Trading update for 1 January – 30 September 2024

Robust first nine months with continued business improvements. The share buyback programme increased by additional DKK 250 million to a total value of DKK 1,500 million

Highlights

Financial update

- Organic growth was 4.8% in Q3 2024 (Q3 2023: 9.3%) and 5.5% for the first nine months of 2024 mainly driven by price increases implemented across the Group and net positive volume growth.
- Operating margin and free cash flow developed in line with expectation as a result of continued operational improvements across ISS.

Business update

- As announced on 8 August 2024, ISS was awarded a 7-year contract with the UK Department of Work and Pensions (DWP) with an expected annual revenue of around DKK 1.2 billion to commence in 2025.
- ISS extended several key account contracts including the longstanding global partnership with UBS and in addition several local mid-sized and small contracts. The retention rate remains strong at 94%.
- On 10 September 2024, ISS completed the acquisition of Grupo BN in Spain adding around 0.5% to Group annual revenue.
- The arbitration process with Deutsche Telekom progressed according to plan.

Capital distribution and outlook

- On the back of the financial performance in the first nine months, the second tranche of the share buyback programme is increased by DKK 250 million. This brings the total value of the programme to DKK 1,500 million.
- On 4 November 2024, ISS's corporate credit rating from Moody's was changed from Baa3/ Stable outlook to Baa3/ Positive outlook
- Outlook for 2024 is unchanged from the H1 report 2024; organic growth of 5-6%, operating margin above 5% and free cash flow above DKK 1.8 billion.

Kasper Fangel Group CEO, ISS A/S, says:

"I'm pleased that in the third quarter, we sustained organic growth, achieving 5.5% for the first nine months of 2024. In addition, our operating margin and free cash flow developed as expected due to ongoing operational improvements across the business. Commercially, we have made strong efforts to secure further extensions of several longstanding customer relationships. Additionally, we have taken steps to leverage our market opportunities through targeted initiatives and higher quality-execution. I'm also encouraged to see social sustainability gaining traction with our customers as a key differentiator for ISS, and I'm confident it will drive stronger commercial outcomes ahead."

Revenue overview

DKK million	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Revenue	20,269	19,973	60,950	58,309
Organic growth	4.8%	9.3%	5.5%	10.7%
Acquisitions & Divestments	1.1%	0.6%	1.0%	0.5%
Currency & other adjustments	(4.4)%	(2.8)%	(2.0)%	(3.7)%
Revenue growth	**1.5%**	**7.1%**	**4.5%**	**7.5%**

Business update

Execution of the OneISS strategy continued in the first nine months of 2024. ISS is currently refining elements of the OneISS strategy. The strategic direction remains unchanged but will focus on doing fewer things with simplicity and with higher quality execution resulting in enhanced value creation.

Operationally, the business developed as expected as our continued focus on creating a long-term sustainable margin and cash flow is proving successful.

Mobilisation of the significant key account contracts with DEFRA in the UK and the Danish Building and Property Agency in Denmark was completed according to plan in Q2 2024, and the mobilisation of DWP in the UK started on 1 October 2024. Significant resources and resulting costs have been invested in the mobilisation processes to ensure quick, efficient and safe ramp up of the contracts.

After the recent rain and storm surge from the hurricanes in the US, ISS along with our partners has been selected by a US client to support in the restoration of the client's facilities. The significant work will be carried out in Q4 2024.

Deutsche Telekom

In December 2022, ISS initiated arbitration proceedings under the German Arbitration Institute (DIS) to decide on certain contractual disagreements on the Deutsche Telekom contract. The arbitration process is progressing according to plan and is expected to complete with a final and binding ruling by mid-2025.

As previously described, Deutsche Telekom is withholding certain payments to ISS related to services delivered. This impacted free cash flow in the first nine months of 2024 negatively in line with expectations.

Acquisitions and divestments

On 10 September 2024, ISS completed the bolt-on acquisition of Grupo BN in Spain adding around 0.5% to Group annual revenue. The acquisition has a strong strategic fit and is expected to be financially accretive. The integration process is ongoing with synergies identified and most expected to be realised before the end of 2024.

Share buyback programme

On 22 February 2024, ISS announced a new share buyback programme. Under the programme, ISS would repurchase shares in two equal tranches for a maximum consideration of DKK 1,000 million from 22 February 2024 to 19 February 2025 at the latest, both days inclusive.

In August 2024, the first tranche of the programme was completed, and due to the strong liquidity position and cash flow outlook the second tranche was increased by DKK 250 million.

