



## ISS launches OneISS strategy with new operating model

### STRONGER. SIMPLER. CLOSER.

ISS A/S (ISS.CO, ISS DC, ISSDY) today announces a refreshed strategy founded in our continued belief to fully play our part in creating a fair and inclusive society - caring for people and providing them with opportunities to develop into the best they can be. We believe people make places and places make people.

By sharpening our focus on key segments, accelerating technology investments, and introducing a new globally aligned operating model, we will use our global scale to drive superior value for all stakeholders to become the most respected global leader in integrated facility services and strengthen our position as number one in cleaning.

Our extensive business review confirms that the key account strategy and IFS business model remain attractive and sustainable. Execution has not been satisfactory in recent years, and we are therefore sharpening the strategic focus and implementing appropriate changes to the operating model:

- Sharpened focus through stronger definition of customer segments, core services and delivery model including the divestment of additional DKK 4 billion of revenue (Portugal, Russia, Taiwan and selected non-core business units)
- The operating model and organisational structure will become globally aligned and more effective at leveraging best practices across customers and geographies to unleash our global scale:
  - Re-organisation of country structures around prioritised key account segments
  - Accelerated investments to become a technology leader, driven by a new externally hired Chief Information & Digital Officer with an ambitious agenda to make technology, data and insights clear competitive advantages
  - Significant investments into the core services and a strengthened commercial organisation to bring deeper customer segment expertise and greater innovation within a tightened bid and transition risk management process
  - Newly created Operations Performance function to strengthen our delivery to customers through more clearly defined best practices and more structured processes that ensure effective deployment across the globe
- A new strengthened Executive Group Management (EGM) team comprising a strong mix of seasoned internal talent and external additions with diverse backgrounds, broad expertise and new capabilities to deliver the OneISS strategy and transformation. Kasper Fangel has been appointed new Group CFO and Pierre-Francois Riolacci has been appointed CEO Europe and will together with Group CEO Jacob Aarup-Andersen form the management registered with the Danish Business Authority
- Medium-term targets are withdrawn and replaced by new turn-around targets to focus on driving a fast recovery of profitability and cash generation. Preliminary 2021 outlook confirms the ongoing recovery of the business

#### **Jacob Aarup-Andersen, Group CEO, ISS A/S, said:**

*“ISS is a truly great company, with a proud, unique heritage and deep respect for people. Our role and responsibility in society is quite profound and never more so than during this global pandemic. Recently, our execution and financial performance has not been where it needs to be. The strategy we launch today – OneISS – creates a Stronger, Simpler, Closer ISS. It represents the start of a new journey, refocused and relentless in driving execution and delivering on the promise of the company’s global strengths. It is a strategy that will help us achieve our purpose – connecting people and places to make the world work better.”*



### Financial implications

The refreshed strategy and enhanced operating model will create a platform for robust long-term performance with strong growth and consistent cash generation. OneISS outlines a clear recovery path back to a mid-single-digit EBIT-margin level, by recovering from COVID-19 and resolving a small number of significant operating issues. The underlying business model is healthy and long-term attractive with continued opportunity to grow and generate, sustainable cash flow.

### New turn-around targets

To focus on the short-term recovery of the business, the specific medium-term targets have been withdrawn and replaced by new turnaround targets to ensure a healthy recovery with focus on profitability and cash generation:

- Operating margin above 4% as run-rate when entering 2023
- Pro Forma Adjusted Net Debt / EBITDA to be reduced to below 3x by the end of 2022
- Positive Free Cash Flow in 2021, improving strongly in 2022

The turn-around targets will be achieved through recovery from COVID-19 and improving the underperforming contracts and countries, thereby generating positive underlying free cash flow both in 2021 (despite material non-recurring restructuring cash impact) as well as in 2022. ISS will simultaneously improve the underlying business with the implementation of the new operating model and sharpened strategic focus. The total divestment programme (including the already planned and announced divestments) is expected to generate net proceeds of up to DKK 2 billion over 2021-2022. The additional revenue to be divested amounts to approximately DKK 4 billion with broadly neutral EBIT-margin impact. New specific medium-term targets will be announced when ISS has successfully delivered measurable progress on the short-term turnaround. Dividend payments will not be re-instated before the leverage target has been achieved.

ISS is also initiating a new additional cost saving programme with a savings target of DKK 150 million, which is expected to materialise gradually from 2021 to 2023. The cost initiatives mainly relate to centralisation of local costs and optimisation of the leased real estate portfolio. The savings will be used to fund the important investments into the new operating model.

### Financial performance in 2020 and 2021

The current financial performance is developing in line with expectations and gradually recovering as planned despite new lockdowns in a number of ISS' key markets. The 2020 financial outlook provided at the Q3 2020 trading update is consequently confirmed.

2021 is expected to be characterised by continued improvement of the business fundamentals and financial performance. The improvement is, however, mainly expected to materialise towards the second half of the year as COVID-19 is expected to continue to present challenges in the near-term.

