li> <li>• <b>ISS Arbo Plus BV</b> (Netherlands, Support)</li> <li>• <b>ISS Building Services</b> (Belgium, Support)</li> <li>• <b>Landscaping</b> (Norway, Property)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>HiCare</b> (India, Property)</li> <li>• <b>HVAC</b> (Belgium, Property)</li> <li>• <b>Security</b> (Israel, Security)</li> <li>• <b>Landscaping</b> (France, Property)</li> <li>• <b>Security</b> (Pacific, Security)</li> <li>• <b>Personnel and Hardware Services</b> (Germany, Support)</li> <li>• <b>Hero</b> (Norway, Support)</li> <li>• <b>Security</b> (Germany, Security)</li> <li>• <b>Aviation</b> (Finland, Support)</li> <li>• <b>Personnel services</b> (Nordic, Support)</li> <li>• <b>Security</b> (Greece, Security)</li> <li>• <b>Croatia, Bosnia &amp; Herzegovina</b> (Croatia/Bosnia, country exits)</li> <li>• <b>CVS Security</b> (India, Security)</li> <li>• <b>Pest Control</b> (Israel, Property)</li> </ul>
• DKK 640m	• DKK 1,548m	• DKK 1,997m	• DKK 872m	• DKK 2,934m	• DKK 4,620m
• 1,549 employees	• 3,093 employees	• 1,856 employees	• 1,513 employees	• 4,047 employees	• 19,378 employees

# GS Hall has created value for shareholders

ISS acquired GS Hall in January 2015 for DKK 609m<sup>(1)</sup>

## Technical Engineering

- Planned and reactive maintenance
- Critical and controlled environment expertise
- National presence with dynamic response
- Large mobile team (to complement contract-specific capability)

## Compliance

- Management of SHEQ<sup>(2)</sup> compliance
- Ensuring legislative compliance
- Partnering approach to risk mitigation
- Brand protection

## Energy

- Assured energy compliance
- Guaranteed consumption and emission reduction
- Future energy cost avoidance
- Increased asset reliability/ efficiency
- Improved corporate brand and reputation

## Selected customers...

Nokia Networks

The co-operative



e-on

Thomas Cook

NEW LOOK

FUJITSU

(1) Including DKK 60m contingent upon achievement of an agreed level of earnings  
(2) Safety, Health, Environmental and Quality

The integration of GS Hall is fully in line with expectations

## Deliverables realised thus far...

### COST SYNERGIES

- In-house procurement
- European Finance and Legal teams

### REVENUE SYNERGIES

- Self-delivery of Barclays retail network from 1 May
- New Technical Services contracts won with UBS and NAG (National Australia Group)
- Yodel (IFS contract, technical services now self-delivered)
- Anglian Water (IFS contract, technical services now self-delivered)
- American Express (GS Hall customer, ISS now providing Cleaning services)
- Enhanced 'Hard FM' credentials support IFS new contract wins (e.g. UBS)

## ...and those planned for the future

### COST SYNERGIES

- Further opportunities around procurement spend

### REVENUE SYNERGIES

- Specific plans to increase self-delivery of Technical services with targeted UK clients in Q4 2015
- European self-delivery initiatives planned in 2016
- Ongoing opportunities to up-sell GS Hall services across ISS UK/ European client base (incl. public sector) and to convert single-service GS Hall clients to IFS

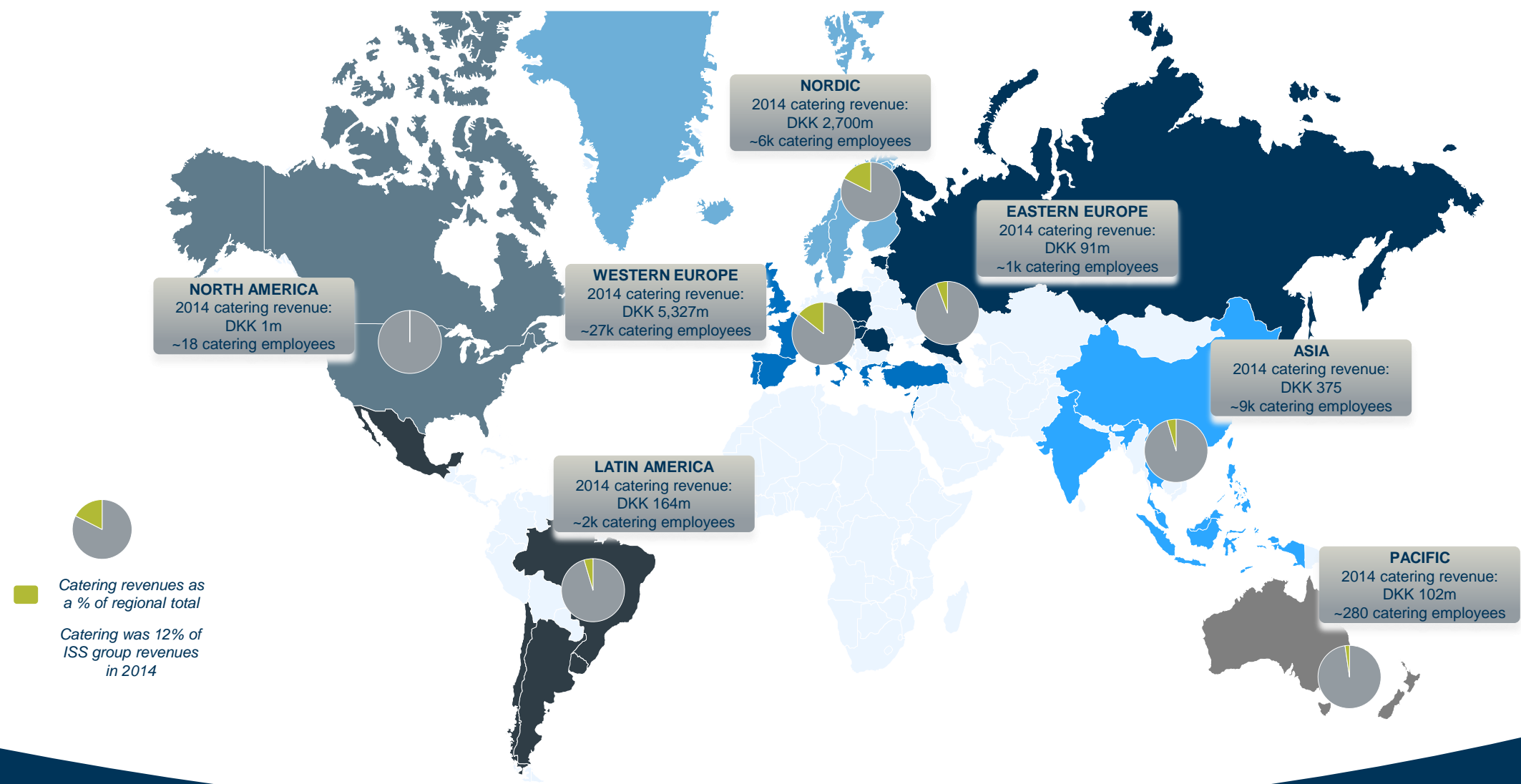
The acquisition of GS Hall supports ISS' strategic objectives...



