



ISS INVESTOR PRESENTATION

# Full Year 2023 results

22 February 2024



Kasper Fangel  
Group CEO

# Agenda

- 1 Executive summary
- 2 Strategic update
- 3 Market and Business
- 4 Financials
- 5 Outlook
- 6 Q&A

# Executive summary

- Solid delivery of 2023 and initiation of share buyback programme



## OneISS

The OneISS review has been completed

-

Solid foundation for continued progress in 2024



## Financials

Solid business momentum throughout the year

-

Strong underlying operating margin and solid free cash flow generation



## Capital allocation

Financial leverage of 2.2x within targeted range

-

Proposed DPS of DKK 2.3 and initiation of share buyback programme of DKK 1bn

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# Strategic update

## - Solid execution of the OneISS strategy



### OneISS review

- The review ensures that all initiatives are generating the expected outcomes and value
- Strategic execution has improved as decision power moved closer to operations
- Strategic focus has been prioritised on fewer initiatives



### Commercial development

- A global customer survey confirms ISS's focus on high quality IFS deliveries
- Customer retention maintained at 95% in line with mid-term ambition
- Commercial pipeline for IFS solutions remains solid primarily driven by local and regional deals



### M&A

- The divestment process of ISS' French business is progressing as planned with expected completion in H1 2024
- The integration of Grupo Fissa in Spain is completed, and overhead synergies are expected to be realised in H1 2024

# Review of OneISS initiatives completed

- expected savings of around DKK 250 million annually

## Financial implications on operating margin<sup>1)</sup>

	Reported	One-off costs <sup>2)</sup>	Underlying
Northern Europe	5.4%	33	5.5%
Central & Southern Europe <sup>3)</sup>	6.0%	94	6.4%
Asia & Pacific	6.1%	7	6.2%
Americas	5.1%	21	5.3%
Corporate	-	78	-
<b>Group<sup>3)</sup></b>	<b>4.3%</b>	<b>233</b>	<b>4.6%</b>

1) Operating profit before other income and expenses

2) DKKm

3) Excluding hyperinflation (IAS 29)

## Key comments

- One-off costs incurred of DKK 233 million, impacting reported margin negatively of 0.3%-points
- One-off costs primarily related to severance payments and general cost adjustments
- Costs are incurred at both Group level and at region levels
- Savings of around DKK 200 million expected to have effect in 2024

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# Commercial development

- pipeline for IFS solutions remains solid

## New wins<sup>1)</sup>

- The Danish Building and Property Agency, Denmark (c. DKK 250m)

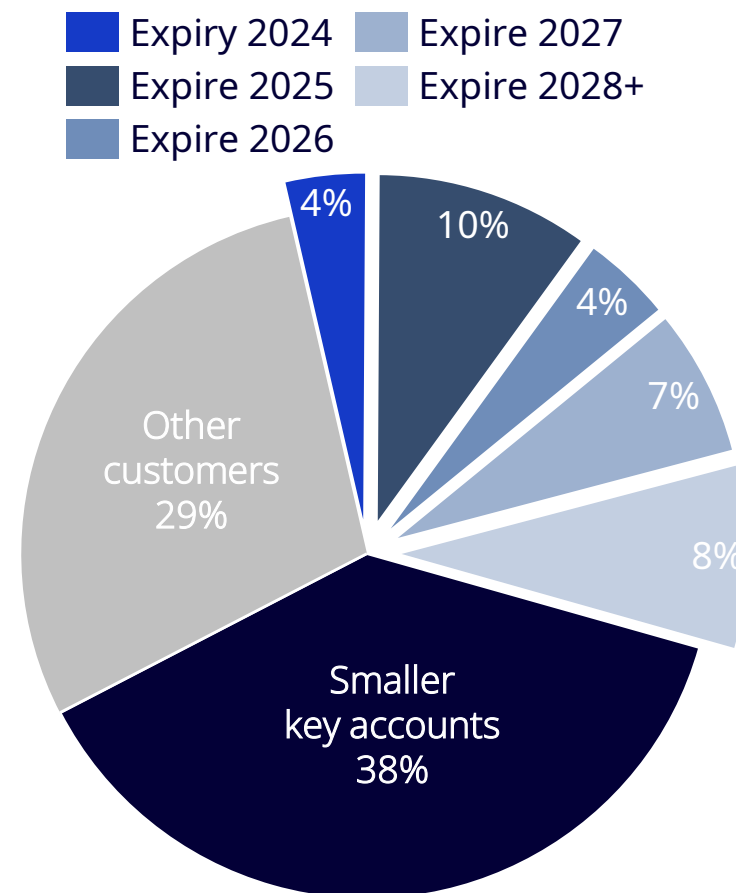
## Extensions and expansions<sup>1)</sup>

- Retail & Wholesale customer, Norway
- Nestlé, Switzerland
- Healthcare customer, Australia
- Nordea, Nordics
- Industry & Manufacturing customer, Global
- Healthcare customer, Singapore
- Banking customer, Spain
- Banking customer, the UK (expansion 0.2% of Group revenue)

## Losses and exits<sup>1)</sup>

- Transportation & Infrastructure customer, Hong Kong (0.2% of Group revenue)
- Healthcare customer, Turkey (0.2% of Group revenue)

## Large key accounts<sup>2)</sup> contract maturity profile



1) Since Q3 2023 results on 2 November 2023. Includes contracts above DKK 100 million annually

2) Chart is based on all global key accounts and key accounts generating revenue above DKK 200 million annually



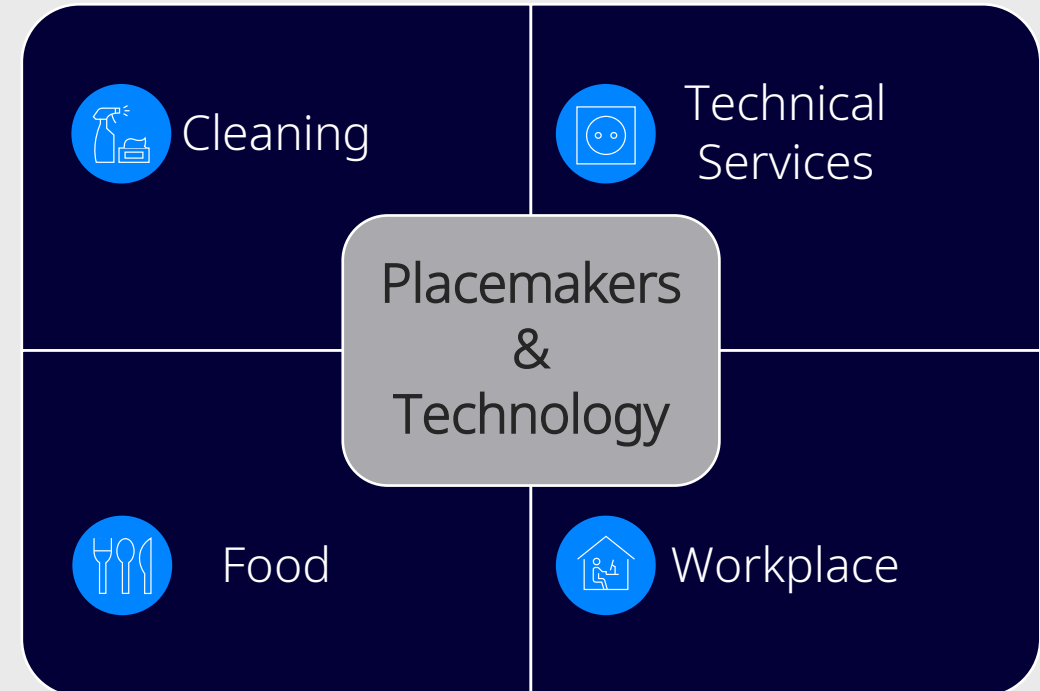
# Global survey: customer priorities well aligned with OneISS strategy

- service efficiency, quality and flexibility through innovation and sustainability

