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**Speakers:**

**Martin Hansen - Investor Relations**

**Jeff Gravenhorst - Group CEO**

**Heine Dalsgaard - Group CFO**

**Barbara Plucnar Jensen - Group Treasurer**

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**OPERATOR:** Welcome to the conference call for ISS preliminary results 2013. At this time all participants are in listen-only mode. Later we will conduct a question and answer session. Please note that this conference is being recorded. The call will now be turned over to Martin Hansen from Investor Relations.

**MARTIN HANSEN:** Thanks. Good afternoon and thank you for joining us at short notice. Presenting today will be Group CEO, Jeff Gravenhorst, Group CFO Heine Dalsgaard, and Group Treasurer Barbara Plucnar Jensen. I'd like to draw your attention to slide number 2 with regard to the forward-looking statements. If you turn to slide number 3 you will see the agenda for this call.

In a moment Jeff Gravenhorst will first and foremost take you through today's news and our intentions to launch an IPO. Following this Jeff will turn to key events for 2013 as well as give you a brief update on business and strategy.

Heine Dalsgaard will then take you through the solid financial results for 2013, followed by Barbara on capital structure. Jeff will then finish off with the outlook for 2014, before turning to the Q&A session.

Please be aware that our announcement, the report, as well as these slides will be found on the website, and after this call the webcast will also be available on the website.

I will start the presentation by passing on to Group CEO, Jeff Gravenhorst, on the key events and the ITF.

**JEFF GRAVENHORST:** Thank you, Martin and welcome to everybody also from my side here. With me today also apart from Heine Dalsgaard and Barbara Plucnar Jensen are the rest of

the Executive Group Management team, Henrik Andersen, the COO for the European markets and John Peri, COO from the Americas and Asia-Pacific market. This morning we announced our intention to float on the NASDAQ OMX Copenhagen. ISS has been under private equity ownership since 2005 when funds advised by EQT and Goldman Sachs took the company private. It has been great for the business. This period has allowed ISS to build a strong business platform through both acquisitions and organic growth, a business platform which has allowed us to pioneer the facility services industry both locally and globally. We doubled our revenue, we doubled our profit and we more than doubled the employee base from 250,000 to over 530,000 colleagues around the world. In recent years we have shaped our business even further by focusing on our core competencies and divested the non-core activities. This has reduced our leverage from a peak some years back of 7.5 times EBITDA to around 4.5 times at the end of 2013.

During this period we have also expanded the shareholder base by working with renowned investors Ontario Teachers' Pension Plan and Kirkbi, and now we are a strong global player in the large but fragmented global facility services market estimated at the value of US\$1 trillion and the potential for integrated facility services is still enormous.

So today we have announced the intention to float ISS at NASDAQ OMX Copenhagen. The intended IPO, if I can draw your attention to page 5, is expected to consist primarily of an issue of new shares to raise proceeds of approximately DKK 8 billion. The proceeds from the IPO are proposed together with amounts drawn under a new banking facilities agreement, which is subject to the IPO, to repay existing credit facilities during the course of 2014.

Drawings can be made under the new facilities agreement which was put in place on 18 February 2014 subject to satisfaction of certain conditions precedent,

including that the offering of shares contemplated by way of the IPO has occurred or will occur concurrently with the first drawing under the new facilities.

The new facility, with investment grade like terms, is in place with a smaller number of relationship banks and includes a flexible interest margin depending on our leverage.

For further information regarding the proposed IPO, including effects from the proposed refinancing, incentive programmes and corporate governance changes please refer to the offering circular for ISS A/S if and when such a document is published. Please turn to page 7.

With this intention to float I would like to take you through an update of what is ISS, where is ISS and also how we see the future of ISS. The key events in 2013 basically fall within three major categories here. There is clearly a sharper focus of ISS due to the divestment of non-core activities and the strengthening of the management team through 2013, but also from our operational performance, which we are very satisfied with, and the refinancing activities that have been undertaken throughout the year 2013.

