# Investor Presentation

# **Q3 Results**

12 November 2014

# Forward-looking statements

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# Agenda

- Highlights
- Regional Performance
- Financial Results
- Outlook
- Q&A

# Highlights

# Business Highlights Q3

**Operating Performance**

- Resilient and profitable organic growth
- Strong and improving operating margin
- High LTM cash conversion
- Significantly improved net result

**Strategic Initiatives**

- Strategic initiatives support margin progression and are progressing according to plans
- Customer segmentation and organisational optimisation ongoing in several countries
- Procurement project targeting DKK 350-450 million in savings over the first two phases
- Business Process Outsourcing progressing as planned
- Continued divestment of non-core activities

**Emerging Markets**

- Emerging markets now represent 25% of Group revenue
- High organic growth (9%) and operating margin (6.1%)

**Integrated Facility Services**

- IFS revenue increased 16% in Q3, representing 31% of Group revenue
- Significant local IFS contract wins in Q3 included Bankia (Spain) and Aller (Nordic)

- Global Corporate Clients
  - Revenue increased by 3% in Q3, representing 9% of Group revenue
  - Contract with large international food producer launched and set to expand

# Financial Highlights Q3

## Three key financial priorities

### 1. Resilient Organic Growth

#### Organic Growth 2.4%

- **Organic growth was 2.4% in Q3 2014 compared with 2.4% YTD and 5.2% in Q3 2013**
- Supported by most regions – in particular emerging markets and the Pacific region – and by IFS
- Partly offset by a continued challenging macroeconomic environment in Europe and difficult market conditions in certain European countries

### 2. Improved Operating Margin

#### Operating Margin[1)] 6.4%

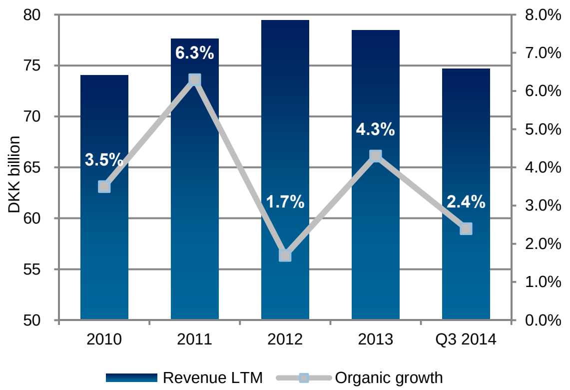
- **Operating margin was 6.4% in Q3 2014 compared with 6.3% in Q3 2013**
- Supported by improved margins in several regions and especially Western Europe and the Nordics, driven mainly by the implementation of our strategic initiatives

### 3. Strong Cash Conversion

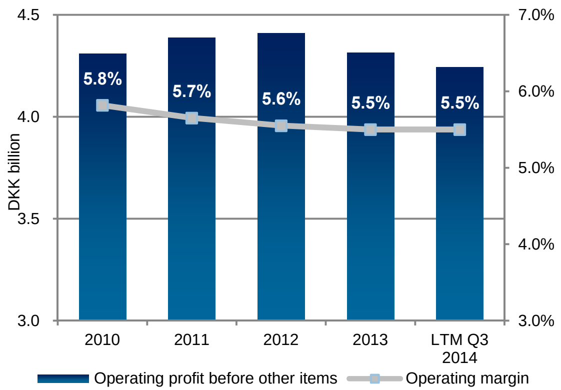
#### Cash Conversion[2)] 97%

- **LTM cash conversion was 97% in Q3 2014 compared with 109% for Q3 2013**
- Ensuring a strong focus on cash continues to be a key priority, and reflects our efforts to ensure payments for work performed.

