

A photograph of two chefs in a kitchen, one pointing at something off-camera while the other looks on. The image is overlaid with a dark blue tint. The text is positioned on the left side of the image.

ISS INVESTOR PRESENTATION

# H1 2022 Interim Report

11 August 2022

# Agenda



Jacob Aarup-Andersen  
Group CEO

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

# Executive Summary

- Strong execution of OneISS strategy and upgrade of 2022 outlook



## OneISS

Significant milestones of the turnaround have been achieved

- 

Rigorous inflation management and improved commercial momentum



## Covid-19

Continued return-to-office and customer investments in the workplace

- 

Q2 revenue<sup>1)</sup> above pre Covid-19 levels (Q2 2019)



## Financials

Solid growth momentum

- 

Leverage target close to being achieved

- 

2022 outlook is upgraded



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

*OneISS outlines the turnaround journey with strengthened strategic focus and an aligned operating model*

# Strategy update

## - Turnaround targets almost achieved

### Update on strategic priorities



- Solid commercial momentum underlined by key extensions and win of a new 5-year IFS contract
- Continued strict focus on management of inflationary cost pressure
- Technology centre in Portugal established to expand inhouse state-of-the-art software development capabilities

### Turnaround of underperforming contracts and countries



- Successful exit of the Danish Defence contract in May
- UK financial performance is now above its turnaround target
- The Deutsche Telekom contract continues to recover in line with plan despite inherent challenges. The underlying improvements in France progress, but slower than originally planned

### Divestment programme



- Divestment programme completed with divestment of Portugal in Q2
- The target of accumulated net proceeds of approximately DKK 2.0 billion is secured

# Agenda

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

# Commercial momentum (1/3)

## - New key wins and successful extensions

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

- Retail customer, United States and Canada (c. 1% of Group revenue)
- Mining Service customer, Indonesia (c. 0.2% of Group revenue)

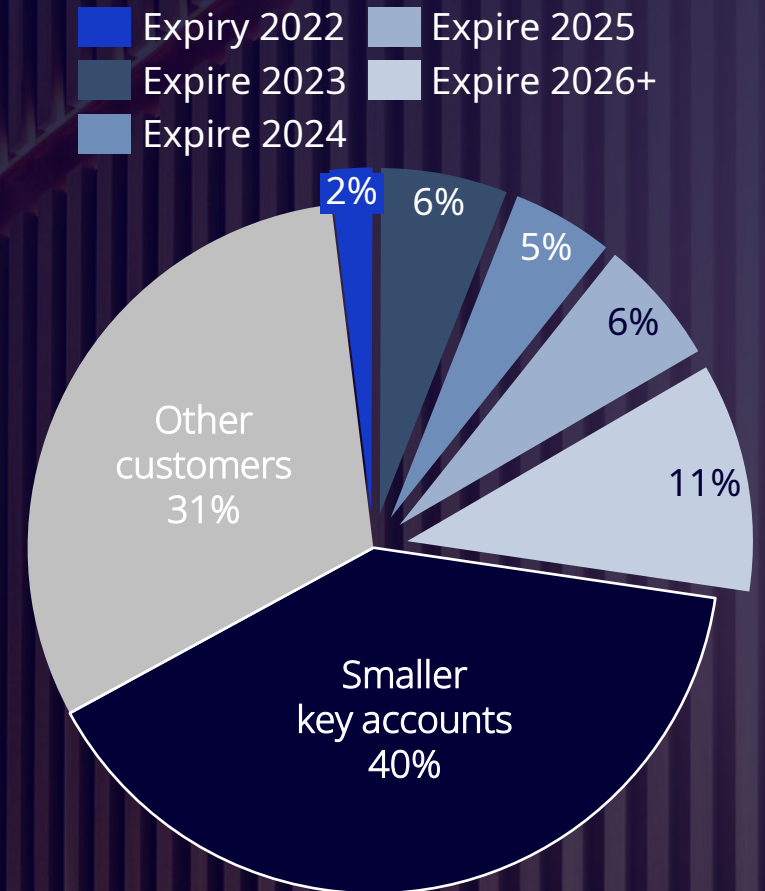
### Extensions<sup>1)</sup>

- Danske Bank, Nordics
- South London and Maudsley NHS Foundation Trust, United Kingdom
- Public Administration customer, Finland
- SingHealth Cluster, Singapore

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

- Retail customer (partly lost), Chile

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



1) Since Q1 results on 3 May 2022. 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

# Commercial momentum (2/3)

- Four major changes in our customer interactions have strengthened retention



From reactive to proactive

Proactively engaging with the right target customers well in advance of any RFP



From generalist to segment-based

Engaging with prospects and customers in a manner where segment knowledge, expertise and capabilities are emphasized



From seller-centric to buyer-centric

From selling 'what we have in the bag' to 'helping buyers make decisions'



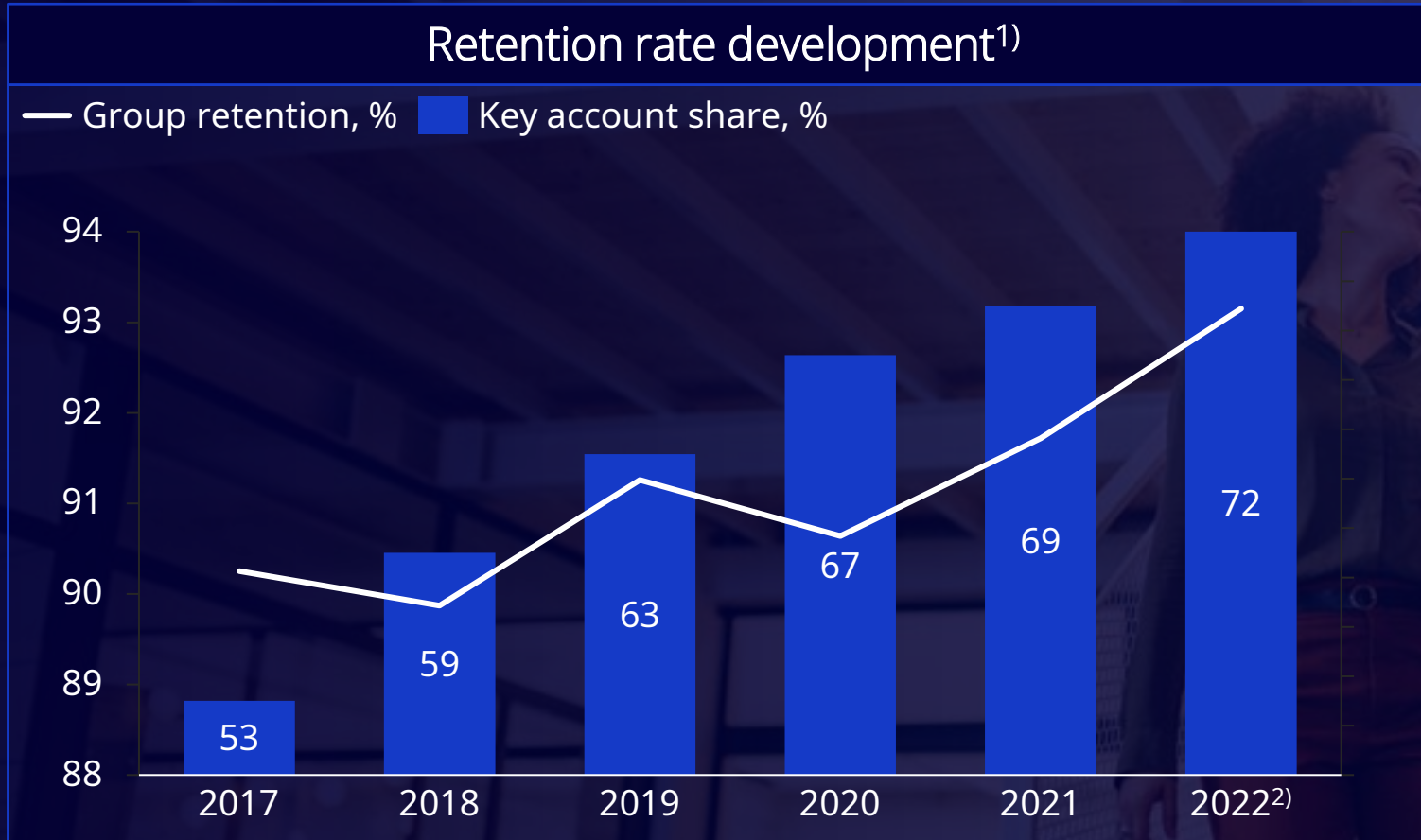
From cost to value

From a commodity price-focused tender process and commercial model to a value-based approach with mutual benefits for both parties