Basically we are sitting here in front of a year where we are satisfied with all the results and the business platform that ISS represents today. The sharper focus really is about making sure that we understand what ISS stands for. ISS today is basically an on-site labour force management organisation and we continue to align our business through divestments of some non-core activities. There have been significant divestments throughout 2013. Pest control activities have been sold off in 12 countries in May 2013. We sold off the Nordic damage control activities in August 2013 and in 2014 further significant divestment has already been announced which includes the security business in New Zealand and Australia, the commercial security business in New Zealand and Australia and the landscaping activities in France. These are all activities that were not part of the core activities of ISS going forward and the future activities of ISS going forward, as I said, is

based on on-site labour force management services, which I will talk much more about later.

The other part of sharpening the focus of ISS is that we have put in more resources from a management perspective. We have strengthened our management team. So during the year we have expanded the Executive Group Management Board an additional two members. In doing so we welcomed Heine Dalsgaard, our CFO in the mid-year and also John Peri as the Head of the Americas and the APAC region. This of course meant that Henrik Andersen took over the running of the European region, having been a part of the organisation both as a CFO for the Group but also as a Country Manager and an instrumental part of implementing the ISS strategy throughout the entire organisation.

With this expansion of the management team combined with a strong group management board and all of our country management teams across the world we are in a very strong position going forward. This of course has come through as good operational performance. We have continued our focus on generating profitable organic growth, so on a like-for-like basis we've grown the company more than 4% organically in 2013. We have also improved our margins on a like-for-like basis from 2012 to 2013, showing again that the resilience of this company continues and the sustainability of this company just becomes stronger, underpinned by an extremely strong cash flow, and we continue to see this also in 2013. So we come through with a cash conversion of more than 100% for the result of 2013, which in our mind of course is instrumental to prove the point of the quality of earnings of the company.

We have also continued our success with especially the growth in Emerging Markets, the growth from our Integrated Facility Services offering, and the growth from our Global Clients. In 2013 we launched and now operate some of the largest international IFS contracts this industry has seen. Furthermore, and this is something we are extremely proud of, ISS is now ranked the world leading

outsourcing provider by IAOP, the International Association of Outsourcing Professionals. This is a list where we are competing against other outsourcing companies such as Accenture, Tata Group and so on.

On top of that, in 2013 as I mentioned, we also refinanced the Second Lien Facility as well as amended and extended the predominant part of our Senior Secured Credit Facilities, and obtain greater flexibility in the financing structures we have today. ISS furthermore partially redeemed DKK 2.4 billion of 8,875% Senior Subordinate Notes due in 2016. Again, giving the organisation much more flexibility and significant savings in interest paid.

So with that in mind it has been a very, very good year and Heine and Barbara will take us through more details of the numbers a little bit later on. I would, especially because of the intention to float, like to take you through a couple of the highlights of the business and the strategy from ISS today, so if I can ask you to pay attention to slide number 9.

Obviously we are not going to have time enough to go through 112 years of success in a global facility services company like ISS but I will highlight on this timeline the three major phases. The first phase is really just building the company, which was up to the year 2000. A lot of different movements and developments have happened from the year 1901 when we established with 20 guards downtown Copenhagen up until the end of the 1990s, but basically at that point in time we were the world's largest cleaning company who actually saw a different trend in the market and an opportunity that we wanted to take advantage of. This opportunity was that the clients were asking to buy more services from one provider, thereby making a more convenient solution to the client, for them to in a safe way make a blue chip outsourcing from blue chip companies to companies like ISS to fulfil the service needs that they had. In order to do so we entered into phase 2, which is really to increase the scale and the global presence of ISS. For the year 2000 up to 2008-09 we were acquiring services that gave us further capabilities by cleaning

outside Northern Europe, by establishing ourselves in Latin America, in Asia and other parts of the world where we saw the same trends in the facility services markets.

We also expanded our service products by entering into services like catering, security, facilities management, technical maintenance and building maintenance, which gave us the full scale of all the services that the clients were asking for.

At the end of year 2008 we then embarked on the ISS Way strategy, really the third phase which was aligning the company behind a core value proposition. This was taking all of the services that we built up during the build-up phase, from 2000 to 2008, consolidating them into one service offering which could eventually be sold to larger clients across the globe as a consistent service with a good value proposition, and thereby also at a lower price to the customers. This is what we have been focused on for the past few years and this is the company that we now have, fully-fledged at the end of 2013, capable of delivering all the services the customers need on a global scale. This is the reason why we are now capable of servicing Barclays on a worldwide scale, Hewlett Packard and a lot of our other international clients, as well as Integrated Facility Service clients in our local markets.

