



Company announcement

Copenhagen, 10 December 2018

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STRATEGY UPDATE

ISS to increase organic growth to 4-6% per annum by accelerating its Key Account transformation

ISS (ISS.CO, ISS DC, ISSDY), a leading global provider of facility services, today announced its ambition to increase organic growth to 4-6% per annum by accelerating its transition towards Key Account customers. ISS has proven its ability to win and grow Key Account customers and now plans to strengthen its position further in a market place that offers compelling, long-term growth potential. A two-year programme of expedited investment, encompassing services (e.g. workplace, technical, catering) and platform (e.g. technology, data and innovation), will materially enhance ISS's delivery capabilities. Investment will include project-related operating expenditure, capital expenditure and selected M&A. It will strengthen ISS's ability to protect and care for customers' property, people and environment. Capital will be reallocated from areas that are not core to the Key Account strategy to help fund this transformation. As a consequence of this:

- Operations in 13 countries will be divested – Thailand, Philippines, Malaysia, Brunei, Brazil, Chile, Israel, Estonia, Czech Republic, Hungary, Slovakia, Slovenia and Romania. The exit from non-core services will be concluded by divesting a number of business units across the group – entirely consistent with ISS's strategy of recent years.
- In 2017, these planned country and business unit divestments generated a revenue of DKK 9,685 million (12% of Group) and Operating Profit before other items of DKK 373 million (8% of Group). The process of divesting countries and business units is expected to conclude during 2020.
- These divestments will significantly simplify the business, reducing complexity and risk. Upon completion, the number of customers is expected to reduce by 50% (from 125,300 to around 62,700) and the number of employees is expected to reduce by 20% (from 490,000 to around 390,000).
- The two-year programme of expedited investment will strengthen ISS's delivery capability to Key Accounts (including global and regional) and is expected to yield attractive financial returns.
- Within 2019 and 2020, ISS remains committed to paying an ordinary dividend at least equal to the DKK 7.70 per share paid in 2018.
- ISS intends to return at least 25% of net divestment proceeds to shareholders by way of a share buy-back or extraordinary dividend

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

"These bold decisions reflect our strong conviction in the growth opportunity afforded by Key Account customers. When the time comes, it will be tough to part ways with many outstanding colleagues and high quality businesses. However, we must focus our capital and resource on those customers, services and geographies that can truly benefit from our future investment in processes, technology and innovation. This acceleration of our strategy will improve our offering for Key Account customers and deliver a stronger and more consistent financial performance for our shareholders."

ISS's strategy – The ISS Way – has already created a more focused organisation, with stricter decision-making around the customers it wishes to serve and the services it provides. Considerable progress has been made, in driving growth of Integrated Facility Services (IFS) for Key Account customers, especially Global Key Accounts. 2018 has been a successful year and since the 9-month interim report in November, ISS has won or extended relationships with four major customers with a combined revenue of around DKK 2 billion, of which new revenue amounts to approximately 1% of the Group total.

ISS will now strengthen and fully leverage its operating platform to drive stronger organic growth in the medium term. The geographic footprint will be narrowed to focus on those markets offering a meaningful and attractive opportunity to grow Key Account customers. The business will be simplified, risk reduced and capital reallocated to support core services. Restructuring costs are expected to fall in 2019 and again in 2020.

These actions are designed to improve ISS's financial performance via stronger growth. As such, ISS has set the following medium term financial targets:

- Organic growth: 4-6% per annum (2019 onwards)
- Operating margins: Robust and in-line with the historical range
- Free cash flow: Around DKK 3 billion in constant currency (by 2021)

This announcement does not change the outlook for 2018.

Lord Allen of Kensington Kt CBE

Chairman

Jeff Gravenhorst

Group CEO

Conference call details

A conference call will be held on 10 December 2018 at 09:00 CET.

Presentation material will be available online prior to the conference call.

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Link: <https://iss.eventcdn.net/20181210/>

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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 80 billion in 2017 and ISS has more than 482,000 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.