



ISS INVESTOR PRESENTATION

# Q1 2023 Trading Update

4 May 2023



Jacob Aarup-Andersen  
Group CEO

# Agenda

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

# Executive summary

- Strong start to the year with double digit organic growth



## OneISS

Commercial momentum remains solid

-

Rigorous inflation management continued



## Growth momentum

Q1 growth driven by price and volume growth

-

Organic growth outlook upgraded



## Financials

Positive underlying margin development

-

Improvements in previous hotspots driven by the UK and DTAG

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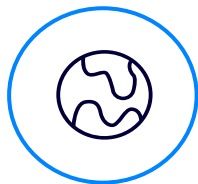


*With the enhanced operating model, ISS target to deliver strong growth at sustainable and attractive margins*

# Strategic update

## - The strategic focus on growth has increased

### Update on strategic priorities



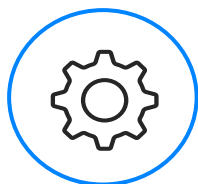
- With the solid foundation following the achievement of the financial turnaround, ISS has enhanced focus on growth
- A survey among Office-based customers underlines the importance of cleaning to achieve customer satisfaction in the workplace
- The tight management of cost inflation was maintained globally

### Commercial momentum



- The strict focus on retaining customers resulting in historical high customer retention rate
- The commercial and operational investments are paying off and ISS has been awarded a couple of new IFS key account contracts in 2023
- The pipeline of commercial opportunities remains attractive

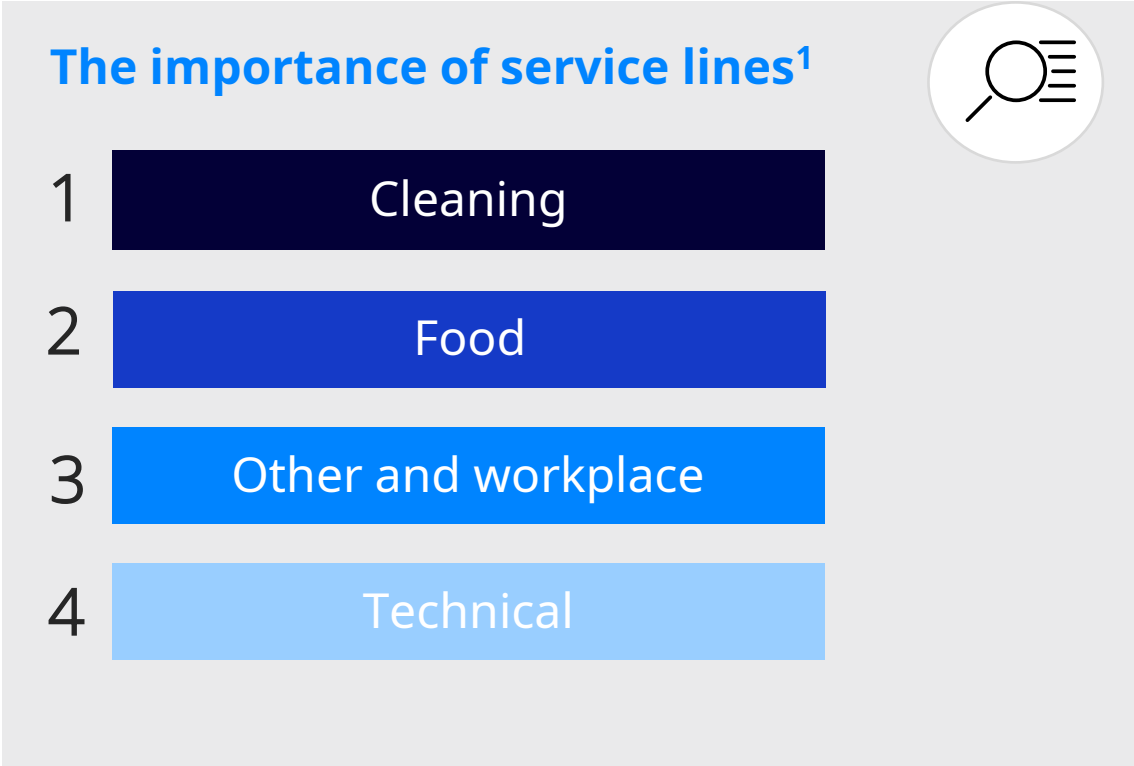
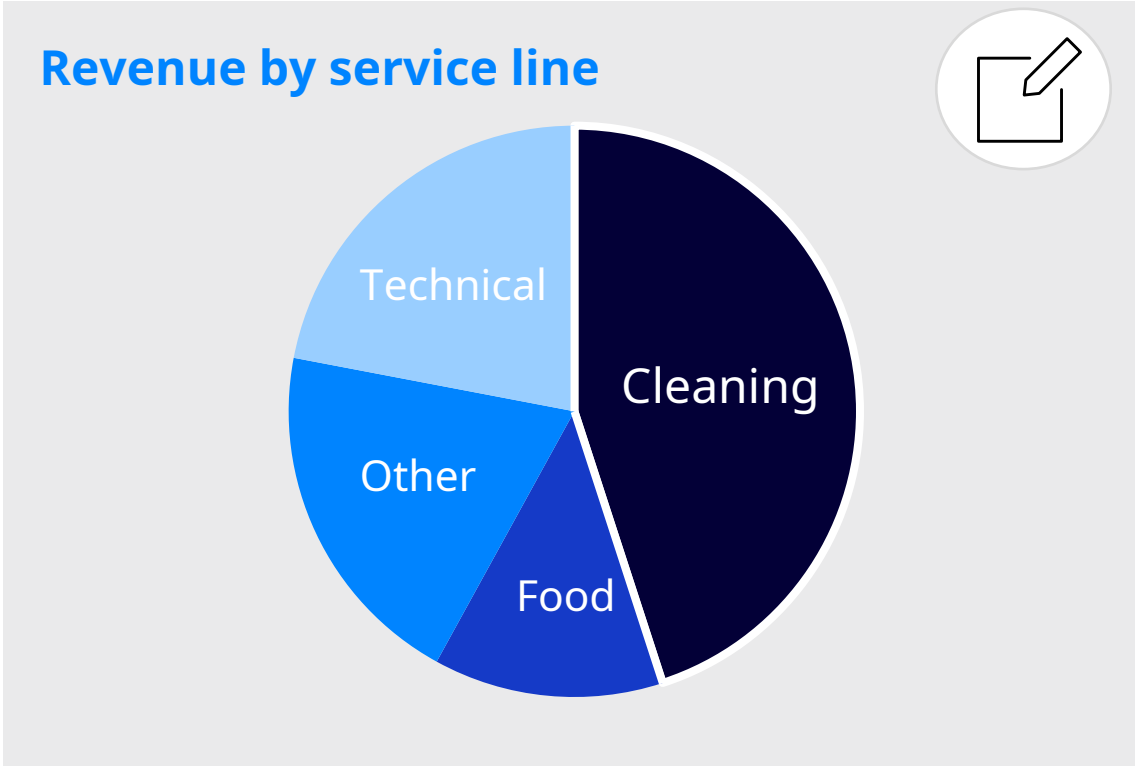
### Operational development