On the back of the robust financial performance in Q3 2024, the second tranche is once again increased by DKK 250 million bringing the second tranche to a value of DKK 1,000 million and the total programme to a value of DKK 1,500 million.

As per 1 November 2024, ISS had purchased 5,889,248 shares under the second tranche.

Group performance

Group revenue

January – September 2024

Group revenue was DKK 61.0 billion in the first nine months of 2024, an increase of 4.5% compared with the same period last year. Organic growth was 5.5% as the development from H1 slowed down in Q3 due to less positive price impacts as expected as Türkiye did not increase minimum wages mid-year. Acquisitions and divestments, net contributed 1.0%, whereas currency effects were negative 2.2%. The net impact from hyperinflation restatement in Türkiye (IAS 29) was positive 0.2%.

Organic growth was 5.5% in the first nine months of 2024 (H1 2024: 5.9%), primarily driven by implementation of price increases and volume growth as a result of increased activity levels at customer sites and contract expansions across the Group. This was partly offset by contract losses and exits.

ISS continued to implement price increases in line with contractual agreements to mitigate the effects of wage increases and general cost inflation. This had a positive effect on organic growth of around 6.5%-points of which around half related to Türkiye.

Volume growth contributed around 0.5%-point to organic growth. This was driven by a combination of increased activity levels at customer sites and expansion of contracts with existing customers mainly in Northern Europe and Asia & Pacific.

Net contract wins were negative by around 1%-point, primarily driven by contracts lost and exited during 2023. This was partially offset by the start-up of the contracts with DEFRA in the UK and the Danish Building and Property Agency during Q2 2024.

Revenue from projects and above-base work showed negative organic growth of 2%, and thereby had a negative impact on Group organic growth of around 0.5%-point. The decline was driven by lower demand for deep cleaning and disinfection, projects related to customers' refurbishment programmes and a negative contribution from exits and losses of certain contracts. Projects and above-base work accounted for 15% of Group revenue and remained well above the pre-pandemic revenue level.

Revenue from key account customers grew organically by 5%, driven by price increases, increased activity levels at customer sites and customers' investments in the workplace. Key accounts' share of Group revenue was 71% (H1 2024: 71%).

From a regional perspective, organic growth was mainly driven by Central & Southern Europe and Northern Europe, due to price increases and volume growth. In Asia & Pacific, organic growth was 2%, as price increases and volume growth were partly offset by lower demand for projects and above-base work. In Americas, organic growth was negative 6%, mainly driven by a deliberate exit with an industry and manufacturing customer in the US.

Revenue and growth

DKK million	YTD 2024	YTD 2023	Organic growth	Acq./ div.	Currency & other adj.	Revenue Growth
Northern Europe	23,039	21,608	6%	(0)%	1%	7%
Central & Southern Europe	20,191	18,380	11%	4%	(5)%	10%
Central & Southern Europe, excl. IAS 29	*19,983*	*18,284*	*11%*	*4%*	*(6)%*	*9%*
Asia & Pacific	10,634	10,589	2%	(0)%	(2)%	0%
Americas	6,583	7,187	(6)%	-	(2)%	(8)%
Other countries	542	583	(10)%	-	3%	(7)%
Corporate / eliminations	(39)	(38)	-	-	-	-
Group [1)]	**60,950**	**58,309**	**5.5%**	**1.0%**	**(2.0)%**	**4.5%**

[1)] The net impact from hyperinflation restatement in Türkiye (IAS 29) was 0.2% on Group-level, that has been included in Currency & other adj.

Q3 2024

Group revenue in Q3 2024 was DKK 20.3 billion, an increase of 1.5% compared with the same period last year. Organic growth was 4.8% (Q3 2023: 9.3%), acquisitions and divestments, net increased revenue by 1.1% and currency effects were negative 1.7%, while the net impact from hyperinflation restatement in Türkiye (IAS 29) was negative with 2.7%.

The positive organic growth development was sustained driven by price increases implemented across the Group and volume growth. In Q3 2024, price increases contributed around 5.5%-points, of which around half came from Türkiye, broadly unchanged from H1.

Volume growth was flat in Q3 2024 compared to same period last year driven by a combination of increased activity levels at customer sites and expansion of contracts with existing customers.

Revenue from projects and above-base work showed organic growth of 4%, and thereby had a positive impact on Group organic growth of around 0.5%-point. The increase was driven by higher demand for projects related to customers' refurbishment programmes in Northern Europe and Central & Southern Europe, offset by a negative contribution from exits and losses of certain contracts in Asia & Pacific and Americas.

