



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)

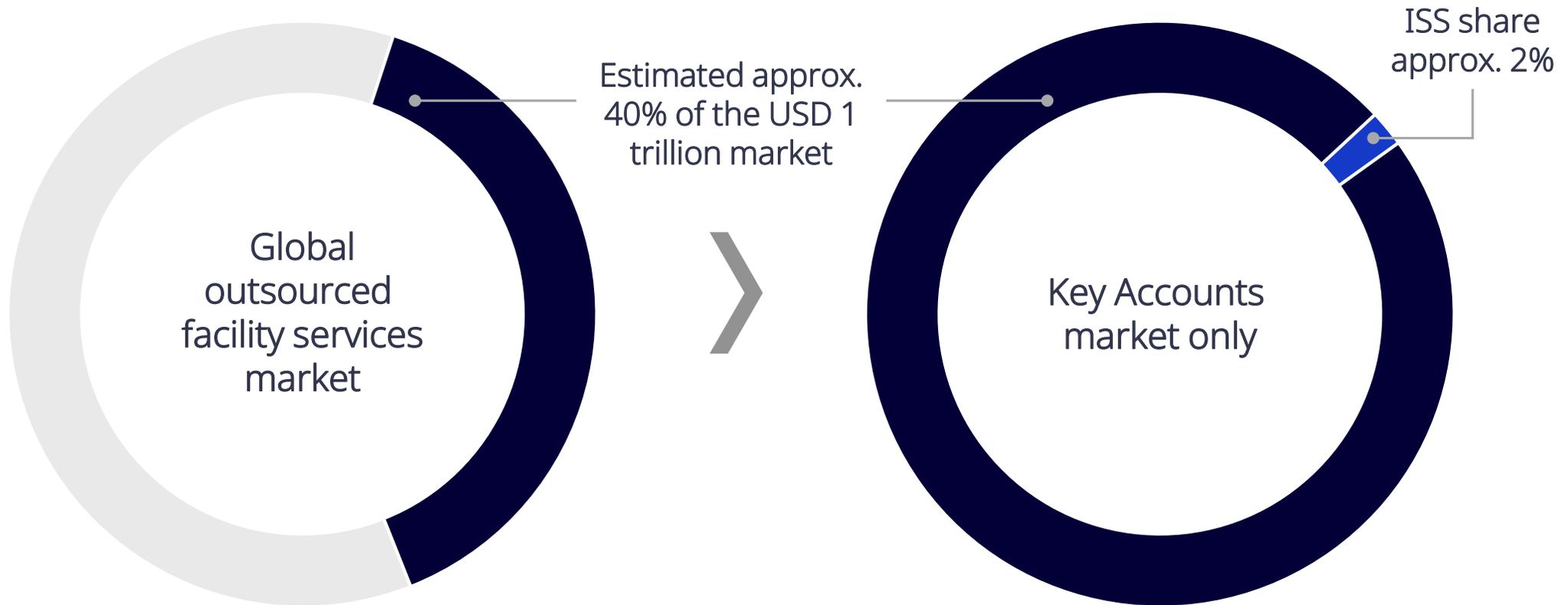


However, there are also structural tailwinds and opportunities arising

- 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.

Key drivers of success

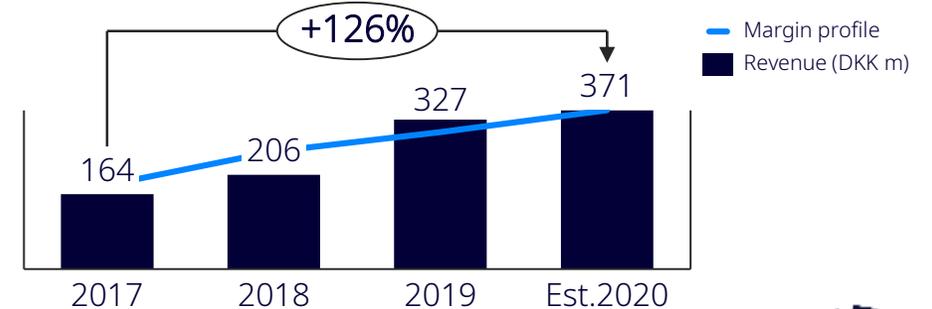


- Creating the right impact and making the best impression from day one through engaging communication.
- Supporting best-in-class compliance
- Bringing innovation through systems such as FMS@ISS
- Group developed training programs implemented for all service employees

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.

