



ISS INVESTOR PRESENTATION

Q3 2022 Trading Update

3 November 2022

Agenda



Jacob Aarup-Andersen
Group CEO

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

Executive Summary

- ISS enters the next phase of the OneISS strategy



OneISS

Financial turnaround targets have been achieved

-
Operating model strengthened to fuel long-term performance



Growth momentum

Q3 growth driven by price- and scope increases

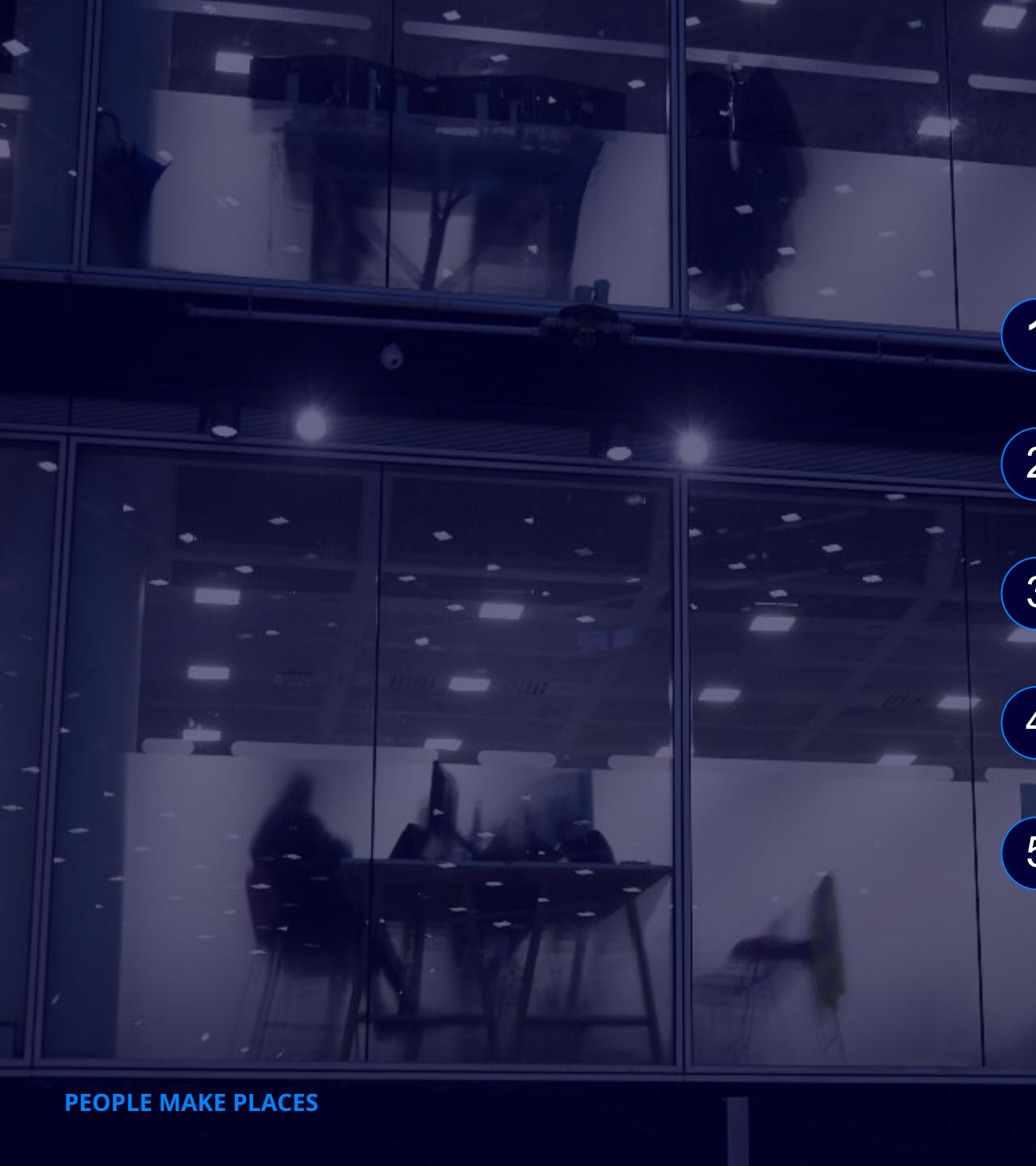
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Record high customer retention rate in Q3 (LTM)



Financials

Continued underlying margin improvement

-
Update of full-year outlook based on solid Q3 performance



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Summary

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Strategic update

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Market and Business

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Financials & Outlook

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Q&A

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

Strategic update

- Financial turnaround targets have been achieved

Update on strategic priorities



- Solid commercial momentum continued with another key account win
- Extension and expansion of several key account contracts resulting in a record-high retention rate
- ISS maintained strong management of the inflationary environment and the tight labour market

Turnaround of underperforming contracts and countries



- ISS has reached financial turnaround targets despite a challenging macroeconomic environment
- The underperforming areas have in total achieved their turnaround target
- New ambitions and targets will be announced at the Capital Market Day

M&A



- ISS has completed the acquisition of a Swiss facility management provider, Livit FM, which will increase Group revenue around 0.5%
- The acquisition fits well with the OneISS strategy and is margin accretive post synergies

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Commercial momentum

- Positive development continued although commercial processes are prolonged

New wins¹⁾

- Pharmaceutical customer, United States (c. 0.2% of Group revenue)