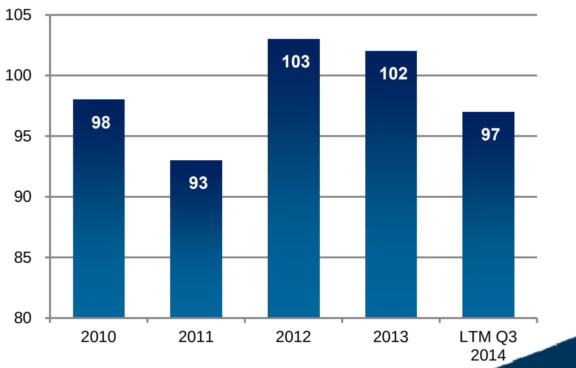
REVENUE AND ORGANIC GROWTH




OPERATING PROFIT AND OPERATING MARGIN




CASH CONVERSION (LTM)

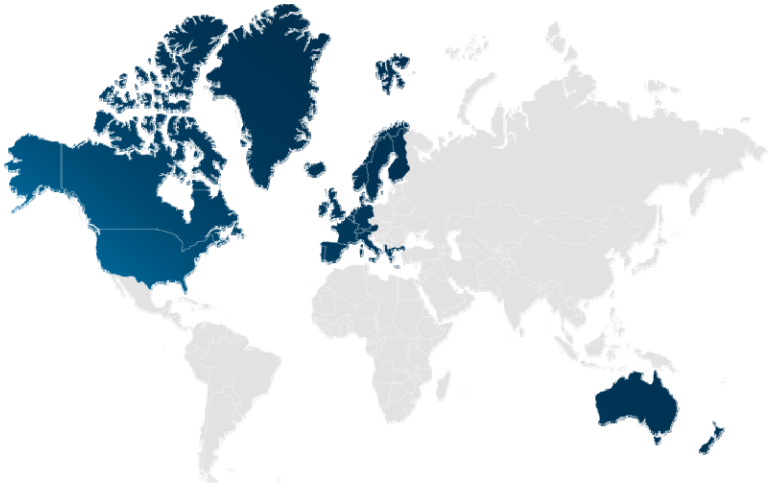



1) Operating profit before other items
2) Cash conversion is defined as Operating profit before other items plus Changes in working capital as a percentage of Operating profit before other items

# Regional Performance

# Regional Performance Q3

## Developed Markets



**75%**
of Group revenue

**43%**
of Group employees

**1%**
Organic growth

**7.5%**
Operating margin[1]

## Emerging Markets[2]

**25%**
of Group revenue

**57%**
of Group employees

**9%**
Organic growth

**6.1%**
Operating margin[1]

1) Operating profit before other items and corporate costs
2) Emerging Markets comprises Asia, Eastern Europe, Latin America, Israel, South Africa and Turkey

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# Regional Performance Q3

## Western Europe

**1%**

**Organic growth**

(6% Q3 2013)

- Growth driven by Turkey and the United Kingdom
- Continued challenging macroeconomic conditions in certain European countries
- Relatively low level of demand for non-portfolio services

**6.7%**

**Operating margin**[1)]

(6.1% Q3 2013)

- Margin increase supported by strategic initiatives
- Progress broadly based with 10 out of 14 countries delivering improved margins
- Strong performance in especially Switzerland and the United Kingdom

## Nordic

**1%**

**Organic growth**

(1% Q3 2013)

- Especially strong performance in the IFS division in Denmark
- Relatively low level of demand for non-portfolio services

**10.3%**

**Operating margin**[1)]

(10.1% Q3 2013)

- Strong operational performance across the region
- Margin increase supported by strategic initiatives

1) Operating profit before other items and corporate costs

# Regional Performance Q3

## Asia

**5%**

**Organic growth**

(16% Q3 2013)

- Growth was as expected negatively impacted by the slow-down in certain Asian economies
- Strong growth in Singapore, Indonesia, China and India

**7.5%**

**Operating margin**[1)]

(7.9% Q3 2013)

- Continued high operating margin
- Decline partly due to the divestment of the margin accretive pest control activities in India in 2014