- In line with plan, positive effects from OneISS efficiencies are driving margin improvements across the Group
- New and improved service products are scaling including customer and Placemaker facing technology applications

# We have a proud heritage of cleaning (1/2)

- Cleaning remains most important driver of workplace satisfaction



<sup>1</sup>) Experience Survey Benchmark



# We have a proud heritage of cleaning (2/2)

## - Pure Space – Office is being scaled



Sites

**3,100+**  
sites across the  
globe



Countries

**25**  
countries



Placemakers

**20,000+**  
Placemakers  
trained

### Productivity outcomes

- Proven standardised ways of working
- Consistent and improved cleanliness
- Global benchmark in terms of productivity

### Improvements

- Improved customer satisfaction through utilisation of Pure Space – Office
- Average ~10% productivity uplift on site level
- Cost savings resulting in improved profitability in line with plan

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# Commercial momentum

- Pipeline within prioritised segments remains attractive

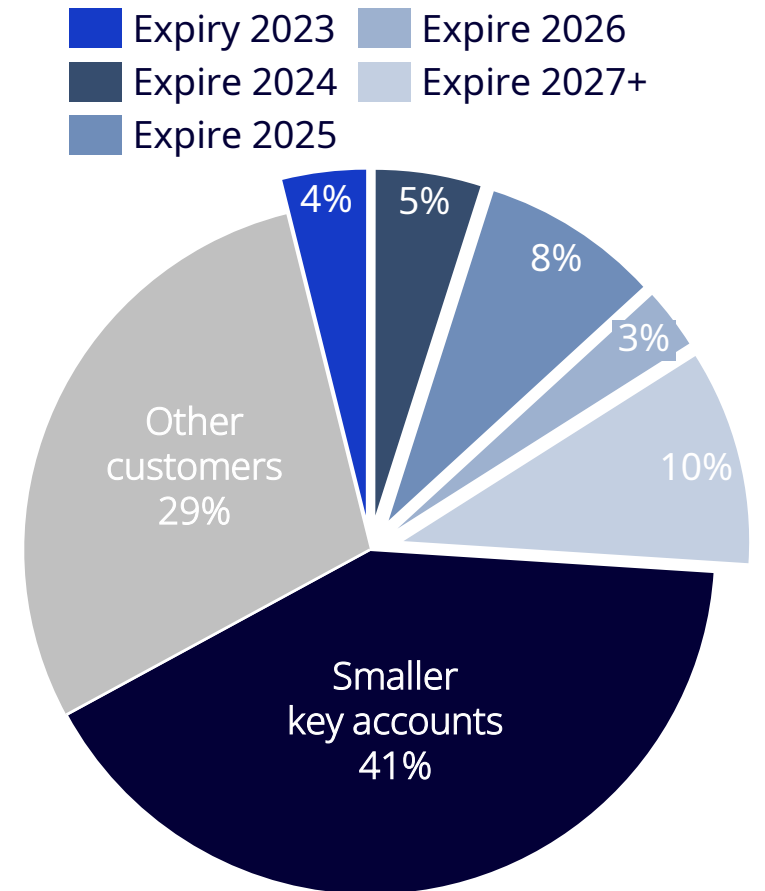
## New wins<sup>1)</sup>

- Healthcare customer, Turkey (c. 0.1% of Group revenue)

