



# OneISS Stronger. Simpler. Closer.

16 December 2020

# Agenda



Jacob Aarup-Andersen  
Group CEO

- 1 Introduction
- 2 Strategy and Market Dynamics
- 3 Operating model
- 4 Financials
- 5 Concluding remarks

Thank you

ISS is fundamentally in a healthy and attractive market, with a business model that will drive a competitive advantage in the Key Account segment

# We have confirmed that our strategic direction is right ...



## Market is attractive, continued high potential

- Attractive USD 400bn Key Account market – 2% current market share
- Covid-19 recovery and continued demand for deep cleaning and technology enabled solutions



## Structurally healthy business model

- Demand for Integrated Facility Services (IFS) in the marketplace
- Capitalising on our industry leadership within cleaning
- Sharpen focus through divestments



## Key Account focus confirmed

- Higher growth
- Attractive margins
- Higher barriers to entry
- Stronger cash flow profile

We are on a journey in the coming years to further strengthen our strategic focus and align our operating model to our Key Account strategy as OneISS globally

## ... however, we have not yet fully executed on the strategy



We will sharpen our strategic focus further

- Country and business unit divestments



We will accelerate our investments into technology

- Technology will be a major source of competitive advantage and as a driver of future offerings
- Increased digitisation focus and investment



We will implement a global operating model that more robustly supports our Key Account strategy

- Alignment of country operating model to reap global benefits
- Strengthening of global functions including commercial, finance, operations, and IT
- Culture and incentives to support OneISS globally

Our no. 1 priority is to deliver on the near-term recovery, while building ISS as the global FM leader for the future



Bringing underperforming contracts and countries back to acceptable profitability

- Deutsche Telekom
- Danish Defence
- United Kingdom profitability recovery
- France turnaround



Covid-19

- Dealing with Covid-19 impact in our countries and business units, with many being in lockdown situations

New operating model established to prevent underperforming contracts and countries

ISS will emerge in the coming years as an even stronger company

# We will emerge even stronger



FM market is structurally attractive and our business model is healthy



Clear path back to growth with mid single-digit operating margin



EBITDA recovery and increased focus on cash generation



Deleveraging to below 3 times EBITDA in 2022

# Stronger. Simpler. Closer.

“ ”

Our strategy will help us become the most respected global leader in integrated facility services and strengthen our position as number one in cleaning.

Our OneISS strategy will ensure we can live up to our purpose, to connect people and places to make the world work better.



**Stronger.** We will build on our unique heritage, doing what we do best and investing in the right areas to help us grow.



**Simpler.** We will make life easier for our people and our customers, and leverage our global scale to work better for all of us.



**Closer.** We will continue to embrace the right values, working together in a more aligned way and with a clearer structure, to succeed as OneISS.

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# We see a strong outsourced FM market in the future despite Covid-19



Covid-19 is expected to generate some headwinds

- Reduction in covered square-meters over time due to a structural increase in work-from-home - estimated reduction of 10-15% over the next three years
- Some customer segments hit structurally will take longer time to recover (e.g. aviation)