## Latin America

**11%**

**Organic growth**

(5% Q3 2013)

- Continued strong organic growth
- Supported by contract wins and increases especially in Chile, Brazil and Argentina

**4.5%**

**Operating margin**[1)]

(4.1% Q3 2013)

- Positively impacted by operational efficiencies
- Wins of margin accretive contracts

1) Operating profit before other items and corporate costs

# Regional Performance Q3

## Pacific

**11%**
**Organic growth**
(0% Q3 2013)

- Impacted by significant contract wins within the remote site resource segment in Australia

**5.6%**
**Operating margin**[1)]
(4.5% Q3 2013)

- Strong performance in the IFS business in Australia
- Positively impacted by the divestment of margin dilutive commercial security activities in Australia and New Zealand

## North America

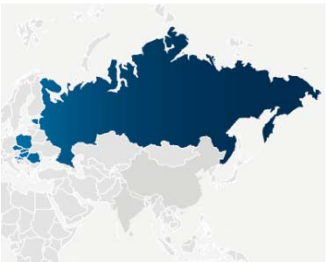
**0%**
**Organic growth**
(2% Q3 2013)

- Positive organic growth in the portfolio business offset by a negative development in the demand for non-portfolio services

**3.4%**
**Operating margin**[1)]
(4.1% Q3 2013)

- Decrease in operating margin was mainly due to timing between quarters in 2013

## Eastern Europe



**-1%**
**Organic growth**
(7% Q3 2013)

- Negatively impacted by contract terminations and losses in Slovenia
- Partly offset by double digit growth in Russia

**7.5%**
**Operating margin**[1)]
(7.5% Q3 2013)

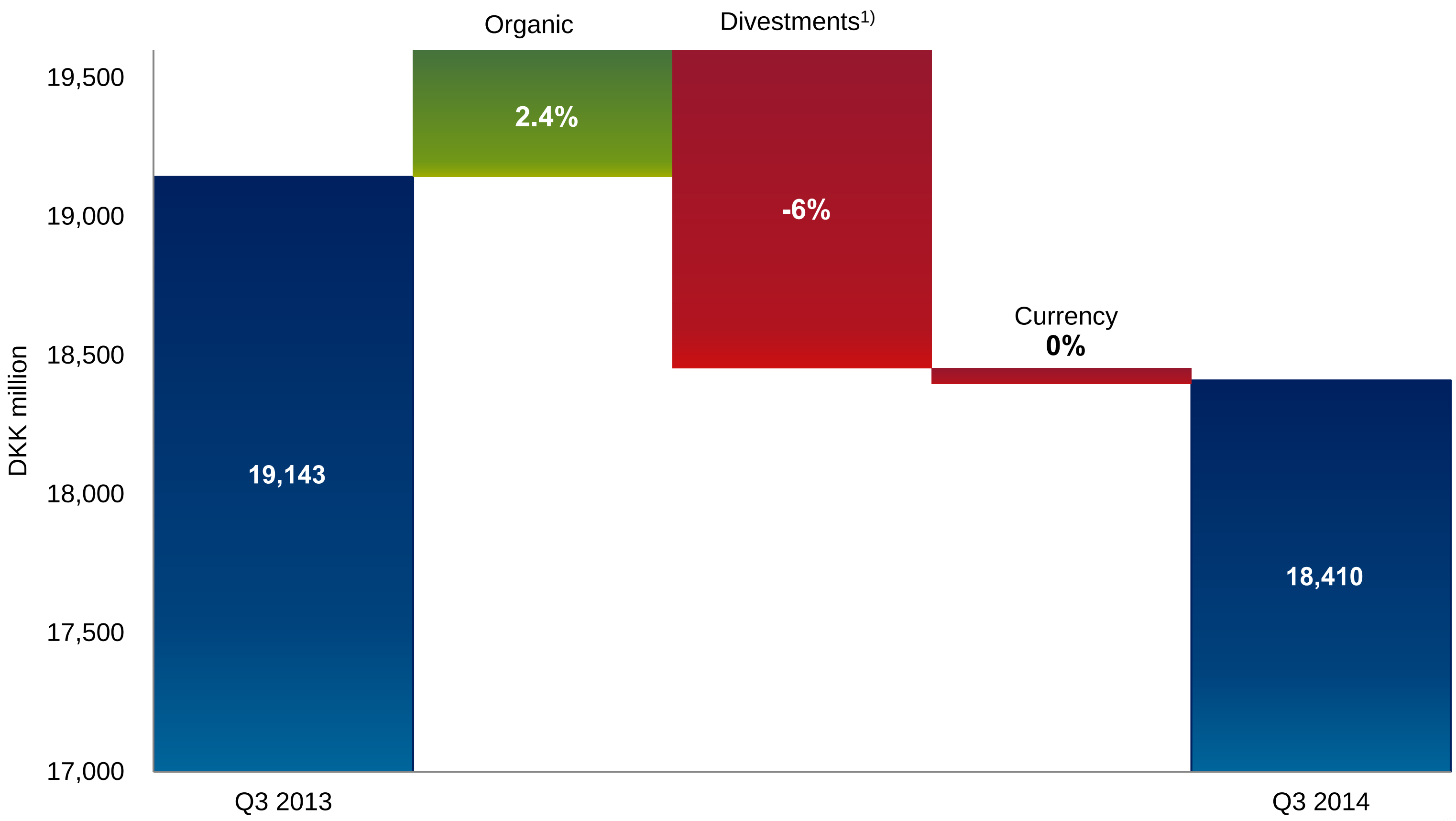
- Margin supported by termination of low profitable contracts and cost savings in Poland, Slovakia and the Czech Republic

