



Company announcement

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Interim report for 1 January – 30 June 2023

Continued strong OneISS strategy execution with upgrade of organic growth outlook

Highlights

- Organic growth was 10.4% in Q2 2023 (Q1 2023: 11.3%) and 10.9% in H1 2023 (H1 2022: 6.7%) primarily driven by price increases implemented across the Group and underlying volume growth. In H1 2023, price increases in Turkey contributed around 3%-points, and revenue from projects and above-base work were flat.
- Operating margin before other items (excl. IAS 29) was 3.3% in H1 2023 (H1 2022: 2.9%). Non-recurring costs related to a strategic review in France negatively impacted the margin by approx. 0.2%-points. Excluding the French business which ISS intends to divest, operating margin (excl. IAS 29) was 3.6%.
- Due to inherent strategic challenges, difficult market conditions, and muted commercial development, the French business has not generated the expected financial improvements. This led to recognition of a goodwill impairment of DKK 937 million and write-down of non-monetary assets of DKK 320 million.
- In a separate company announcement, ISS today announced the intention to divest its French business, except for Global Key Account customers. As a consequence, ISS France will going forward be classified as held for sale and discontinued operations and the results will be presented in "Net profit from discontinued operations" in the statement of profit or loss.
- Free cash flow in H1 2023 amounted to DKK (1.1) billion (H1 2022: DKK 0.6 billion). As expected, free cash flow was negatively impacted by changes in working capital as the high revenue growth led to an increase in receivables.
- The strategic direction is confirmed following the appointment of Kasper Fangel as the new Group CEO from 1 September 2023. The strong focus on growth and execution of the OneISS strategy will remain unchanged, and ISS is well on track towards reaching the operating margin target of above 5% in 2024.

- The rigorous execution of the OneISS strategy continued and the commercial momentum improved, underlined by the win of a new key account IFS contract with Defra in the UK. The strengthened commercial and operating models showed visible results with improved customer engagement and the customer retention rate increased to 95% (LTM) in Q2 2023.
- In Spain, ISS has signed an acquisition of the cleaning provider, Grupo Fissa. This transaction has a strong strategic fit to the OneISS strategy, is financially accretive and adds around 1% to Group revenue.
- As announced today in a separate company announcement, outlook for organic growth is upgraded to '7 –9%' (6 – 8%), as a result of expected higher customer activity and thereby higher underlying volume growth. Outlook for operating margin of 4.25 – 4.75% and free cash flow of around DKK 2 billion is confirmed. The outlook for organic growth and operating margin excludes any contribution from discontinued operations.

Jacob Aarup-Andersen Group CEO, ISS A/S, says:

"The strong execution of the OneISS strategy continued in the first half of 2023, and the investments we have made are showing visible results. We have won new key account contracts within our prioritised segments, customer engagement is improving, and retention is the highest in the company's more than 120-year history. This has been achieved through relentless execution and strict focus on delivering best-in-class service experiences. As we continue our journey towards a stronger, simpler and closer ISS, we today also announce a refocusing of our business in France. With this initiative, we ensure that we continue to be a strong partner for our Global Key Accounts and deliver long-term growth at sustainable margins across our business."

Financial overview	Q1 2023	Q2 2023	H1 2023	H1 2022
DKK million (unless otherwise stated)				
Revenue	19,930	19,731	39,661	36,943
Organic growth, %	11.3	10.4	10.9	6.7
Operating profit before other items			1,250	1,061
Operating profit before other items, excl. IAS 29 (hyperinflation)			1,306	1,073
Operating margin (before other items), %			3.2	2.9
Operating margin (before other items), %, excl. IAS 29 (hyperinflation)			3.3	2.9
Free cash flow			(1,074)	644

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About ISS

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. ISS has more than 350,000 employees around the globe, who we call “placemakers”. In 2022, Group revenue was DKK 76.5 billion. For more information on the ISS Group, visit www.issworld.com.