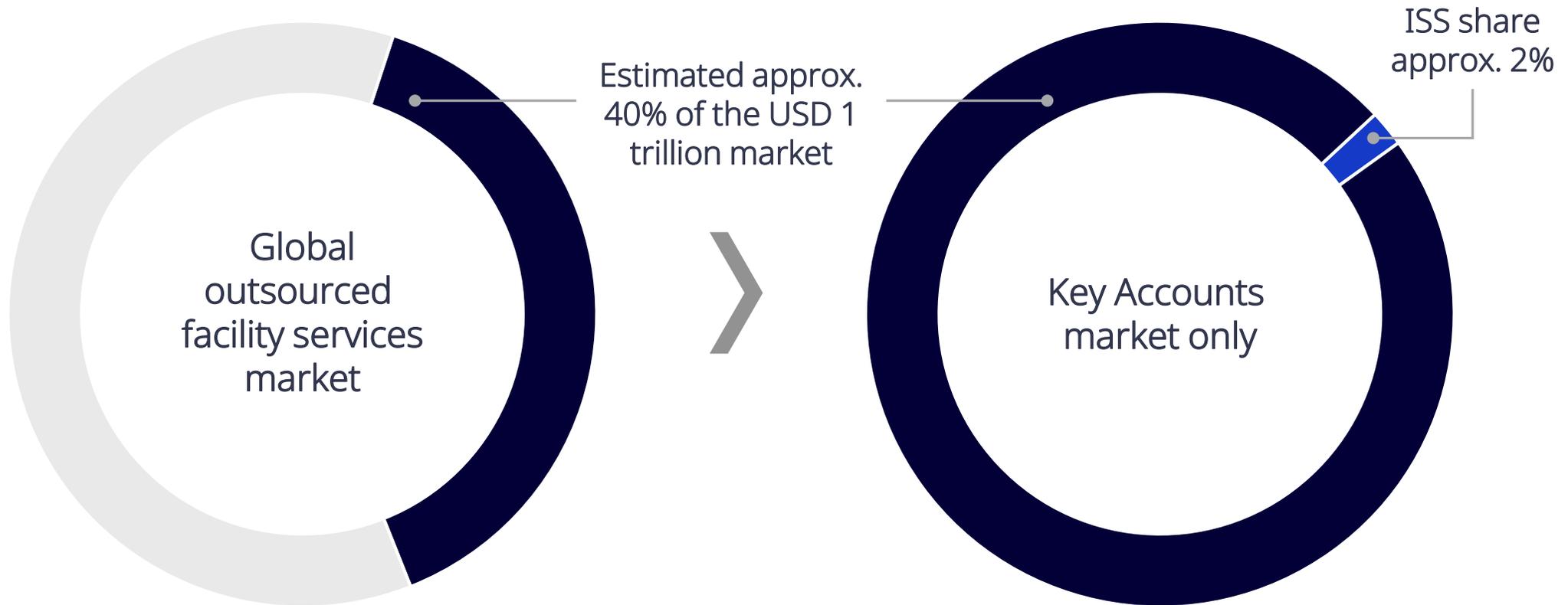


However, there are also structural tailwinds and opportunities arising

- Increased importance of the workplace as a vehicle to enhance corporate culture, employee collaboration and innovation
- Increased corporate cost reduction focus drives outsourcing opportunities
- Increased need of deep-cleaning and services to manage Covid-19
- The global pandemic has made the value proposition from the self-delivered and integrated offering even more apparent
- Work-from-home services are a part of our future value proposition

# Attractive Key Account market, with significant room to grow

USD 400bn global Key Account market



\*Outsourced market.  
Sources: Frost & Sullivan, World Bank, ISS estimates

# Key Account strategy confirmed

**Growth**  
Key Accounts more prone to bundle services; Larger opportunity to grow with customers

**Margin**  
Key Accounts net margin above non-Key Accounts

**Free cash flow**  
Key Accounts cash flow dynamics and payment behaviour are more attractive

**Revenue stability**  
Key Accounts have longer contract duration, higher retention and higher predictability

**Society**  
Better opportunities for our people, the places we maintain, and the people we serve

**Risk profile**  
Key Accounts have high Corporate Responsibility ethics



1. Average organic growth from FY2016 to FY2019

# Bringing our value proposition to life through Key Account stories

## Context



### Case study 1 Pharmaceutical customer

- FM services were managed by several players and partly done inhouse prior to ISS winning the contract in 2017.
- ISS contract covered integrated facility services in 39 countries across 69 sites. Later additional sites were added.
- Key reasons for winning were our self delivery capabilities, one-stop-shop solution and organisational ability to deliver predictable outcomes across a global portfolio.

### Case study 2 Industry and Manufacturing customer

- Contract won from a regional competitor in 2016. Key reason for winning was our ability to offer integrated facility services on a global scale.
- In 2018, an additional country (Germany) was added to the contract. Further growth driven by extra project work (especially within technical services) and gaining more sites across several countries.

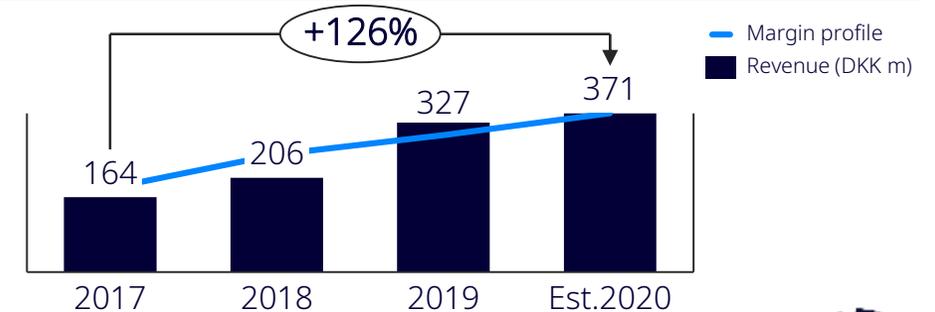
## Key drivers of success



- Creating the right impact and making the best impression from day one through engaging communication.
- Supporting best-in-class compliance
- Bringing innovation through systems such as FMS@ISS
- Group developed training programs implemented for all service employees

- Global management support in terms of oversight
- Leverage of global excellence especially within technical services
- Successful integration of service lines
- Key value driver for the customer is our strong compliance offering such as health and safety and regulatory compliance.

## Financial impact



# Our ambition is to be a global leader in IFS, and #1 globally in cleaning

We want to be a global leader in IFS  
Our core services going forward



## Cleaning

- ISS' heritage
- Global leader position



## Technical

- Critical for Key Accounts
- Growth opportunities



## Food

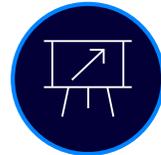
- Supports IFS experience
- Opportunity for new offerings



## Workplace

- Increased demand
- Addressing core needs

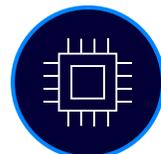
We will accept nothing less  
than being #1 in cleaning  
globally