# Commercial momentum (3/3)

- Strategic focus and key account extensions have improved retention rate



1) LTM retention rates

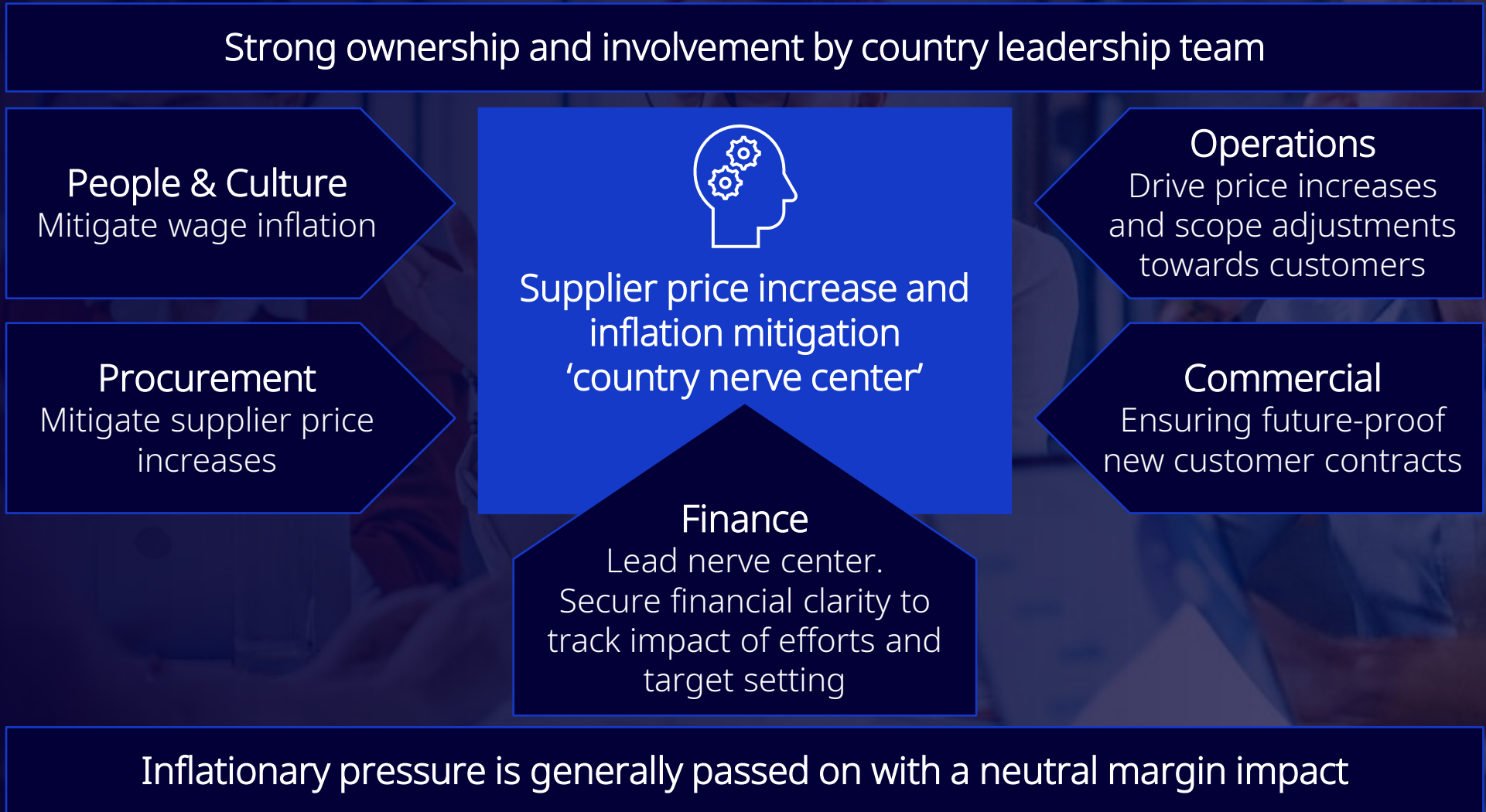
2) Retention adjusted for Danish Defense

Key drivers

- Strict focus on retaining existing customers with strategic fit
- The completion of the strategic divestment programme have increased share of revenue from key accounts
- Key accounts have longer contract duration and are preferring long-lasting partnerships
- All global key accounts contracts that expired in the last 12 months have been extended

# Inflation management is deeply embedded in the business model

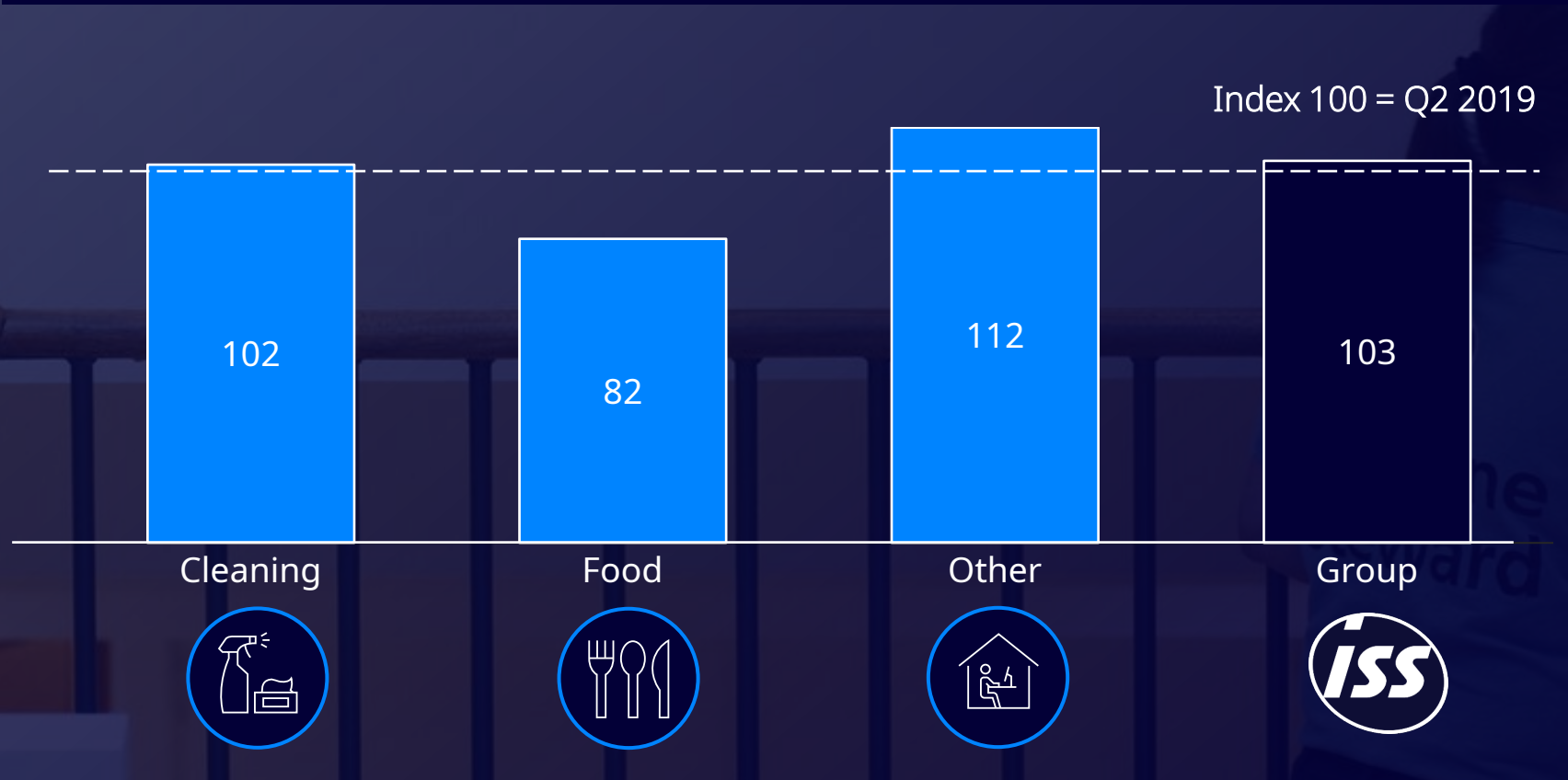
- Clear accountabilities and targets are set in the organisation



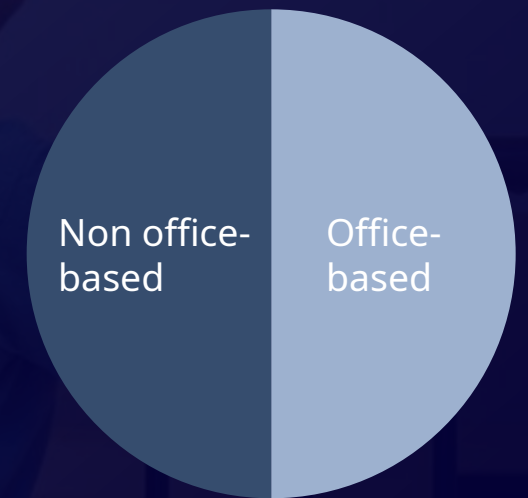
# Revenue in Q2 above pre Covid-19 levels