## Top customer priorities for FM in 2024<sup>1)</sup>

-  1. Increasing service quality
-  2. Developing innovative solutions
-  3. Working more efficiently
-  4. Reaching sustainability goals
-  5. Reducing costs

... support need for high quality IFS solutions



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# 2023 financials

*Solid financial delivery  
in 2023 on all outlook  
KPIs*

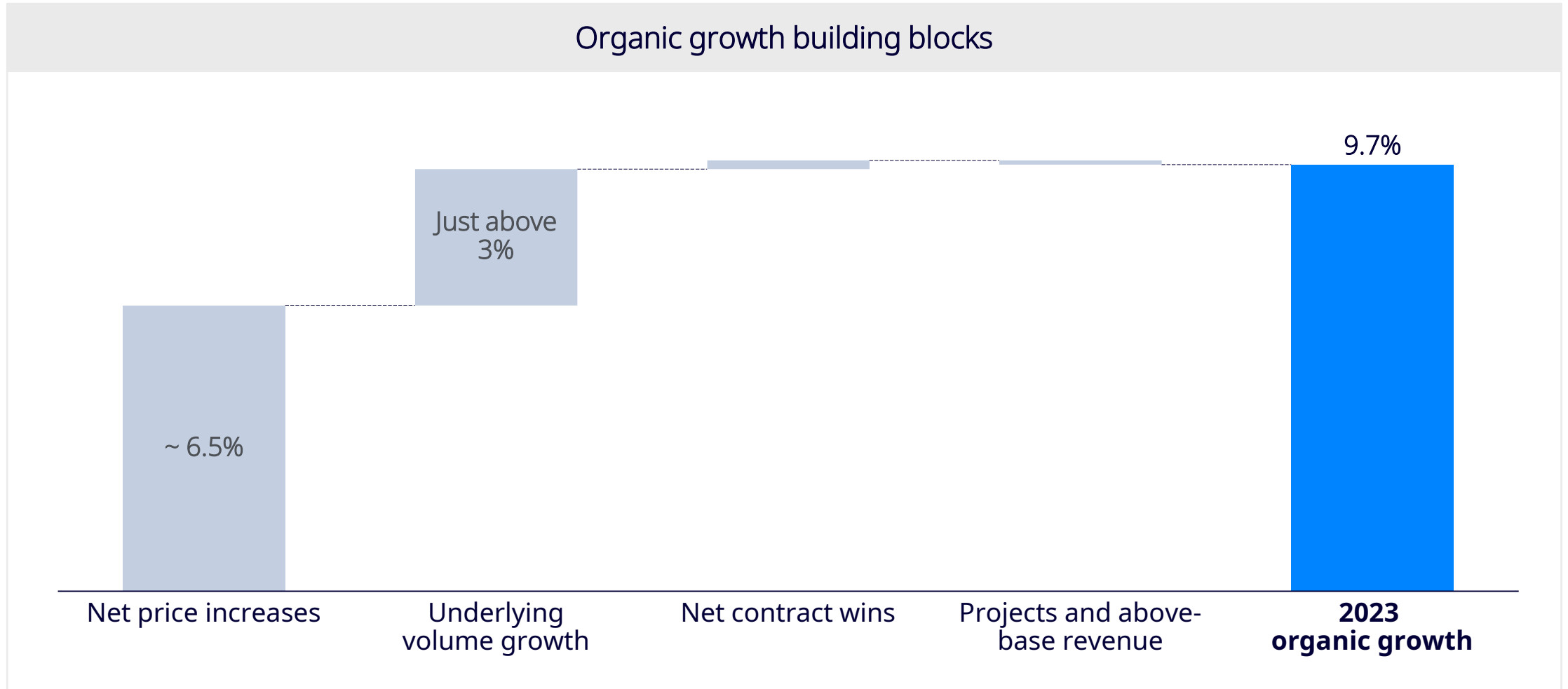
	FY 2022	Initial outlook	Latest outlook <sup>1)</sup>	FY 2023 realised	
<b>Organic growth</b>	8.4%	4 - 6%	Around 9.0%	9.7%	✓
<b>Operating margin</b>	4.0%	4.25 - 4.75%	Around 4.6% <sup>2)</sup>	4.6% <sup>2)</sup>	✓
<b>Free cash flow</b>	DKK 1.7 bn	Around DKK 2.0bn	Around DKK 1.8 bn	DKK 1.8 bn	✓

1) Disclosed at the Q3 Trading Update on 2 November 2023

2) Underlying operating margin. The reported operating margin was 4.3%

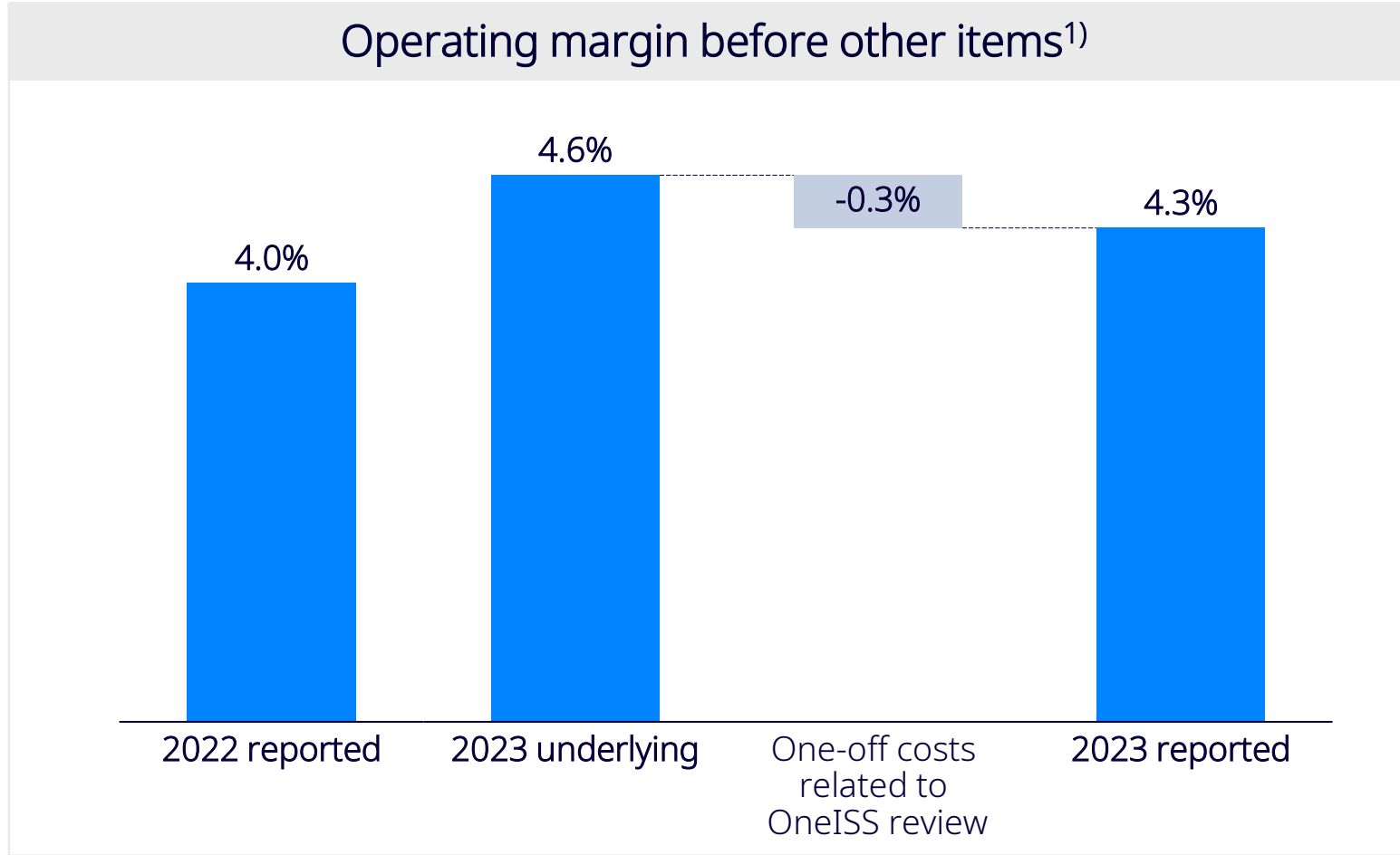
# Organic growth of 9.7% in 2023

- driven by continued strong portfolio revenue growth



# Operating margin development

- solid underlying improvements



<sup>1)</sup> Excl. hyperinflation (IAS 29)