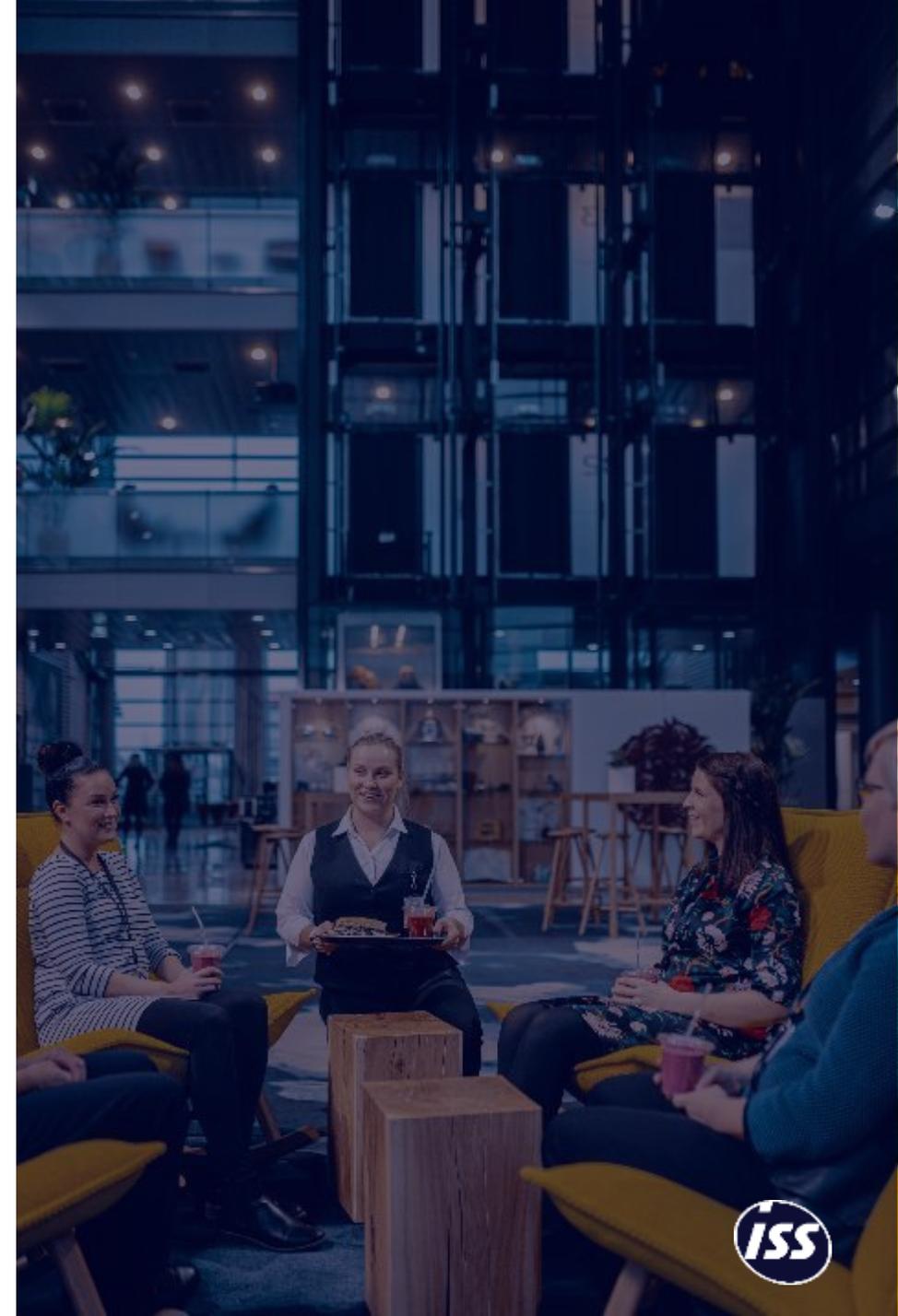
Continue growth in core  
markets



Remain a cost leader  
through operational  
improvements



Embed technology into  
the core services to drive  
efficiency



# We have already taken the first steps in our tech agenda – now, we will accelerate investments to become a technology leader

Innovative technology already introduced

Technology will be a source of competitive advantage in facility management in the future

 FMS@ISS: Powerful, data-driven platform for on-site operational performance tracking across sites and accounts

 Internet of Things (IoT) and sensor technology to drive solutions, e.g., optimised diligence and frequency of cleaning in buildings

We will accelerate investments to become a technology leader, e.g.:

-  • Grow central IT resources 50% by 2022
-  • Enable operational performance benchmarking of ~85% of Key Accounts revenue by 2023<sup>1</sup>
-  • Accelerate roll-out of end-user digital applications

1. Facility Management Software roll-out to ~85% of total KA revenue

Our country and business unit divestments are based on:

- Strategic fit
- Risk profile
- Ability to reach scale in the service/local market

# We will further sharpen our strategic focus

## Countries



We will exit Portugal, Russia and Taiwan

## Business Units



We will divest selected non-core business units

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# What has not worked in the past

Five key pain points identified

- 1 We have strong country organisations, but we are yet to reap the benefits of global scale
- 2 We have lacked robustness in our commercial bid process
- 3 We have not developed a global approach to drive consistent quality and benchmarked productivity in our operations
- 4 We have invested in technology and progressing fast, but we are yet to make technology a competitive advantage
- 5 We have not been sufficiently aligned and rigorous in executing our strategy



# Initiatives to drive change

Five key changes that will transform our business and underpin execution of our Key Account strategy

- 1 An aligned country operating model will drive needed standardisation
- 2 A revamped Group Commercial function and enhanced commercial process will strengthen risk management and drive profitable growth
- 3 A newly created Operations Performance function will ensure best practice is deployed across the organisation driving efficiency and quality
- 4 A new operating model for IT will modernise our IT infrastructure and ensure accelerated roll out of the ISS technology Suite
- 5 A cultural change with common goals, driven by a new and aligned leadership team – building on our proud people foundation