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

- Information and Communication customer, United Kingdom
- Banking customer, United Kingdom
- Public Administration customer, Belgium
- Healthcare customer, Hong Kong

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



1) Since Q4 results on 23 February 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

# Tight management of inflation continued

## - Price increases successfully implemented in Q1

Live example  
Global banking customer 

### Contract fundamentals

- All minimum wage increases can be passed on to customer
- Increases on other non-wage items are updated annually based on global inflation index
- Commercial and scope discussions done regularly

### Key points on contract

- ✓ Wage increases and indexations have been passed on to customer
- ✓ Operating margin is protected from cost inflation



**Switzerland**  
2% wage increases

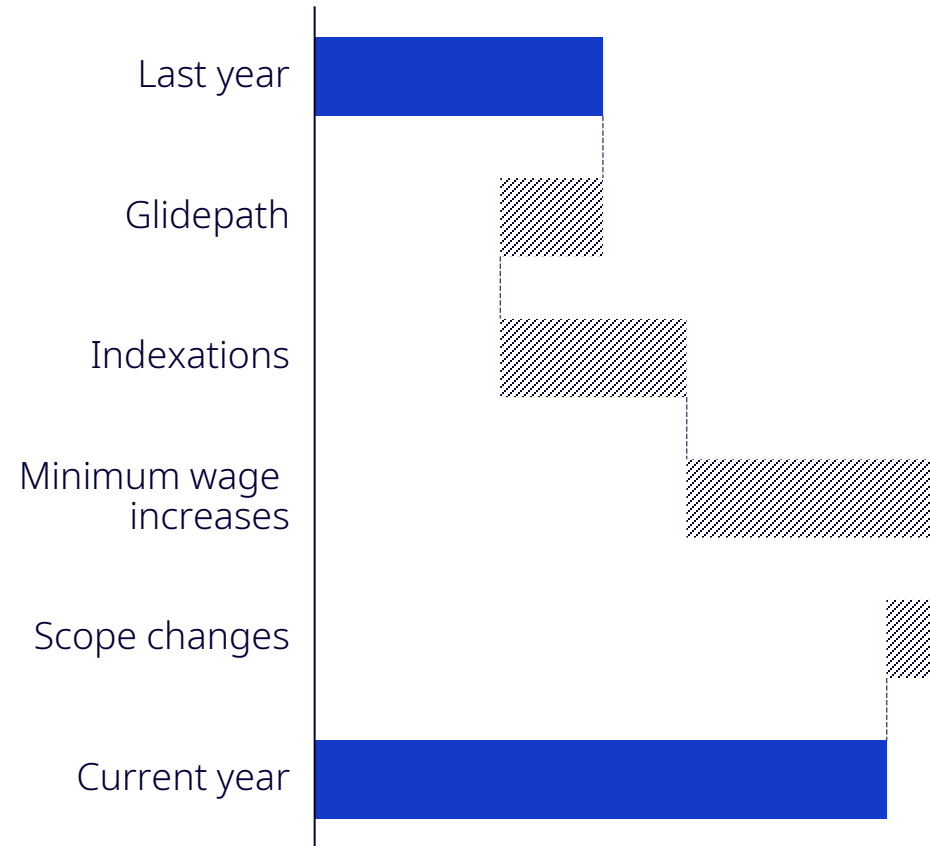


**UK**  
9% wage increases



**Mexico**  
20% wage increases

### Revenue development





**Kasper Fangel**  
Group CFO

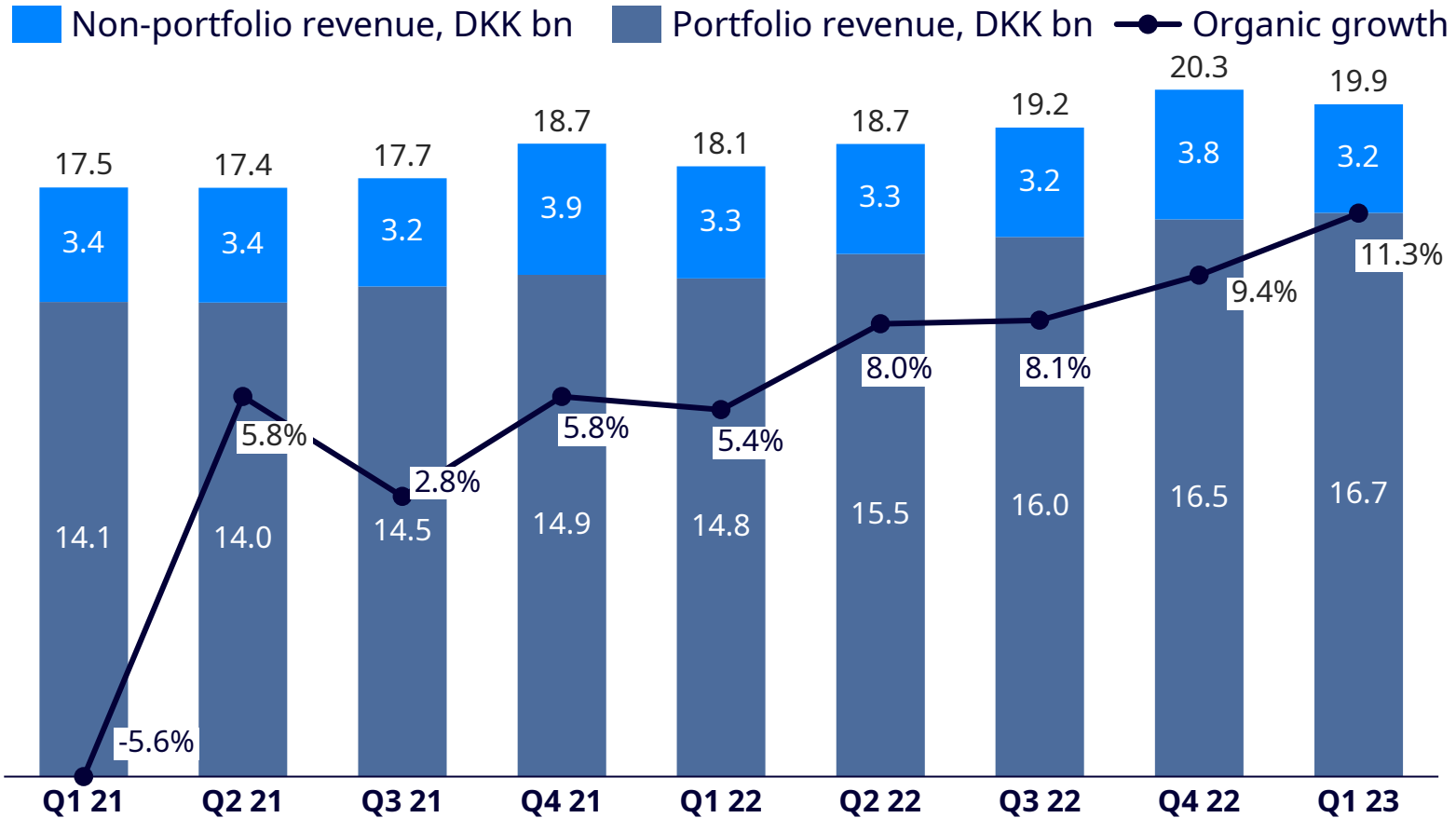
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# Organic growth of 11% in Q1

## - Strong portfolio growth continued

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



<sup>1)</sup> excl. IAS 29

### Key comments Q1 2023

- Revenue increased to DKK 19.9bn driven by price increases and underlying volume growth
- Price increases contributed more than 6%-points with Turkey contributing around 3%-points
- Organic growth for portfolio revenue was 14.4%
- Revenue from projects and above base work declined organically by 2% and continued to be above pre Covid-19 levels