1) Operating profit before other items and corporate costs

# Financial Results

# Revenue Bridge Q3

**-3.8% revenue growth**




1) Primarily Landscaping (France), Commerial Security (Pacific) and the Nordic temporary labour and staffing activities

# Operating Profit Q3[1)]

- Operating profit before other items declined 3% to DKK 1,178 million, negatively impacted by divestments
- Operating margin improved in line with expectations and reached 6.4% in Q3 2014 (+0.1 pp.)
- Strategic initiatives to improve profitability and competitiveness progressing according to plans and support margin improvement

| DKK million | Q3 2014 | Q3 2013 | Δ | YTD 2014 | YTD 2013 | Δ |
|---|---|---|---|---|---|---|
| Operating profit[1)] | 1,178 | 1,214 | *(36)* | *2,919* | *3,097* | *(178)* |
| Operating margin[1)] | *6.4%* | *6.3%* | *+ 0.1 pp.* | *5.3%* | *5.3%* | *0.0 pp.* |
| Operating margin[1)], adjusted for Pest | | | | *5.3%* | *5.2%* | *+0.1 pp.* |

1) Operating profit before other items

# Income Statement Q3

| DKK million | Q3 2014 | Q3 2013 | Δ | YTD 2014 | YTD 2013 | Δ |
|---|---|---|---|---|---|---|
| **Revenue** | **18,410** | **19,143** | **(733)** | **55,058** | **58,785** | **(3,727)** |
| Operating expenses | (17,232) | (17,929) | *+697* | (52,139) | (55,688) | *+3,549* |
| **Operating profit before other items** | **1,178** | **1,214** | ***(36)*** | **2,919** | **3,097** | ***(178)*** |
| Other income and expenses, net | 20 | 48 | *(28)* | (113) | 85 | *(198)* |
| **Operating profit** | **1,198** | **1,262** | ***(64)*** | **2,806** | **3,182** | ***(376)*** |
| Share of result from associates | (0) | 4 | *(4)* | 1 | 6 | *(5)* |
| Financial income and expenses, net | (248) | (543) | *+295* | (1,024) | (1,700) | *+676* |
| **Profit before tax and goodwill impairment and amortisation/impairment of brands and customer contracts** | **950** | **723** | ***+227*** | **1,783** | **1,488** | ***+295*** |
| Income taxes | (299) | (397) | *+98* | (573) | (762) | *+189* |
| **Profit before goodwill impairment and amortisation/impairment of brands and customer contracts** | **651** | **326** | ***+325*** | **1,210** | **726** | ***+484*** |
| Goodwill impairment | - | (347) | *+347* | - | (435) | *+435* |
| Amortisation and impairment of brands and customer contracts | (147) | (130) | *(17)* | (448) | (391) | *(57)* |
| Income tax effect | 41 | 32 | *9* | 128 | 112 | *+16* |
| **Net profit/(loss) for the period** | **545** | **(119)** | ***+664*** | **890** | **12** | ***+878*** |
| **Adjusted earnings per share, DKK[2]** | **3.5** | **2.4** | ***+1.1*** | **7.0** | **5.4** | ***+1.6*** |