- ### Key comments
- Margin positively impacted by OneISS efficiencies, cost initiatives and operating leverage across the Group
  - Solid margin improvements in the UK and on the Deutsche Telekom contract
  - One-off costs related to OneISS review impacted reported margin negatively
  - Price increases kept the margin generally unaffected from cost inflation

# Operating margin development

- the OneISS strategy has delivered strong financial improvements



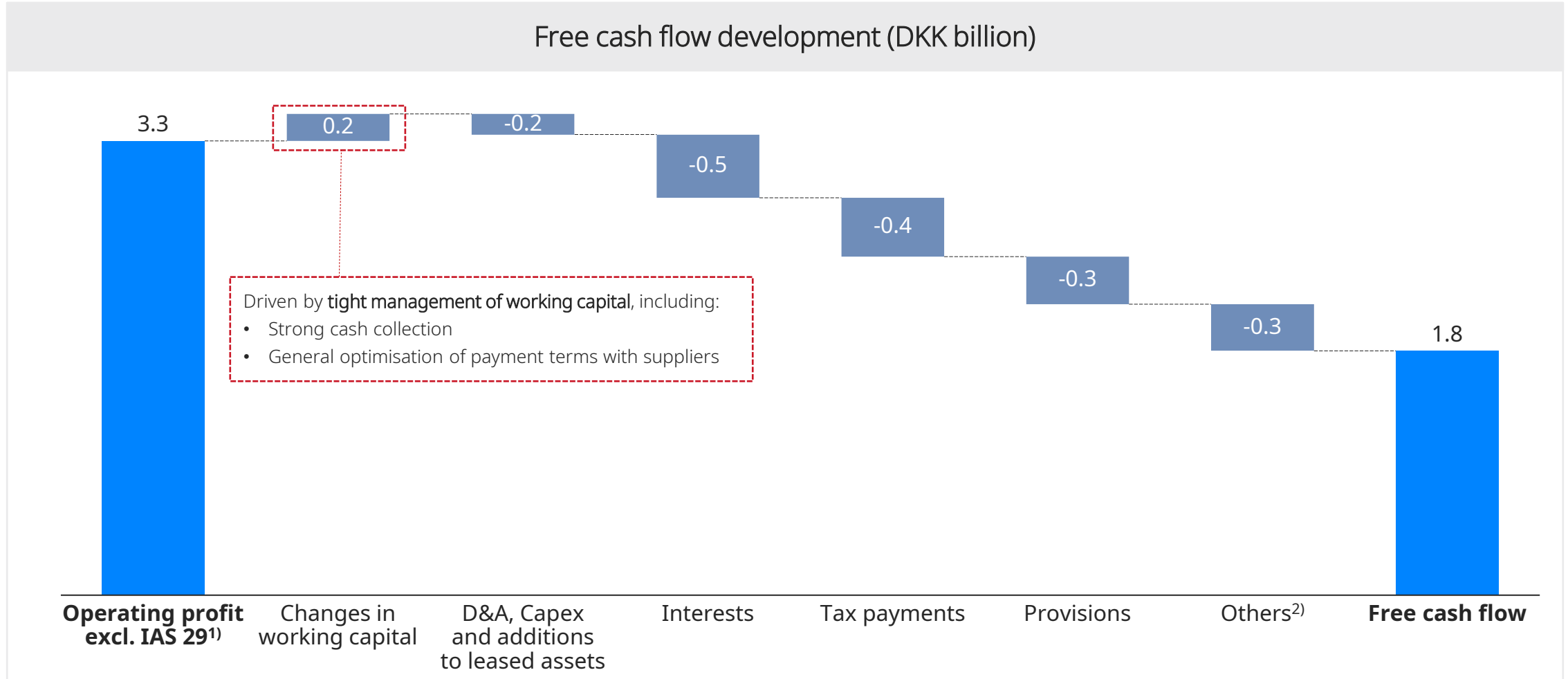
1) Excl. hyperinflation (IAS 29)

2) Incl. France

3) Before restructuring and one-offs

# Free cash flow 2023

- positively impacted by improvement in operating profit and working capital

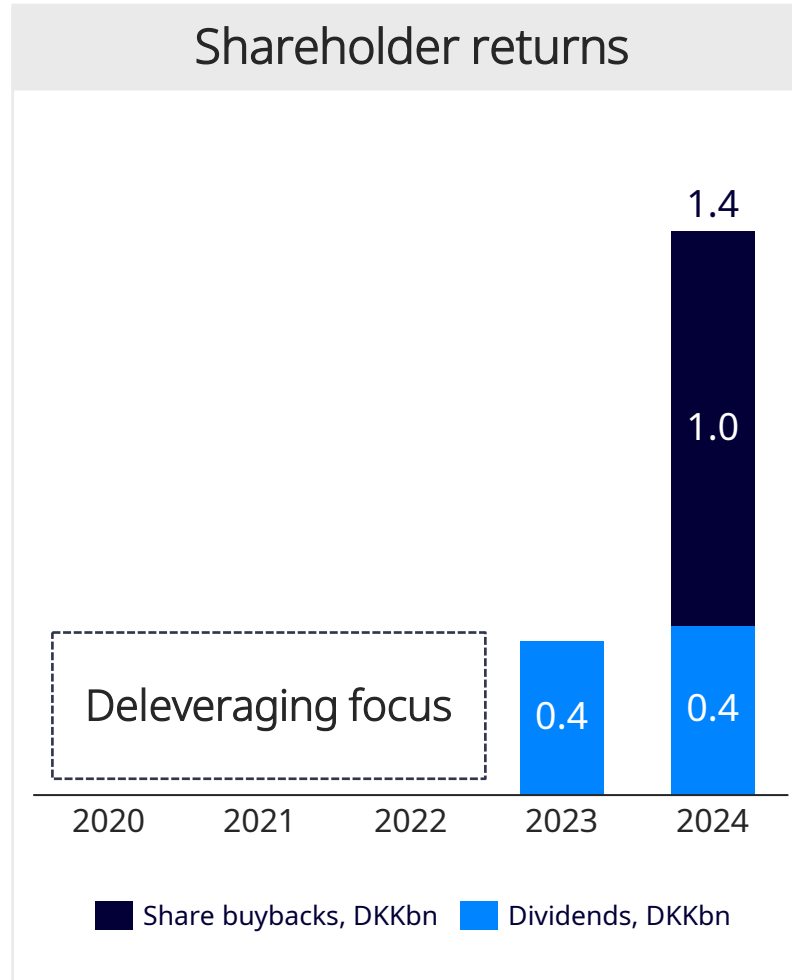
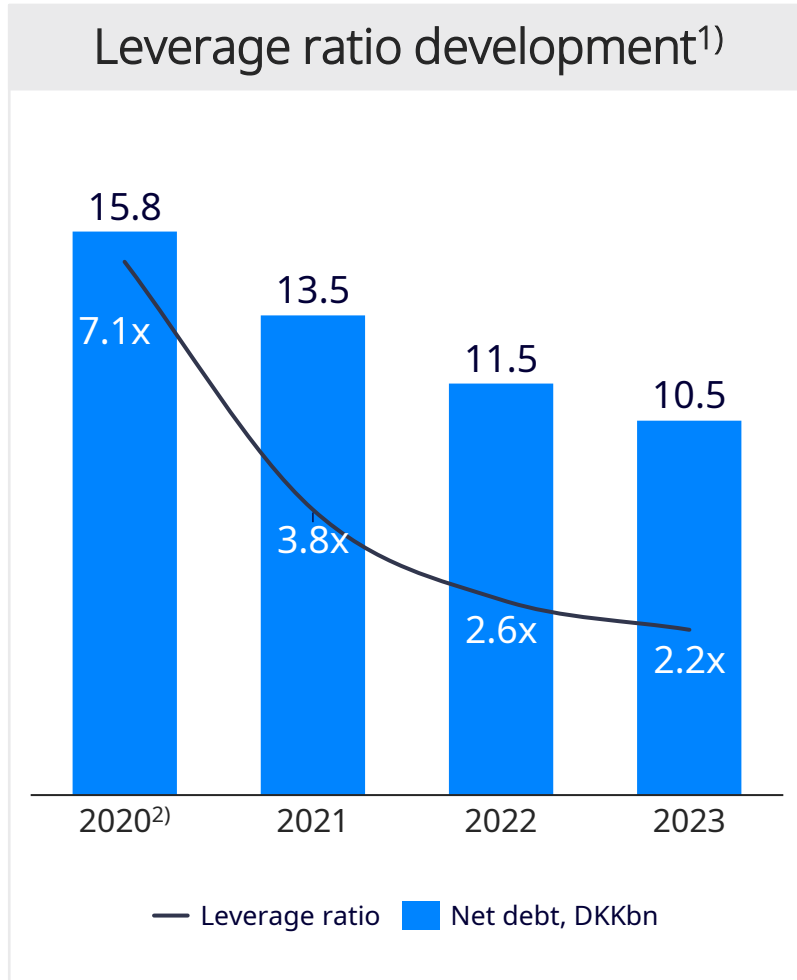