## - Further revenue recovery potential in Food

### Organic growth by service line compared to pre-covid levels



### Customer split





**Kasper Fangel**  
Group CFO

# Agenda

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

# First half of 2022 at a glance

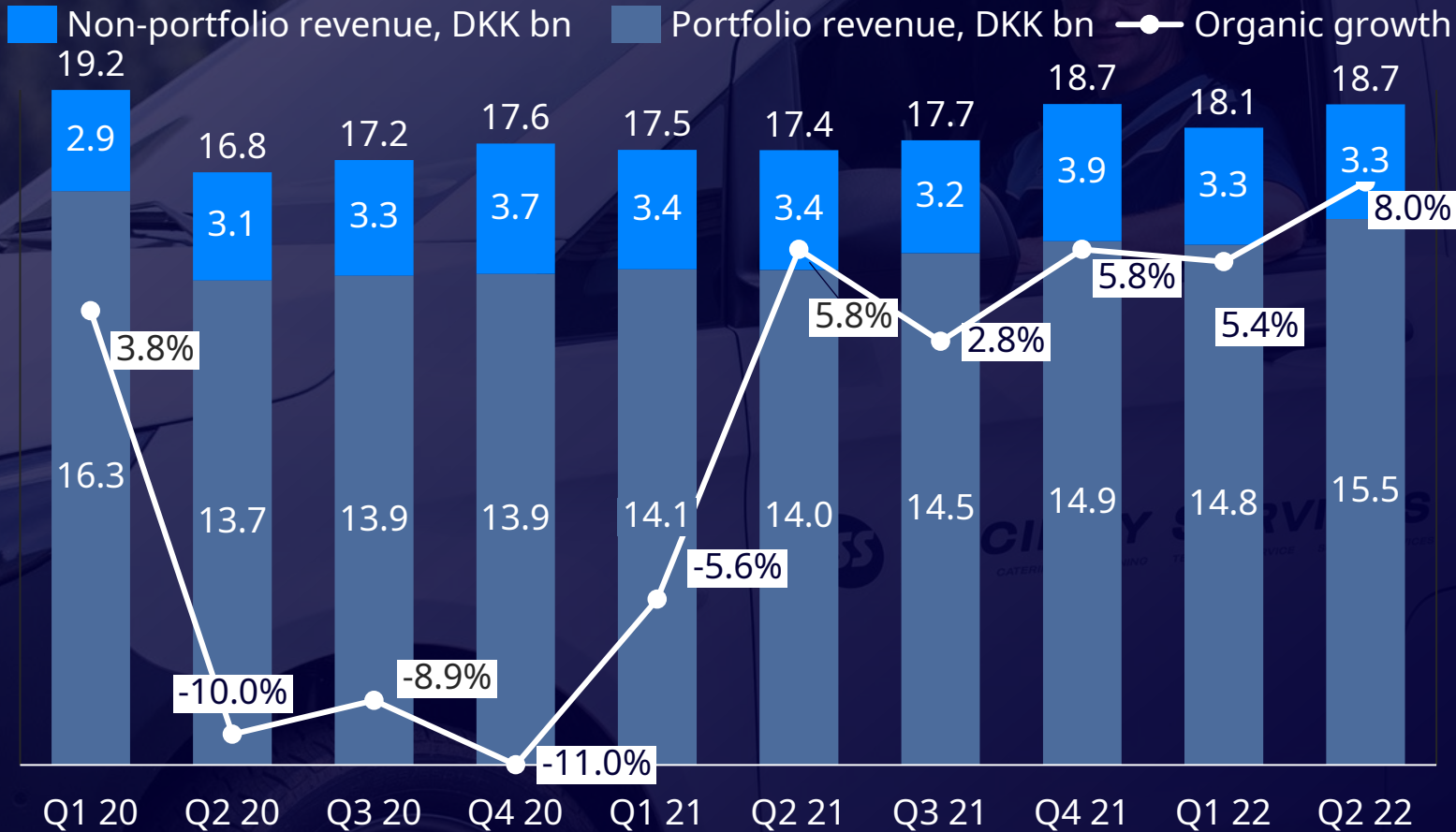
*Accelerating growth momentum driven by solid return-to-office trends, price increases and increased investments in attractiveness of the workplaces*

	H1 2022	H1 2021
<b>Organic growth</b>	6.7% (Q1: 5.4%, Q2: 8.0%)	-0.2% (Q1: -5.6%, Q2: 5.8%)
<b>Operating margin</b>	2.9%	1.6%
<b>Free cash flow</b>	DKK 0.6 billion	DKK 1.6 billion

# Strong organic growth of 8.0% in Q2

## - Portfolio revenue accelerated in the quarter

Quarterly revenue and organic growth<sup>1)</sup>



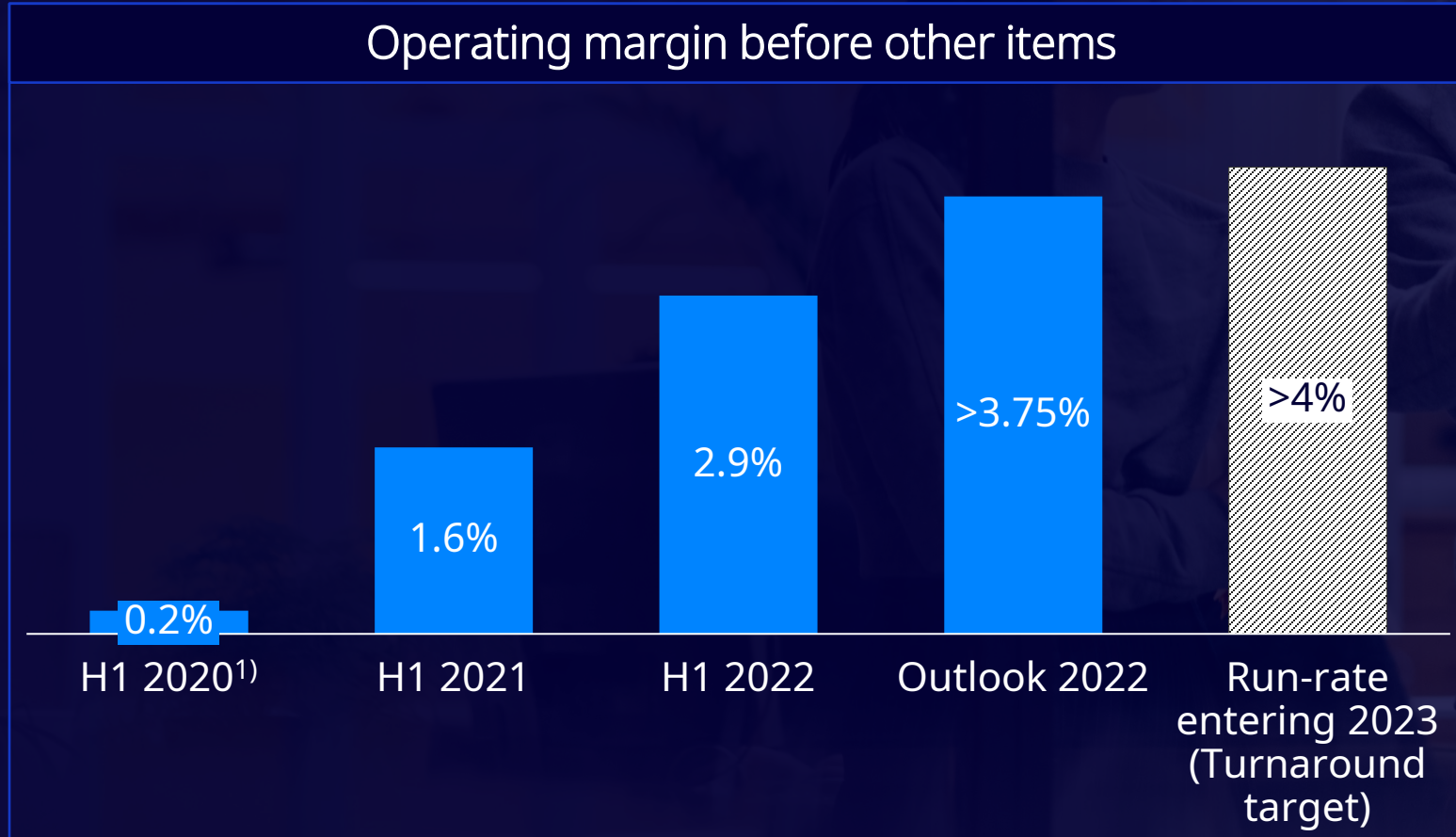
### Key comments Q2 2022

- Revenue increased to DKK 18.7 billion driven by accelerated return-to-office trends, customer investments in the workplace and price increases
- Price increases in Turkey contributed with around 1%-point to organic growth
- Organic growth for portfolio revenue was 11%
- Projects and above-base declined organically by 4% driven by reduced demand for ad-hoc Covid-19 services

1) excl. IAS 29

# Operating margin development

- The margin recovery progressing in line with plan



- Key comments
- Solid financial improvements of the underperforming contracts and countries in H1 2022
  - Margin positively impacted by leverage from increased revenue
  - Positive effects partly offset by additional costs related to higher sickness rate and mobilisation costs of contract wins
  - Inflationary pressure mitigated by implemented margin neutral price increases