# Regional organic growth Q1 2023

- All regions benefitting from increased activity levels

Northern Europe (36% of Group)	Central & Southern Europe (34% of Group)	Asia & Pacific (18% of Group)	Americas (12% of Group)
<b>6%</b> (Q4 2022: 4%, Q1 2022: 3%)	<b>17%</b> (Q4 2022: 11%, Q1 2022: 5%)	<b>6%</b> (Q4 2022: 11%, Q1 2022: 1%)	<b>22%</b> (Q4 2022: 21%, Q1 2022: 29%)
<ul style="list-style-type: none"><li>Organic growth driven by underlying volume growth and price increases supported by contracts won the last year</li><li>The increasing activity level in Norway and Sweden impacted growth positively</li><li>Exit of the Danish Defense contract in May 2022 impacted growth negatively</li></ul>	<ul style="list-style-type: none"><li>The strong growth was driven by price increases implemented in Turkey supported by underlying growth and net contract wins</li><li>The development in the region was positively impacted by price increases and underlying volume growth</li><li>The organic growth in France was negative and the commercial momentum continued to be muted</li></ul>	<ul style="list-style-type: none"><li>Driven by underlying volume growth due to increasing customer activity</li><li>Highest organic growth was seen in India and Australia driven by increased activity level and net contract wins</li><li>Revenue from projects and above base declined due to lower demand for Covid-19 deep cleaning and disinfection services</li></ul>	<ul style="list-style-type: none"><li>Strong growth driven by net contract wins and underlying volume growth in especially food</li><li>Customer activity level continued to improve and office occupancy increased in the quarter</li><li>The growth was predominately driven by the US, but in general the region reported solid growth</li></ul>