1) Excluding operating profit from Discontinued Operations

2) Others include 'Share-based payments', 'Other expenses paid', 'Non-cash items related to Hyperinflation', 'Operating profit before other items from discontinued operations', 'Acquisition of financial assets excl. investments in equity accounted investees' and 'Changes in pensions and similar obligations'

# Capital structure

- dividend payments and share buy-back programme initiated



- ### Key comments
- Capital allocation policy remains unchanged
  - Financial leverage of 2.2x is within the target range of 2.0-2.5x
  - Proposed dividend payment of 20% of adjusted net profit equal to DKK 427 million or DKK 2.3 per share
  - A share buyback programme is initiated of DKK 1 billion to be executed over a 12-month period

1) Net debt / Pro forma adjusted EBITDA (LTM)

2) Adjusted for restructuring and one offs



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# 2024 outlook<sup>1</sup>

## Organic growth

4 - 6%

(2023: 9.7%)

- Price increases implemented across the Group
- Volume growth due to increasing activity levels and contract expansions, supported by net contract wins
- Impact from projects and above-base expected to be neutral to slightly negative

## Operating margin<sup>2)</sup>

Above 5%

(2023: 4.6%<sup>3)</sup>)

- Continuing improvements and efficiencies across the Group
- Operational benefits and savings generated from the OneISS review

## Free cash flow

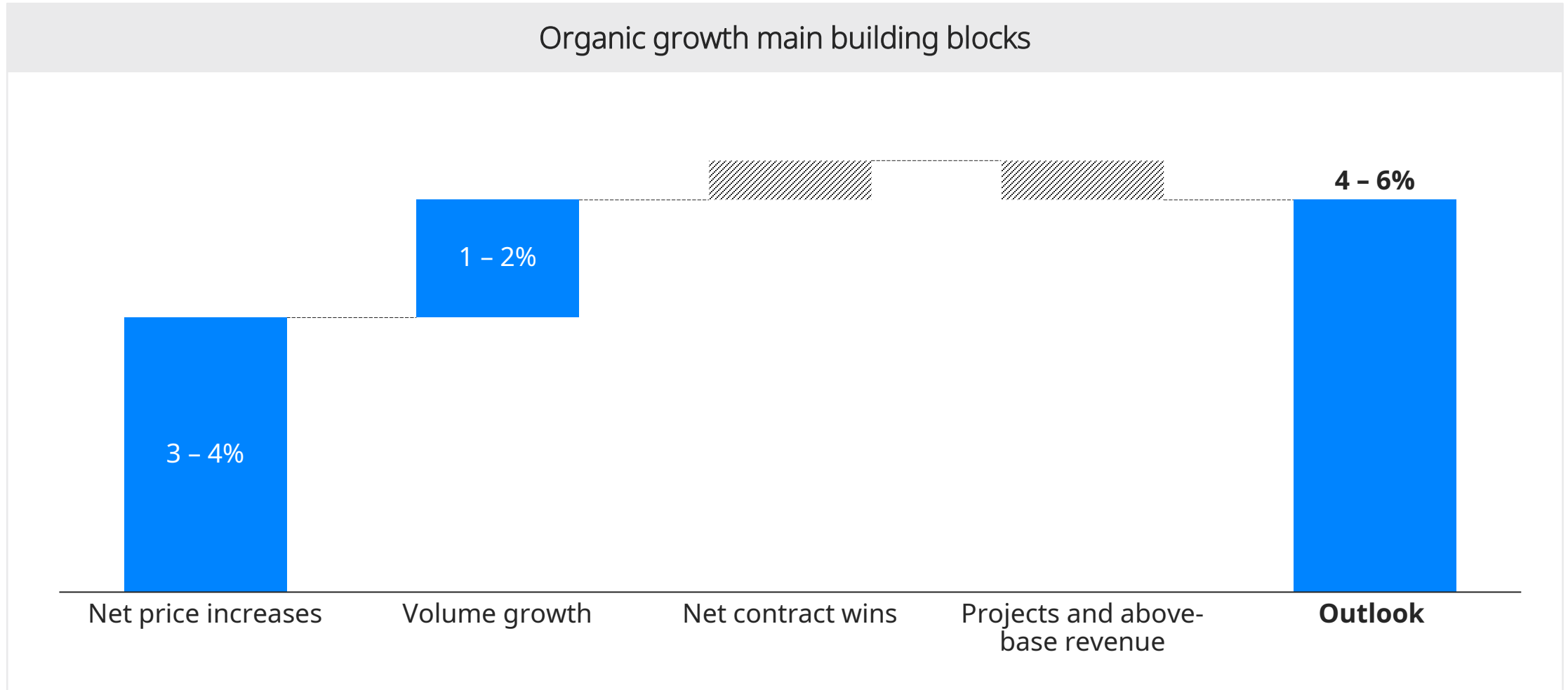
Underlying above DKK 2.4 bn and reported above DKK 1.8bn

(2023: DKK 1.8 bn)