# 1: An aligned country operating model will drive needed standardisation of structure and processes globally

We will align our country operating model across functions

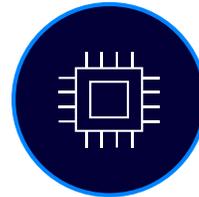
People & Culture



Commercial



Digital & Technology



Operations



Finance



Legal



## Key benefits



Higher degree of alignment and standardisation across the enterprise



Consistent, high-quality and efficient service delivery



Enables global talent management and capability building within functions

## 2: A revamped Group Commercial function and enhanced commercial process will strengthen risk management and drive profitable growth in our prioritised segments



### Stronger risk management

- We have implemented a new comprehensive standard for commercial bid processes to drive appropriate risk management, profitability and cash flow generation



### Global commercial team

- Global commercial team
- Central customer segment expertise
- Global account support



### Value propositions

- Strengthen value propositions to priority customer segments
- Design standardised service products



### Commercial Excellence

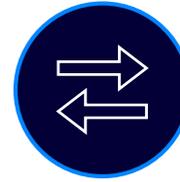
- Investments in Commercial Excellence function
- Drive best practices across the business
- Collaboration platform for Commercial across countries

# 3: A newly created Operations Performance function to deploy best practices across the organisation



## Service Performance

- Best practices embedded for service delivery
- Standardised service products to boost competitiveness and enable scalability



## Contract Transition and Transformation

- Dedicated transition team to ensure optimal transition of new contracts
- "SWAT team" for turnaround of underperforming contracts



## Costing

- One system used for measuring and benchmarking productivity across the enterprise
- One costing tool to ensure correct costing of new bids

# 4: A new IT operating model will modernise our IT infrastructure



## Digital talent

- New Chief Information & Digital Officer (CIDO) in Executive Group Management
- 50% increase in central IT resources by 2022



## Future-proof foundation

- New IT operating model
- New corporate hub in Warsaw
- Modern IT infrastructure
- ISS technology Suite and common set of business applications in all markets

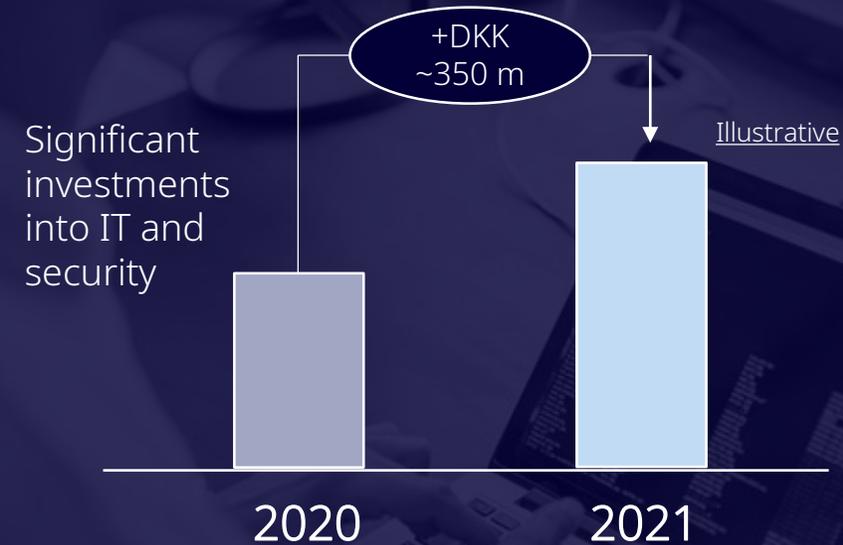


## Innovation

- Leading tech-enabled facility services company
- Innovative technology solutions
- Investments in digital experiences for our customers

## Significant incremental investments into IT and security

Total IT costs (OPEX\* + CAPEX)



2020 investments further include

- DKK 850 million in malware recovery and long-term enhancements
- DTAG migration and improvements

\*Excluding other income and expenses

# 5: A new Executive Group Management with internal talent and strong external additions will drive transformation



**Jacob Aarup-Andersen**  
Group CEO  
New to EGM  
and in role

## Functional Focus



**Kasper Fangel**  
Group Chief Financial Officer  
New to EGM  
and in role



**Corinna Refsgaard**  
Group Chief People & Culture Officer



**Daniel Ryan**  
Group Chief Commercial Officer  
New in role



**Troels Bjerg**  
Group Chief Operating Officer



**Bjørn Raasteen**  
Group General Counsel



**TBD**  
Group Chief Information & Digital Officer  
New role in EGM

## Strategic Focus



**Celia Liu**  
CEO, Strategic Transformation  
New to EGM  
and in role



**Andrew Price**  
Head of Strategic Growth  
New in role



**Pierre-François Riolacci**  
CEO, Europe  
New in role

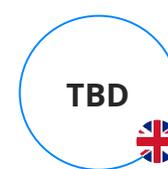


**Scott Davies**  
CEO, Asia Pacific  
New to EGM  
and in role

## Regional Focus



**Daniel Ryan**  
CEO, Americas



**TBD**  
Head of UK & Ireland  
New role in EGM

# 5: Significant talent inflow into service lines, functions, and countries over the last year

## New Country Managers



**UK**

14% of Group Revenue



**United States**

10% of Group Revenue



**Pacific**

6% of Group Revenue



**Germany**

6% of Group Revenue



**Denmark**

5% of Group Revenue



**India**

2% of Group Revenue



**Hong Kong**

3% of Group Revenue

## New Group Senior External Hires



**Head of Technical Services**



**Head of Operations Management**



**Head of People & Culture –  
Global Operations & Europe**



**Head of Investor Relations**



**Head of Strategy**



**Head of Operational Finance**

# We are working to improve specific well-known operational issues

Current status on key focus areas



- Execution programme towards stabilisation of operational service delivery on track
- Write-downs and provisions taken in H2 2020