Today we are then listed as the number one outsourcing provider, and the reason for this is because of this capability. We are headquartered in Denmark, we have more than 530,000 employees globally and we operate in more than 50 countries across the world, covering more than 90% of the world's GDP. We are clearly a leader in facility services. We offer single service, multi-services and integrated services as we stand today, but if I can ask you to draw attention to page 10, what is it that we really do for our clients?

On slide 10 we have the picture here. This is the freestanding building, which is our key focus of our services, making sure that we can do on-site labour force management of all of the services the clients need to run their own facilities. If we imagine this house to be a hospital, or if we imagine this freestanding building to be



a bank or an industrial player, we can run all the services from outside area maintenance, so the landscaping, the receptionist, the helpdesk, porters in the hospital, all the mail room services etc also from private enterprises, so the cleaning, the catering, the patient feeding, the technical services, the property services, everything that the building requires in order for the customer to focus on their core. This is where we are today and what we as ISS can do now is integrate all these services and deliver the services with our own employees. This gives a safe delivery, a blue chip delivery where we can safeguard the customers' property, safeguard the properties' employees, safeguard the properties' customers from that perspective. This is the aim with what we wanted to create with ISS Way.

We do this to many different types of customers across the world, so if I can draw the attention to page 11, obviously we need to be very specific when you are delivering services this broad across the world. We have selected to provide these services both from a single perspective but also multi, so people can buy more than one service from us and then of course we can integrate the services as a seamless solution to the client. To do this we have chosen some end-user segments to focus on to become world class within business services and IT which includes the banking sector, healthcare, transportation and of course also in the retail sector.

This is a clear end market focus that ISS has established. We do this with different delivery models, as I said, single, multi and today Integrated Facility Services comprises 26% of our sales in 2013, so we have built this up from basically nothing during this strategic period under the ownership of the private equity company EQT and Goldman Sachs and recently KIRKBI and OTPP.

Our Emerging Market presence we also established. We now have 23% of our revenue in the Emerging Markets, and both IFS and Emerging Markets has grown double digit over the last six years, IFS has grown about 15% in Emerging Markets around 20% compound but I will talk about that a little later.



We also have a focus on the customer size, so focus on large accounts. Of course these are also the types of clients who value our value proposition at the right level for us to make sure that we also make a decent return on our investment.

Why are we doing this? Why are we focusing on the broad services and the blue chip delivery to our clients? Can I ask you to turn to page 12? Basically because this is what the customer wants, so what we have done, together with an external independent consultancy company, is to go out and make a survey of the complete market, a sample test of the complete market of facility services, and what the customers on the whole are asking for is of course quality in the way that we deliver the services, but also price, which is not a big surprise. On top of that reputation is becoming more and more important, particularly for larger companies out in the world. This is because these corporate social responsibilities are taking a bigger and bigger part in this market. Customers don't want to have any issues related to their non-core activities, and therefore want to outsource the services that are delivered by people on-site, that means at home, with the customers, by proper employees trained to make sure that we safeguard the properties and the customers and their employees in the right way. I.e. Reputation and the way that we deliver the services is not only a matter of price any more, or quality. It is also the matter of doing it in the right way and training our people in the right way. This of course creates the opportunity for Integrated Facility Services because it is a convenient way of making sure that the services are delivered by a blue chip company.

If you go into the market and within the customers who are purchasing IFS, so the integrated solutions, clearly you can see that reputation becomes even more important. It is even more important than price, so this is the focus from ISS. At the same time they also acknowledge that in order for these services to be delivered in the right way, it has to be delivered with your own staff, so if they outsource to a company like ISS they also expect us to deliver the cleaning, the catering, the

property maintenance with ISS staff, so the ability to self-deliver is becoming equally important. This is the reason why we have established a solution where we can deliver all the products that the customer needs on a global scale.

On page 13 we are just highlighting here what does it really mean, what do these needs mean? That means, of course, that from a customer perspective they are asking for credible and effective risk management of everything that happens on site, so that we can lower accidents that happen on properties of customers and ensure that we are linking up to all the local labour laws. We are protecting the brand of the customer and we are delivering efficiency and financial certainty by the consistent delivery day-in and day-out on the local premises as well as across a country, across a region, or even across the globe, as is the case with Barclays, for example.