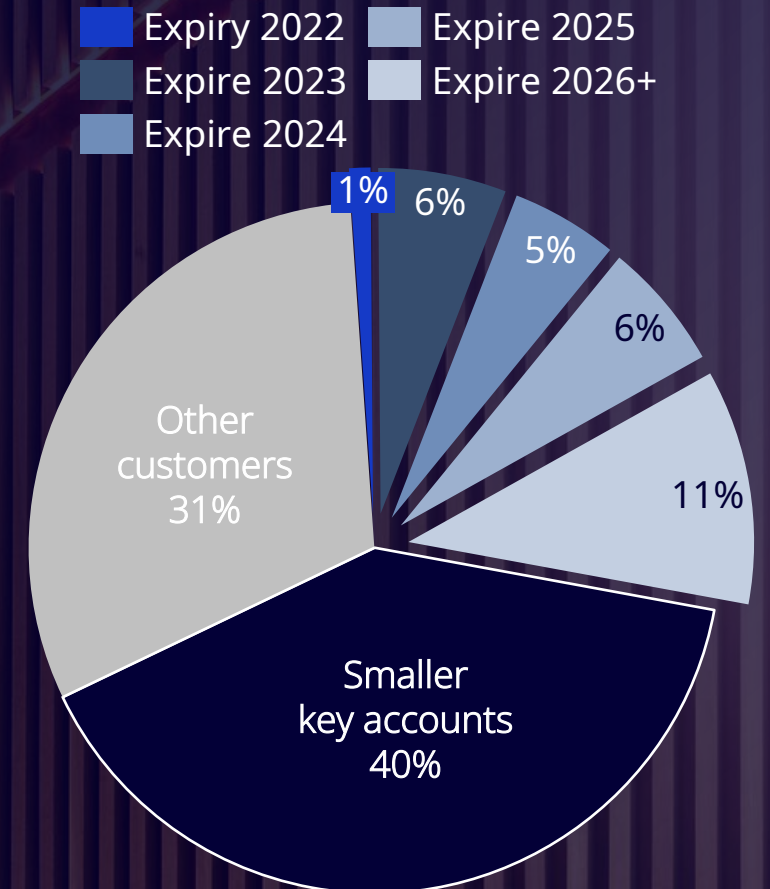
Extensions and expansions¹⁾

- National University Hospital, Singapore
- Manufacturing customer, Denmark
- Banking customer, United Kingdom
- Real Estate customer, Hong Kong
- Banking customer, APAC
- Banking customer, United Kingdom

Losses¹⁾

- Ministry of Defence, Singapore

Large key accounts²⁾ contract maturity profile



1) Since Q2 results on 11 August 2022. Includes contracts above DKK 100 million annually

2) Chart is based on all global key accounts and key accounts generating revenue above DKK 200 million annually

Inflation management is deeply embedded in the business model - challenging inflationary environment continues to be a top priority

Cost elements

67%	Staff costs Include wages and salary related costs
25%	Other costs Include administration, leases, rents, D&A etc
8%	Consumables

Mitigation actions

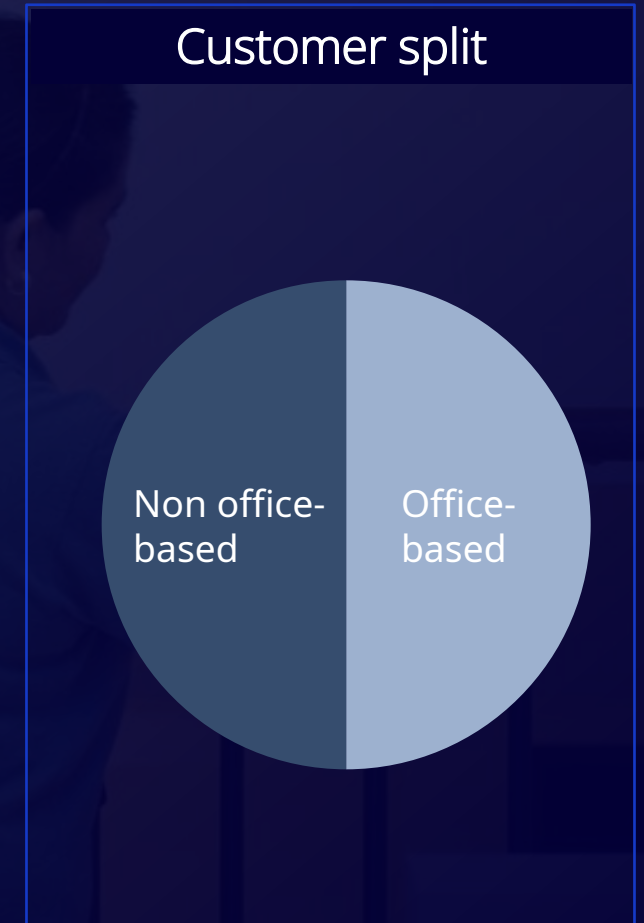
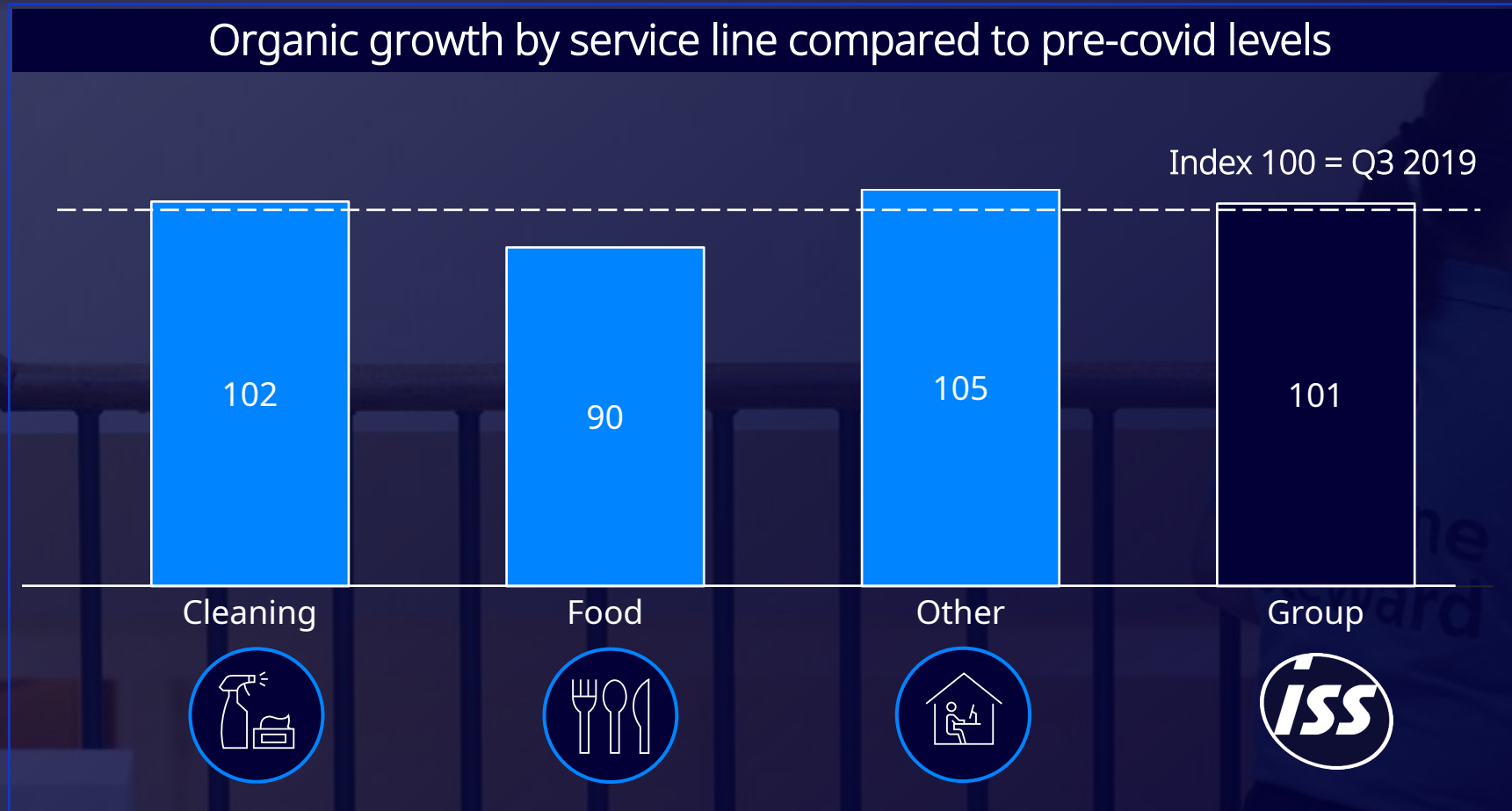
<ul style="list-style-type: none">Majority of employee costs are covered by collective bargaining agreements / minimum wages regulated by lawRigid contract clauses (including cost-plus models)Strong customer partnerships with early and proactive dialogues
<ul style="list-style-type: none">Continued focus on efficienciesActive procurement management
<ul style="list-style-type: none">Majority of food contracts on cost-plus