<sup>1)</sup> Adjusted for restructuring and one-offs

# Regional performance H1 2022

- All regions delivering solid growth in both Q2 and H1

	Northern Europe (39% of Group)	Central & Southern Europe (32% of Group)	APAC (18% of Group)	Americas (11% of Group)
Organic Growth	<p><b>5%</b> <i>(Q1 2022: 3%, Q2 2022: 6%)</i></p>	<p><b>5%</b> <i>(Q1 2022: 5%, Q2 2022: 5%)</i></p>	<p><b>3%</b> <i>(Q1 2022: 1%, Q2 2022: 5%)</i></p>	<p><b>29%</b> <i>(Q1 2022: 29%, Q2 2022: 30%)</i></p>
Margin	<p><b>4.4%</b> <i>(H1 2021: 2.8%)</i></p> <ul style="list-style-type: none"> <li>Organic growth driven by return-to-office trends, price increases and contract start-ups</li> <li>Margin improvement driven by strong execution of turnaround in the UK</li> <li>High rate of sickness leave partly offsets the positive margin development</li> </ul>	<p><b>3.2%<sup>1)</sup></b> <i>(H1 2021: 1.0%)</i></p> <ul style="list-style-type: none"> <li>Price increases implemented in Turkey and contract start-up in Austria</li> <li>Operating margin positively impacted by improvements on the Deutsche Telekom contract</li> <li>Generally, solid profitability across markets except for France</li> </ul>	<p><b>5.8%</b> <i>(H1 2021: 6.0%)</i></p> <ul style="list-style-type: none"> <li>Growth driven by accelerated return-to-office trends especially in India and Australia</li> <li>Hong Kong negatively impacted by reinforced Covid-19 restrictions</li> <li>Operating margin stable, but negatively impacted by reduced demand for deep cleaning</li> </ul>	<p><b>3.5%</b> <i>(H1 2021: 6.1%)</i></p> <ul style="list-style-type: none"> <li>Strong growth driven by the large exposure to food services in the region</li> <li>Operating margin declined as a result of commercial investments, lower above-base revenue and timing effects including depreciations in Chile</li> <li>Strong recovery in food where contracts predominantly are cost-plus</li> </ul>

1) excl. IAS 29


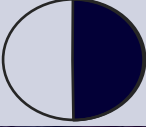


Note: Other countries represent 1% of Group revenue



# Margin recovery journey towards turnaround target

## - Turnaround target almost achieved

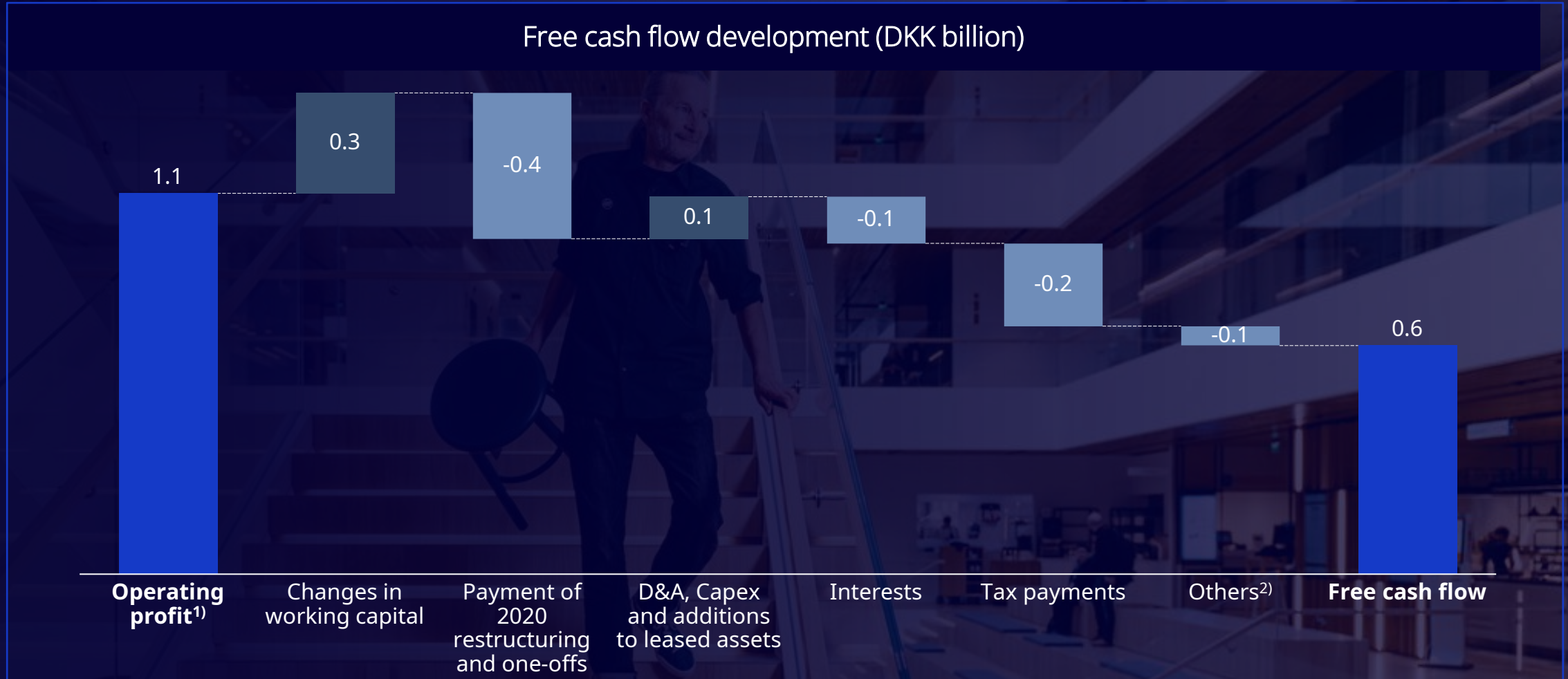
CONCEPTUAL AND INDICATIVE

Margin recovery drivers	Key Development Q2 2022	Contribution to Group Margin Target (By end of 2022 vs. 0.5% <sup>1)</sup> in 2020)	Financial progress (end of Q2 2022)
UK recovery	<ul style="list-style-type: none"> <li>Further progress and margin improvement</li> <li>Streamlined organisation improved operational visibility and commercial processes</li> </ul>	<b>+100bp</b> (Recover to low single-digit margins)	
France recovery	<ul style="list-style-type: none"> <li>Continued progress, but slower than originally anticipated</li> <li>Commercial development is muted</li> </ul>	<b>+40bp</b> (Recover to low single-digit margins)	
Underperforming contracts	<ul style="list-style-type: none"> <li>Deutsche Telekom developing in line with plan to reach breakeven</li> <li>Successful exit of the Danish Defence contract by the end of May</li> </ul>	<b>+100bp</b> (Based on break-even)	
COVID-19 restructuring and revenue recovery	<ul style="list-style-type: none"> <li>Revenue recovery continued in Q2 across the Group</li> <li>Accelerating return-to-office trends in large markets</li> </ul>	<b>+130bp</b> (Recover ~60% of lost revenue and payback of restructuring)	
Rest of business and new operating model	<ul style="list-style-type: none"> <li>Accelerated investments in group functions and capabilities</li> <li>Visible effects of the savings programme</li> </ul>	<b>Above -20bp</b> (Ongoing restructuring costs, investments, savings and other effects)	
Turnaround target and estimated progress		<b>= Above 4%</b>	

