



Company announcement

Copenhagen, 22 February 2019

No. 03/2019

2018 results delivered in line with outlook – strong organic growth expectations of 5%-7% in 2019

Financial report for fourth quarter and full year 2018:

ISS (ISS.CO, ISS DC, ISSDY), a leading global provider of facility services, announces its financial results for the fourth quarter and full year 2018:

Highlights

- 2018 results (incl. discontinued operations) in line with outlook:
 - Organic growth of 3.4% (2018 outlook “1.5-3.5%”).
 - Operating margin of 5.5% (2018 outlook “around 5.6%”).
 - Cash conversion of 101% (2018 outlook “above 90%”).
- Organic growth of 3.9% for the continuing operations in 2018 and 4.1% in Q4 (Q3 2018: 4.0%), supported by strong organic growth with Key accounts (2018: 5.5%).
- Total revenue flat for the year (and positive 1.0% in Q4) as the strong organic growth was reduced by a negative impact from foreign exchange effects of 3.4% and a negative net impact from acquisitions and divestments of 0.5%.
- Operating margin of 5.7% for continuing operations in 2018 (2017: 5.8%) mainly reflecting contracts phasing in and out and underperformance in certain countries as well as a negative impact from acquisitions and divestments and currency translation effects of 4 bps for the year partly offset by a few significant one-offs. Operating margin of 7.4% in Q4 (Q4 2017: 6.5%).
- Net profit (adjusted) was DKK 2,084 million (2017: DKK 2,424 million), negatively impacted by higher other income and expenses, net and higher financial income and expenses, net as well as a higher net loss from discontinued operations (adjusted).
- Net profit was DKK 291 million (2017: DKK 2,007 million), due to the above-mentioned items as well as fair value adjustments mainly related to the divestment pipeline.
- Free cash flow was an inflow of DKK 2,359 million for the year (2017: DKK 2,699 million), mainly driven by lower cash flow from operating activities especially in discontinued operations as well as slightly higher investments in intangible assets and property, plant and equipment, net, including investments in technology.
- Net debt was DKK 10,757 million at 31 December 2018 (31 December 2017: DKK 11,325 million). Leverage at 31 December 2018 was 2.1x (31 December 2017: 2.2x).
- Key contract developments since Q3 include the win of a Technology Services Company (global Key account), extension/expansion of Vattenfall (upgrade to global Key account), extension of UBS (upgrade to global Key account), Oxleas NHS Foundation Trust (UK), a Telecommunications Company (UK) and NSW Schools (Australia).

- Successful extension of all large Key accounts maturing in 2018 – and early progress on 2019 maturities.
- Revenues equivalent to approximately 15% of the divestment pipeline completed or signed.
- Proposed dividend for 2018 of DKK 7.70 (2017: DKK 7.70) per share of DKK 1 in line with the total nominal ordinary dividends for 2017 of DKK 1,430 million.

Outlook 2019

- Organic growth of 5%-7% (2018: 3.9%) driven by continued strong commercial momentum including the launch of Deutsche Telekom.
- Operating margin (incl. restructuring costs) of 5.0-5.2% (2018 restated: 5.0%) driven by run-rate improvements partly outweighed by transformational projects.
- Free cash flow of DKK 1.8-2.2 billion (2018: DKK 2,359 million) including non-recurring items, mainly transformational projects as well as transition and mobilisation of Deutsche Telekom.

Restated figures for 2017-2018 reflecting the new reporting structure are attached (continuing operations with restructuring accounted for above the line).

Jeff Gravenhorst, Group CEO, ISS A/S, said:

“We delivered on our 2018 outlook for organic growth, operating margin and cash conversion. This was largely due to our commercial momentum, which was strong throughout the year, with significant wins, expansions and extensions within our Key accounts, both local and global. Our accomplishments in 2018 clearly demonstrate that our Key account focus is delivering and is a strong testimony to the ISS Way strategy that has stricter choice making at its core on the customers we wish to serve, the services we provide and the geographies where we would like to serve. Consequently, we have significantly simplified our business, reducing complexity and risk. Our accelerated two-year investment programme in technology platforms and service areas such as Technical Services and Catering will strengthen our delivery capabilities to Key accounts even further, in a market place that offers long-term growth potential. Our strong commercial pipeline has already ensured a strong platform leading into 2019.”

Lord Allen of Kensington Kt CBE

Chairman

Jeff Gravenhorst

Group CEO

Conference call details

A conference call will be held on 22 February 2019 at 10:00 CET.
Presentation material will be available online prior to the conference call.

Dial-in details:

Denmark: +45 35445583
UK: +44 2031940544
USA: +1 8552692604

Link: <https://iss.eventcdn.net/20190222/>

For investor enquiries

Martin Kjær Hansen, Head of Group Investor Relations, +45 3817 6431
Louisa Baruch Larsson, Senior Investor Relations Manager, +45 3817 6338

For media enquiries

Rajiv Arvind, Senior Communications Manager, +45 38 17 65 03

About ISS

The ISS Group was founded in Copenhagen in 1901 and has grown to become one of the world's leading Facility Services companies. ISS offers a wide range of services such as: Cleaning, Catering, Security, property and Support Services as well as Facility Management. Global revenue amounted to DKK 73.6 billion in 2018 and ISS has more than 485,000 employees and activities in more than 70 countries across Europe, Asia, North America, Latin America and Pacific, serving thousands of both public and private sector customers. For more information on the ISS Group, visit www.issworld.com.