Outcomes

<p>Strong mechanisms are in place to pass on inflationary pressure</p>
<p>Opportunities to offset inflationary pressure where ISS is not contractually protected</p>
<p>Inflation provides tailwind to outsourcing rates</p>

Revenue above pre Covid-19 levels with DTAG in comparison base

- Food revenue recovered to index 90





Kasper Fangel
Group CFO

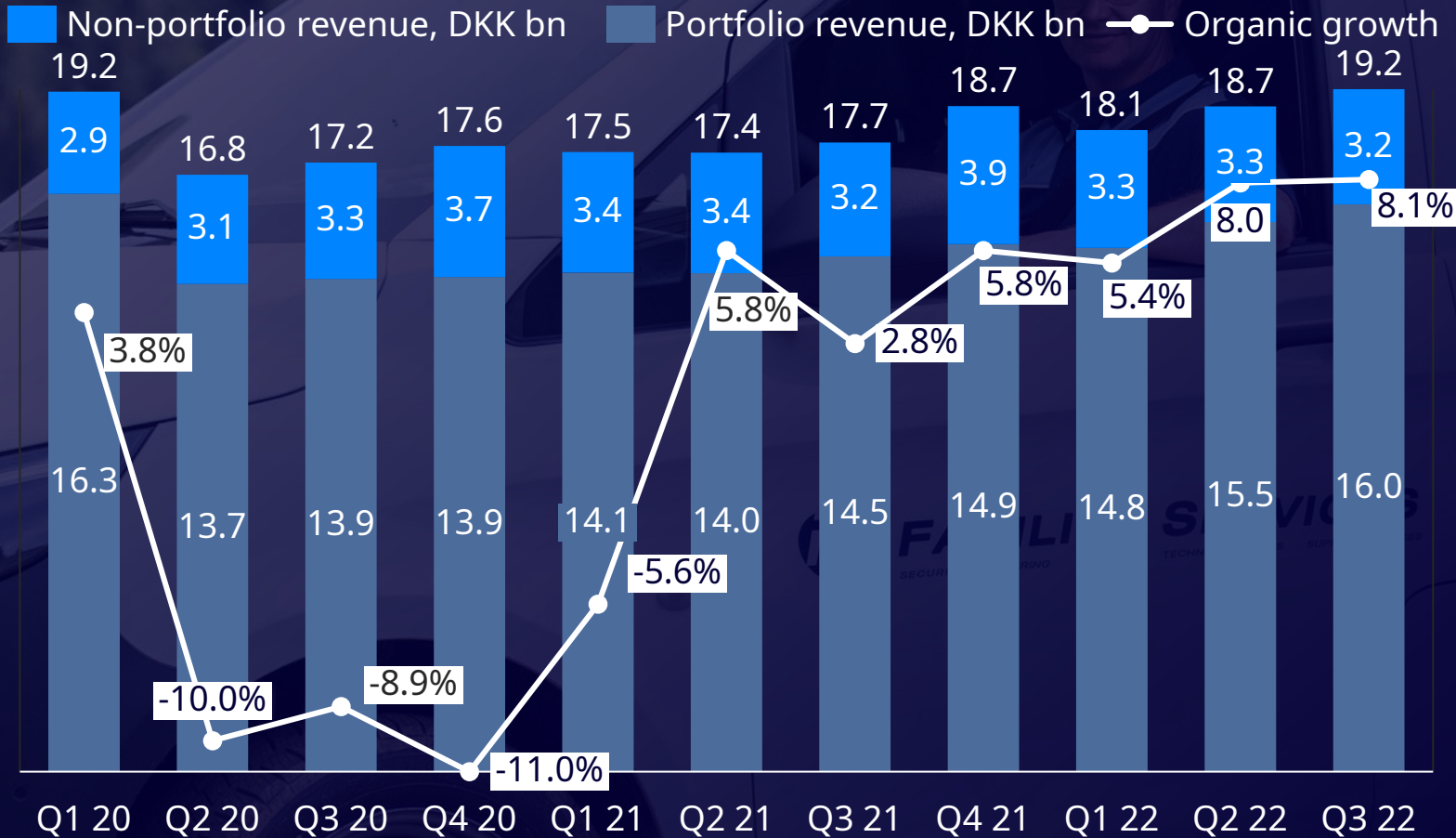
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Organic growth of 8.1% in Q3