The contribution from net new contract wins was negative in third quarter, around 1%-point, as the positive effect from the start-up of the contracts with Defra in the UK and the Danish Building and Property Agency was offset by contracts lost mainly a deliberate exit with an industry and manufacturing customer in US in Q2 2024, as communicated in the H1 2024 report.

Revenue and growth

DKK million	Q3 2024	Q3 2023	Organic growth	Acq./ div.	Currency & other adj.	Revenue Growth
Northern Europe	7,663	7,180	8%	(1)%	0%	7%
Central & Southern Europe	6,794	6,659	10%	5%	(13)%	2%
Central & Southern Europe, excl. IAS 29	*6,771*	*6,113*	*10%*	*5%*	*(4)%*	*11%*
Asia & Pacific	3,585	3,552	1%	0%	(0)%	1%
Americas	2,048	2,414	(12)%	-	(3)%	(15)%
Other countries	193	183	2%	-	3%	5%
Corporate / eliminations	(14)	(15)	-	-	-	-
Group [1)]	**20,269**	**19,973**	**4.8%**	**1.1%**	**(4.4)%**	**1.5%**

[1)] The net impact from hyperinflation restatement in Türkiye (IAS 29) was negative 2.7% on Group-level, that has been included in Currency & other adj.

Commercial development

In the first nine months of 2024, ISS extended several long standing and strategically important customer relationships while also focusing on building a substantially larger new opportunity pipeline.

While we faced some challenges in achieving the commercial success we anticipated in 2024, we have gained valuable insights and are well-positioned to leverage these learnings for future growth. As a result, we are even more focused on targeting opportunities in our chosen focus segments. In addition, we will focus more on getting more business with existing clients ("share-of-wallet"). Lastly, we are working on improving our commercial culture.

The retention work executed in the first nine months of 2024 delivered a retention rate above 94%. Having completed all of our large retentions, and thereby secured the base portfolio, has allowed for a more focused and broad-based investment in new growth. A recent point of evidence being the new 7-year contract, with a 3-year extension possibility, with DWP. The contract was signed end of August 2024 and ISS will be delivering integrated facility services across more than 800 sites in the UK starting from October 2025. Annual revenue of the contract is expected to be around DKK 1.2 billion. This win is a testament to the strength of ISS's value proposition in the areas of workplace experiences, efficiency, innovation as well as environmental and social sustainability.

Finally, focus on social sustainability continues to emerge and grow as a priority within customer conversations. ISS's self-delivery operating model provides customers a unique path to delivering on their social sustainability agenda with and through ISS. This is becoming a key point of differentiation for ISS in the market and will result in stronger customer partnerships and commercial outcomes.

Major key account developments [1]	Countries	Segment	Term	Effective
Wins				
Healthcare Customer	UK	Healthcare	5 years	Q2 2024
North London Mental Health Hospital	UK	Healthcare	7 years	Q3 2024
Aviation Customer	Finland	Transportation & Infrastructure	4 years	Q4 2024
Department for Work and Pensions	UK	Public Administration	7 years	Q4 2025
Extensions/expansions				
Professional Services Customer	UK	Business Services & IT	1 year	Q1 2024
Industry & Manufacturing Customer	Global	Industry & Manufacturing	2 years	Q1 2024
Energy & Resources Customer	Sweden	Energy & Ressources	2 years	Q1 2024
Nordea	Nordics	Business Services & IT	5 years	Q1 2024
Healthcare Customer	Singapore	Healthcare	5 years	Q1 2024
Banking Customer	Spain	Business Services & IT	3 years	Q1 2024
Healthcare Customer	Türkiye	Healthcare	3 years	Q1 2024
Banking Customer	Switzerland	Business Services & IT	5 years	Q2 2024
Barclays	Global	Business Services & IT	5 years	Q2 2024
Nestlé	Australia	Food & Beverage	2 years	Q2 2024
Tan Tock Seng Hospital Pte Ltd	Singapore	Healthcare	1 year	Q3 2024
Healthcare Customer	UK	Healthcare	5 years	Q3 2024
Energy & Resources Customer	Australia	Energy & Ressources	5 years	Q3 2024
Retail Customer	UK	Retail & Wholesale	1 year	Q3 2024
Roy Hill Holdings	Australia	Energy & Ressources	5 years	Q4 2024
Healthcare Customer	UK	Healthcare	1 year	Q1 2025
Real Estate Customer	Hong Kong	Real Estate	2 years	Q1 2025
BHP Nickel West	Australia	Energy & Resources	1 year	Q1 2025
Airport Authority	Hong Kong	Transportation & Infrastructure	3 years	Q1 2025
Industry & Manufacturing Customer (Scope reduction)	Global	Industry & Manufacturing	5 years	Q1 2025
Swisscom AG	Switzerland	Information and Communication	7 years	Q2 2025
Exits/losses				
Healthcare Customer	Türkiye	Healthcare		Q1 2024
Professional Services Customer	UK	Business Services & IT		Q2 2024
Industry & Manufacturing Customer	US & Canada	Industry & Manufacturing		Q2 2024
Banking Customer	Mexico	Business Services & IT		Q4 2024