1) Before restructuring and one-offs of DKK 3.5bn in 2020

# Free cash flow H1 2022

- Impacted by improvement in operating profit and working capital

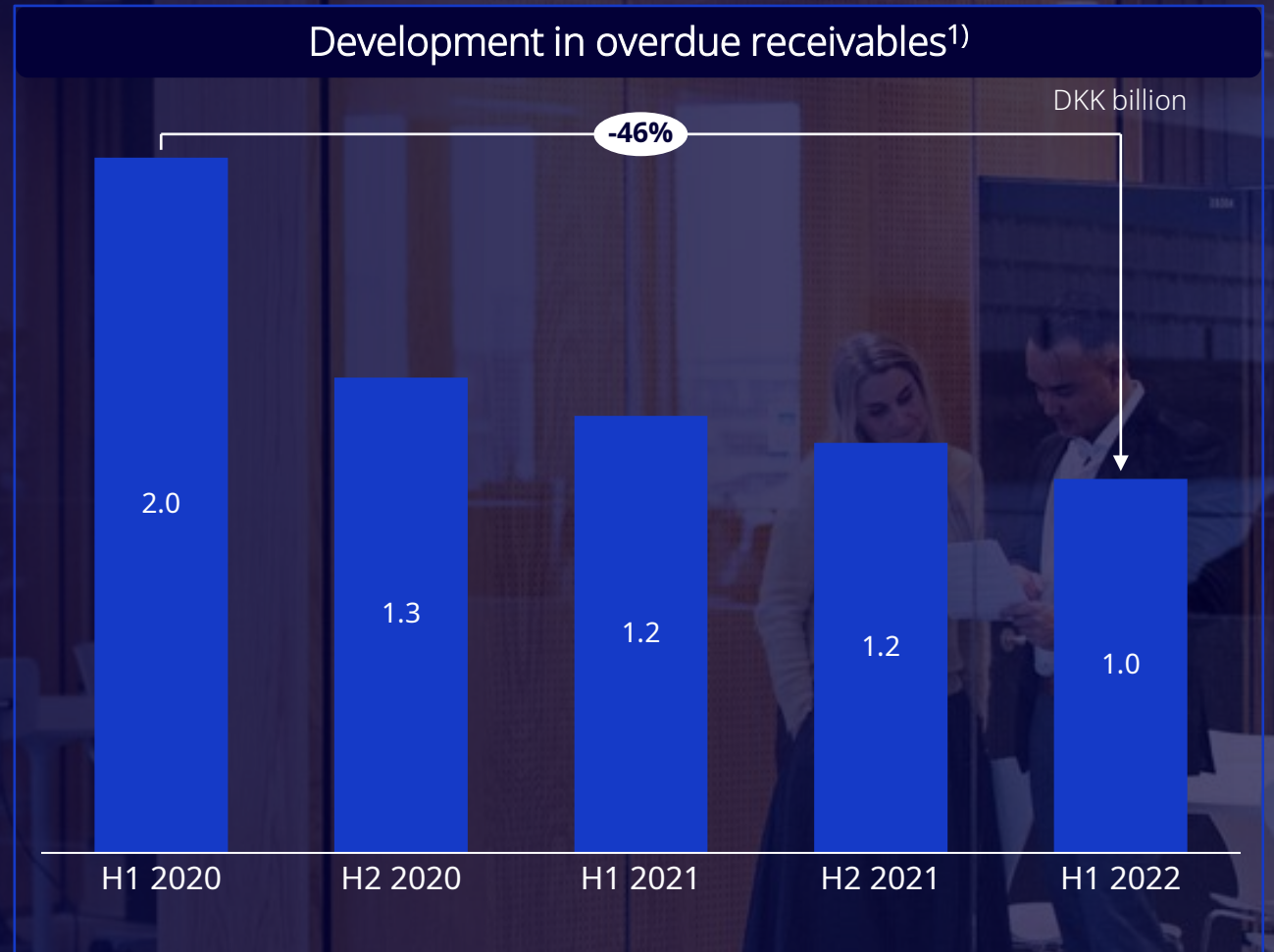
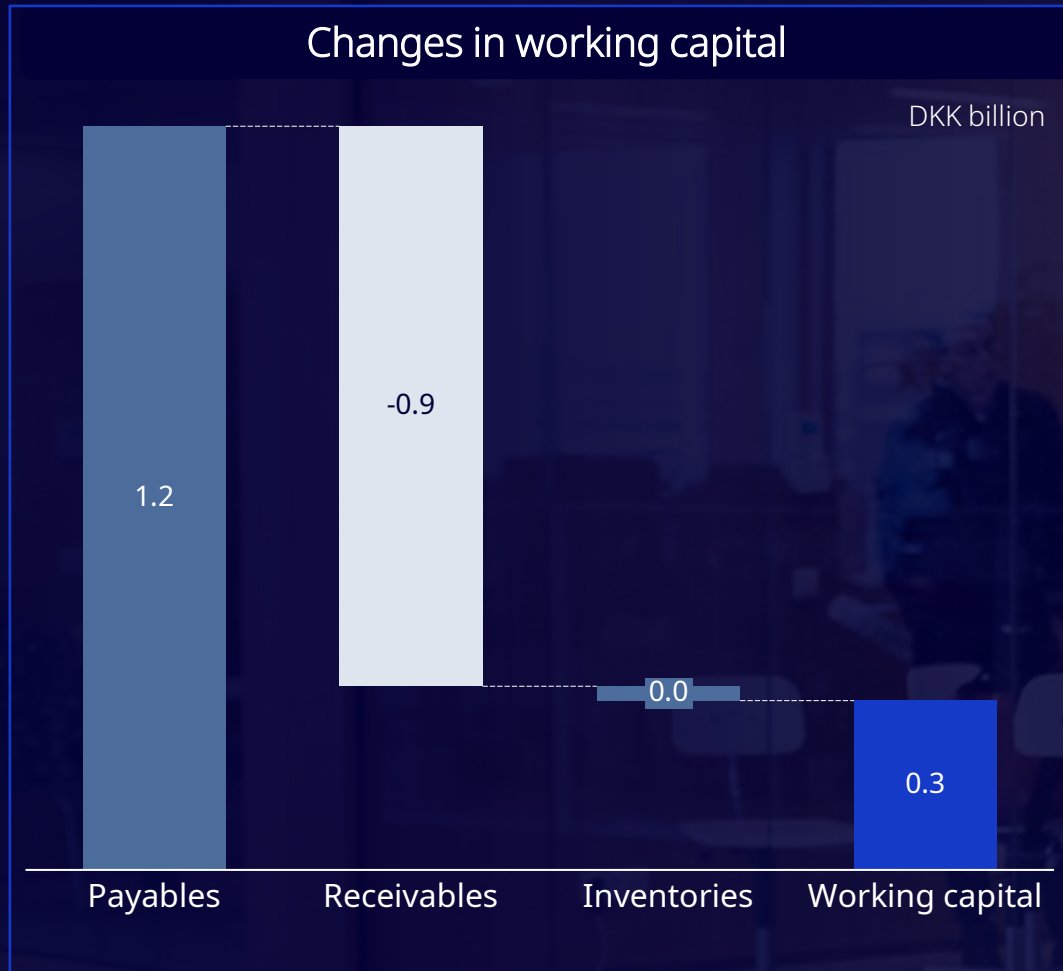


(1) Including operating profit from Discontinued Operations

(2) Others include: 'Changes in provisions, pensions and similar obligations', 'Acquisition of financial assets excl. investments in equity-accounted investees', 'Other expenses paid' and 'Share-based payments' but excludes payments of one-offs and restructuring charges incurred in 2020

# Working capital deep-dive

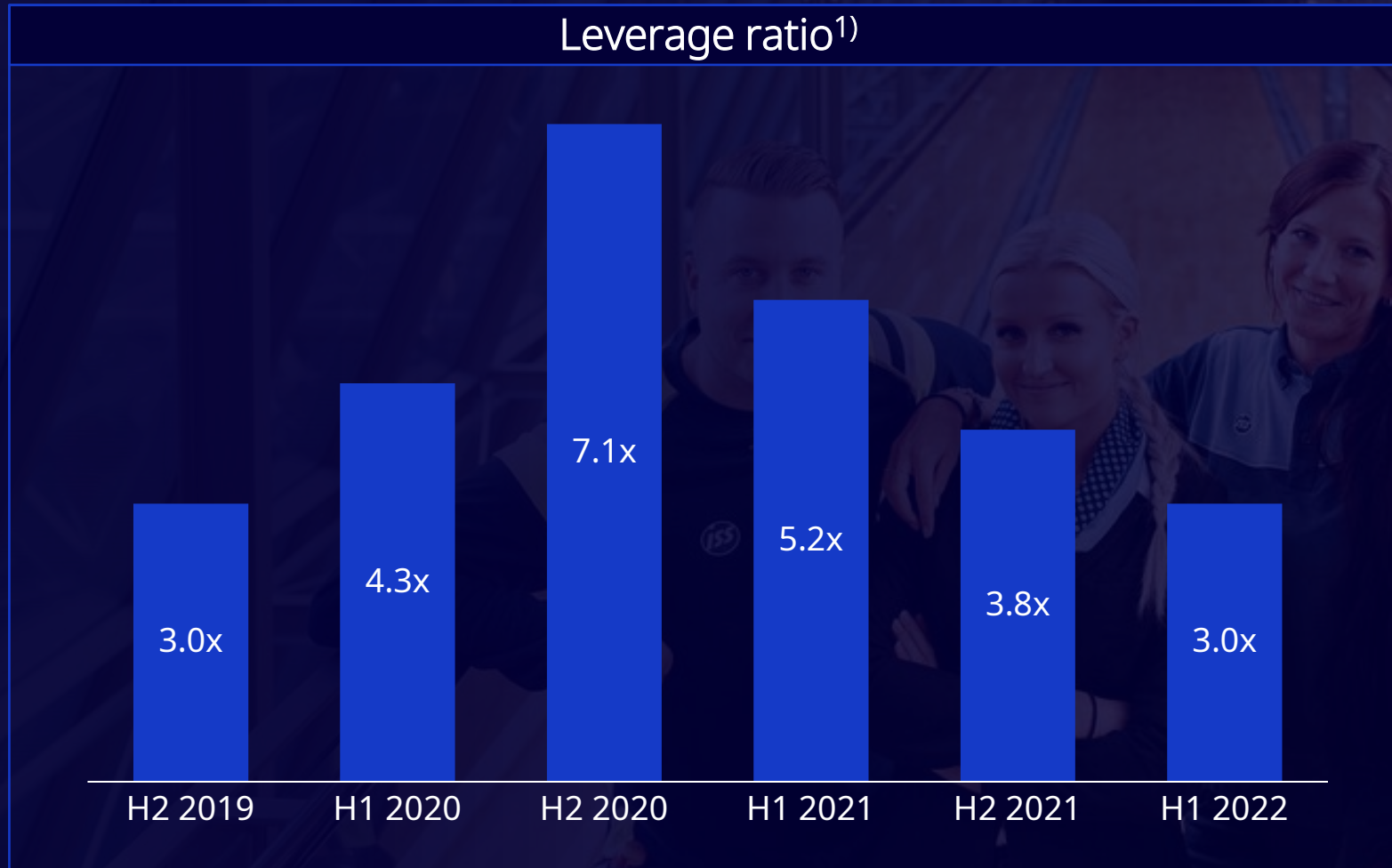
## - Healthy reduction of overdue receivables