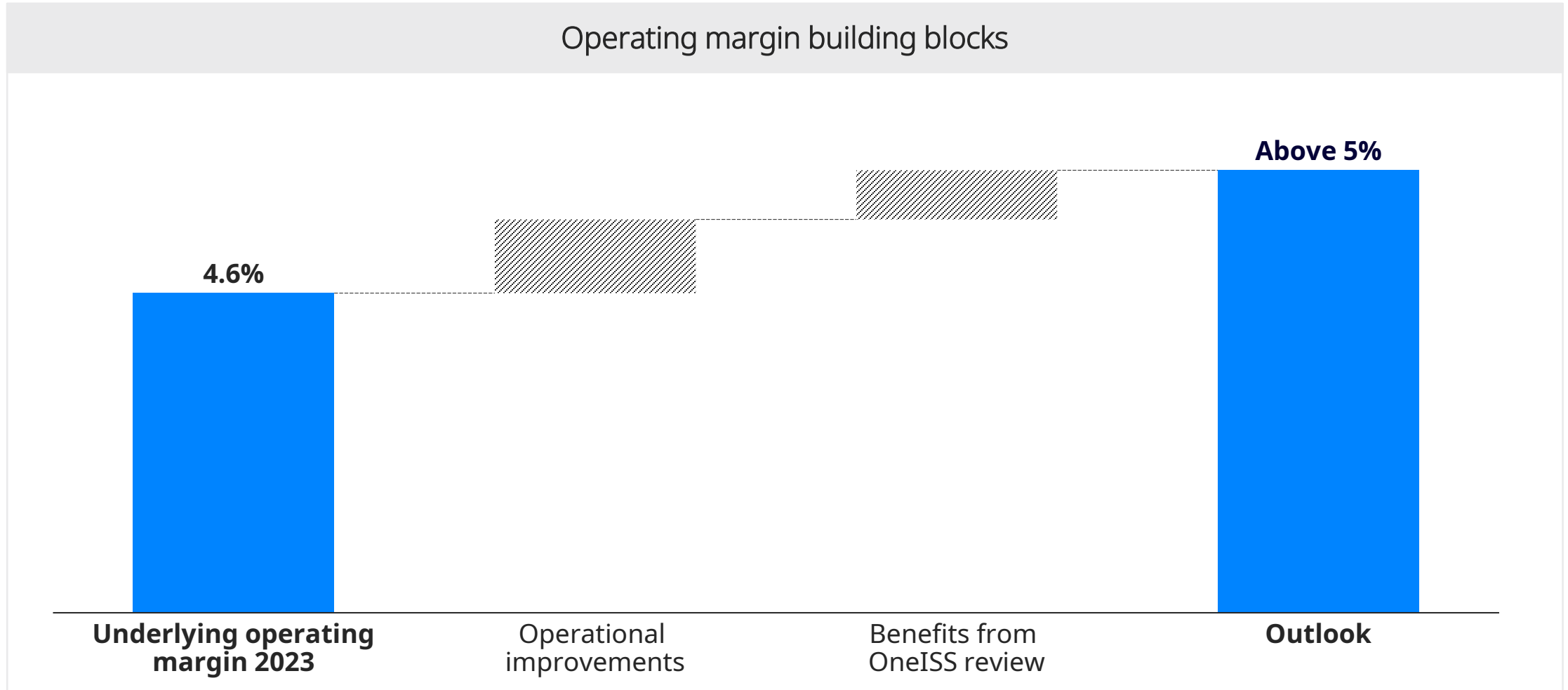
- Underlying free cash flow equaling a cash conversion of above 60%
- The reported free cash flow is adversely impacted by timing effects including certain payments being withheld by Deutsche Telekom.