- Strong portfolio growth and above-base revenue at continued high levels

Quarterly revenue and organic growth¹⁾



1) excl. IAS 29

Key comments Q3 2022

- Revenue increased to DKK 19.2 billion driven by positive effect from price and scope increases with lower contribution from return-to-office
- Price increases in Turkey contributed around 2%-points to organic growth
- Organic growth for portfolio revenue was 10%
- Projects and above-base work was flat and continued to be above pre Covid-19 levels

Regional organic growth Q3 2022

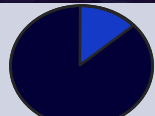




- All regions delivering positive organic growth

Northern Europe (38% of Group)	Central & Southern Europe (32% of Group)	APAC (18% of Group)	Americas (11% of Group)
<p data-bbox="415 568 499 618">2%</p> <p data-bbox="282 644 626 675"><i>(Q1 2022: 3%, Q2 2022: 6%)</i></p> <ul data-bbox="198 715 682 1186" style="list-style-type: none">• Growth was driven by contract start-ups, continued return-to-office trends and price increases offset by tougher comparison base• Growth was especially driven by Norway (successful transition of Equinor win), Belgium and Sweden offset by Denmark (exit of Danish Defence) and the UK (comparison)	<p data-bbox="975 568 1059 618">9%</p> <p data-bbox="843 644 1187 675"><i>(Q1 2022: 5%, Q2 2022: 5%)</i></p> <ul data-bbox="766 715 1251 1108" style="list-style-type: none">• Growth was mainly driven by significant price increases in Turkey and contract start-up in Austria• France impacting the growth of the region negatively driven by muted commercial momentum among others due to industry segment exposure	<p data-bbox="1531 568 1615 618">7%</p> <p data-bbox="1398 644 1742 675"><i>(Q1 2022: 1%, Q2 2022: 5%)</i></p> <ul data-bbox="1314 715 1798 993" style="list-style-type: none">• Growth driven by continued return-to-office trends in India and Australia• Significant improvements in Hong Kong driven by portfolio revenue recovery and high level of above-base work	<p data-bbox="2071 568 2188 618">28%</p> <p data-bbox="1939 644 2326 675"><i>(Q1 2022: 29%, Q2 2022: 30%)</i></p> <ul data-bbox="1880 715 2364 1022" style="list-style-type: none">• Growth driven by continued growth in food services in the US and ramp-up of new large contracts• Solid growth in Chile driven by price increases, new wins and increased demand for above-base work

Margin recovery journey towards turnaround target finalised

- Financial turnaround target achieved

CONCEPTUAL AND INDICATIVE

Margin recovery drivers	Key Development Q3 2022	Contribution to Margin Target (By end of 2022 vs. 0.5% ¹⁾ in 2020)	Financial progress (end of Q3 2022)
UK recovery	<ul style="list-style-type: none"> The UK continued the positive margin development OneISS organisational blueprint continued to improve productivity and financial performance 	<p>+100bp (Recover to low single-digit margins)</p>	
France recovery	<ul style="list-style-type: none"> Continued progress, however the operating run-rate margin will end of 2022 be slightly behind plan The country leadership team has been strengthened 	<p>+40bp (Recover to low single-digit margins)</p>	
Underperforming contracts	<ul style="list-style-type: none"> Deutsche Telekom contract is following the efficiency plan Danish Defense was successfully exited in Q2 	<p>+100bp (Based on break-even)</p>	
COVID-19 restructuring and revenue recovery	<ul style="list-style-type: none"> Revenue above Covid-19 levels throughout 2022 Customers are investing in the attractiveness of the workplace post Covid-19 	<p>+130bp (Recover ~60% of lost revenue and payback of restructuring)</p>	
Rest of business and new operating model	<ul style="list-style-type: none"> Accelerated investments in group functions and capabilities Savings programme funded investments in Group functions 	<p>Above -20bp (Ongoing restructuring costs, investments, savings and other effects)</p>	
Turnaround target and estimated progress		= Above 4%	