1) Gross amount

# Financial leverage development

## - Turnaround target almost achieved



### Key comments

- The turnaround target of leverage below 3.0x by end of 2022 is close to being achieved
- Reduction in leverage is driven by both increased financial performance (higher EBITDA) and lower net debt
- Net debt is reduced by DKK 3.6 billion since 2020, driven by solid cash generation and the progress on the divestment programme

<sup>1)</sup> Net debt / Pro-forma adjusted EBITDA (LTM adjusted for restructuring and one-offs)

# Hyperinflation in Turkey

- with immaterial financial impact on Group KPI's

## Impact on financial KPI's

	H1 2022 (ex IAS 29)	Inflation restatement	Translation	H1 2022 (reported)	
<b>Organic growth</b>	6.7%	-	-	6.7%	✓
<b>Operating margin</b>	2.9%	-0.0%	-0.0%	2.9%	✓
<b>Free cash flow</b>	DKK 643m	DKK 0m	DKK 1m	DKK 644m	✓

## ISS presence in Turkey

- Solid financial performance with high double-digit organic growth and improving operating margin
- High share of prioritized customer segments and service lines
- Leadership position in healthcare segment creates platform for further growth
- Strong and experienced leadership team with proven track record of inflation management
- ISS Turkey has increased share of key accounts significantly since 2018

# Agenda

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

# Upgrade 2022 Outlook

- Driven by increased activity level and business improvements

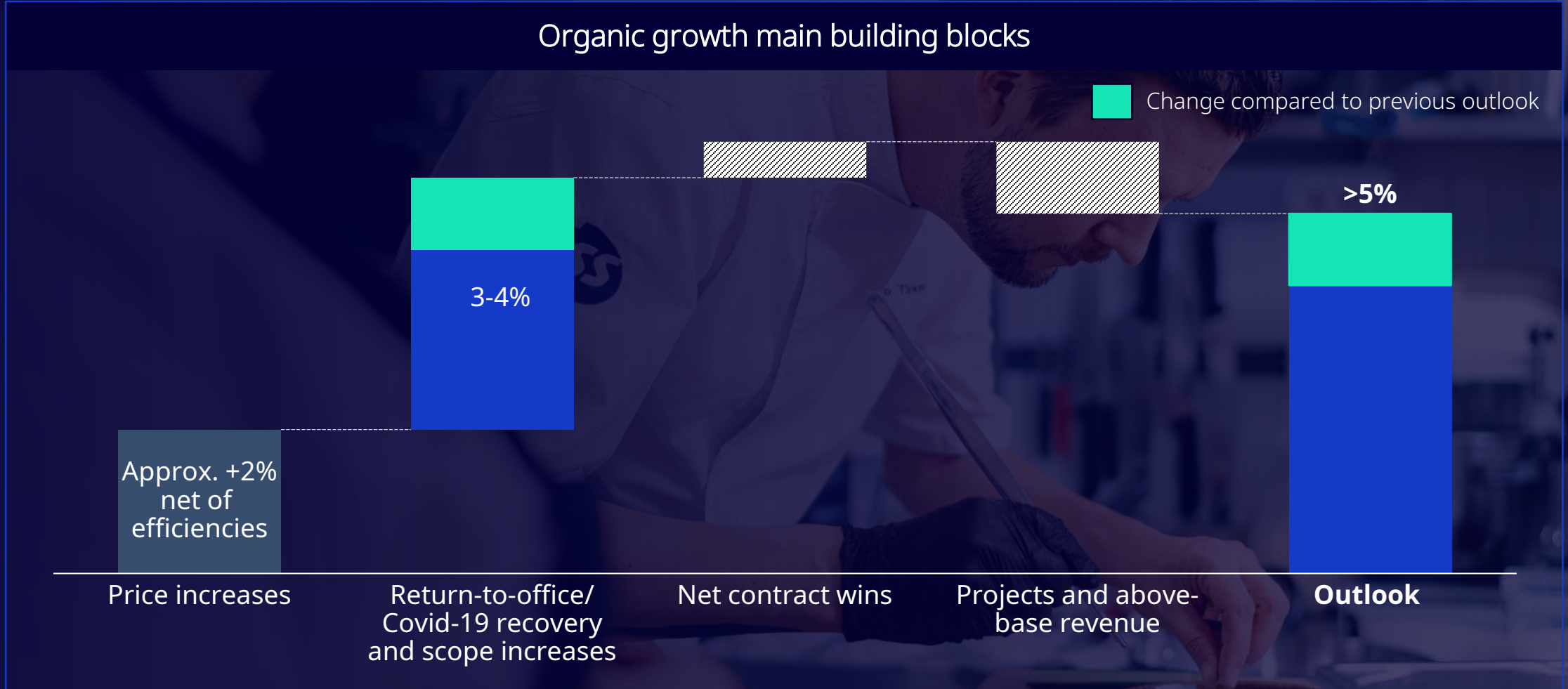
Upgraded Outlook <sup>1)</sup>		
Organic Growth	Operating Margin <sup>2)</sup>	Free cash flow
<p><b>Above 5%</b> (Before above 4%)</p> <p>Upgrade is driven by:</p> <ul style="list-style-type: none"><li>• Accelerating return-to-office trends and customers increased investments in the workplace</li><li>• Price increases will continue to have a positive impact growth partly offset by slightly lower demand for project and above-base revenue</li></ul>	<p><b>Above 3.75%</b> (Before above 3.5%)</p> <ul style="list-style-type: none"><li>• Continued progress of the underperforming contracts and countries</li><li>• Leverage from higher revenue</li><li>• Neutral effect from cost inflation</li></ul>	<p><b>Above DKK 1.5 bn</b> (Before above DKK 1.3 bn)</p> <ul style="list-style-type: none"><li>• Improvement in operating profit</li><li>• Neutral to slightly positive impact from working capital following significant inflow in 2021</li></ul>

*Based on financial performance in Q2 the Outlook for all KPIs are upgraded*

1) Outlook excl. IAS 29

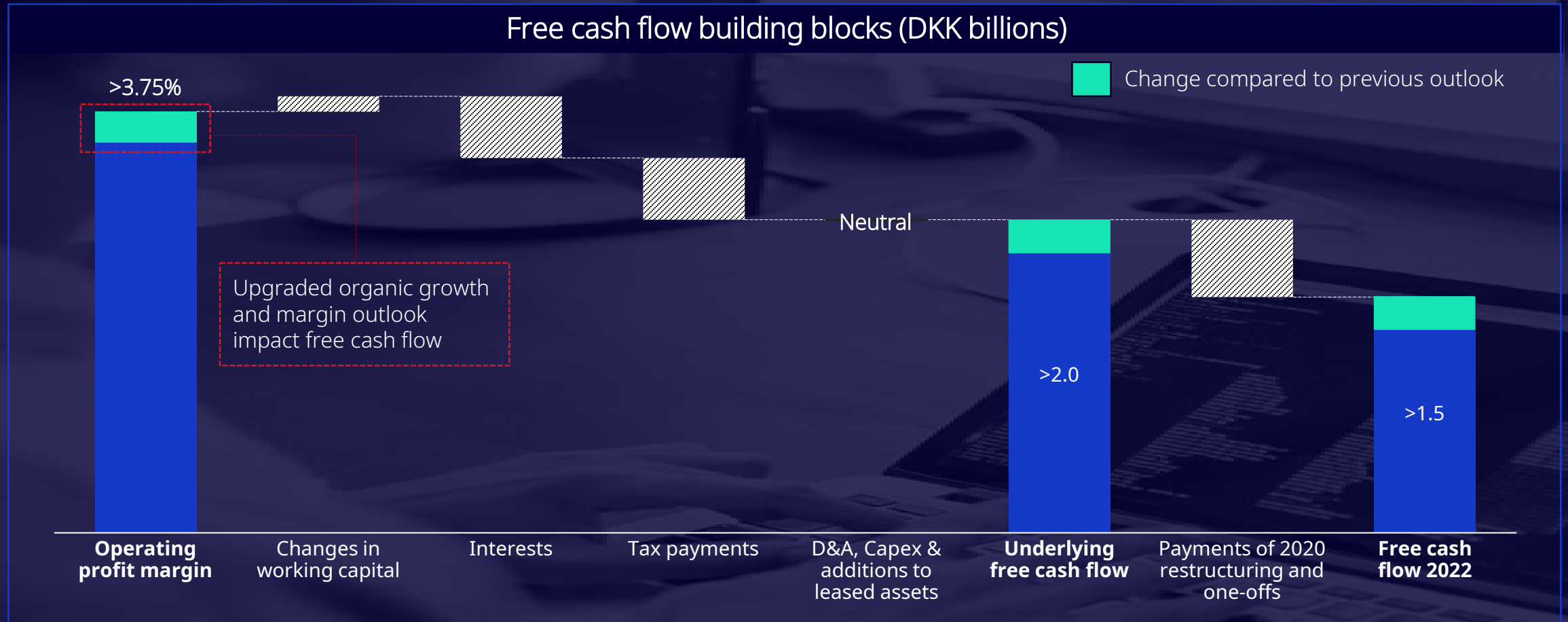
2) Operating profit margin before other income and expenses