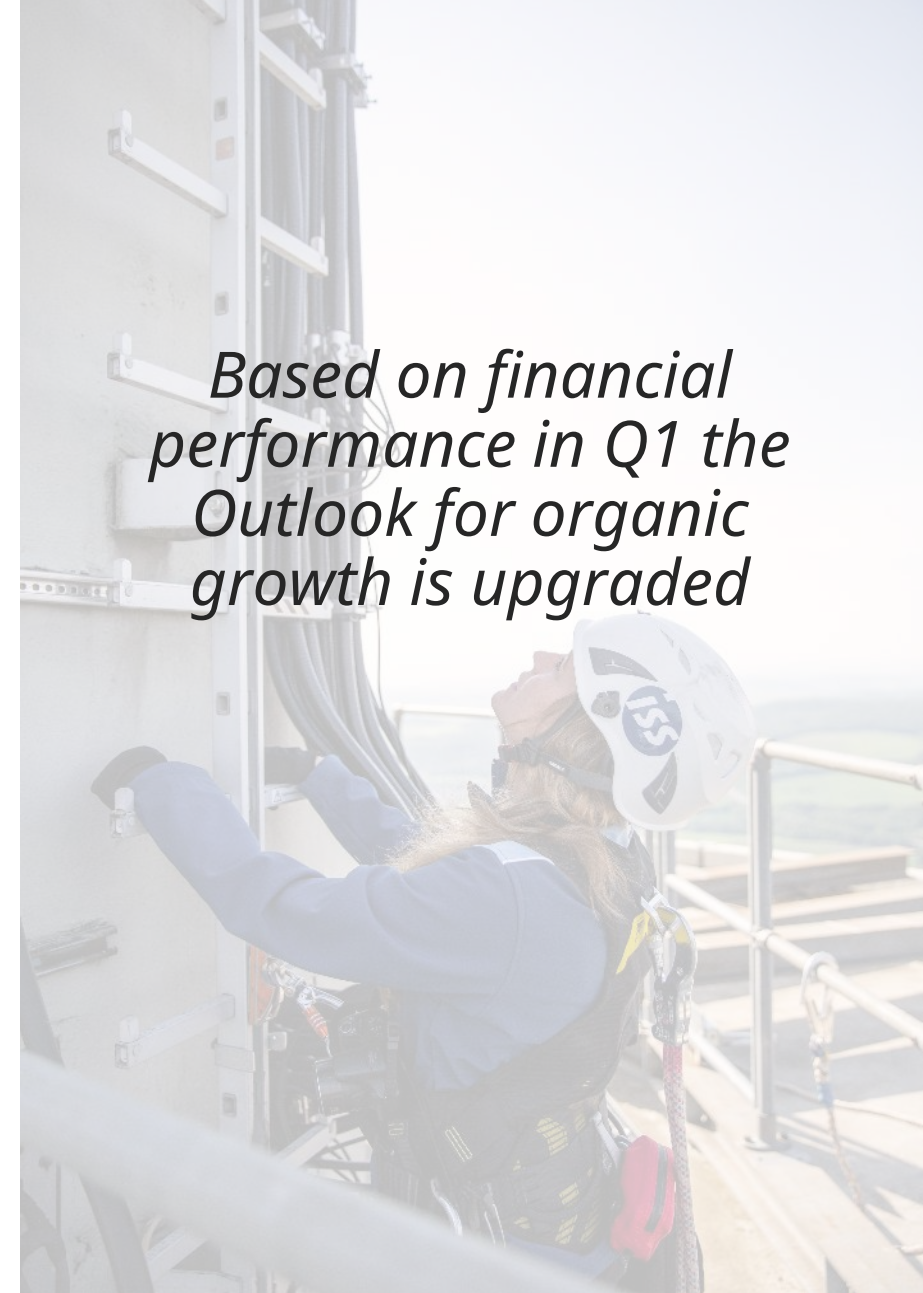
Note: Other countries represent 1% of Group revenue