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

2022 outlook¹⁾ updated for all KPIs

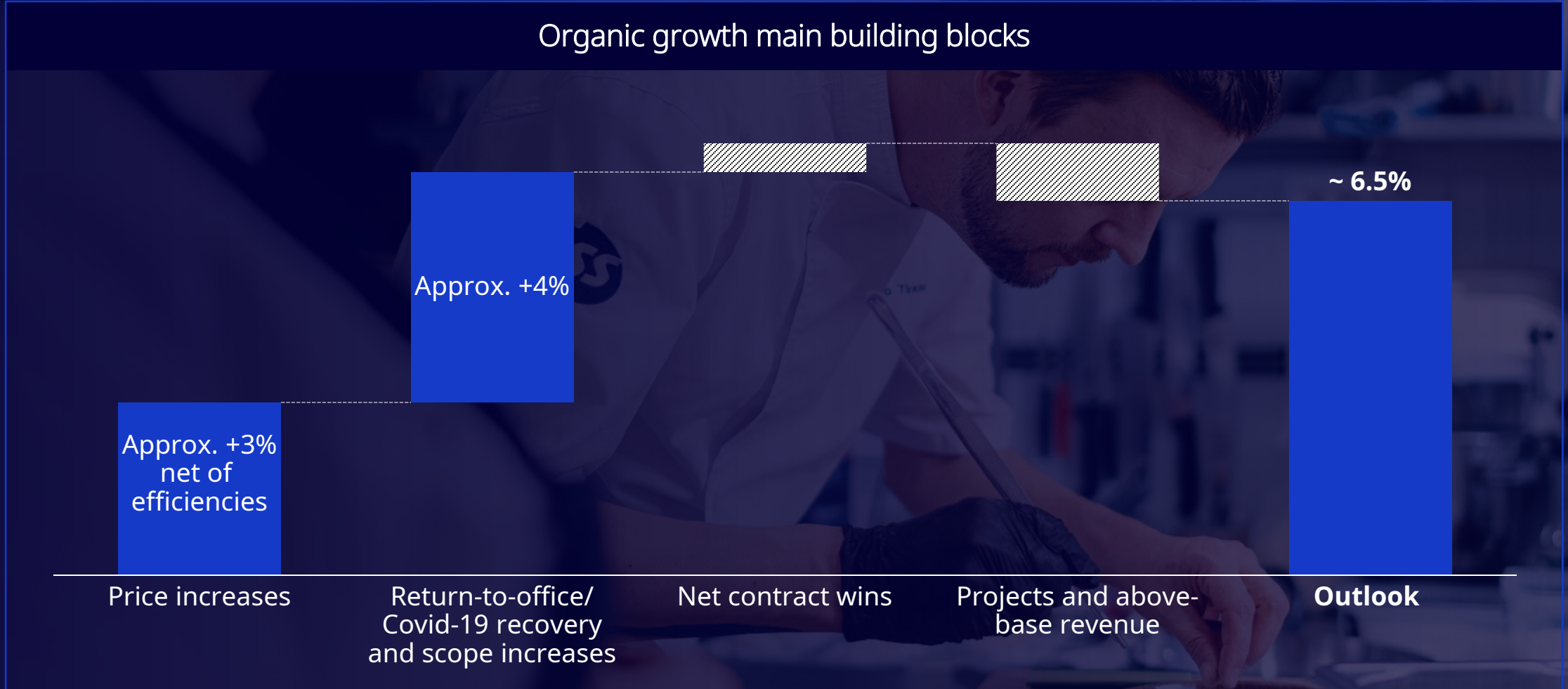
Organic Growth	Operating Margin ²⁾	Free cash flow
<p>Around 6.5% (Before above 5%)</p> <p>Driven by:</p> <ul style="list-style-type: none">• Return-to-office, price increases and customers' investments in the workplace• Demand for project and above-base revenue has continued to be strong throughout the year• Organic growth of 7.2% in the first 9 months of 2022	<p>Around 3.8% (Before above 3.75%)</p> <ul style="list-style-type: none">• Continued progress of the underperforming contracts and countries• Positive operating leverage from higher revenue roughly offset by additional costs from a challenging labor market• Margin generally expected to be unaffected from cost inflation	<p>Around DKK 1.5 bn (Before above DKK 1.5 bn)</p> <ul style="list-style-type: none">• Approximately unchanged operating profit expectations• Roughly neutral impact from working capital following significant inflow in 2021