- Ongoing dialogue with customer to adjust or exit the contract
- Expected future losses fully provided for in H2 2020



- Severely hit by Covid-19
- Actions and initiatives in place to improve profitability from 2021
- New leadership team



- Significant reorganisation being finalised
- Commercial strategy being rebuilt
- Large scale restructuring initiatives being executed



## Lessons applied in new operating model design

- Commercial focus on risk management and bid-governance
- Stronger link between commercial and operations from bid to transition, launch and delivery
- Acceleration of digitalisation and IT capabilities
- Improved execution and leverage of best practice

# Agenda

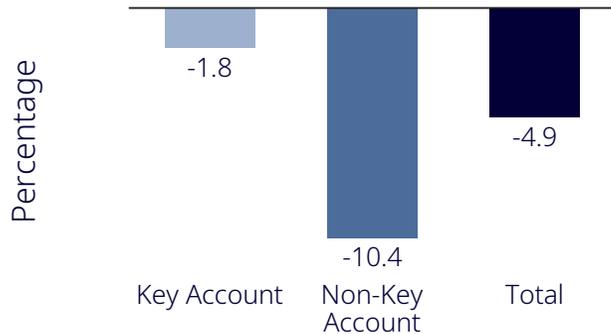


**Kasper Fangel**  
Group CFO

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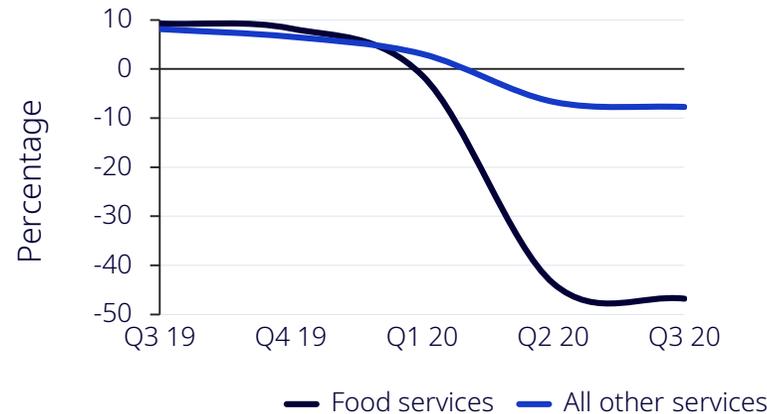
# Managing through unprecedented turbulent times in 2020

Customer type organic growth (Jan-Sep 2020)



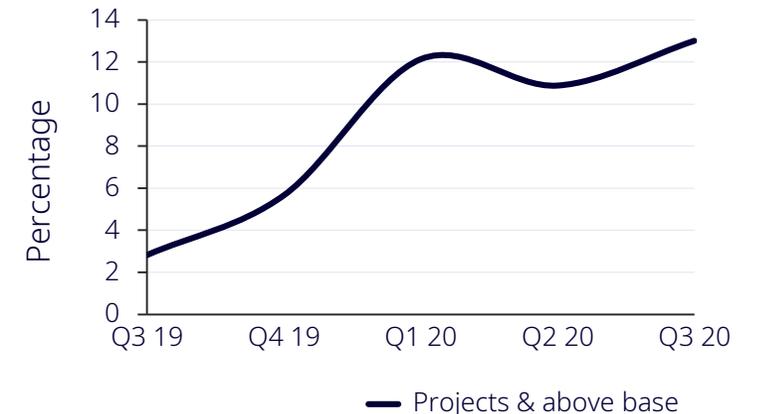
- Our strategic focus on Key Account customers (66% of YTD revenue) has increased the quality of our revenue base, as evidenced by overall more resilient organic growth

Service line growth



- While food services (15% of revenue in 2019) have been severely impacted by Covid-19 as it is significantly volume driven....
- ... most other services have remained resilient and are expected to be faster to ramp up as sites fully reopen and end-user utilisation increases

Projects & above-base organic growth



- Contrary to any other historical economic downturn, projects and above base work have *not* declined – but rather *increased*
- While this part of the business has also been significantly impacted by lock-downs, it has been more than outweighed by the demand for deep-cleaning and disinfection

# 2020 financial performance at a glance

While 2020 turned out to be a perfect storm...  
 .... we are, despite 2nd wave impacts, set to deliver on the reinstated guidance announced in August

|   | Original<br>2020 Outlook<br>(26 February 2020) | The perfect storm<br>(Malware attack, Covid-19 and<br>other operational impacts) |   | Reinstated<br>2020 Outlook<br>(12 August 2020)               | Current<br>status |
|---|--|--|---|--|-------------------|
| Organic Growth  | Above 4%                                       | -10% to -13% impact  | = | -6% to -8%   | ✓                 |
| Operating Margin<br>(Before other<br>income and<br>expenses, net) | Above 4.5%                                     | Significant impact<br>(excl. restructuring<br>and one-offs)                      | = | Marginally positive<br>(excl. restructuring<br>and one-offs) | ✓                 |
| Free Cash Flow<br>(Reported)                                      | Above<br>DKK 2.0 bn                            | Around DKK -4 bn   | = | Around DKK -2 bn   | ✓                 |

# Turn-around targets

ISS will remain an industry leader and will return to solid organic growth, robust margins and strong free cash flow...