They are also of course looking for delivery capability because we need to be able to clean right, to do the right catering and so on. They need consistency in delivery and they need flexibility. This is also enhanced by our self-delivery model throughout the world.

On top of that, further synergies can be obtained if we can take all the single services and bundle them together into one seamless solution on one site. Of course that takes out a lot of middle layers of profit to different types of companies, so if you imagine ten different companies having to come in and service one facility, they all need their own profit, they all have their own invoicing system, they all have their own insurance policies, whereas if you go for an integrated, seamless solution there is one solution with one management team, one invoicing system, one credit collection etc. That of course creates a lot of synergies both for the customers and for ISS.

Now, Has this worked? If you turn to page 14 clearly this is the reason why we, as well as the market, are experiencing very strong IFS growth. So the four growth engines of ISS today are the solution of the Integrated Facility Services, but it's also

our position to take some of the European recovery. We have seen of course that the GDP growth has gone a little bit up over the last year and we expect that to continue also into the future and as we are growing a little bit in line or outperforming GDP growth then of course we also expect that to go forward.

The third growth engine expected is that of course there is a global need here. The customer wants to have a consistent delivery across the countries and therefore have a consistent, convenient solution with only one deliverer. That is also a growing trend within the market, and of course Emerging Markets which is the fourth. If you look at our own achievements here, IFS has grown to become 26% of our revenue today, i.e. 15% CAGR over the last six years, predominantly driven by organic growth. The global corporate client has grown from basically zero to 6.5% or 8% of our revenue for 2013, so again we have succeeded with what we set out to create which is really developing the IFS market and the global market. The same thing goes for Emerging Market where we now have 23% of our business and 19% CAGR over the last six years. So yes, we have succeeded and we are on the right track and following the trends for Facility Services market.

Going forward, if I can ask you to turn to page 15, we still see some very good levers for enhancing the profitability of ISS going forward. Heine Dalsgaard will in a moment take us through the financial performance of the company and as you will see we have improved the margin also in 2013 compared to 2012. Going forward we do see five areas that are our focus to enhance profitability. Number one of course is about management and leadership performance. I will not dwell on that right now, but the focus really on customer segmentation and organisational structure is about reducing above the contract structure cost, so taking out structure cost country-by-country. While the focus is more and more on mid-size and larger clients we can take out a significant level of cost saving also going forward.

IFS is a margin accretive product and by having more and more IFS business the business will also overall make our margin go up and we do estimate that with the

IFS business that we have today we generate a net profit or an EBITDA profit from this business fully loaded of between 6% to 7% of profitability. So it is an accretive margin within the IFS business as well as it is accretive in Emerging Market.

The fifth part is a very important part of our future profitability enhancement. With the transformation of the company we have now established an international procurement department from which we have done the first wave and we expect to get the benefit through on the first wave of activities from this department for DKK 150 million to DKK 250 million which will come through over the coming few years. So there are definitely upsides. We have a very stable business with a good growth and with a good operating profit and a very strong cash flow with further upside for the coming years.

Let's get into a little bit more detail on the numbers and I will ask Heine Dalsgaard to take us through the preliminary results for 2013.

HEINE DALSGAARD: Thank you, Jeff, and good afternoon everyone. So just to re-emphasise, these are the preliminary numbers for 2013. They are not audited yet but we do not expect any changes to the final numbers that we will announce in a few weeks' time. So if you go to page 17 in the presentation, so ISS in a nutshell from a financial perspective, it's all about resilient organic growth, about very stable operating margins, and ending up with a strong cash conversion, all of which results in a very strong cash generation.

So just to start with putting the 2013 figures into a historical perspective, if we start with the organic growth, so the average organic growth throughout this cycle has been 4% and with positive organic growth every year. We do have a history of performing in line with nominal GDP growth throughout the cycle.

Operating margin, we have a track record of very stable operating margins over the last eight years, so from 5.5% to 6% operating margin, a spread of 50 basis points,

so very stable operating margins, even through the most severe macroeconomic and financial crisis that the world has seen for many years.

Cash conversion, which of course as Jeff also says, says something about our ability to transform profit into cash, but also at the same time says something about the quality of the underlying earnings. Cash never lies. We have a track record of high cash conversion even through the cycle. On average from 2006 to 2013 our cash conversion has been 99%.

