



Company announcement

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INTERIM REPORT FOR THE PERIOD 1 JANUARY–30 SEPTEMBER 2018

Continued solid growth for the first nine months of 2018

ISS (ISS.CO, ISS DC, ISSDY), a leading global provider of facility services, announces its interim financial report for the first nine months of 2018:

Highlights

- Organic growth of 3.2% in the first nine months and 3.4% in Q3 (Q2 2018: 3.2%), supported by contract launches and expansion of global key account contracts as well as continued demand for non-portfolio services.
- Total revenue decreased by 0.9% in the first nine months and 0.7% in Q3 (Q2 2018: 1.6%). The decrease in the first nine months was driven by negative currency effects of 4.1% partly offset by organic growth while effects from acquisitions and divestments were flat for the first nine months.
- Operating margin of 4.9% in the first nine months (2017: 5.4%) and 6.1% in Q3 (Q3 2017: 6.3%) reflecting contracts phasing in and out albeit less than previous quarters. The net impact of acquisitions and divestments as well as currency translation effects was negative by 3 bps for the first nine months and positive by 6 bps for Q3.
- Operating profit before other items amounted to DKK 2,901 million in the first nine months (2017: DKK 3,203 million), including negative currency translation effects of DKK 132 million, and DKK 1,189 million in Q3 (Q3 2017: DKK 1,249 million).
- Net profit (adjusted) decreased to DKK 1,387 million in the first nine months (2017: DKK 1,820 million), mainly due to lower operating profit before other items, higher other income and expenses, net and higher financial income and expenses, net.
- Net profit was DKK 437 million in the first nine months (2017: DKK 1,501 million) mainly as a consequence of goodwill impairment due to remeasurement of businesses classified as held for sale in the Netherlands, Argentina and Uruguay as well as France.
- Cash conversion over the last twelve months of 91% (Q2 2018: 97%) due to mobilisation of Deutsche Telekom and timing of collections and payments. Excluding the mobilisation of Deutsche Telekom the cash conversion was 95%.
- Free cash flow was an outflow of DKK 960 million for the first nine months (2017: an inflow of DKK 2 million), mainly driven by changes in working capital and lower cash flow from operating activities including mobilisation of Deutsche Telekom and negative currency translation effects.
- Net debt was DKK 13,971 million at 30 September 2018 (30 September 2017: DKK 13,913 million). Leverage at 30 September 2018 was 2.9x (30 September 2017: 2.7x), impacted by lower operating profit before other items mainly driven by negative currency translation effects. Our capital allocation and leverage objectives remain unchanged.

- Revenue from key accounts amounts to 56% of Group revenue in the first nine months (H1 2018: 53%).
- Revenue from global key accounts decreased by 3% in constant currency in the first nine months and represents 13% of Group revenue (H1 2018: 12%).
- Revenue generated from IFS increased by 9% in constant currency in the first nine months of 2018 leading to a total share of 40% of Group revenue (H1 2018: 39%).
- The Group is committed to maintain a nominal ordinary dividend paid in 2019 at least equal to 2018.
- We remain committed to delivering our strategy - The ISS Way. On 10 December 2018, we will host an investor call to provide a strategy update, outlining the next steps of this journey. Details will be available on the Investor section of www.issworld.com in due course.
- The 2018 outlook for organic growth, operating margin and cash conversion remains unchanged.

Jeff Gravenhorst, Group CEO, ISS A/S, said:

“We continued to deliver solid organic growth, supported by contract launches and expansions within our strategic segments. In Q3, we extended our contract with Nordea for five years. In addition, we won TSB Bank in the UK and successfully expanded the Post Nord contract across the Nordics. Our margins are in line with expectations, slightly lower compared to last year, due to contract rotation. We continue to increase our focus on key accounts and refine our portfolio in line with the strategy. Our pipeline is good which, together with the launch of Deutsche Telekom, will support our organic growth going into 2019.”

Lord Allen of Kensington Kt CBE

Chairman

Jeff Gravenhorst

Group CEO

Conference call details

A conference call will be held on 8 November 2018 at 10:00 CET.

Presentation material will be available online prior to the conference call.

Dial-in details:

Denmark: +45 35445580

UK: +44 2033645374

USA: +1 8557532230

Link: <https://edge.media-server.com/m6/p/7qmztw4d>

For investor enquiries

Martin Kjær Hansen, Head of Group Investor Relations, +45 38 17 64 31

Louisa Grue Baruch, Senior Investor Relations Manager, +45 38 17 63 38

For media enquiries

Rajiv Arvind, Senior Communications Manager, +45 38 17 62 11

About ISS

The ISS Group was founded in Copenhagen in 1901 and has grown to become one of the world's leading Facility Services companies. ISS offers a wide range of services such as: Cleaning, Catering, Security, property and Support Services as well as Facility Management. Global revenue amounted to DKK 80 billion in 2017 and ISS has more than 482,000 employees and activities in more than 70 countries across Europe, Asia, North America, Latin America and Pacific, serving thousands of both public and private sector customers. For more information on the ISS Group, visit www.issworld.com.