# Organic growth outlook for 2022





# Free cash flow outlook for 2022

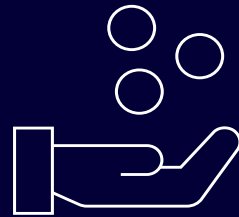


# Turnaround targets confirmed

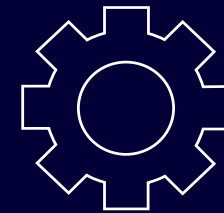
- Targets almost achieved



Operating margin<sup>1)</sup>  
above 4% when  
entering 2023



Above DKK 1.5 billion  
Free cash flow in 2022



Deleveraging to below  
3x by end 2022

# Capital Markets Day 2022

Save the date

Capital Markets Day 7 November 2022 in London  
ISS will present the next steps of the OneISS strategy  
More information will follow

H1 2022 RESULTS

# Q&A

PEOPLE MAKE PLACES

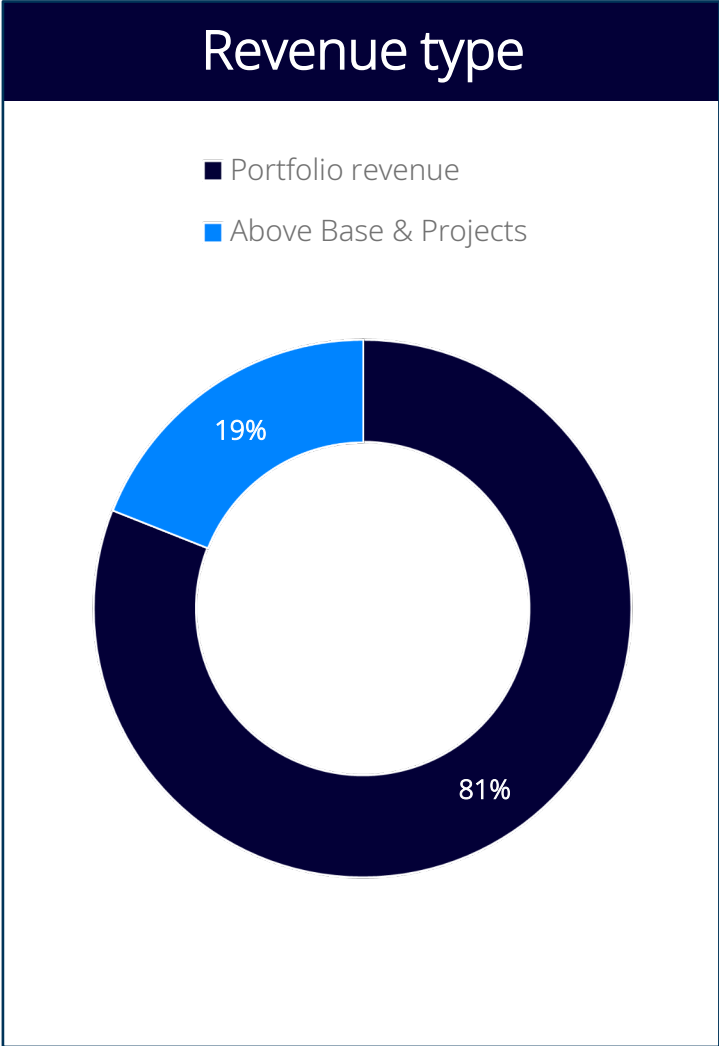
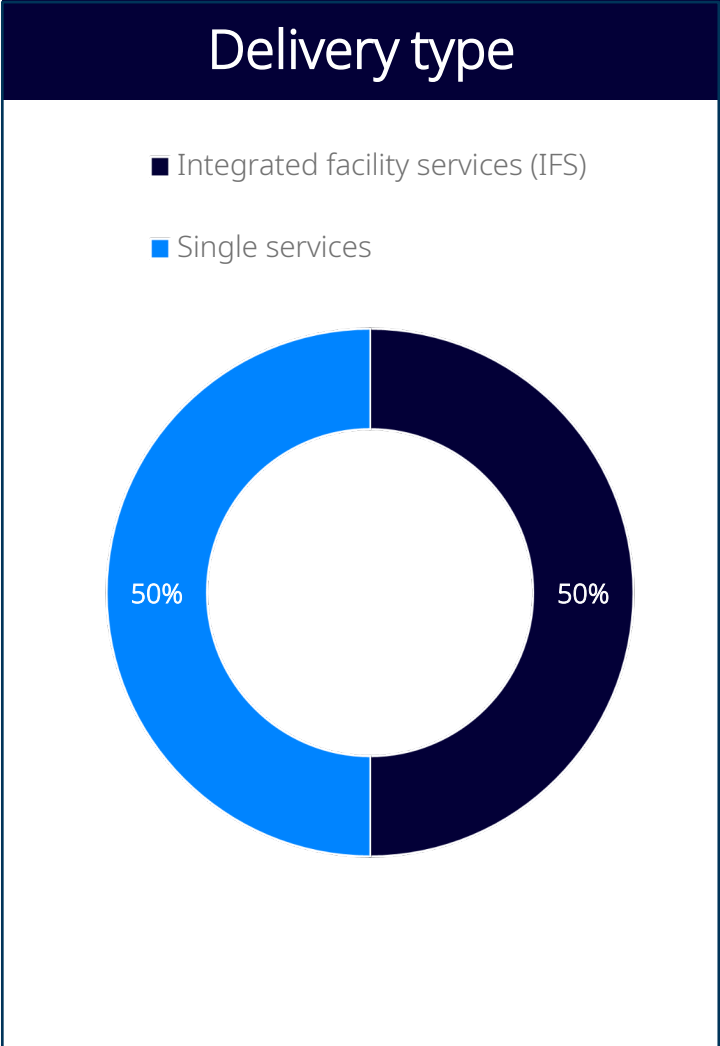
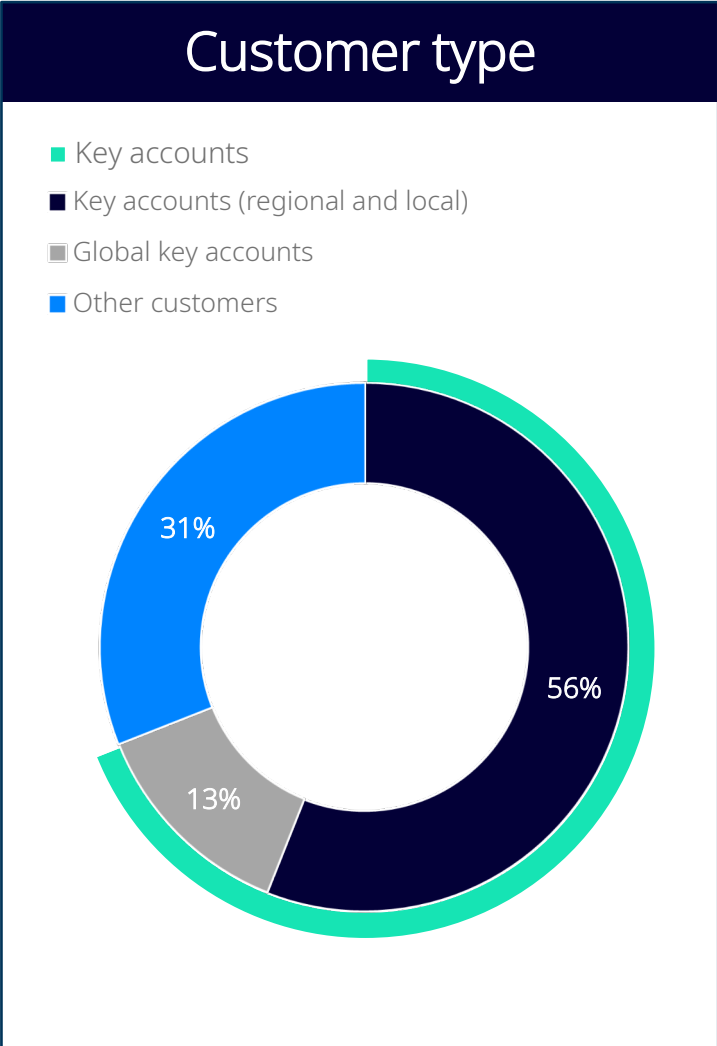