So this was just a short introduction with the purpose of putting the 2013 numbers into a sort of historical perspective. Now let's go through the 2013 numbers in further detail, and if you turn to page 18 I will start with our key operational priorities, which are organic growth, operating margin and cash conversion. On organic growth, our revenue as said by Jeff was DKK 78.5 billion corresponding to an organic growth of 4.3%. This growth was driven by both developed and emerging markets, as well as the start-up of the Barclays and the Novartis contracts. I will come back to the regional splits in just a few minutes.

Operating margin. Our operating profit was DKK 4.3 billion, corresponding to an operating margin of 5.5%. This operating margin was in line with our expectations and as expected below 2012, where it was 5.6%, which has to do with the divestments that have been made in May 2013 of our pest control activities.

Adjusted for the impact of the divested pest control activities the operating margins for 2013 were slightly improved compared to 2012 and again that is also confirmed by the Q4 numbers where 2013 Q4 is 20 basis points higher than it was in Q4 2012.

Then cash, and cash remains a key priority for us in ISS and we closed the year with a cash conversion of 102% which is a result that reflects strong cash flow performance across the group. We continue to focus our efforts on securing payments for work performed and also to exit customer contracts with unsatisfactory payment conditions.

Now let's go through each of these priorities in a bit more detail per region. If you could turn to page 19, that is the organic growth, so overall we had an organic growth in 2013 of 4.3% which was offset by a negative effect from divestments of 2% and FX impacts of -3% which then takes us to an overall negative growth of 1%, but again our main focus in ISS is on organic growth, i.e. our ability to continue to grow the ongoing business organically. Here, as you can see from the chart, we have had positive organic growth across all regions with the exception of the Pacific.

So if we start with Western Europe, and remember that Western Europe accounts for 51% of our total business, in Western Europe an organic growth of 5% with a particularly strong performance and actually significant growth in UK, Switzerland and Turkey.

Then Nordic. Nordic now accounts for 21% of our total business, an organic growth of 1% and a particularly strong performance in Norway.

Turning to Asia, 15% organic growth and Asia is now 10% of our total business.

Double digit growth in Asia for the 34th consecutive quarter and particularly strong performance in Indonesia, India, Thailand, Hong Kong and China.

Then Pacific, where we have had a negative organic growth of 1% due to the loss of certain large security contracts and a reduction in services in certain other contracts in Australia. However the Q4 numbers for the Pacific confirms that we saw a pick-up in new sales and we achieved significant contract wins and contract extensions in Q4.

Then Latin America, with an organic growth of 7% with strong performance in Argentina and Chile, but also with positive organic growth in Brazil. North America with a 2% organic growth and Eastern Europe with 5% organic growth with the main contributors being Slovenia, Russia, Hungary and Slovakia.

So overall an organic growth of 4%, divestment effect negative of 2% and FX effect negative with 3% then takes us to an overall decline in revenue of 1%.

Then let us go through the second key priority and ask you to turn to page 20, that is our operating margin. I will not go through this in detail but here you see the splits of our margin on the different regions.

If we start in Western Europe, 6% operating margin, some margin pressure from the macroeconomics and in Western Europe we also saw the negative effect from the divestment of pest control activities.

Nordic 7.4% up from 6.7% the year before with a particular strong focus and strong performance on margins in Denmark, Sweden and Finland. Then we have Asia, 7.6% which continues then with Asia being the highest margin region in our company.

Pacific with a 5% operating margin a slight decrease mainly because of the divestment of the pest control activities. Latin America 3.9% up compared to 2012 and we see now an upwarding trend in Latin America after exiting certain customer contracts with negative margins during 2012.

In North America, down compared to the year before because of loss of certain contracts and also because of certain steps taken to restructure the business, in particular the eastern part of the North American business.

Eastern Europe up from 6.4% to 6.6% operating margin, so all in all that takes us to an operating margin of 5.5% which is in line with our expectation, down from 5.6% in 2012 and again that has to do with the divestment of the pest control activities and adjusted for that we do see a slight increase from 2012 to 2013.