... however, our previous medium-term targets are withdrawn to focus on the short-term recovery

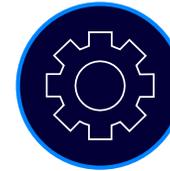
New Turn-around targets:



EBIT-margin above 4% when entering 2023



Positive Free Cash Flow in 2021 and strongly improving in 2022



Deleveraging to below 3x by FY2022<sup>1</sup>

Short term incentives adjusted to support the turn-around

Capped if minimum achievement on nominal Operating Profit and Free Cash Flow is not met  
Overweight of Free Cash Flow versus Organic Growth and Operating Margin  
Inclusion of specific targets linked to turnaround milestones

1. Leverage target remains below 2.8x Pro Forma Adjusted EBITDA

# Clear recovery path back to mid single-digit operating margin

Initiatives to reach mid-single digit margin

- 1 Improvement within specific key operational issues  
Deutsche Telekom, Danish Defence, France and UK
- 2 Covid-19 margin recovery...  
... driven by the gradual normalisation of revenue...  
... and restructuring of the platform to be fit for purpose

Initiatives to sustain mid-single digit margin

Transformation of our operating model...  
... to avoid future operational issues and build a strong global company  
... supported by fully funded run-rate investments to help mitigate risks

Recovery to mid-single digit operating margin

## 2: Covid-19 margin recovery

Margin recovery driven by the normalisation of revenue...

... and restructuring of the platform to be fit for purpose

While food services have been severely impacted by Covid-19 as it is significantly volume driven...

...most other services have remained resilient and are expected to ramp up faster as sites fully reopen and end-user utilisation increases

Our **working assumption** with regards to recovery of the 10-13% of revenue lost in 2020 as a result of Covid-19:

- 1/3 will not be recovered within the foreseeable future (mainly within food services)
- 2/3 to be fully recovered within a few years

- **Adjustment of fixed cost structure...**  
...to right-size the business to a lower level of activity in the short term

- **Adjustment of variable costs...**  
...to reflect the lower level of activity...  
... and to help offset the impact from salary compensation schemes coming to an end

- **Closing down of selective business units...**  
...which are structurally unprofitable post Covid-19  
(around 1% of Group revenue)

Estimated 2020 restructuring cost

**DKK 1.2-1.4 bn**

Estimated annual net<sup>1</sup> operating profit impact to build over 2020-2022

**DKK 0.7-0.9 bn**

(hereof around DKK 0.1 bn in 2020)

1. Gross benefit from restructuring offset partly by salary compensation schemes coming to an end

# Cost saving programme to fund investments into new operating model

Ramping up investments into the new operating model...

... to further strengthen our industry leading position

Run-rate investments to be fully funded by cost savings

## New operating model for IT

*Increased recurring annual investments into IT*

## Establishment of Operations Performance function

*Investing to fully reap benefit from best practice and scale*

## Revamped Group Commercial function

*Incl. strengthened focus on risk management and bid-governance*

## Establishment of second corporate hub in Warsaw

*Investing in further resources to enable the transition*

## Centralisation of spend

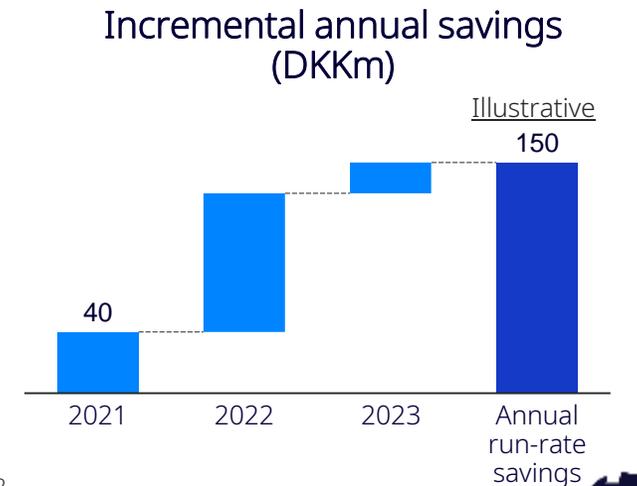
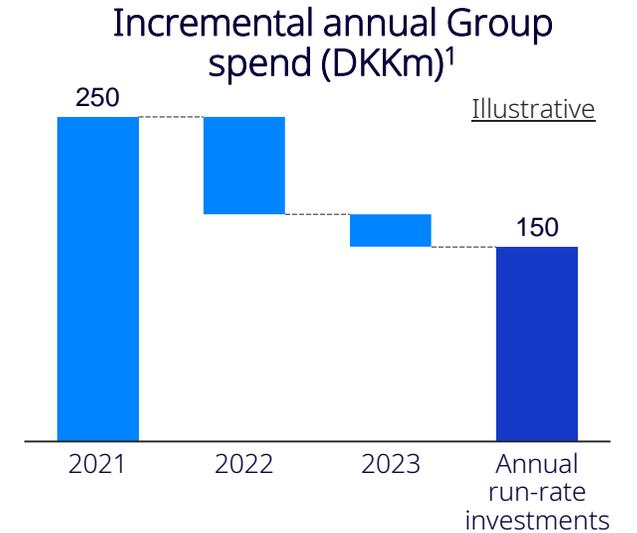
*Centralisation of sub-optimised spend from countries to Group – including IT and Operations*