...and has created value for shareholders



# ISS global catering reach

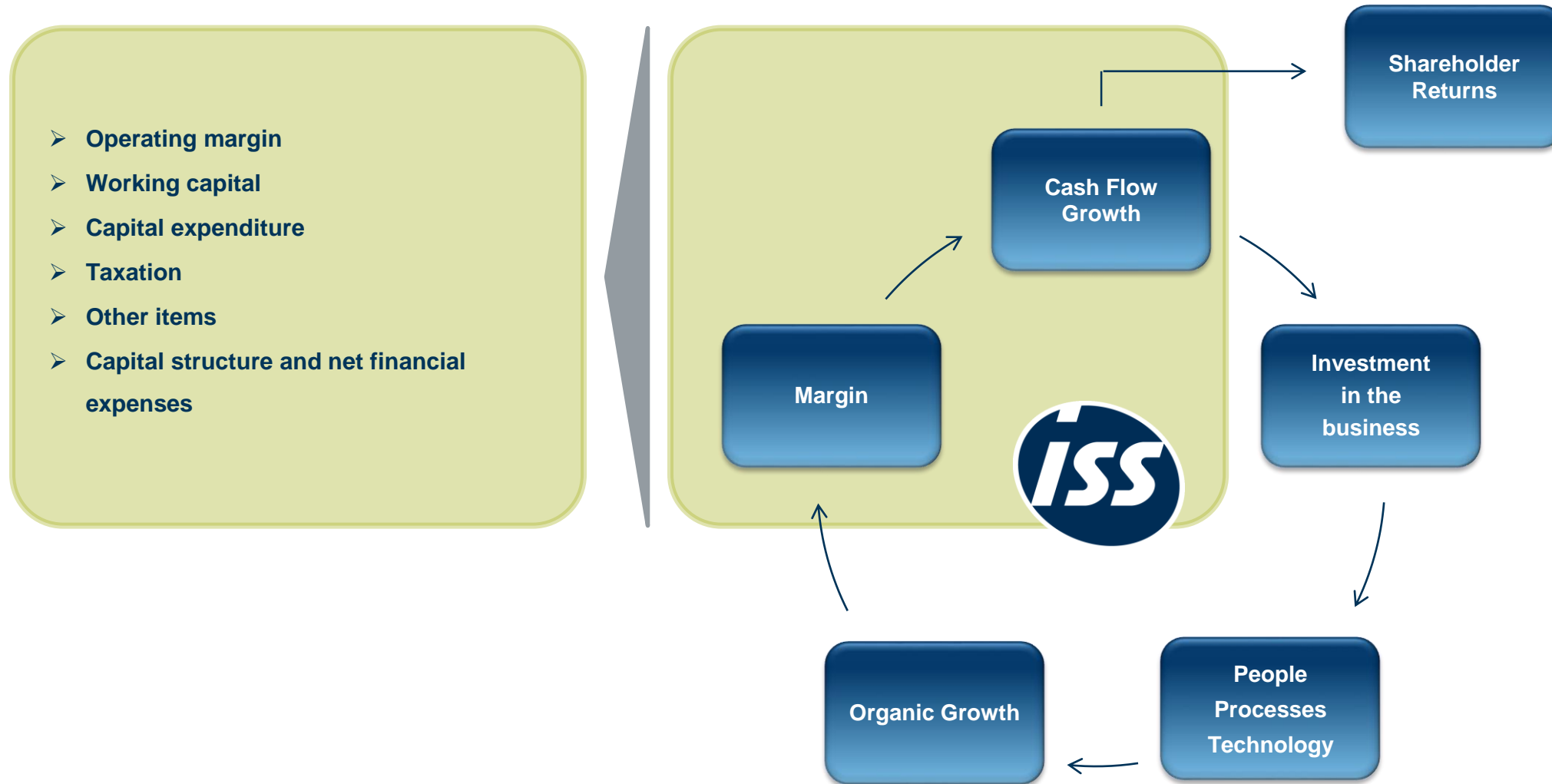




# Heine Dalsgaard, Group CFO

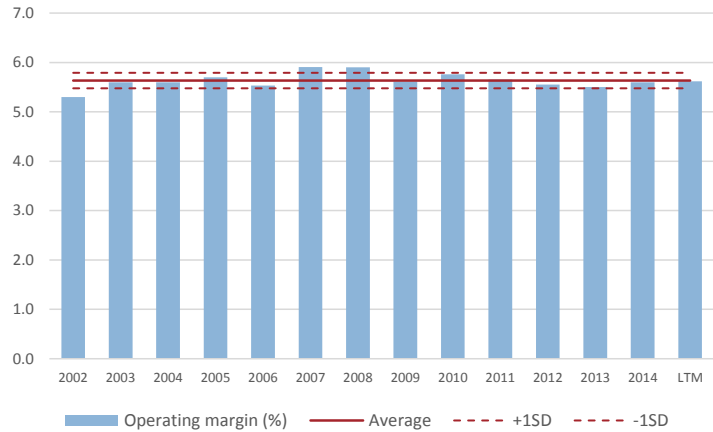
Financials

# Converting operating profit into strong cash flow

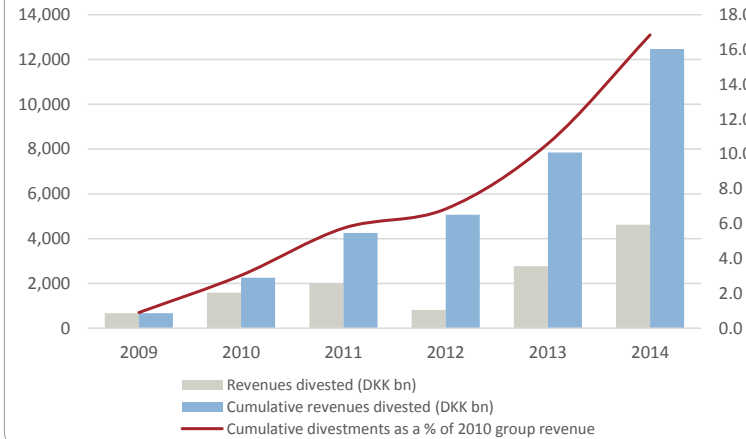


# Operating margin

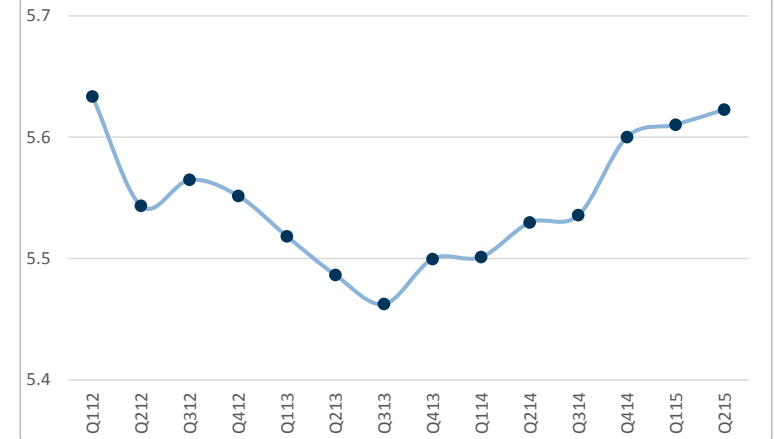
## ISS has a long-term track record of margin stability...



## ...despite significant divestments in recent years...



## LTM margin improvement for 7 consecutive quarters (%)



## Future margin drivers...

### POSITIVES

- Additional benefits from GREAT
  - Customer segmentation
  - Organisational structure
  - Excellence, Procurement, BPO
- Key account focus/ improved portfolio mix (IFS)
- Improved retention rate
- Recovery in non-portfolio revenues
- Acquisitions/ divestments