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

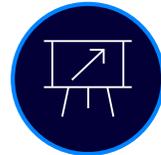
- Supports IFS experience
- Opportunity for new offerings



Workplace

- Increased demand
- Addressing core needs

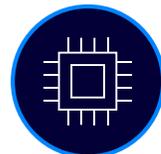
We will accept nothing less
than being #1 in cleaning
globally



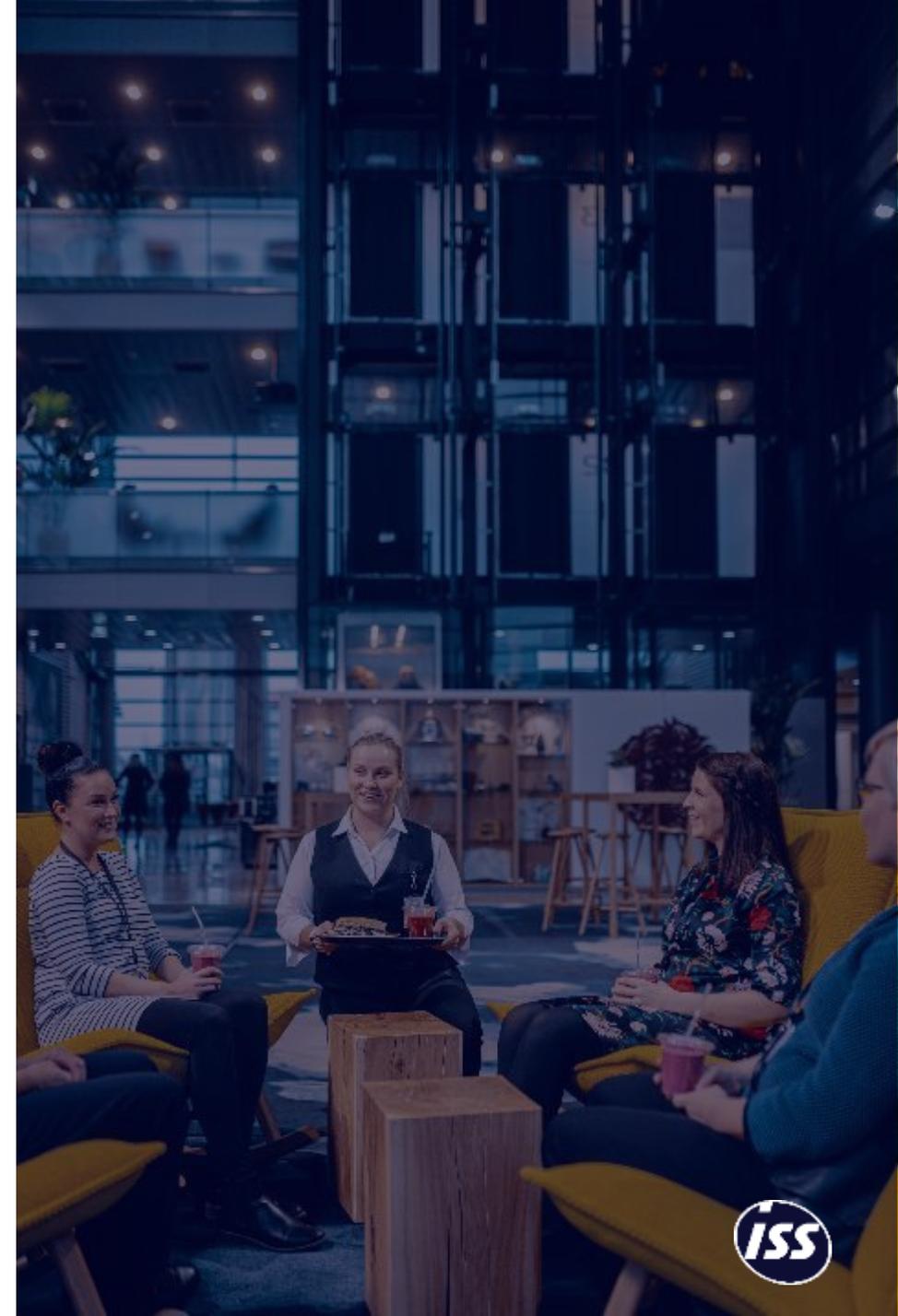
Continue growth in core
markets



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



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



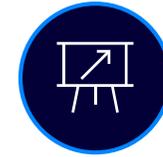
Internet of Things (IoT) and sensor technology to drive solutions, e.g., optimised diligence and frequency of cleaning in buildings