Based on financial performance in Q3 the Outlook for all KPIs are narrowed

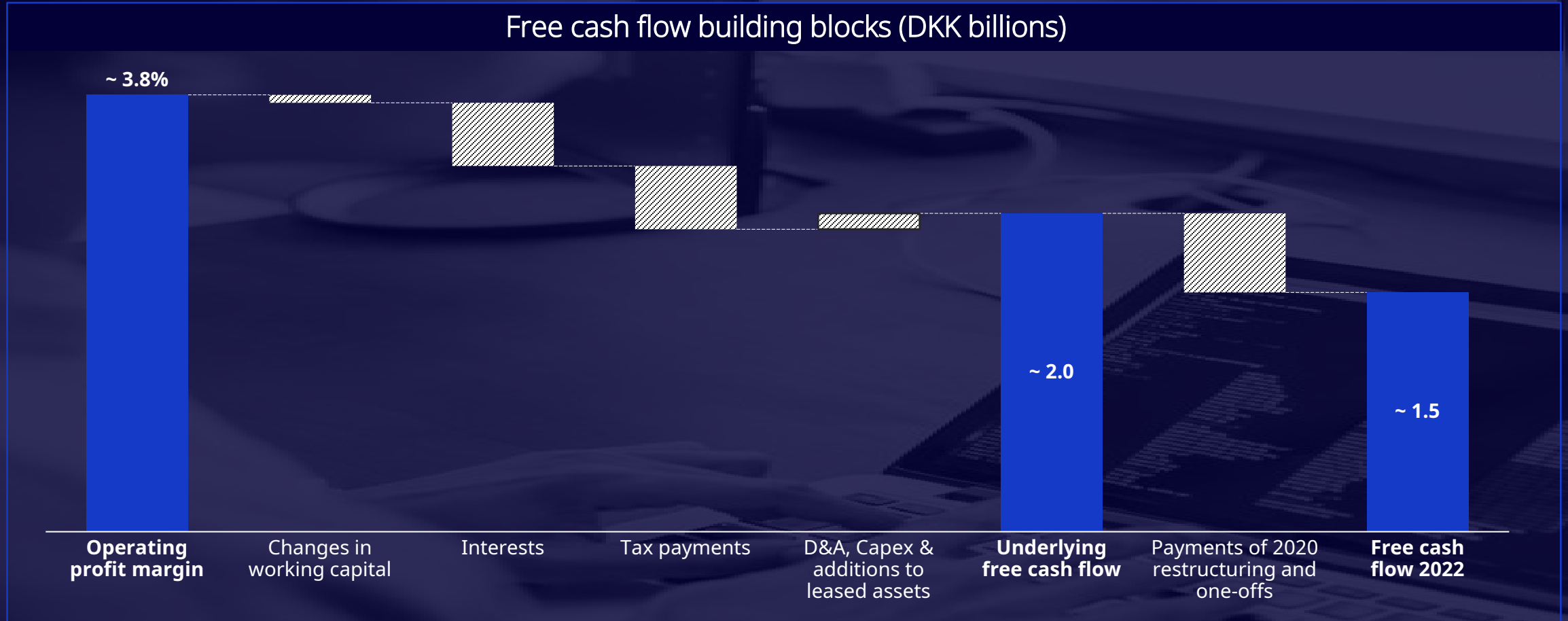
1) Outlook excl. IAS 29

2) Operating profit margin before other income and expenses

Organic growth outlook for 2022



Free cash flow outlook for 2022

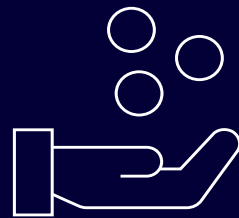


Turnaround targets achieved

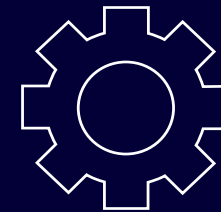
- next steps of the OneISS strategy will be presented at the Capital Markets Day