### NEGATIVES

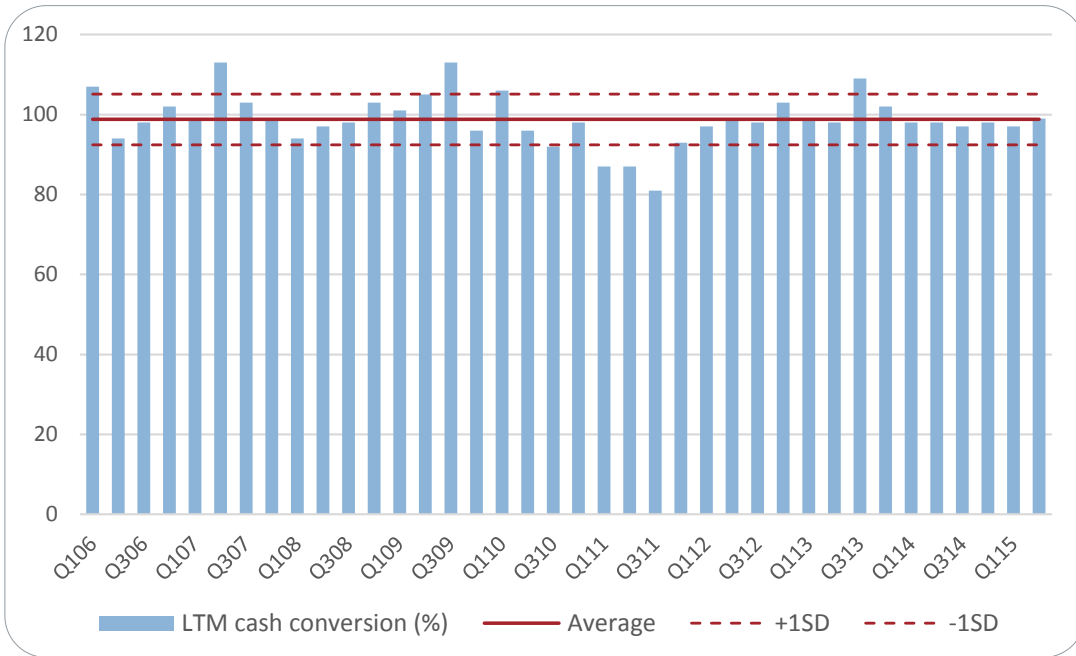
- Reinvestment
  - People
  - Processes/ Compliance
  - Technology
- Competitive environment
- Macroeconomy/ operational challenges
- Acquisitions/ divestments

ISS is targeting further, mid-term margin upside



# Working capital

LTM cash conversion<sup>(1)</sup> has averaged 99% over the past 38 quarters



(1)  $(\text{Operating profit before other items last twelve months (LTM)} + \text{Changes in working capital LTM}) * 100 / \text{Operating profit before other items LTM}$

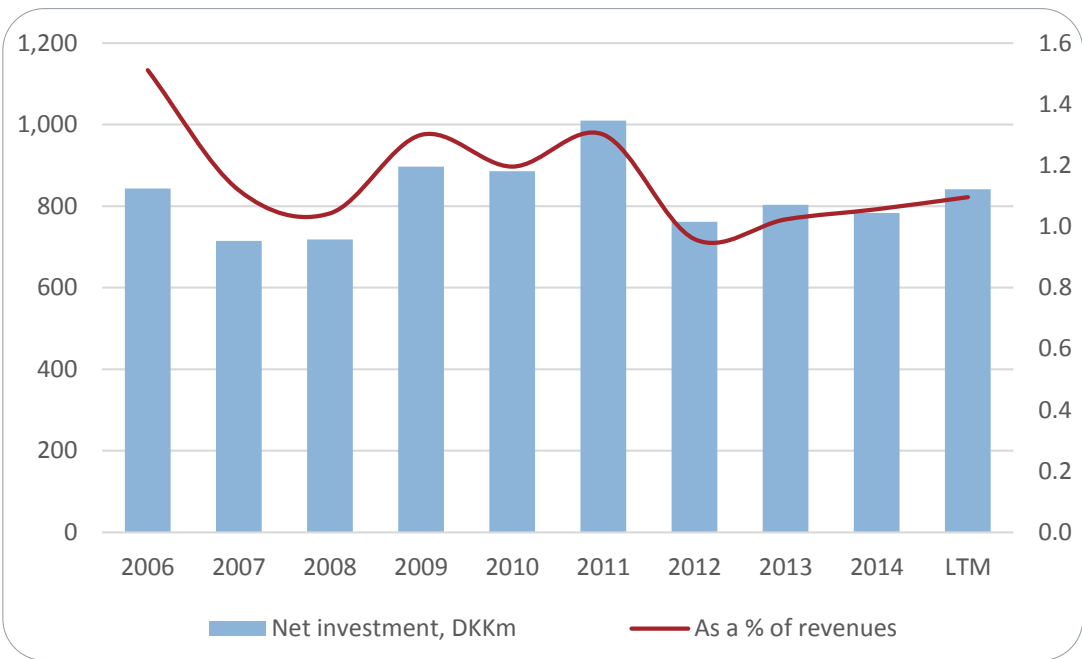
## Observations

- ISS has a long history of working capital stability...
- ...which has not been impacted by the growing importance of
  - Emerging Markets
  - IFS
  - GCC
- Our focus on key accounts and more complex solutions presents some challenges...
- ...but also allows us to target our cash management efforts more effectively
- We have demonstrated our ability to 'weather storms' via proactive de-risking through macro-economic turmoil