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

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 2023¹



- 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

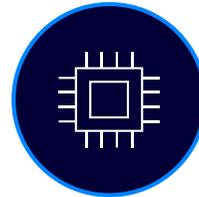
People & Culture



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

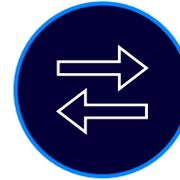
- Investments in Commercial Excellence function
- Drive best practices across the business
- Collaboration platform for Commercial across countries

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

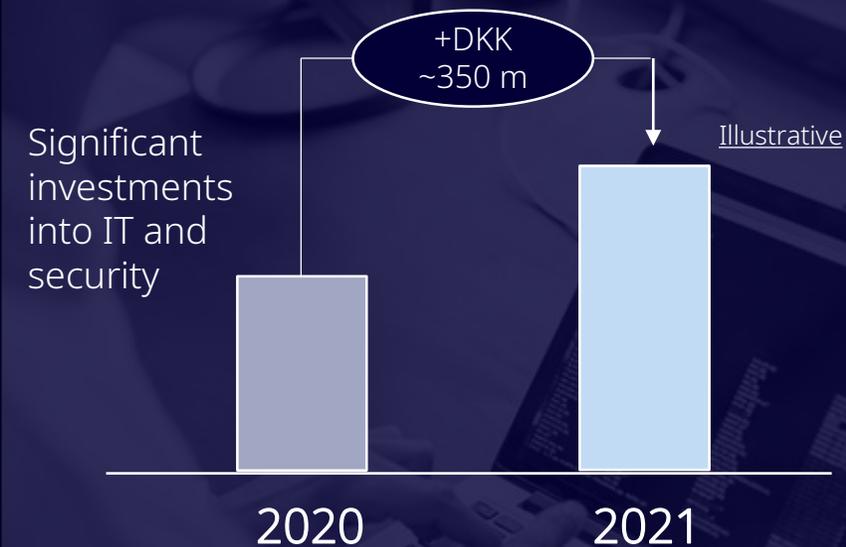


Innovation

- 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

Regional Focus



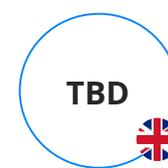
Pierre-François Riolacci
CEO, Europe
New in role



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



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

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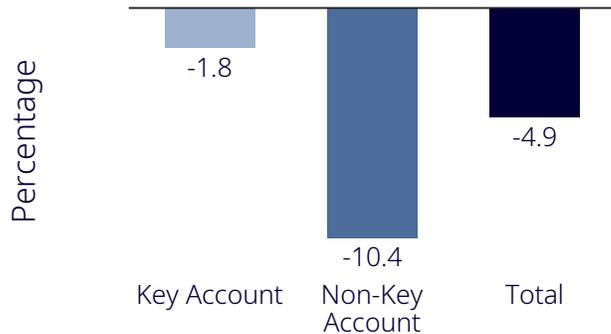


Kasper Fangel
Group CFO

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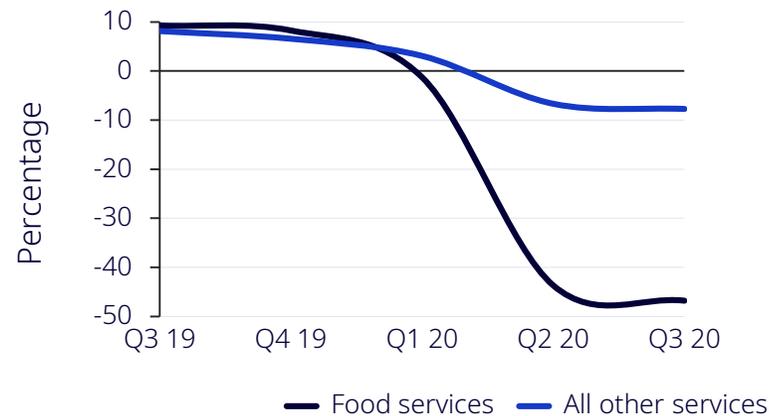
Managing through unprecedented turbulent times in 2020