# Outlook 2023<sup>1)</sup>

## - Upgrade of organic growth to 6-8%

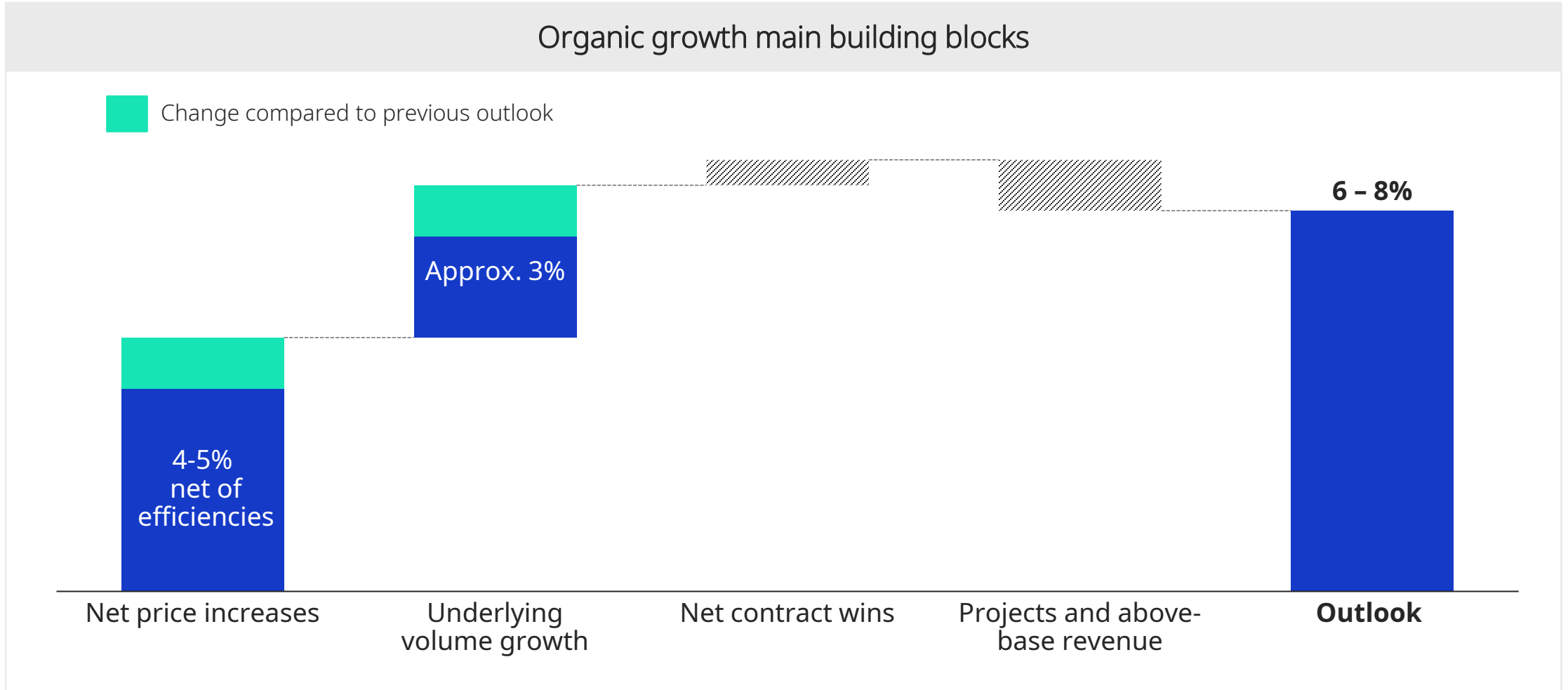
Organic growth	Operating margin <sup>2)</sup>	Free cash flow
<p><b>6 - 8%</b> (Before: 4 - 6%)</p> <p>Upgrade is driven by:</p> <ul style="list-style-type: none"><li>• Price increases and higher underlying volume growth will continue to have positive effect on organic growth</li><li>• Expected positive contribution from net contract wins and expansions</li><li>• A negative effect from lower project and above-base work is expected</li></ul>	<p><b>4.25 - 4.75%</b> (Unchanged)</p> <ul style="list-style-type: none"><li>• Margin improvements in the two previous hotspots; the UK and Deutsche Telekom</li><li>• Positive effects from OneISS efficiencies and cost initiatives across the Group</li><li>• Operating leverage from higher revenue</li></ul>	<p><b>Around DKK 2.0 bn</b> (Unchanged)</p> <ul style="list-style-type: none"><li>• Improvement in operating profit</li><li>• Negative impact from working capital including customer prepayments in 2022</li><li>• Increased tax outflow due to higher operating profit</li><li>• Capex in line with depreciation and amortisation</li></ul>

*Based on financial performance in Q1 the Outlook for organic growth is upgraded*



# Organic growth outlook for 2023

- Upgrade driven by price increases and underlying volume growth



# Financial targets from 2024 and beyond - all targets confirmed



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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## Q1 2023 TRADING UPDATE