## Optimisation of real estate portfolio

*Key Account focus allows for a reduced footprint*

## Gradual rationalisation of resources...

*...following the establishment, initial overlap and stabilisation of the second corporate hub in Warsaw*



1. Around DKK 100m of the investments in 2021 are one-off or non-recurring of nature and as such will drop out from 2022

## Further simplification and refocusing of the portfolio



Existing divestment program on track

13 countries and multiple business units divested to focus on Key Accounts

Around 60% successfully completed

Remaining future divestment proceeds estimated at around DKK 1 bn



Additional divestments announced

Further reduced complexity and standardisation by divesting Taiwan, Portugal, Russia<sup>2</sup> as well as selective non-core business units

New revenue to be divested around DKK 4 bn with broadly neutral margin impact

Expected divestment proceeds of around DKK 1 bn

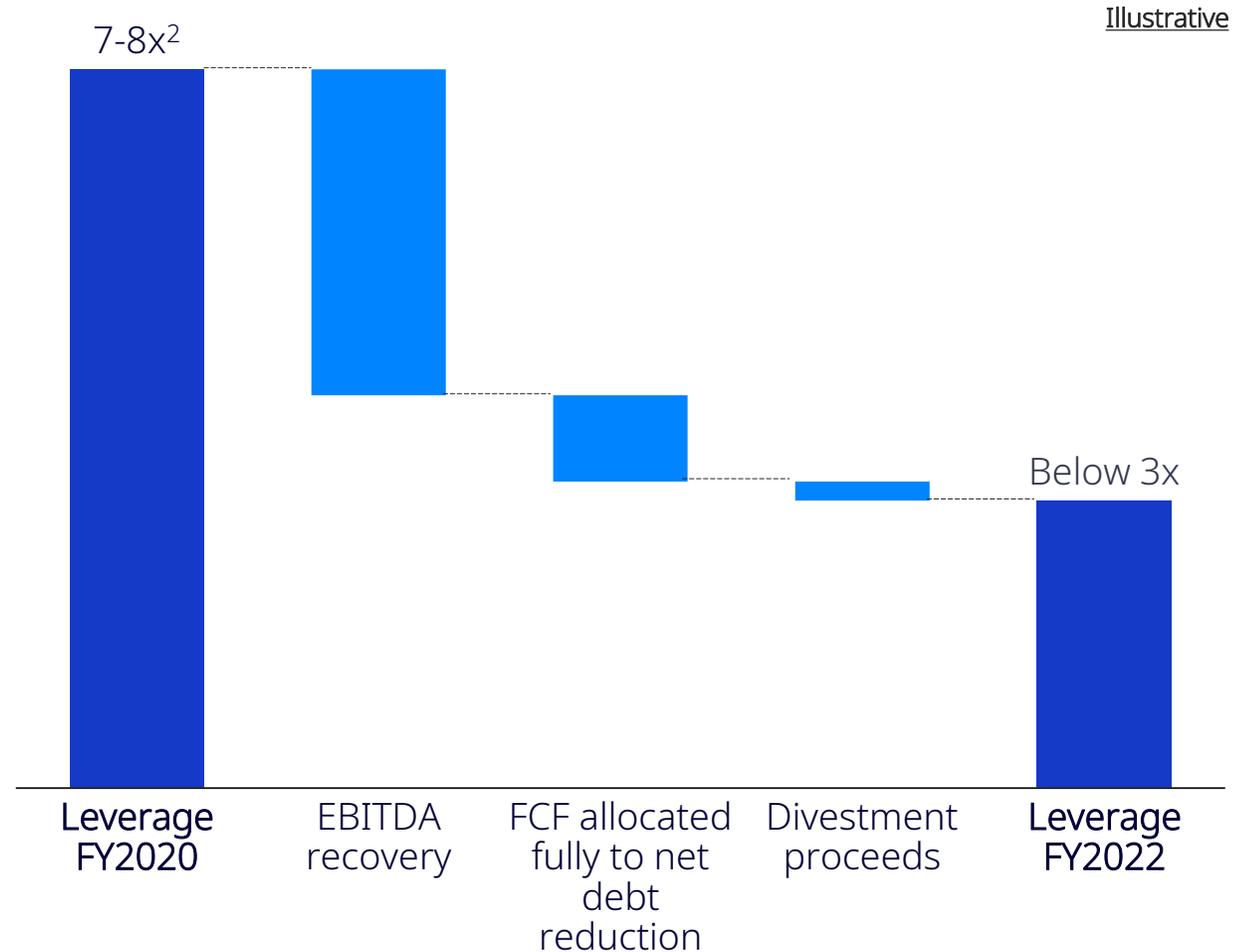
*Combined net divestment proceeds of up to DKK 2 bn<sup>1</sup>*

1. Includes net proceeds from assets to be divested within both Continuing and Discontinuing Operations  
2. Countries included in the new divestment programme will be treated as discontinued operations from FY2020.