DKK 19 million in net gain on divestments

| | |
|---|---|
| **Reported** | **DKK 248m** |
| FX [1] | DKK -58m |
| **Adjusted** | **DKK 190m** |

| | |
|---|---|
| Net interest expense | DKK 123m |
| Amort. financing fees | DKK 25m |
| Other | DKK 42m |
| **Adjusted** | **DKK 190m** |

| | |
|---|---|
| **Effective tax rate** | **31%** |
| Interest limitation | -1% |
| **Underlying tax rate** | **30%** |

1) DKK 58 million in net loss on foreign exchange, primarily stemming from the movement in BRL due to the volatility around the Brazilian elections which caused the BRL to decouple from USD, which ordinarily is used as a proxy hedge.

2) Calculated as 'Profit before goodwill impairment and amortisation/impairment of brands and customer contracts' / 'Average number of diluted shares'. Hence, the figure is not adjusted for 'Other income and expenses'

# Cash Flow Q3

- Strong cash flow from operations impacted by lower operating profit mainly due to divestments
- Cash flow from investing activities mainly covers CAPEX with no material divestment proceeds received in Q3 2014
- Cash flow from financing activities in Q3 improved significantly due among others to lower financial expenses. Q3 2013 included the partial repayment of EUR 232 million Senior Subordinated Notes
- Free Cash Flow[1)] improved DKK 94 million mainly due to lower financial expenses

| DKK million | Q3 2014 | Q3 2013 | Δ | YTD 2014 | YTD 2013 | Δ |
|---|---|---|---|---|---|---|
| Operating profit before other items | 1,178 | 1,214 | *(36)* | 2,919 | 3,097 | *(178)* |
| Depreciation and amortisation | 182 | 199 | *(17)* | 545 | 595 | *(50)* |
| Changes in working capital | (224) | (194) | *(30)* | (1,652) | (1,458) | *(194)* |
| Changes in provisions, pensions and similar obligations | (49) | (62) | *+13* | (164) | (101) | *(63)* |
| Other expenses paid | (59) | (68) | *+9* | (283) | (256) | *(27)* |
| Income taxes paid | (171) | (157) | *(14)* | (646) | (629) | *(17)* |
| **Cash flow from operations** | 858 | 932 | *(74)* | 719 | 1,248 | *(529)* |
| **Cash flow from investing activities** | (316) | 137 | *(453)* | 386 | 1,602 | *(1,216)* |
| **Cash flow from financing activities** | (815) | (2,110) | *1,295* | (2,431) | (2,681) | *250* |
| **Total cash flow** | **(274)** | **(1,041)** | ***(767)*** | **(1,326)** | **169** | ***(1,495)*** |
| | | | | | | |
| **Free Cash Flow[1)]** | **522** | **428** | ***+94*** | **(511)** | **(439)** | ***+74*** |

1) Free Cash Flow defined as cash flow from operating activities minus CAPEX and net interest payments