# Q&A



INVESTOR PRESENTATION

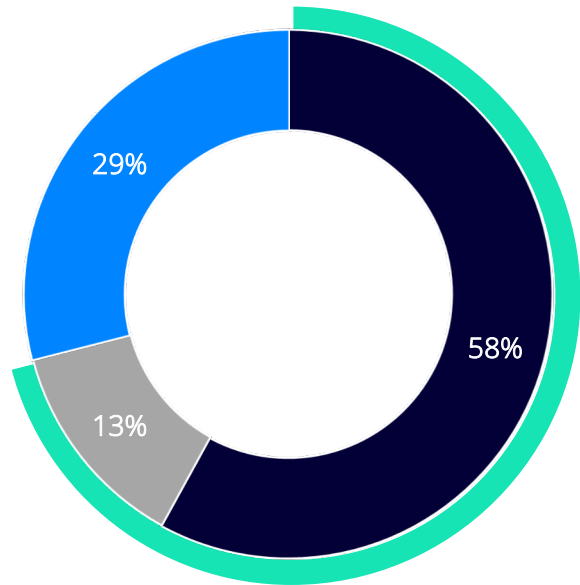
# Appendix



# Revenue split based on FY2022 (1/2)

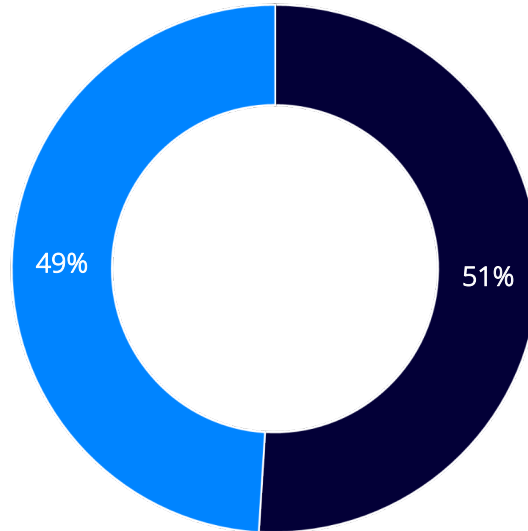
## Customer type

- Key accounts
- Key accounts (regional and local)
- Global key accounts
- Other customers