[1] Annual revenue above DKK 100 million.

Regional performance

Northern Europe

Revenue amounted to DKK 23,039 million in the first nine months of 2024, which was an increase of 7% compared with the same period last year. Organic growth was 6% (H1 2024: 6%). The effect from acquisitions and divestments, net was neutral, while currency effects impacted growth positively by 1%.

Organic growth was mainly driven by price increases implemented across the region and volume growth from increased activity levels at customer sites. Portfolio revenue grew by around 6% and revenue from projects and above-base work grew by around 9% organically. The positive organic growth was mainly driven by the UK and Denmark supported by startup of large contracts in both countries. All countries in the region reported positive organic growth with the Netherlands showing the highest growth rates driven by contract start-ups, continued growth in food services and strong demand for above-base services.

Q3 2024 revenue amounted to DKK 7,663 million driven by organic growth of 8% (Q3 2023: 5%). The effect from acquisitions and divestments, net, was negative by 1% and currency effects was neutral. Organic growth was driven by a combination of price increases, positive contribution from startup of new contracts predominately in the UK and Denmark and continued volume growth. The positive development benefitted both portfolio revenue and revenue from projects and above-base work which grew organically by 6% and 16%, respectively. All countries in the region, except Poland and Baltics, reported positive organic growth, with the UK and the Netherlands all growing double digit.

Central & Southern Europe

Revenue amounted to DKK 20,191 million in the first nine months of 2024, which was an increase of 10% compared with the same period last year. Organic growth was 11% (H1 2024: 12%) and acquisitions and divestments, net increased revenue by 4% related to the acquisition of Grupo Fissa and Grupo BN in Spain and gammaRenax in Switzerland. Currency effects were negative by 6%, while the net impact from hyperinflation restatement in Türkiye (IAS 29) was positive with 1%.

The organic growth was primarily driven by Türkiye where price increases were successfully passed on to customers to offset the continued high-cost inflation, and in the beginning of 2024 another round of price increases was successfully implemented. Across the region, the development was robust, and as a result portfolio revenue grew by 15% organically, while revenue from projects and above-base work showed negative organic growth driven by reduced demand for refurbishment projects as well as deep cleaning and disinfection services.

Q3 2024 revenue amounted to DKK 6,794 million driven by organic growth of 10% (Q3 2023: 14%), and acquisitions and divestments, net which increased revenue by 5%. Currency effects decreased revenue with 4%, while the net impact from hyperinflation restatement in Türkiye (IAS 29) was negative with 9%. Organic growth was predominately driven by implemented price increases in Türkiye and a robust development across the region. Organic growth for portfolio revenue was 12%, while revenue from projects and above-base work was 2%.

Ownership of ISS Türkiye

ISS Türkiye is jointly owned by private equity fund Actera (39.9%), management of ISS Türkiye (10%) and ISS (50.1%) being the controlling shareholder. The shareholders' agreement between ISS, Actera and management establishes the rights and obligations of the parties, including rights and restrictions on transferring shares, such as right of first refusal, drag along rights from Q4 2024 and right to explore a potential Initial Public Offering (IPO). As mentioned in our 2024 H1 interim report, and in line with the terms of the shareholders' agreement, Actera has initiated a dialogue to explore their potential exit options, and that dialogue remains ongoing. Please refer to page 23 in the Annual Report 2023.

Asia & Pacific

Revenue amounted to DKK 10,634 million in the first nine months of 2024, which was net neutral compared to same period last year. Organic growth was 2% (H1 2024: 3%). The effect from acquisitions and divestments, net was neutral, and currency effects impacted revenue negatively by 2%.