# Deleveraging to below 3 times<sup>1</sup> EBITDA to be achieved by FY2022

## Three key levers driving de-leveraging

- 1 Gradual EBITDA recovery over 2021-2022 and beyond
- 2 Positive and improving Free Cash Flow in both 2021 and 2022...  
...allocated fully to reduce net debt  
*(no dividend paid until leverage target has been met)*
- 3 Net divestment proceeds of up to DKK 2 bn



1. Based on EBITDA excl. restructuring and one-offs  
 2. Leverage target remains below 2.8x Pro Forma Adjusted EBITDA

# Preliminary outlook for 2021

The recovery journey has started and will progress gradually during 2021

## Organic growth

*Positive organic growth*

- Organic growth held back by continued significant Covid-19 headwinds in Q1 2021...
- ... followed by gradual recovery from Q2 2021
- Limited support from price increases on the back of low wage inflation expectations
- Selective contract exits as part of pruning the portfolio post Covid-19

## Operating margin before other income and expenses, net

*Operating margin above 2%*

- Improvements within key operational issues (Deutsche Telekom, Danish Defence, France and the United Kingdom)
- ... supported further by restructuring of the platform to be fit for purpose
- Investments in the business especially within IT
- Lapsing of significant restructuring and one-off costs from 2020

## Free Cash Flow (Reported)

*Slightly positive Free Cash Flow  
(incl. cash out from restructuring and one-offs in 2020)*

- Return to positive Free Cash Flow supported by recovering operating profit...
- ... partly outweighed by the cash impact from significant restructuring and one-offs booked in 2020
- Slight increase in the utilisation of factoring, driven by the launch of a new large International Manufacturing customer in the Americas (1% of Group revenue)

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Jacob Aarup-Andersen  
Group CEO

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# We are a purpose-driven organisation

- A proud heritage based upon a deep respect for people...
- ...and a strong customer focus
- Originated in Denmark but successfully exported across the globe
- Embedded values of...
  - Fairness
  - Equality, and
  - Inclusion
- ...are fundamental to our value proposition, for all stakeholders
- At ISS, we believe that **people make places and places make people**

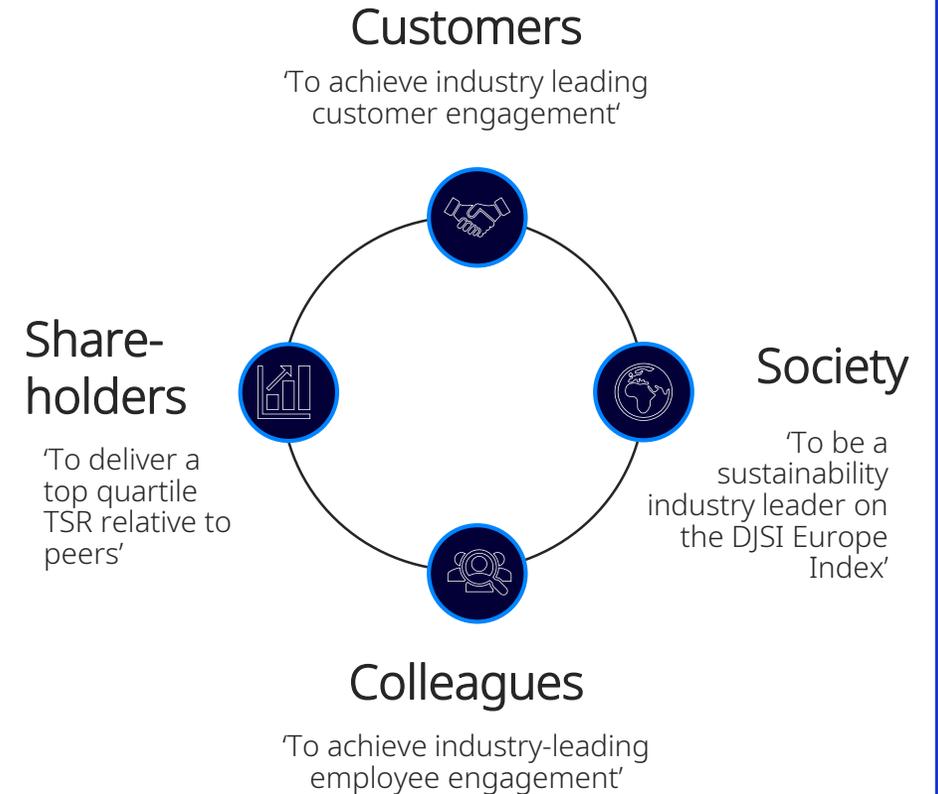
# Our stakeholder ambition

## We are driven by our purpose

*'Connecting people and places to make the world work better'*

*"Making the world work better starts with our belief in creating a fair and inclusive society. We take care of, and provide opportunity for people, helping them to develop themselves and be the best they can be. We do this because we know our people can and do make a difference. We believe that people make places and places make people."*

## 2025 ambition



A man in a dark suit jacket is seen from the side, talking to a smiling woman in a blue button-down shirt. They are at a cafe counter. On the counter, there is a chocolate milkshake in a glass, several blue and green coffee cups, and a display of various pastries and breads. The background shows a blurred cityscape through large windows.

ONE ISS

**Connecting people and  
places to make the world  
work better**



# Q&A