2021 preliminary outlook:

- Positive organic growth
- Reported operating margin above 2%
- Free cash flow to be slightly positive despite significant one-off restructuring cash impact

A more detailed 2021 financial outlook will be announced in February with the 2020 Annual Report.



## OneISS Summary

### Market Assessment

- Attractive USD 400 billion key account market with significant room to grow market share (currently at 2%)
- Continued strong demand for IFS with COVID-19 strengthening the demand for cleaning services
- Increased importance of the office as a driver of corporate culture and collaboration, but the need to reduce costs will drive more outsourcing
- ISS to focus on four core services – cleaning, workplace, food and technical

### New Operating Model and enhanced commercial discipline

- A completely revamped, globally aligned operating model to significantly enhance execution
- A strengthened Commercial function to sharpen focus on prioritised customer segments with enhanced bid and transition management and more disciplined processes
  - Only entering into contracts where ISS can be profitable can deliver its best for customers
- A new Operations Performance function to strengthen benchmarking and best practice deployment of our services and products.
  - Standardised service products to boost competitiveness and enable scalability
- A new, diversified and strengthened Executive Group Management team with broader expertise and new capabilities to underpin the new operating model
- Decision taken to exit Portugal, Russia and Taiwan along with selected non-core business units

### Becoming a Technology Leader

- A new Chief Information & Digital Officer will join the Executive Group Management, driving an ambitious technology agenda where accelerated investments will allow unique data and insights to be captured and exploited to its fullest. Historic silos will be broken, stronger collaboration will be fostered across the organisation embracing new ways of working
- Operational performance benchmarking of key accounts enabled with 85% of key account revenue integrated by 2023
- New hub in Warsaw to be established to support the drive for quality, efficiency and compliance

### Near Term Deliverables

- Improvement of current underperforming contracts and countries (Deutsche Telekom AG, Danish Defence, France and UK)
- An enhanced and disciplined commercial sign-off process and risk management approach

### Driven by our purpose

- ISS is a proud purpose-driven organisation with a heritage based upon deep respect for people. Making the world work better starts with our belief in creating a fair and inclusive society. We believe that people make places and places make people
- The OneISS strategy is outlining a clear recovery path back to a healthy and profitable business by end of 2022, thereby poised to embark on an even more ambitious agenda towards 2025 and creating value for customers, colleagues, society and shareholders



### **New Executive Group Management to drive transformation**

The OneISS strategy implementation will be led by a new Executive Group Management (EGM) leadership team headed by Group CEO Jacob Aarup-Andersen.

- Kasper Fangel, currently Deputy CFO, has been appointed Group CFO
- Pierre-Francois Riolacci, currently Group CFO, has been appointed CEO Europe
- Scott Davies, currently Country Manager of ISS Australia and New Zealand will take over as the new CEO Asia Pacific, post the retirement of Dane Hudson
- Celia Liu, currently Regional CFO Asia Pacific, has been appointed as CEO - Strategic Transformation to head up the divestment portfolio. Richard Sykes has stepped down from this role and will leave ISS
- A new Chief Information and Digital Officer will report directly to the Group CEO and accelerate progress on the technology and innovation agenda. The recruitment is completed and will be announced in January 2021
- An external candidate has been recruited as the Country Manager of ISS UK & Ireland. Given ISS UK & Ireland's size and importance in ISS, this role will be part of the new EGM and report directly to the Group CEO. Purvin Patel, currently Country Manager of ISS UK & Ireland has decided to relocate to India for personal reasons and taken up a new challenge in Asia outside of ISS
- Dan Ryan has been appointed as the Group Chief Commercial Officer in addition to his role as CEO Americas
- Andrew Price, currently Group Chief Commercial Officer will take up a new role as Head of Strategic Growth and in his role will focus on long term commercial value creation. Andrew will also take up an interim role as the Country Manager of UK & Ireland
- Group COO Troels Bjerg, Group General Counsel Bjørn Raasteen, and Group Chief People & Culture Officer Corinna Refsgaard will all continue in their current roles
- The management registered with the Danish Business Authority will consist of Group CEO Jacob Aarup-Andersen, Group CFO Kasper Fangel and CEO Europe Pierre-Francois Riolacci

### **For investor enquiries:**

Martin Kjær Hansen, Head of Group Investor Relations, +45 38 17 64 31  
Louisa Baruch Larsson, Senior Investor Relations Manager, +45 38 17 63 38

### **For media enquiries:**

Rajiv Arvind, Communications Director, +45 38 17 62 11

### **Conference call details**

A conference call will be held on 16 December 2020 at 9:00 am CET. Presentation material will be available online prior to the conference call.

### **Dial-in details:**

DK: +45 7876 8490

SE: +46 8-1241-0952

UK: +44 2037696819

US: +1 646-787-0157

Pincode for all countries: 283234

Webcast: <https://streams.eventcdn.net/iss/strategy-refresh>

### **About ISS**

ISS is a leading workplace experience and facility management company. 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 2019, ISS Group's global revenue amounted to DKK 78.6 billion. For more information on the ISS Group, visit [www.issworld.com](http://www.issworld.com)