ISS is targeting ongoing stability in its working capital management

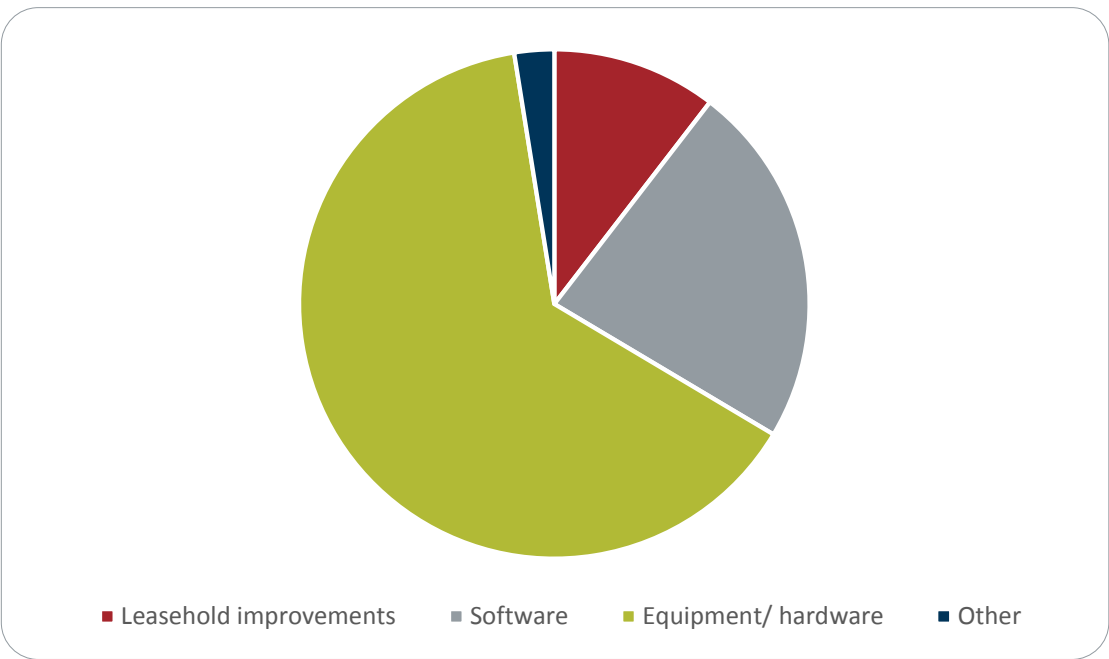
# Capital expenditure

ISS' historic net capital expenditure<sup>(1)</sup> profile has been consistent...



(1) Net capital expenditure defined as: Acquisition of certain intangible assets (e.g. software) and property, plant and equipment plus Disposals of intangible assets and property, plant and equipment

...as has the breakdown by investment type<sup>(2)</sup>



(2) Breakdown of LTM net capital expenditure by type of investment

Future net capital expenditure needs are not expected to deviate from this historic level

# Taxation

2015

KEY DEVELOPMENTS  
2015 versus 2014

CONSIDERATIONS  
GOING FORWARD

POSITIVES

NEGATIVES

CONCLUSIONS

- Effective tax rate (ETR) expected to be c. 30% in 2015

- Absence of certain non tax-deductible expenses (e.g. IPO costs)
- Removal of limitation to interest deduction (Denmark)

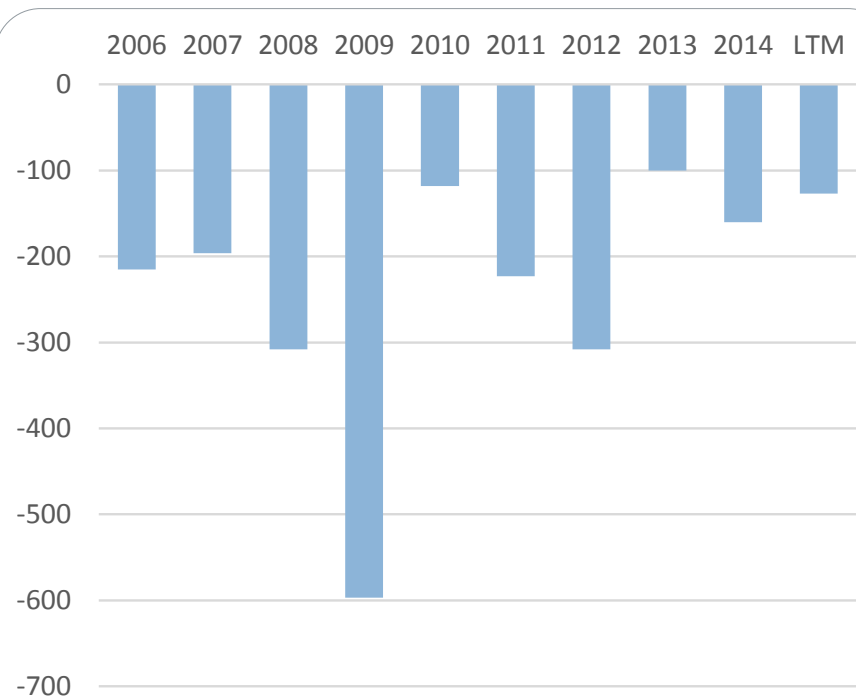
- We constantly work on a list of tax optimisation and compliance initiatives, including our capital structure
- Danish 'limitation to interest deduction' is no longer the key consideration in our tax planning

- Local tax authorities across the globe are becoming more aggressive
- Changes in tax legislation pose some risk (e.g. local interest limitation)

- Potential for a slight reduction in the effective tax rate (ETR) in 2016
- Cash tax rate profile may be more lumpy but should mirror ETR longer term