Operating margin¹⁾
above 4% when
entering 2023



Around DKK 1.5 billion
Free cash flow in 2022



Deleveraging to below
3x by end 2022

Capital Markets Day 2022

London, 7 November



The next phase of the OneISS strategy



The effects of the new operating model



Our approach to capital allocation



New financial targets

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Q3 2022 TRADING UPDATE

Q&A

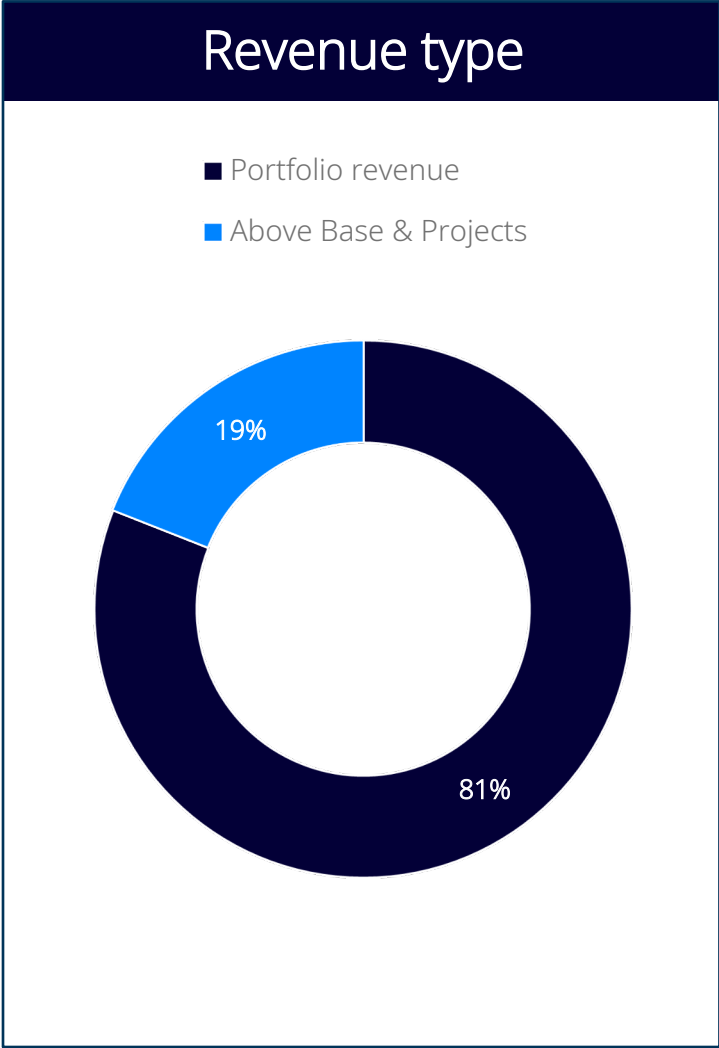
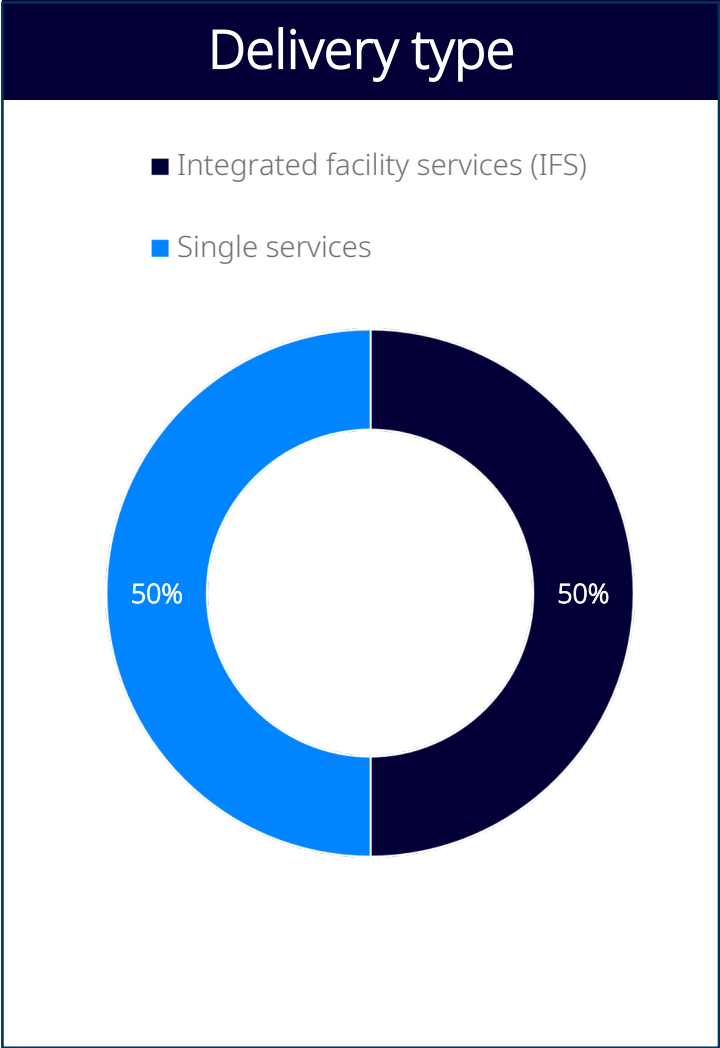
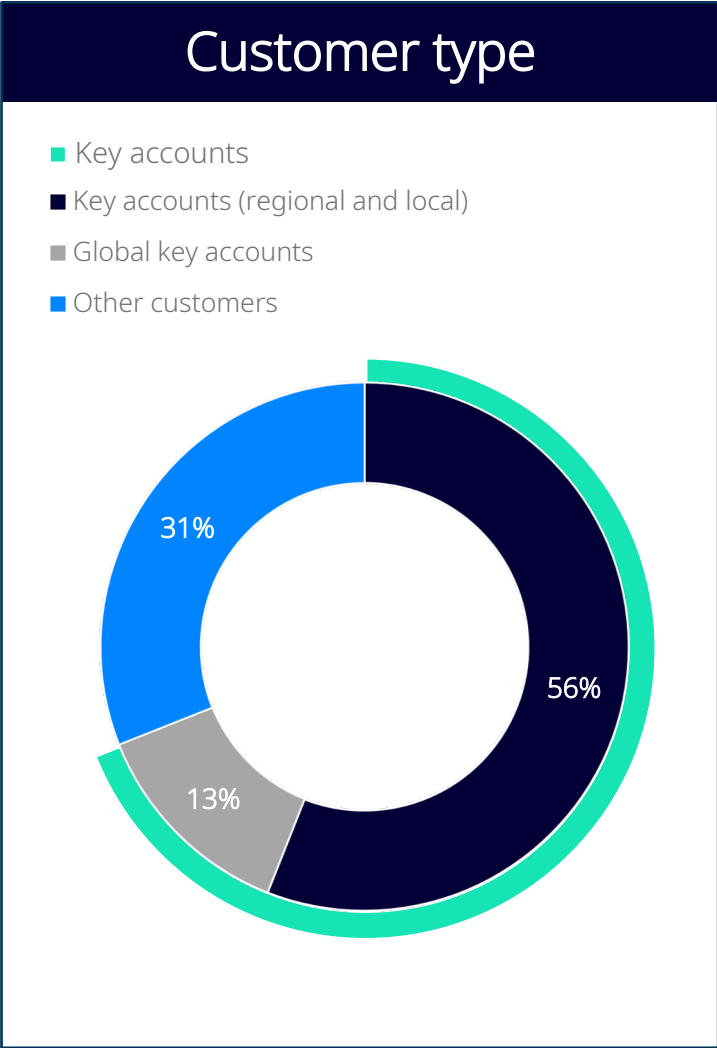