Customer type organic growth (Jan-Sep 2020)



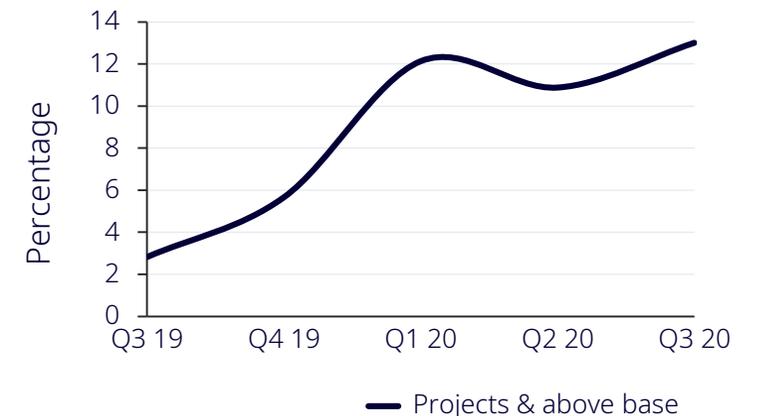
- Our strategic focus on Key Account customers (66% of YTD revenue) has increased the quality of our revenue base, as evidenced by overall more resilient organic growth

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

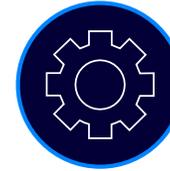
New Turn-around targets:



EBIT-margin above 4% when entering 2023



Positive Free Cash Flow in 2021 and strongly improving in 2022



Deleveraging to below 3x by FY2022¹

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 net¹ 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

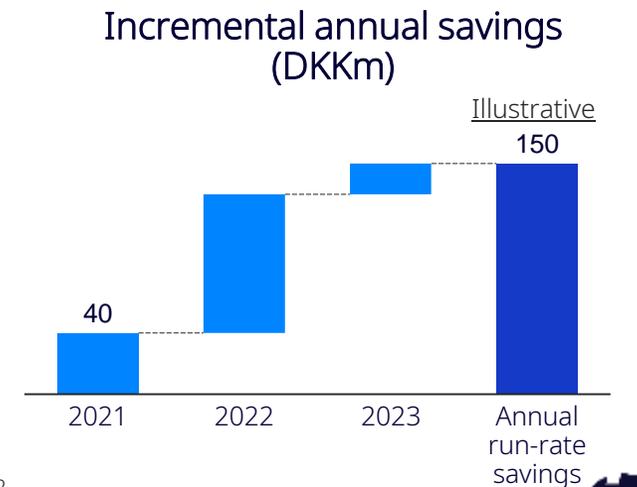
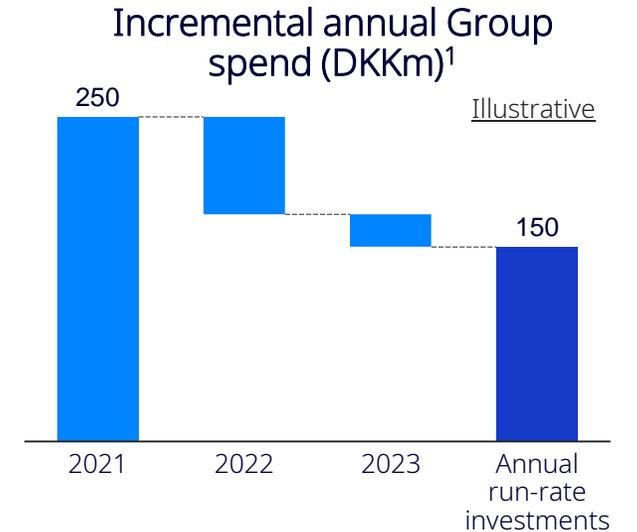
Centralisation of sub-optimised spend from countries to Group – including IT and Operations