# Other income and expenses

ISS' other income and expenses, net<sup>(1)</sup>

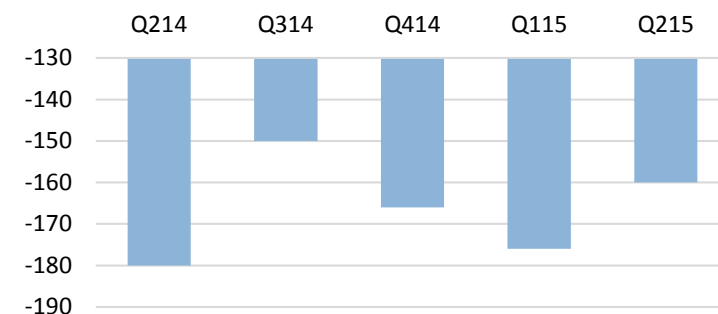


2014 and 2015

Other income and expenses, net in 2014 and 2015 include:

- Gains/ losses on divestments
- Restructuring projects
- Costs related to the exit process
- Acquisition and integration costs

LTM restructuring projects (DKK m)

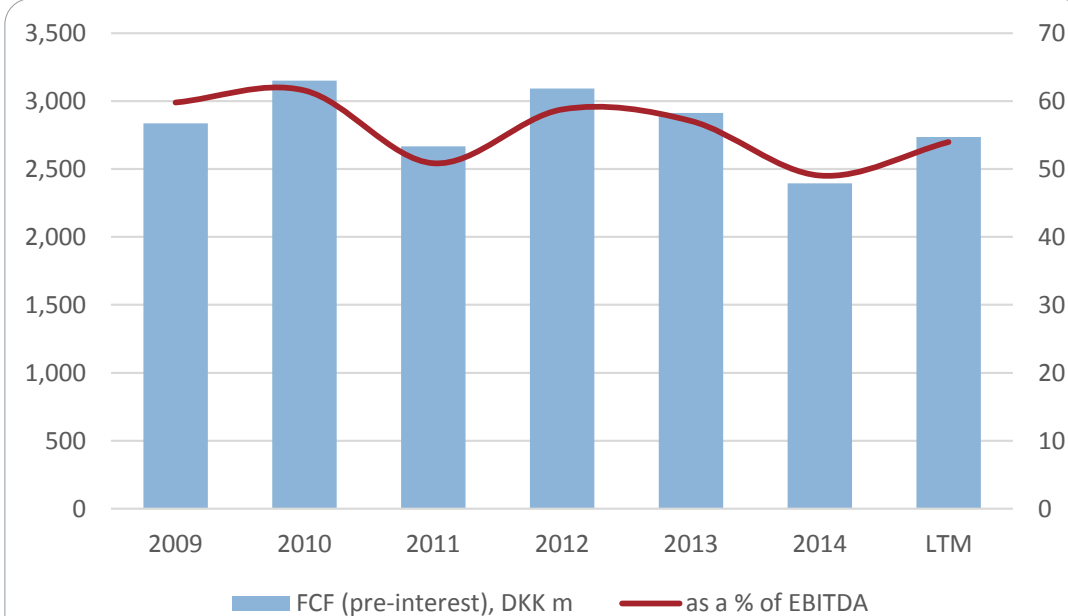


- Restructuring projects mainly related to the implementation of GREAT under which the review of the customer segmentation and organisational structure has led to structural adjustments in a number of countries.
- The costs primarily comprised redundancy payments, termination of subcontractor agreements, termination of leaseholds and relocation costs.
- In 2014 and 2015, costs related to Belgium, Brazil, Denmark, Norway, Germany, Spain and the USA.

ISS will continue to incur restructuring costs as Project GREAT initiatives are rolled out

# Cash flow will always be a key focus for ISS

FCF (pre-interest), 2009-LTM



Observations

- Historic stability in working capital targeted to continue
- Future net capital expenditure needs not expected to deviate from historic levels
- Cash tax rate should fall in 2015, with potential for a slight reduction in 2016
- Other cash outflows (restructuring, movements in other provisions, pensions, etc.) will continue
- FCF (pre-interest)<sup>(1)</sup> has averaged 56% of EBTDA<sup>(2)</sup> over the 2009-14 period

FCF (pre-interest) as a % of EBITDA to see a slight benefit from a lower cash tax rate in 2015

(1) FCF (pre-interest) = [Cash flow from operating activities, add back net interest paid/ received,] + net acquisition/ divestment of intangible assets (e.g. software) and PPE

(2) Adjusted EBITDA = Operating profit before other items + Depreciation and amortisation