INVESTOR PRESENTATION

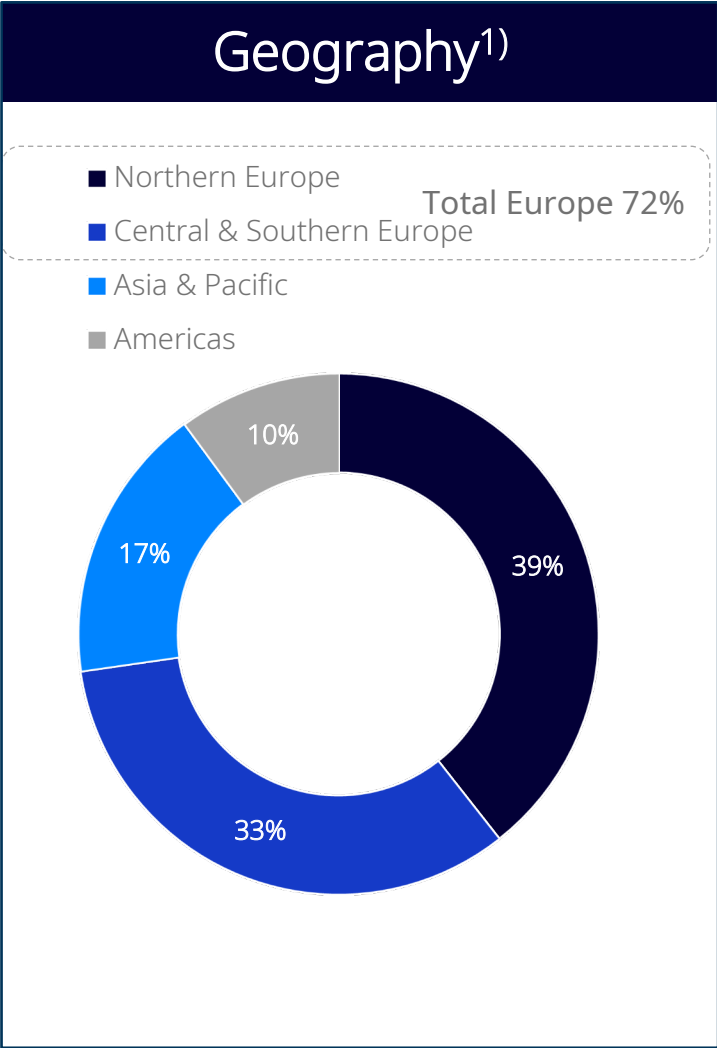
Appendix



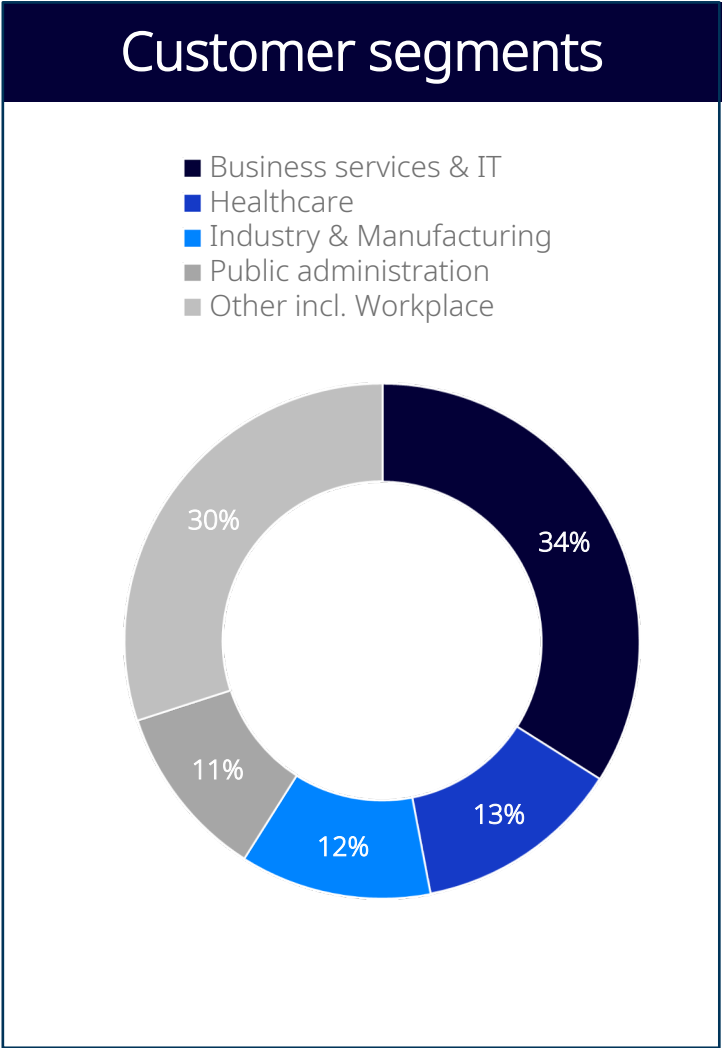
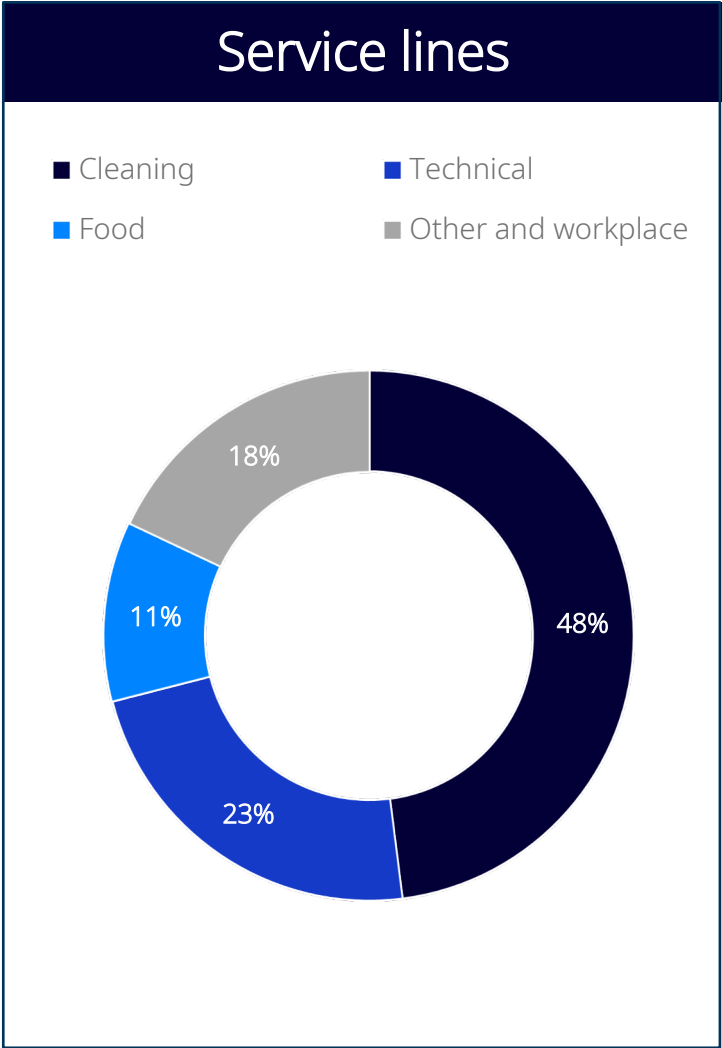
Revenue split based on FY2021 (1/2)



Revenue split based on FY2021 (2/2)



1) Revenue related to other countries amounted to 1%



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