If you turn to page 21, that's our cash conversion and again cash remains a key priority for us in ISS and we closed the year with a cash conversion of 102% because of strong cash performance across all regions with the exception of Latin America. Actually there also we had a strong performance with the exception of one country where we saw a decline in the cash conversion and that was related to the phasing of specific payments, so overall a very strong cash performance across the Group.



So to sum it all up from a financial perspective from resilient organic growth through very stable operating margins and very high cash conversion throughout 2013 which has resulted in very strong cash generation and this cash generation has been contributing to the continued deleveraging of ISS. I will now hand it over to Barbara to take us through the capital structure.

BARBARA PLUCNAR JENSEN: Thank you very much, Heine, and as you just said significant continued deleverage has been one of the key themes for 2013, where if you look at slide 23 you can see that we accomplished to de-lever the company with an amount of DKK 3.3 billion in total. The ability to de-lever with such an amount of course stemmed from some of the divestments that we executed during the course of the year, but also by the strong cash performance that you just saw Heine go through. All in all, with the proceeds of the divestments we were able to take out significant parts of our expensive debt, thereby again accelerating the cash flow of the company with significant interest cost reductions going forward. If you look at the net debt to EBITDA you can see that we are at a very low level for 2013, landing the year at 4.5 times net debt to EBITDA which as was also mentioned earlier in the presentation is the continued path and peer focus of the company. If you turn to slide 24 you can see the breakdown of the capital structure at the end of 2013. It was a key year for our capital structure because at the beginning of the year, in April, we were able to refinance significant parts of the debt, including taking out the Second Lien Facility and replacing with the senior tranches in euros and US dollars, and thereby also extending the maturity profile of the company and include flexibility around IPO flexibility as well as the use of the divestment proceeds that we obtained for the possibility to use for the junior parts of our debt. In this way we have simplified the structure of the company and also have been able to address the expensive part of the debt. In total, with the proceeds from

divestments executed throughout the year, we were able to take out in excess of €325 million which is approximately 56% of the total outstanding amount of the Senior Subordinated Notes due 2016, where you can see the remaining part being DKK 1.9 billion at the end of 2013.

So, in general, significant improvements and simplicity of the capital structure which again will support the continued strengthening of the financial profile going forward. If you turn to slide 25 you will be able to see the maturity profile as it was per 31 December 2013. Given the amend and extent of the Senior Facilities we therefore have no upcoming maturities in the near future. We have sufficient maturities running to 2017 and 2018 and the capital structure which works for us at the moment. However, today we announced in the Intention to Float that we are able to tie this in with a new banking facility. I will not be able to give you further details around this new banking facility at this point in time but will direct you to the prospectus when and if that is going to be released.

With this update on the capital structure, again confirming the path that we are on, continued deleverage, continued simplicity on the capital structure, I will hand over to Jeff to take us through the outlook for 2014.

JEFF GRAVENHORST: Thank you, Barbara. Thank you, Heine. If you can turn to page 27, the outlook for 2014, we do expect revenue to grow around 3% to 4% assuming constant currency and before all the impact of acquisitions and divestment. This outlook is based on a mix of global macroeconomic forecasts and on an expected positive GDP growth yet still being low and with certain slowdowns in the economies like for example Asia.

From an operational margin point of view we are expecting to be above the 5.5% we realised in 2013 and from a cash conversion point of view we do expect to continue to be very strong, and therefore to have a cash conversion above 90% for 2014 as well.

In summary, this is a very exciting and very important day for ISS as we take the first step on our journey to becoming a publicly listed company. I am extremely proud of what we have achieved at ISS during the years but also particularly during 2013 and I look forward to steering this company through what promises to be a successful and rewarding time ahead. With that I thank you for your attention on the whole walkthrough of the presentations here and we would like to open up for Q&A.

OPERATOR: Thank you. We will now begin the question and answer session. If you have a question, please press 01 on your touch tone phone. If you wish to be removed from the queue then please press 02. If you are using a speakerphone you may need to pick up the handset before pressing the numbers. Once again, if you have a question, please press 01 on your touch tone phone. There is no one in the queue, so if you would like to ask a question, please press 01 on your touch tone phone. Once again, if you'd like to ask a question, please press 01 on your touch tone phone.

Martin Kjær Hansen: Okay. Ladies and gentlemen, this concludes today's investor call. Thank you for participating. You may now disconnect.