



Company announcement

Copenhagen, 17 August 2017

No. 17/2017

INTERIM REPORT FOR THE PERIOD 1 JANUARY – 30 JUNE 2017

Continued growth and stable margin in H1 2017

ISS (ISS.CO, ISS DC, ISSDY), a leading global provider of facility services, announces its interim financial report for the first six months of 2017:

Highlights

- Organic revenue growth of 1.8% in H1 and 1.0% in Q2 (Q1 2017: 2.6%).
- Total revenue increased by 2% in H1 and Q2 (Q1 2017: 2%), driven by organic growth and a positive effect from the net impact from acquisitions and divestments, partly offset by a negative impact from foreign exchange effects.
- Operating margin of 5.0% in H1 (H1 2016: 4.9%) and 5.4% in Q2 (Q2 2016: 5.4%). The operating profit before other items increased to DKK 1,954 million in H1 (H1 2016: DKK 1,907 million) and DKK 1,079 million in Q2 (Q2 2016: 1,058 million).
- Cash conversion over the last twelve months of 92% (Q1 2017: 98%).
- Net profit (adjusted) decreased to DKK 1,056 million in H1 (H1 2016: DKK 1,155 million), negatively impacted by a DKK 212 million loss related to remeasurement of a business classified as held for sale in Northern Europe.
- Net profit decreased to DKK 839 million in H1 (H1 2016: DKK 897 million).
- On 28 April 2017, we completed the DKK 1.5 billion acquisition of Guckenheimer, a leading US food services company with an annual revenue of approximately DKK 2,300 million and 3,200 employees in 33 US states.
- Leverage at 30 June 2017 was 2.8x (30 June 2016: 2.5x), impacted by the acquisition of Guckenheimer. Our capital allocation and leverage objectives remain unchanged.
- We have extended our global IFS partnership with Barclays until 2022. In addition, we have significantly expanded and extended our large cleaning contract with National Westminster Bank in the UK into an IFS partnership including technical services and maintenance and won an IFS contract with ABB covering four countries in APAC.
- Revenue generated from IFS increased by 4% in local currency in H1 (Q1 2017: 6%), leading to a total share of 36% of Group revenue (Q1 2017: 36%).
- Revenue from Global Corporate Clients increased by 10% in local currency in H1 (Q1 2017: 10%) and represents 11% of Group revenue (Q1 2017: 11%).
- Strategic initiatives, including sharper focus on key customers, the procurement programme and our global concepts and tools, continue to be implemented according to plan and support the margin.

- In June 2017, the Group activities in Argentina and Uruguay have been classified as discontinued operations and as held for sale.
- The 2017 outlook for organic revenue growth is narrowed to 1.5%-2.5% (from 1.5%-3.5% previously). Our expectations for operating margin (above 5.78%, restated) and cash conversion (above 90%) are unchanged.

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

“As we anticipated in May, our organic growth was down in Q2 compared to Q1. While the annualisation of losses and wins as well as the downsizing of some businesses were expected, we also faced some delays in contract start-ups and lower demand for non-portfolio services. The announced reduction in our future scope of services with DXC Technology is expected to come into effect from Q4 onwards. Our pipeline remains healthy and our value proposition compelling, as evidenced by recent contract wins with National Westminster Bank, ABB and BHP Billiton and extension with Barclays. Given our performance in H1 and our expectations for growth in H2, including the scope reduction with DXC Technology, we have narrowed our organic revenue outlook for the year from 1.5-3.5% to 1.5-2.5%, within the lower half of our original range.”

Lord Allen of Kensington Kt CBE
Chairman

Jeff Gravenhorst
Group CEO

Conference call details

A conference call will be held on 17 August at 10:00 CEST.

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

Dial-in details:

Denmark: +45 35445580
UK: +44 2033645374
USA: +1 8557532230

Link: <http://edge.media-server.com/m/p/kp7p9hy7>

For investor enquiries

Nicholas Ward, Head of Group Investor Relations, +45 3817 6251

Martin Kjær Hansen, Senior Investor Relations Manager, +45 3817 6431

For media enquiries

Lena Stennicke, Global Media Relations Manager, +45 38 17 65 03

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 79.1 billion in 2016 and ISS has more than 491,000 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.