*Operating margin is expected to be above 5%*

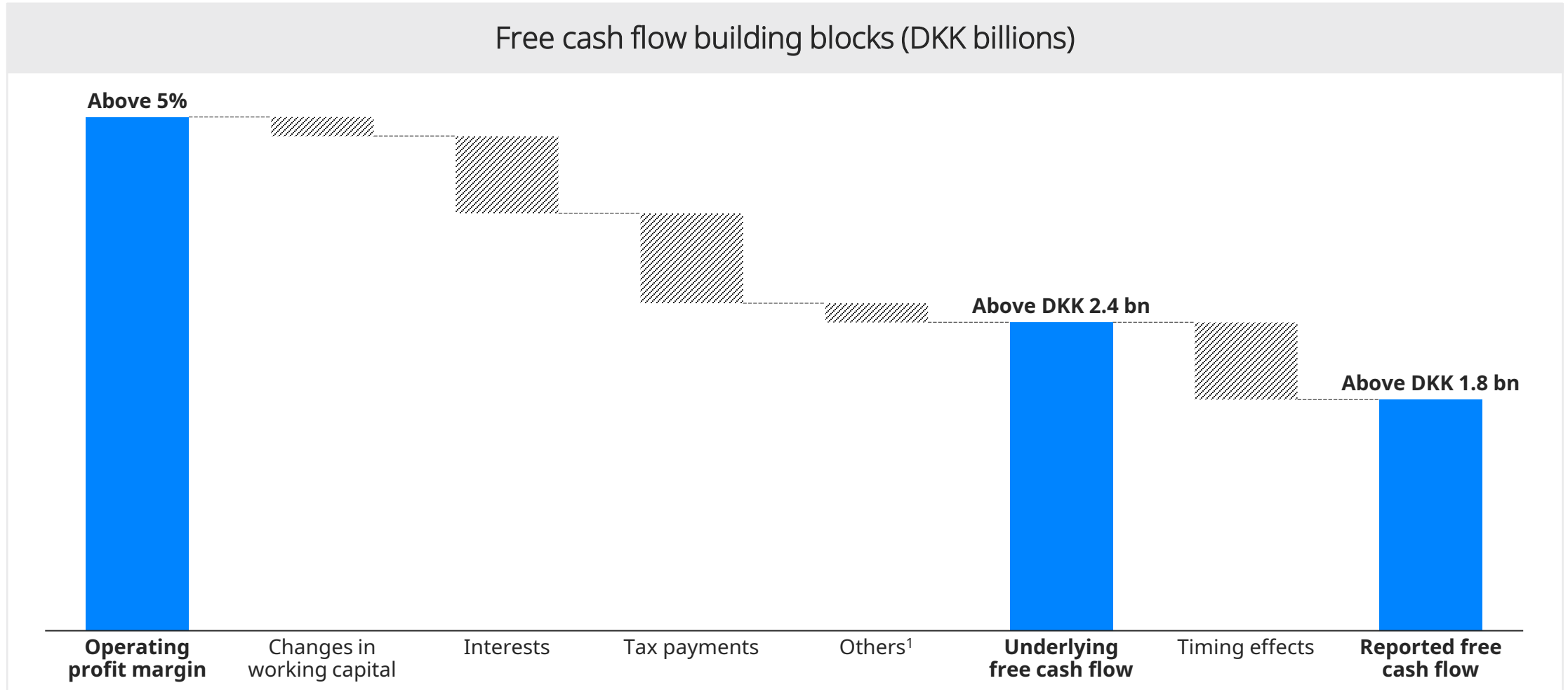
# Organic growth outlook for 2024



# Operating margin outlook for 2024

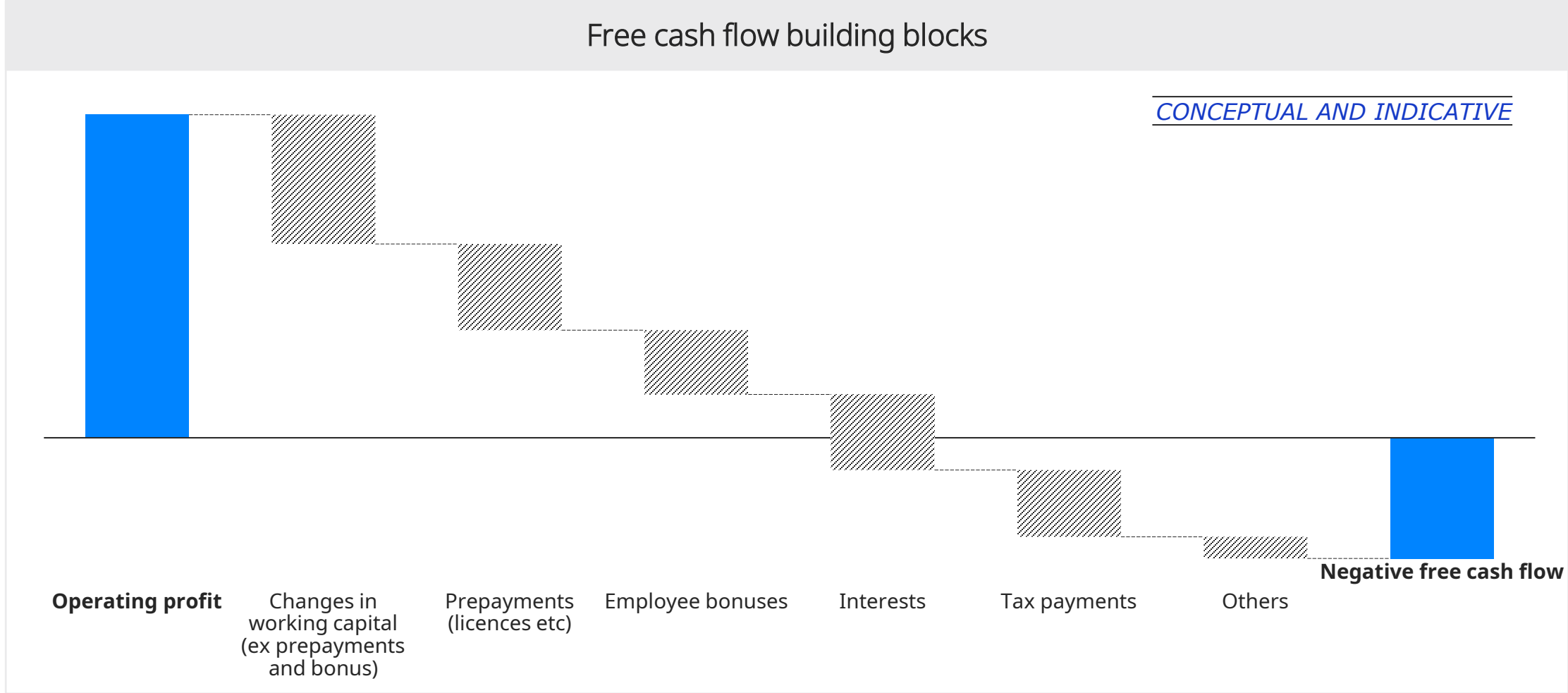


# Free cash flow outlook for 2024



1) Others include: 'Changes in provisions, pensions and similar obligations', 'D&A, Capex & additions to leased assets', 'Share-based payments', 'Other expenses paid', 'Non-cash items related to Hyperinflation', 'Operating profit before other items from discontinued operations' and 'Acquisition of financial assets excl. investments in equity accounted investees'

# Free cash flow H1 2024



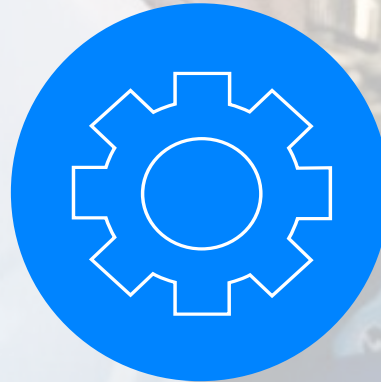
# Financial targets from 2024 and beyond

- all targets reiterated



Organic growth

**4 - 6%**



Operating margin

**> 5%**



Cash conversion<sup>1)</sup>

**> 60%**

1) Cash conversion, % = Free cash flow/Operating profit before other items

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2023 RESULTS

Q&A



INVESTOR PRESENTATION

# Appendix



# Regional performance in 2023

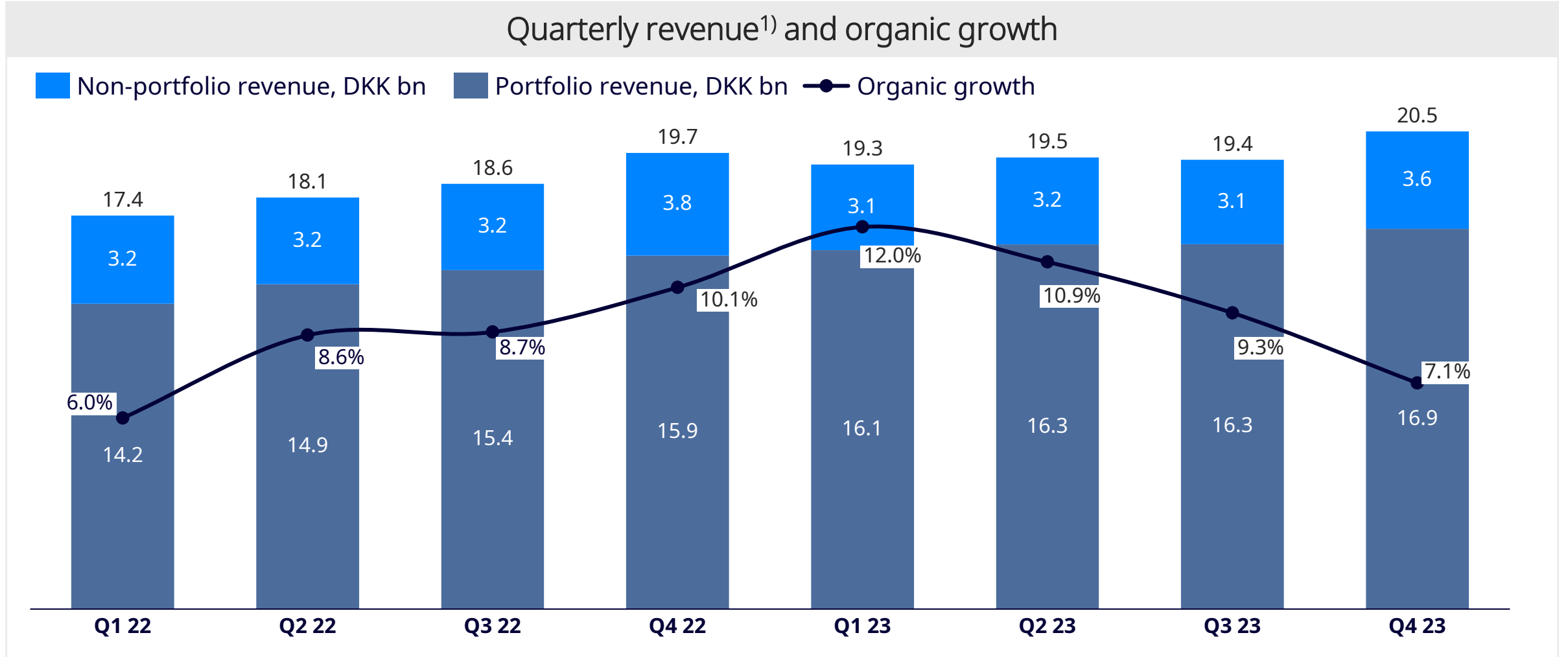
## - All regions delivered underlying improvements

	Northern Europe (37% of Group)	Central & Southern Europe (32% of Group)	APAC (18% of Group)	Americas (12% of Group)
Organic Growth	6% <i>(2022: 4%, Q4 2023: 6%)</i>	16% <i>(2022: 10%, Q4 2023: 13%)</i>	7% <i>(2022: 6%, Q4 2023: 6%)</i>	13% <i>(2022: 27%, Q4 2023: 3%)</i>
Underlying margin <sup>1)</sup>	5.5% <i>(2022: 5.3%, H2 2023: 6.6%)</i>	6.4% <i>(2022: 5.3%, H2 2023: 7.6%)</i>	6.2% <i>(2022: 6.3%, H2 2023: 6.5%)</i>	5.3% <i>(2022: 5.2%, H2 2023: 6.7%)</i>
	<ul style="list-style-type: none"> <li>Organic growth mainly driven by underlying volume growth and price increases</li> <li>Underlying margin developed positively driven by operational improvements in UK, OneISS efficiencies and cost initiatives and leverage from higher revenue</li> </ul>	<ul style="list-style-type: none"> <li>High growth predominately driven by Turkey</li> <li>Organic growth driven by price increases, underlying volume growth and net contract wins</li> <li>The underlying margin improved due to improvements on the Deutsche Telekom contract, OneISS efficiencies and cost initiatives and operating leverage from higher revenue</li> </ul>	<ul style="list-style-type: none"> <li>Underlying volume growth and price increases were main growth drivers predominately in India, Indonesia and Australia</li> <li>Hong Kong negatively impacted by reduced demand for Covid-19 related services</li> <li>Stable margin reflects benefit from OneISS efficiencies and cost initiatives, despite lower level of Covid-19 services</li> </ul>	<ul style="list-style-type: none"> <li>Organic growth driven by increased activity level, price increases and contract wins</li> <li>The underlying margin improvement was driven by OneISS efficiencies and operational improvements achieved across the region as well as operating leverage from increased revenue</li> <li>Food business delivered same margin as last year as primarily cost-plus contracts</li> </ul>

1) Excl. hyperinflation (IAS 29)