INVESTOR PRESENTATION

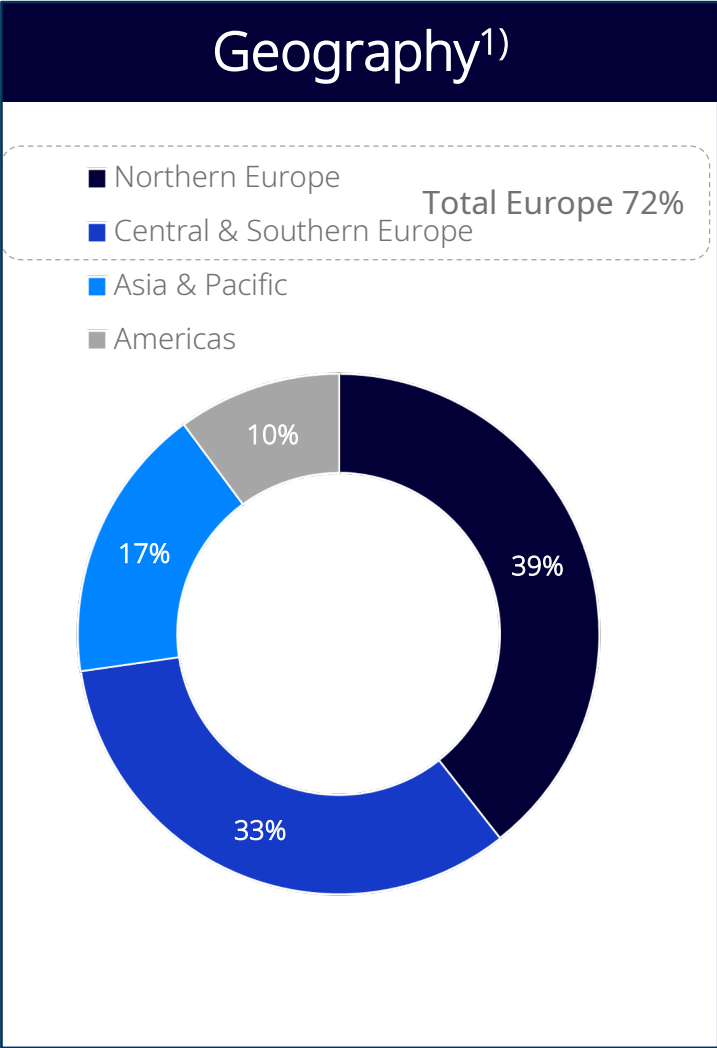
# Appendix



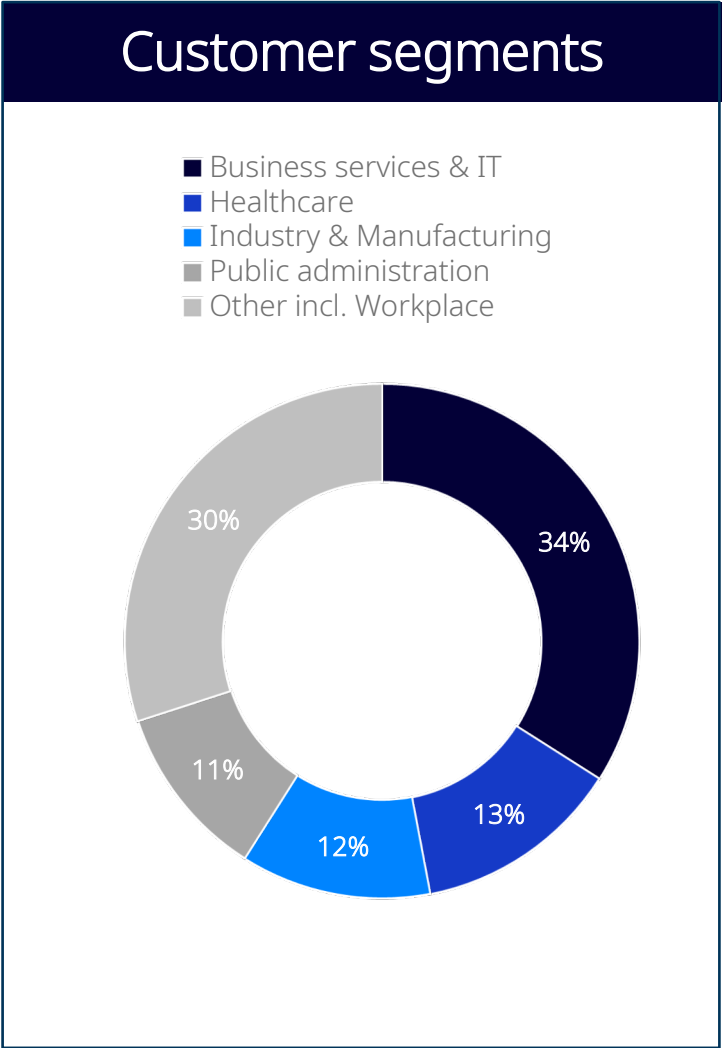
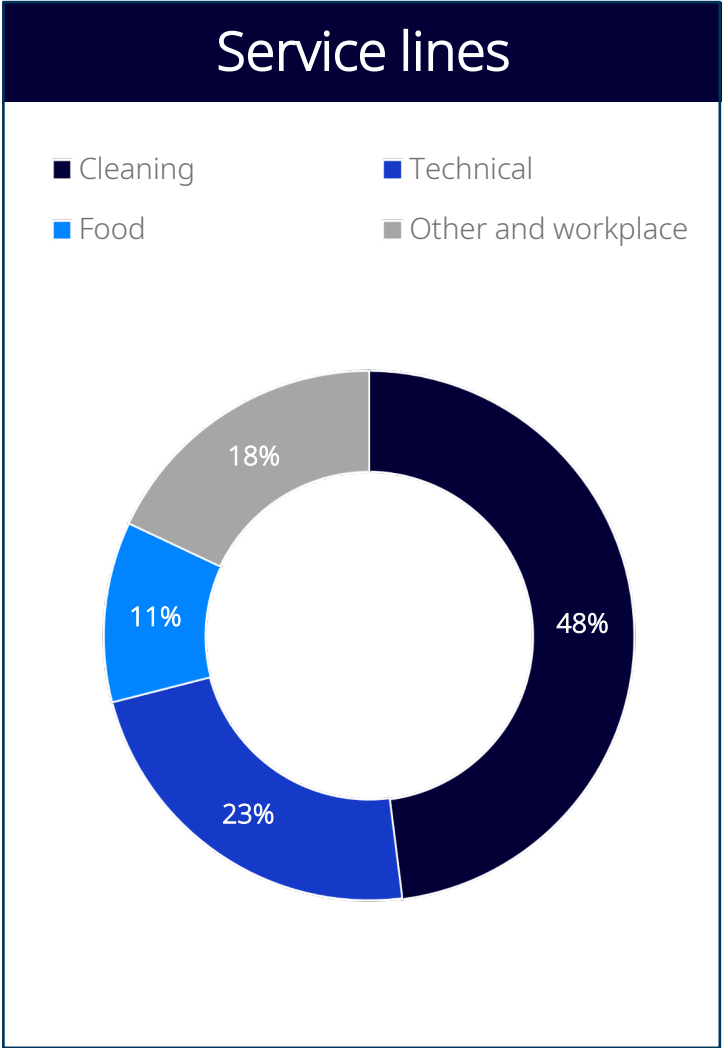
# Revenue split based on FY2021 (1/2)



# Revenue split based on FY2021 (2/2)



1) Revenue related to other countries amounted to 1%



# Forward-looking statements

This presentation contains forward-looking statements, including, but not limited to, the statements and expectations contained in the “Outlook” section of this presentation. Statements herein, other than statements of historical fact, regarding future events or prospects, are forward-looking statements. The words “may”, “will”, “should”, “expect”, “anticipate”, “believe”, “estimate”, “plan”, “predict,” “intend’ or variations of these words, as well as other statements regarding matters that are not historical fact or regarding future events or prospects, constitute forward-looking statements. ISS has based these forward-looking statements on its current views with respect to future events and financial performance. These views involve a number of risks and uncertainties, which could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of ISS. Although ISS believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ, e.g. as the result of risks related to the facility service industry in general or ISS in particular including those described in the Annual Report 2021 of ISS A/S and other information made available by ISS.

As a result, you should not rely on these forward-looking statements. ISS undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law.

The Annual Report 2021 of ISS A/S is available at the Group’s website, [www.issworld.com](http://www.issworld.com).