# Capital structure and net financial expenses

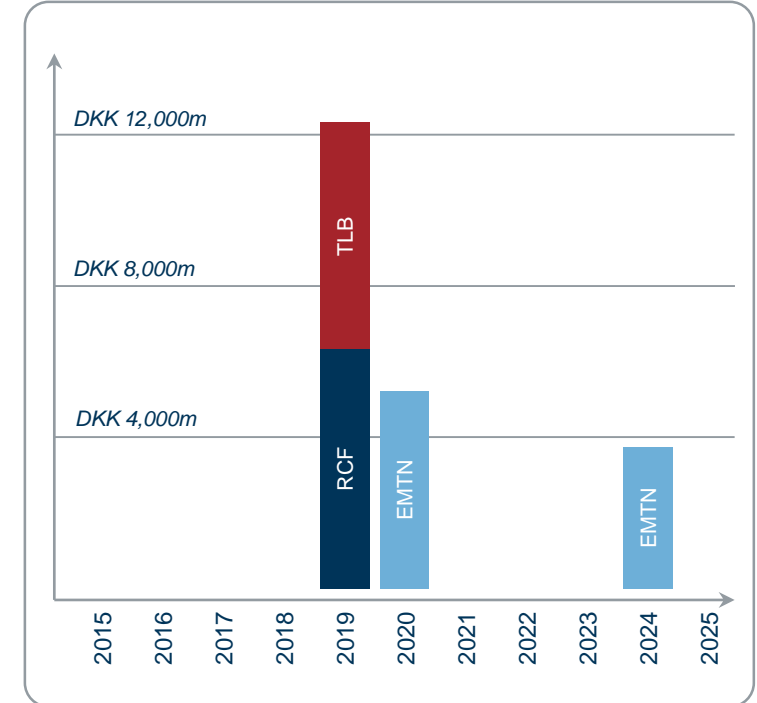
## ISS' financial policy balances the following key considerations

- ISS to maintain a financial profile in line with being Investment Grade
- Leverage targeted at 'below 2.5x', taking into account cash flow seasonality
- Adequate liquidity to be maintained
- Dividend policy a central element in ISS' capital structure considerations
- Fixed versus floating rate financing and diversified funding sources will be flexed but balanced thru-cycle

## Issued bonds and bank loans

EMTN	<ul style="list-style-type: none"> <li>• EUR 700m</li> <li>• 1.125% senior unsecured</li> <li>• Maturing 2020</li> </ul>
EMTN	<ul style="list-style-type: none"> <li>• EUR 500m</li> <li>• 2.125% senior unsecured</li> <li>• Maturing 2024</li> </ul>
Term Loan B <sup>(1)</sup>	<ul style="list-style-type: none"> <li>• EUR 800m</li> <li>• Maturing 2019</li> </ul>
Revolving Credit Facility <sup>(1)</sup>	<ul style="list-style-type: none"> <li>• EUR 850m</li> <li>• Maturing 2019</li> </ul>

## Maturity profile



ISS continues to review its financing options and will remain pro-active in exploiting opportunities afforded by the capital markets

### Investment grade rating

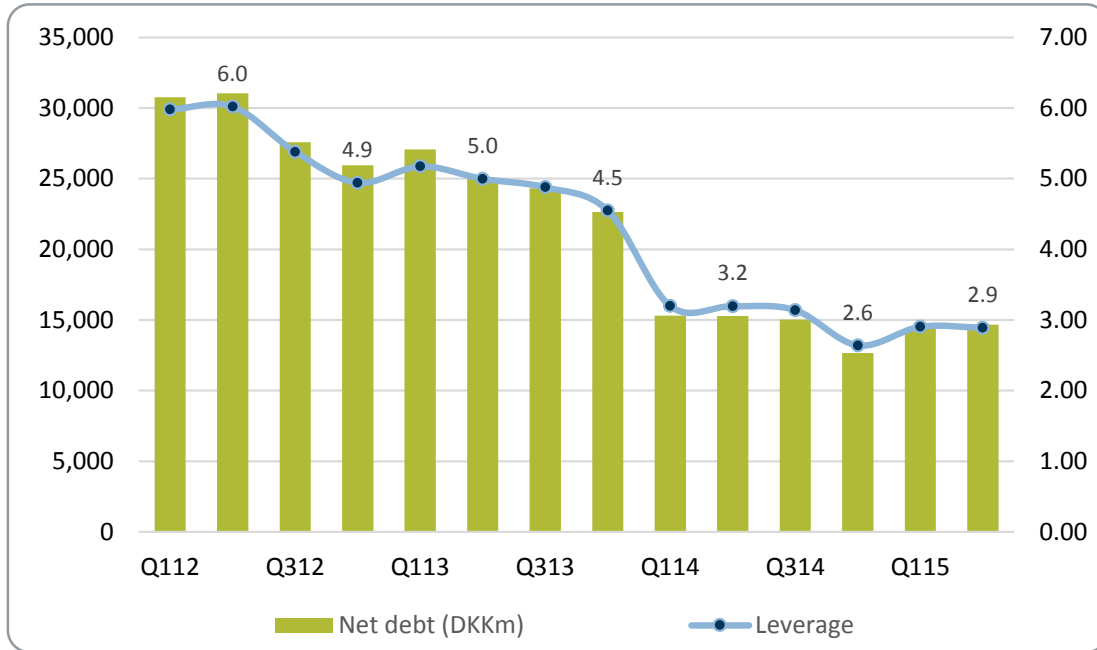
- S&P: BBB- / Positive outlook
- Moody's: Baa2 / Stable outlook

### (1) Margin grid for TLB and RCF

Leverage	Margin (bps)
• Above 3.25x	135
• Between 3.00x – 3.25x	110
• Between 2.50x – 3.00x	85
• Below 2.50x	65