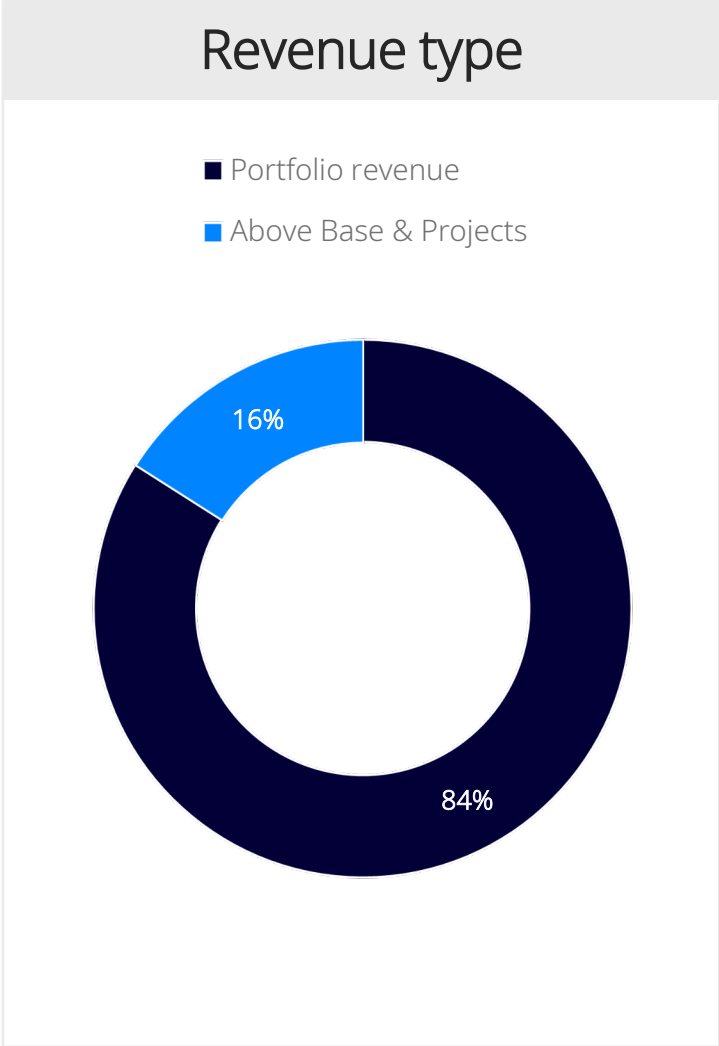
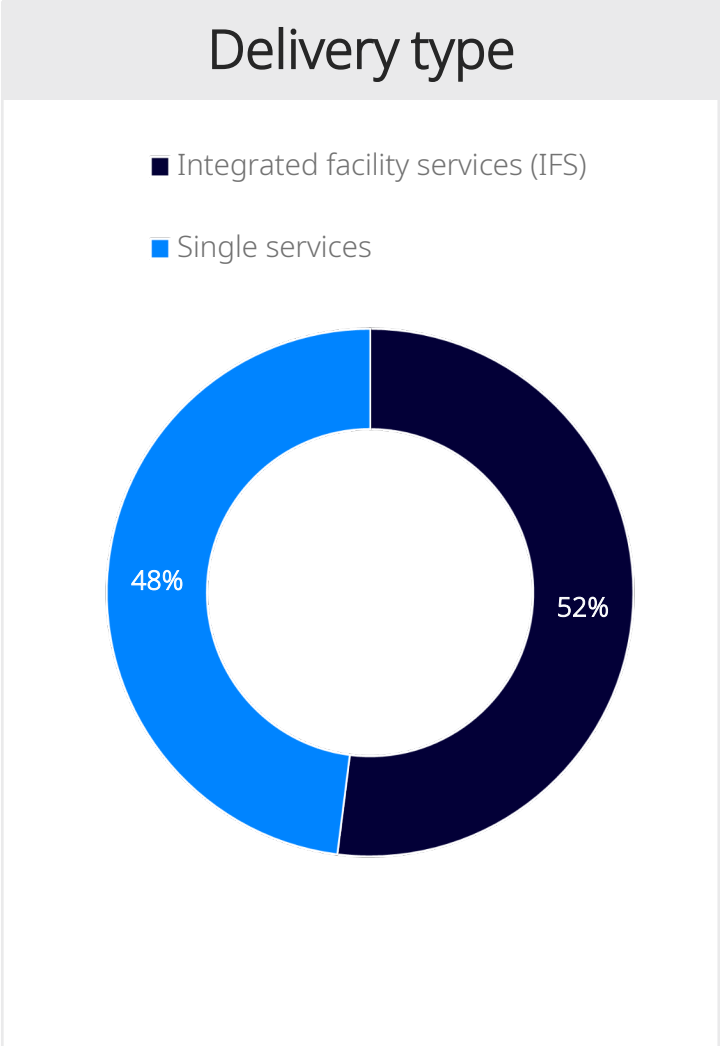
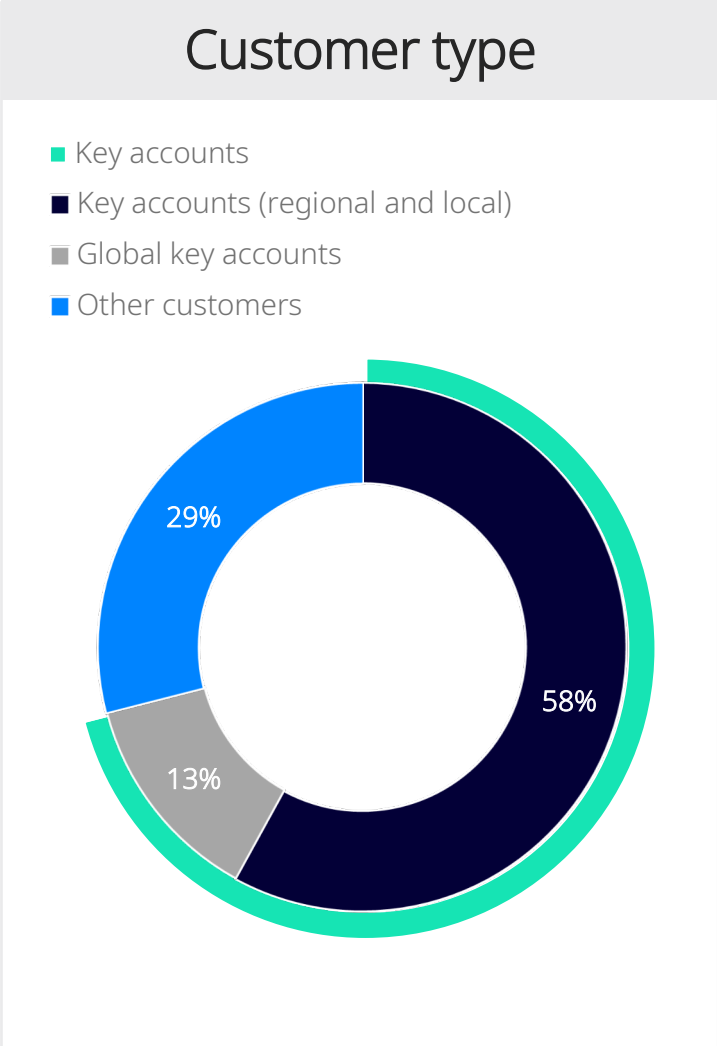
Note: Other countries represent 1% of Group revenue