The positive organic growth was driven by price increases implemented across the region and volume growth as a result of increased activity levels at customer sites. This development was, however, partly offset by exits of contracts and resulted in 5% organic growth in portfolio revenue. Revenue from projects and above-base work showed negative organic growth due to lower demand for deep cleaning and disinfection services, especially in Hong Kong, Singapore and Australia and negative effects from contract exits. All countries in the region reported positive organic growth, except for Hong Kong due to the negative development for projects and above-base work.

Q3 2024 revenue amounted to DKK 3,585 million driven by organic growth of 1% (Q3 2023: 9%), while acquisitions and divestments, net and currency effects were neutral. Organic growth was driven by price increases implemented across the region and volume growth from higher activity levels at customer sites. This development was, however, partly offset by negative organic growth for projects and above-base work.

Americas

Revenue amounted to DKK 6,583 million in the first nine months of 2024, which was a decrease of 8% compared to the same period last year. Organic growth was negative 6% (H1 2024: negative 3%). The effect from acquisitions and divestments, net was neutral, while currency effects impacted revenue negatively by 2%.

The negative organic growth was primarily driven by contracts exits and losses mainly a deliberate exit of an industry and manufacturing customer in the US in Q2 2024 as well as volume reductions with existing customers. This was partly offset by price increases implemented across the region to offset cost inflation. This had a negative effect on portfolio revenue which declined by 5% organically. The US was the main driver behind the development, as both Mexico and Chile reported positive organic growth. Revenue from projects and above-base work declined organically by 15%, negatively impacted by contract exits and losses.

Q3 2024 revenue amounted to DKK 2,048 million driven by negative organic growth of 12% (Q3 2023: 10%). The effect from acquisitions and divestments, net was neutral, and currency effects reduced revenue by 3%. The negative organic growth was driven by contract exits and losses mainly a deliberate exit of an industry and manufacturing customer in the US in Q2 2024 as well as negative volume growth with existing customers. The development was only partly offset by implementation of price increases leading to negative organic growth of 9% for portfolio revenue. The contract losses and exits also had a negative effect on revenue from projects and above-base work, which declined 28% organically.

Outlook

Outlook 2024

This section should be read in conjunction with "Forward-looking statements" as shown in the table on page 9.

In the first nine months of 2024, the organic growth was robust, driven by price increases and volume growth, while the contribution from net contract wins and projects and above-base work was negative. Operating margin developed in line with plan. Free cash flow was, as expected, negatively impacted by changes in working capital, including Deutsche Telekom withholding certain payments to ISS.

The outlook assumes that macroeconomic and geopolitical uncertainties remain high. ISS has robust operating processes and is well positioned to operate in this environment. The execution of the OneISS strategy will continue and enhance the operating model, strengthen competitiveness, and increase focus on growth initiatives. The outlook is excluding any effects of hyperinflation (IAS 29).

Organic growth is maintained in the higher end of the original range at 5 – 6% (2023: 9.7%) as we continue to see successful implementation of price increases across the Group and positive customer activity levels. Net contract wins are expected to be slightly negative due to contract exits. Revenue from projects and above-base work is inherently subject to high uncertainty, particularly towards the end of the year and is expected to have a neutral impact on organic growth for the full year.

Operating margin is still expected to be above 5% (2023: 4.3%). Compared to the 2023 underlying margin of 4.6%, the main drivers of the increase are continuing operational improvements and efficiencies across the Group as well as operational benefits and cost savings generated from the review of the OneISS initiatives.

The expectation for free cash flow is still based on an underlying free cash flow of above DKK 2.4 billion, equalling a cash conversion of above 60%. However, in 2024 free cash flow is expected to be above DKK 1.8 billion (2023: DKK 1.8 billion), adversely impacted by timing effects including certain payments being withheld by Deutsche Telekom.

Outlook 2024	Annual Report 2023	Interim Report H1 2024
Organic growth	4 - 6%	5 - 6%
Operating margin[1)]	Above 5%	Above 5%
Free cash flow	Above DKK 1.8 bn[2)]	Above DKK 1.8 bn[2)]

1) Based on operating profit before other items
2) Underlying free cash flow: Above DKK 2.4bn

Financial targets

At the Capital Markets Day in November 2022, new financial targets were announced for organic growth, operating margin and cash conversion. From 2024 and beyond, ISS targets to deliver strong growth at attractive and sustainable margins:

- Organic growth of 4 – 6%
- Operating margin above 5%
- Cash conversion above 60%

Expected revenue impact from divestments, acquisitions and foreign exchange rates in 2024

Acquisitions and divestments completed by 31 October 2024 (including in 2023) are expected to have a positive impact on revenue growth in 2024 of around 1%-point.