# Return to shareholders

## Three key characteristics…

### 1. Strong operational performance

- Resilient organic growth
- Improving operating margins
- High cash conversion
- Asset light business model
- Strong and stable cash flow

### 2. Disciplined and efficient balance sheet

- Clear financial objective to maintain Investment Grade
- Target a financial leverage below 2.5x[1)]
- EMTN program being established[2)]

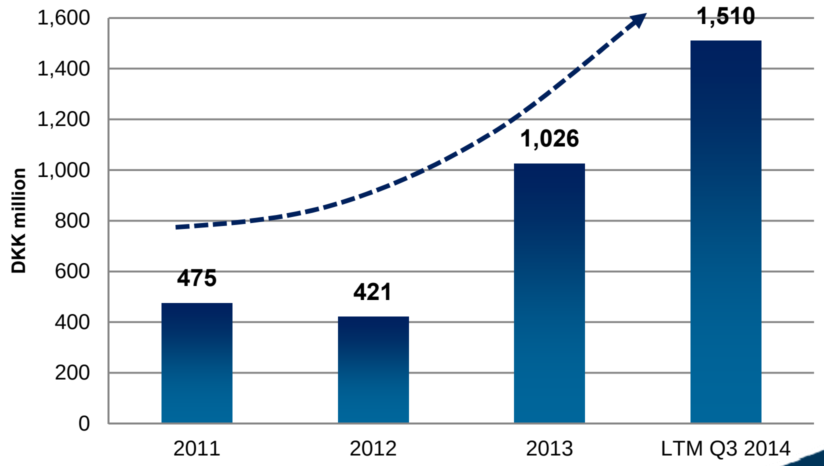
### 3. Acquisitions and divestments

- Considering competence enhancing acquisitions subject to tight strategic and financial filters
- Reviewing existing business for potential divestments of non-core activities

## … which drive attractive returns

- **Focus on shareholder returns to drive balance sheet efficiency**
- **Proposed dividend pay-out ratio of approximately 50%[3)]**

**PROFIT BEFORE GOODWILL IMPAIRMENTS[3)]**




1) < 2.5x Pro Forma Adjusted EBITDA. EBITDA pro forma adjusted for acquired and divested activities
2) Euro Medium Term Notes (EMTN) program
3) Profit before goodwill impairment and amortisation/impairment of brands and customer contracts

# Outlook

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# Outlook 2014

**Organic growth**

We expect organic revenue growth in 2014 to be around the level realised for the first nine months of 2014 (2.4%).

Developments in foreign exchange rates have increased the expected negative impact on revenue growth in 2014 from previously 1-2 percentage points to now approximately 2 percentage points[1)].

Divestments and acquisitions completed in 2013 and divestments completed in 2014 are expected to negatively impact revenue growth in 2014 by approximately 6 percentage points[2)].

We expect total revenue growth in 2014 to be negative by approximately 5.5%.

**Operating margin**

Operating margin in 2014 is expected to be above the 5.5% realised in 2013

**Cash Conversion**

Cash Conversion is expected to be above 90%

1) Calculated revenue for 2014 at forecasted average exchange rates for the financial year 2014, less the same revenue calculated at the average exchange rates for the financial year 2013, relative to revenue realised in 2013 less estimated revenue from divestments completed in 2013 and 2014. The average exchange rates for the financial year 2014 are calculated using the realised average exchange rates for the first nine months of 2014 and the forecasted average exchange rates for the last three months of 2014.

2) The outlook includes only divestments completed as of and including 31 October 2014, comprising the landscaping activities in France, the pest control activities in India, the security activities in Germany and Israel, the property service activities in Belgium, the commercial security activities in Australia and New Zealand, the personnel and hardware service activities in Germany, certain service activities related to asylum centres in Norway, the aviation activities in Finland, the Nordic temporary labour and staffing activities in Norway, Sweden and Finland and the security activities in Greece.

# Q&A

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