# Quarterly organic growth

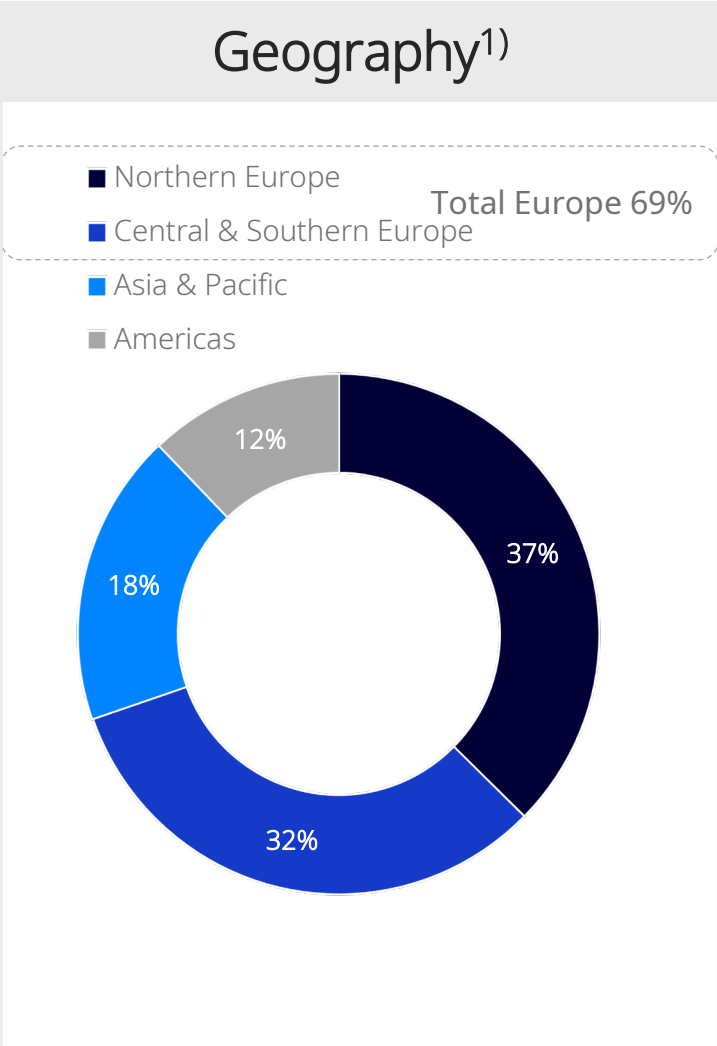


1) excl. IAS 29

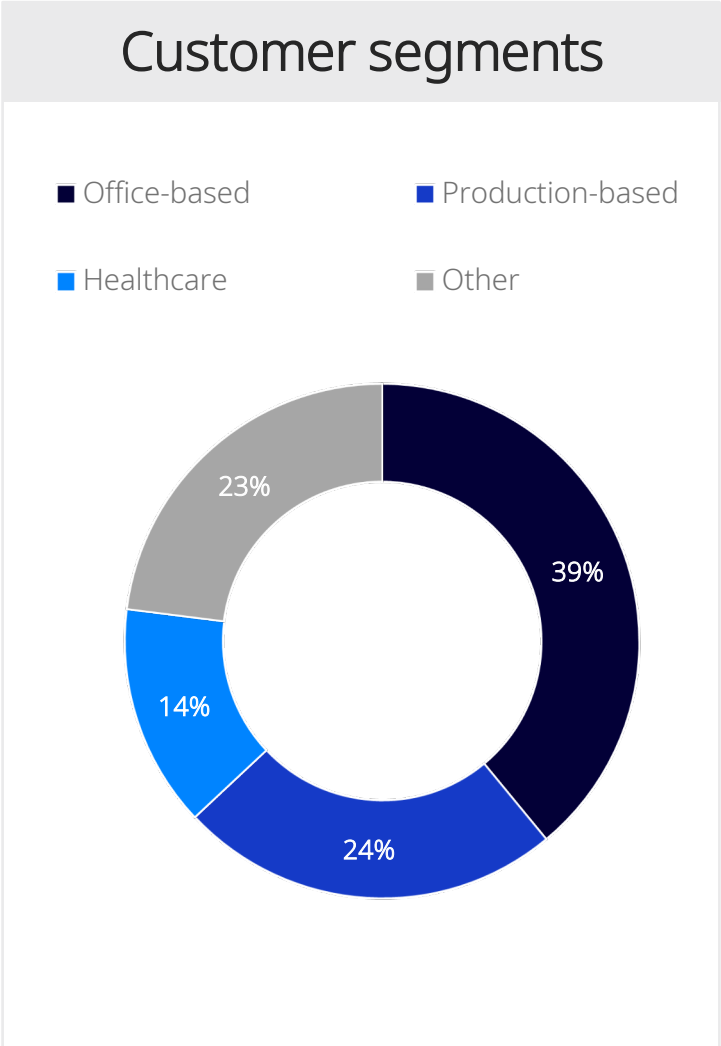
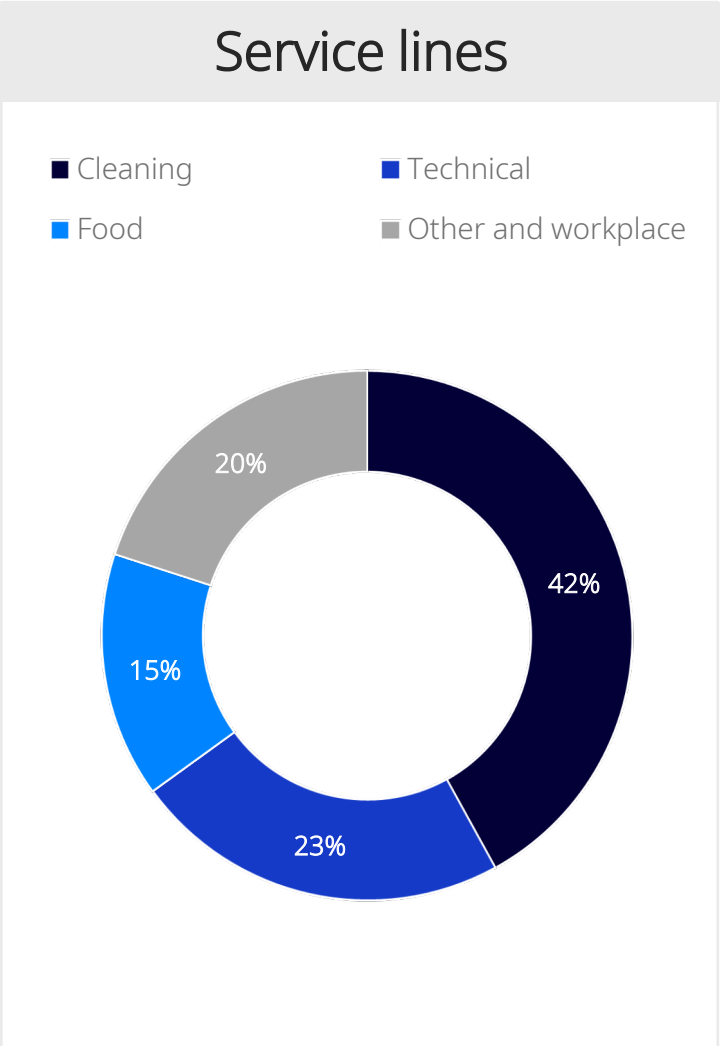
# Revenue split based on FY2023 (1/2)



# Revenue split based on FY2023 (2/2)



1) Revenue related to other countries amounted to 1%



# Sustainability ratings

## Ratings 2024



## Performance

Methodology note, AAA = top score  
**AA rating** – 5 straight years



Methodology note, low risk = good  
**13 / 100** – low risk



Methodology note, 100 = top score  
**46 / 100** – above industry average in all disclosure categories



Methodology note, A = top score  
**C+** – prime status, B highest rating in the industry



Methodology note, A = top score  
**C** – C average for the industry

# Investor Relations

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## Financial calendar 2024

**Annual General Meeting**  
11 April 2024

**Q1 2024 Trading Update**  
2 May 2024

**H1 2024 Interim Report**  
13 August 2024

**Q3 2024 Trading Update**  
5 November 2024

## Share information

Trading symbol	ISS
Identification number / ISIN	DK0060542181
Number of shares	186,568,266
Sector	Business Services
Nominal value, DKK	1
Free float	83%

## ADR information

Trading symbol	ISSDY
Structure	Sponsored level 1
Ratio (ADR:ORD)	2 ADRs : 1 share (2:1)
ADR ISIN	US4651472056



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