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, Russia² 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

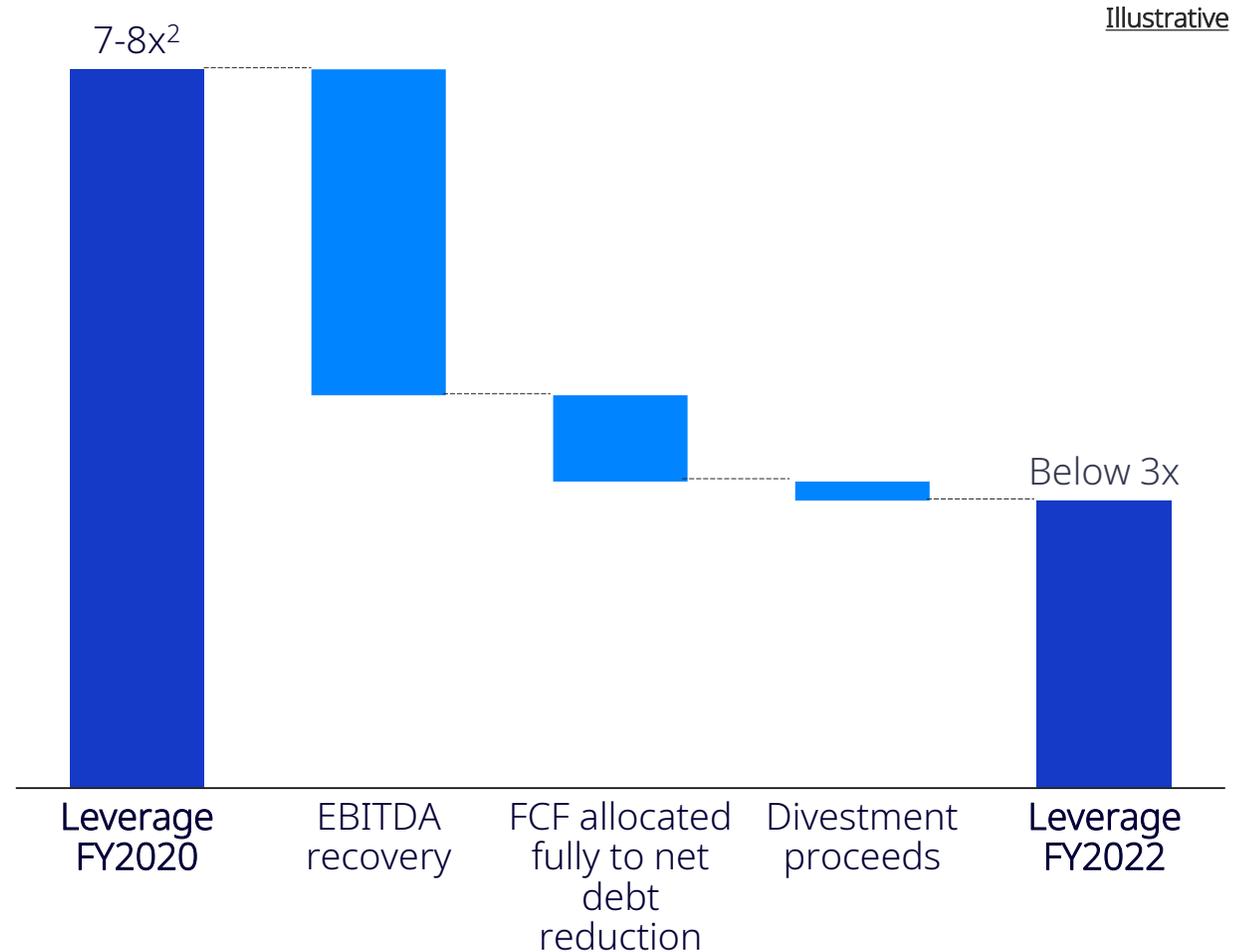
Combined net divestment proceeds of up to DKK 2 bn¹

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 times¹ 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

Customers

'To achieve industry leading customer engagement'



Shareholders

'To deliver a top quartile TSR relative to peers'



Society

'To be a sustainability industry leader on the DJSI Europe Index'



Colleagues

'To achieve industry-leading employee engagement'



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