# Capital structure and net financial expenses contd.

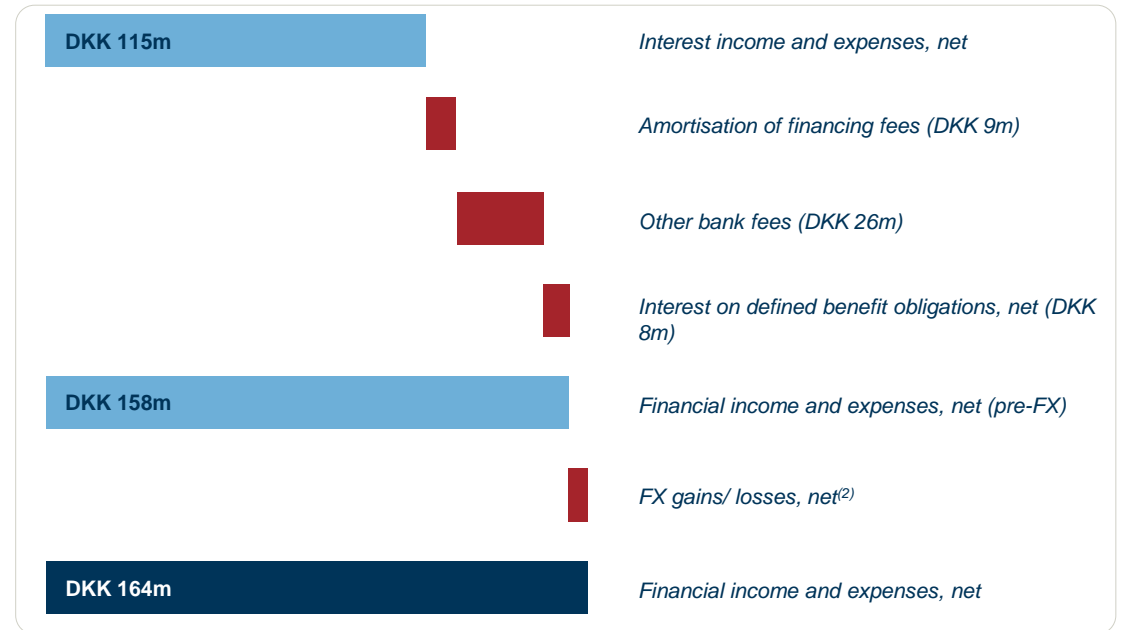
## ISS has demonstrated its ability to reduce leverage since its IPO



(1) Leverage calculated as net debt / pro-forma adjusted EBITDA

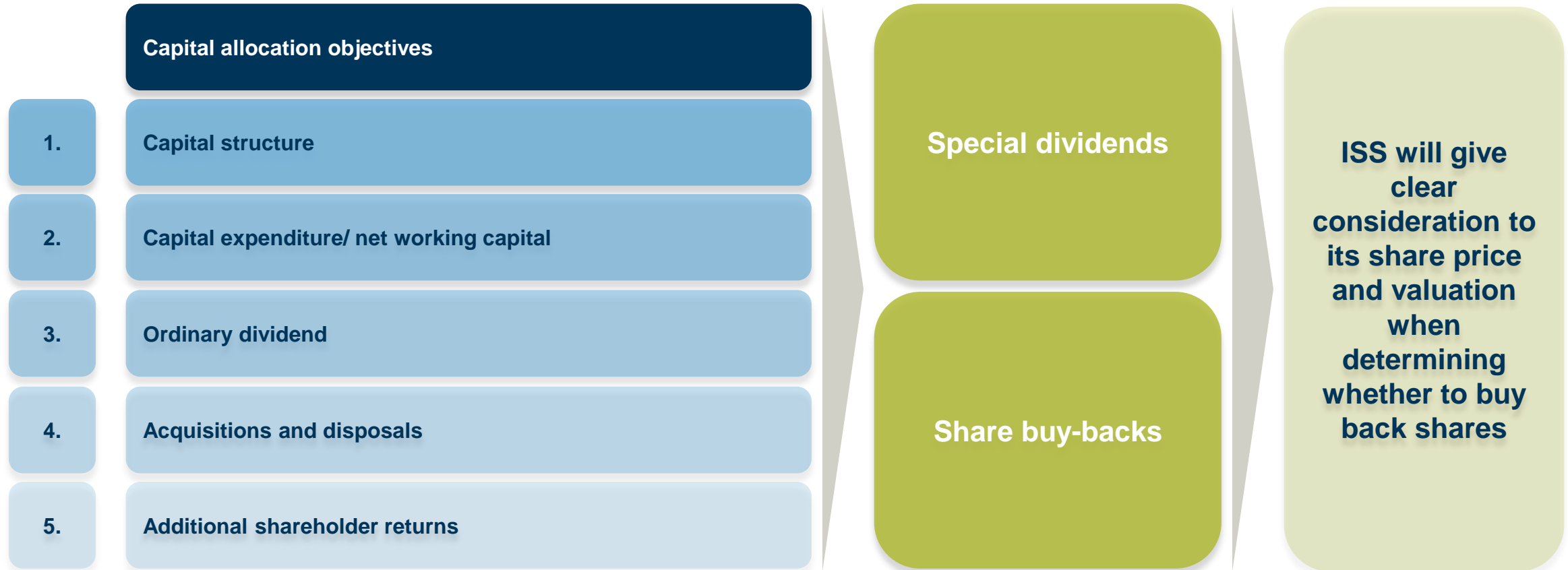
(2) FX losses ytd amount to DKK 60m

## Analysis of Q215 financial income and expenses, net





# We will return surplus capital to shareholders





**Jeff Gravenhorst, Group CEO**

Conclusion

# Creating value for shareholders is our priority





Q&A