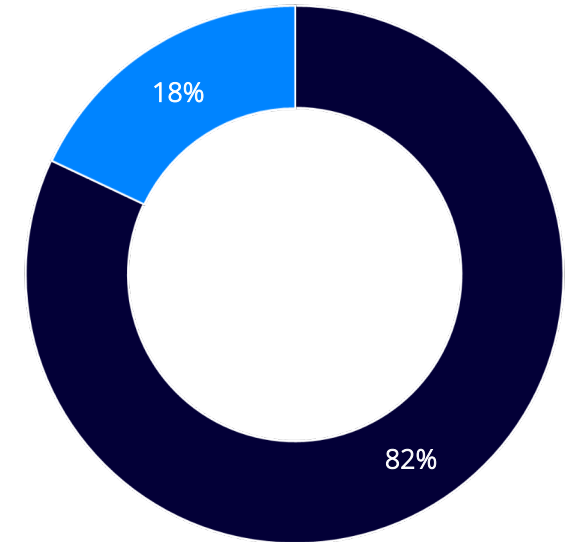
## Delivery type

- Integrated facility services (IFS)
- Single services

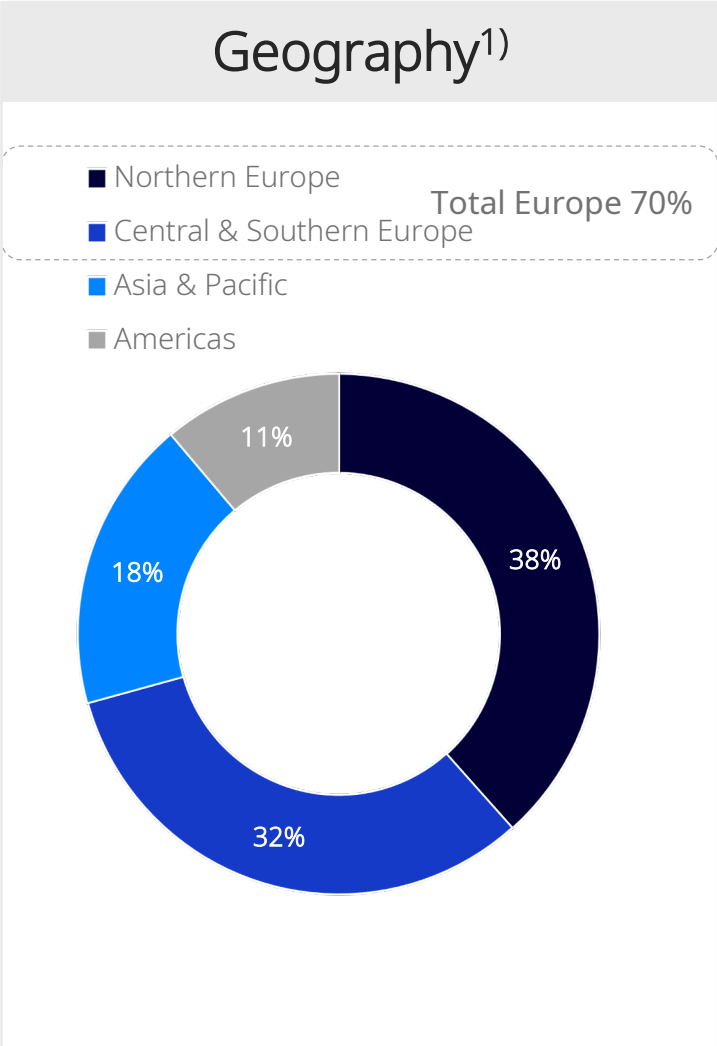


## Revenue type

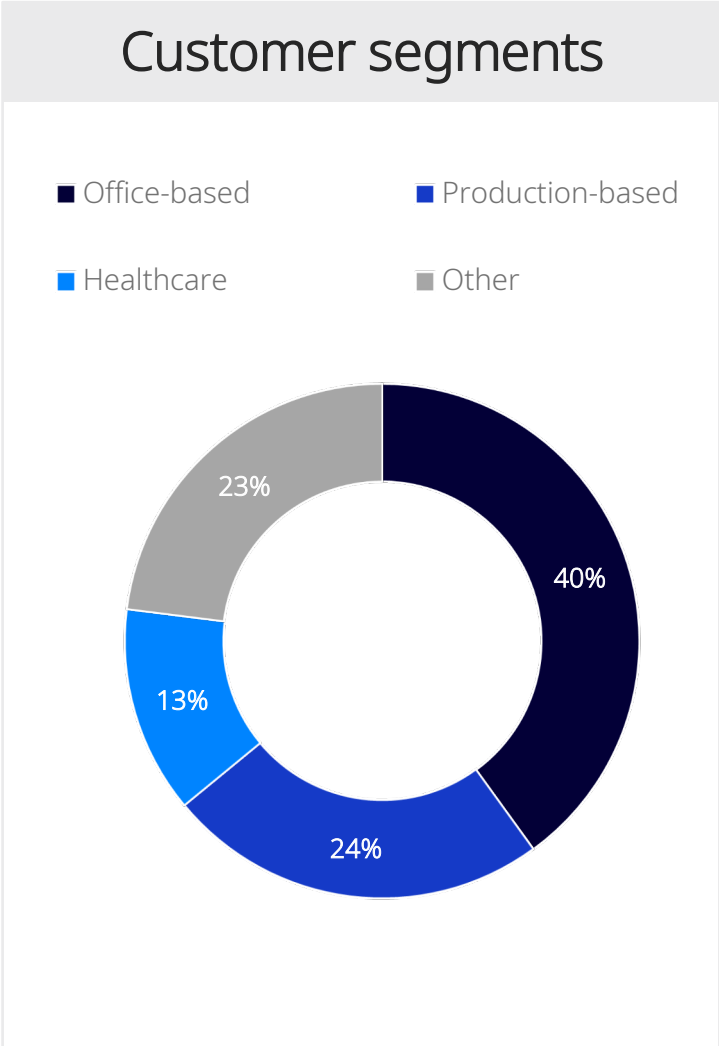
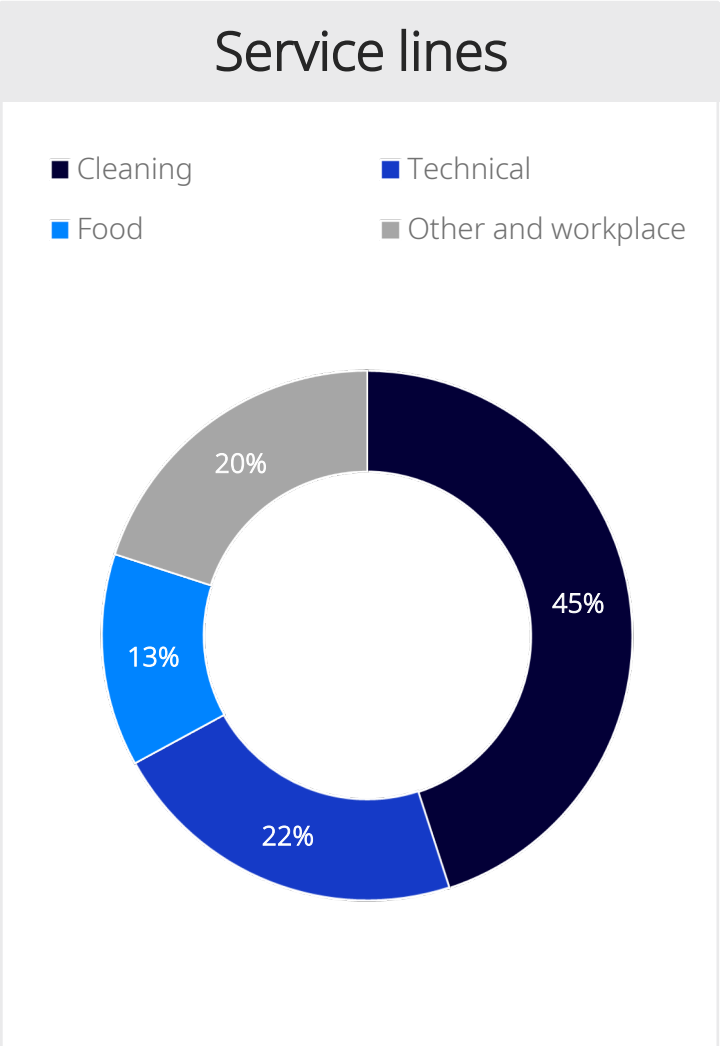
- Portfolio revenue
- Above Base & Projects



# Revenue split based on FY2022 (2/2)



1) Revenue related to other countries amounted to 1%



# Sustainability ratings

## Ratings 2022



## Performance

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



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



Methodology note, 100 = top score  
**56 / 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 2023

**H1 2023 Interim report**  
10 August 2023

**Q3 2023 Trading Update**  
2 November 2023

## 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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