Based on the current exchange rates, a negative impact on revenue growth of around 2%-points[1)] is expected in 2024 from the development of foreign exchange rates, excluding any effects of hyperinflation (IAS 29).

[1)] The forecasted average exchange rates for the financial year 2024 are calculated using the realised average exchange rates for the first 10 months of 2024 and the average forward exchange rates (as of 4 November 2024) for the remaining two months of 2024.

Forward-looking statements

This report contains forward-looking statements, including, but not limited to, the guidance and expectations in Outlook. Statements herein, other than statements of historical fact, regarding future event or prospects, are forward-looking statements. The words may, will, should, expect, anticipate, believe, estimate, plan, predict, intend or variations of such words, and other statements on matters that are not historical fact or regarding future events or prospects, are forward-looking statements. ISS has based these statements on its current views with respect to future events and financial performance. These views involve risks and uncertainties that 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 this report 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, expect to the extent required by law.

The Annual Report of 2023 of ISS A/S is available at the Group's website, www.issworld.com.

Contacts

Conference Call

A conference call will be held on 5 November 2024 at 10:00 am CET. Presentation material will be available online prior to the conference call.

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https://issworld.eventcdn.net/events/trading-update-q3-2024

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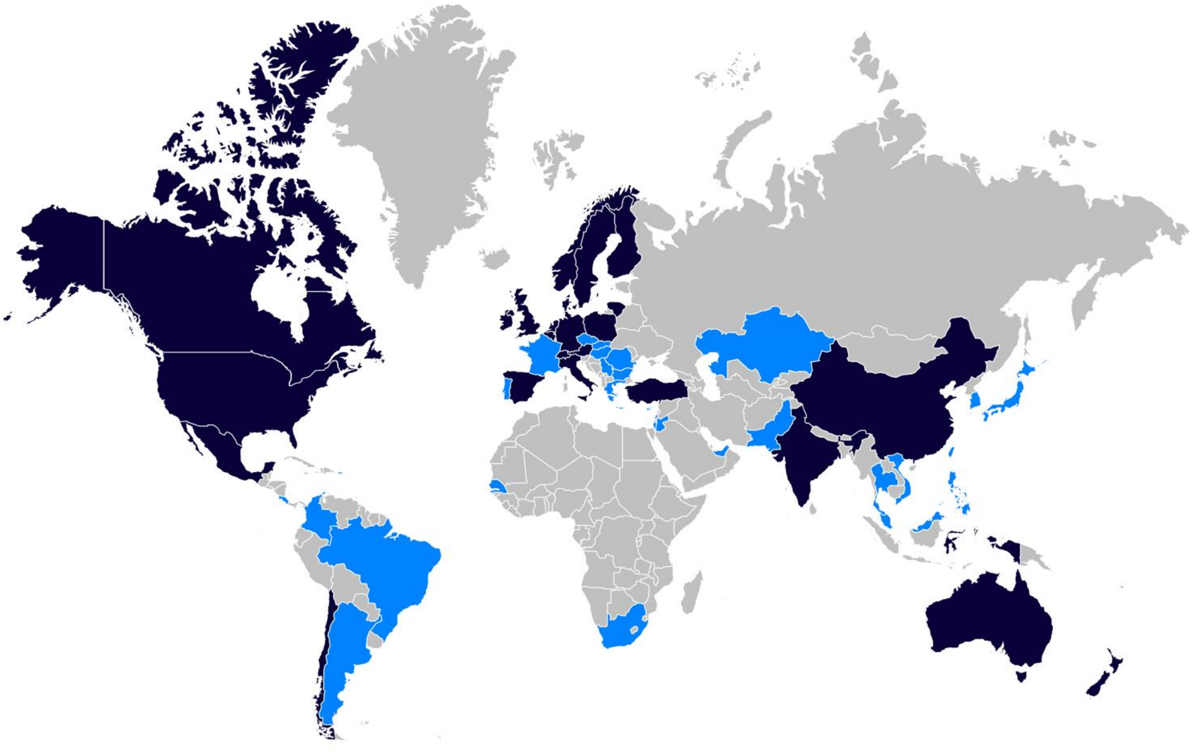
Our global footprint



ISS is a leading, global provider of workplace and facility service solutions. In partnership with customers, ISS drives the engagement and well-being of people, minimises the impact on the environment, and protects and maintains property. ISS brings all of this to life through a unique combination of data, insight and service excellence at offices, factories, airports, hospitals and other locations across the globe. In 2023, Group revenue was DKK 78.7 billion.