

# RETAIN Project: Analysing ISS Facility Services

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8 June 2021

# The largest multinational companies in facility services and number of employees

- Compass Group 548,143
- Sodexo 422,712
- ISS 370,000 (75% FT in 2020)
- Atalian 137,000
- Dussmann more than 60,000

# The ISS Way: We have built capabilities and sharpened our focus

...now is the time to accelerate our transition and increase growth



Note: Prior to 2008 ISS acquired 700 businesses – In UK acquisition of GS HALL (technical services)

# Strategy and its implications for Staff Retention and Labour Turnover

- Focus on Integrated Facility Services > Different tasks, career pathways
- Global Clients/Key Accounts > work for the same client over number of years; increased expertise require
- Digitalisation > increases value-added per employee / FMS@ISS
- New corporate hub in Warsaw > Need to do something in PL



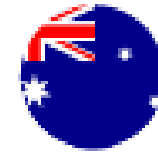
**UK**

14% of Group Revenue



**United States**

10% of Group Revenue



**Pacific**

6% of Group Revenue



**Germany**

6% of Group Revenue



**Denmark**

5% of Group Revenue



**India**

2% of Group Revenue



**Hong Kong**

3% of Group Revenue

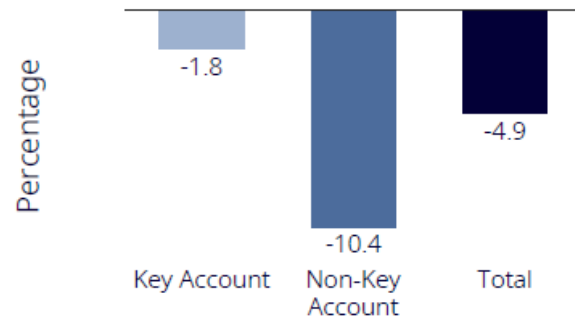
# Key Accounts

- Key account revenue was 67% of Group revenue in 2020 (2019: 63%), and generated organic growth of (4.3)%, which was slightly better than the Group's organic growth
- strong key account growth in a number of countries, especially Turkey, Australia and Italy.
- managed to maintain a high key account retention rate of 93%.

Customer <sup>1)</sup>	Countries	Segment	Term	Effective
<b>Wins</b>				
Vestel City	Turkey	Industry & Manufacturing	5 years	Q1 2020
Başakşehir İkitelli Entegre Sağlık Kampüsü	Turkey	Healthcare	1 year	Q2 2020
Konya Şehir Hastanesi	Turkey	Healthcare	1 year	Q3 2020
International manufacturing company	Americas	Industry & Manufacturing	5 years	Q1 2021
Hospital customer	UK	Healthcare	7 years	Q1 2021
Iberdrola S.A.	Spain	Energy & Resources	5 years	Q1 2021
<b>Extensions/expansions</b>				
The Co-operative Group	UK	Retail & Wholesale	5 years	Q1 2020
Financial Services customer	14 countries	Business Services & IT	5 years	Q1 2020
Hotel customer	Norway	Hotels, Leisure & Entertainment	4 years	Q2 2020
Software and IT customer	USA	Business Services & IT	1.5 years	Q2 2020
Hospital Authority (Kowloon West Cluster)	Hong Kong	Healthcare	3 years	Q2 2020
UBS	23 countries	Business Services & IT	5 years	Q3 2020
Homerton University Hospital	UK	Healthcare	2 years	Q4 2020
Retail and Wholesale customer	Norway	Retail & Wholesale	3 years	Q4 2020
International beverage manufacturer	Netherlands	Food & Beverage	3 years	Q1 2021
Senaatti	Finland	Business Services & IT	6 years	Q1 2021
Airport customer	Australia	Transportation & Infrastructure	1 year	Q1 2021
Sportswear manufacturer	USA	Industry & Manufacturing	2 years	Q1 2021
Technology company	14 countries	Industry & Manufacturing	2 years	Q1 2021
Airport customer	UK	Transportation & Infrastructure	1 year	Q1 2021
Technology company	UK	Business Services & IT	1 year	Q1 2021
Technology company	Global	Business Services & IT	1 year	Q4 2021
<b>Losses/reductions</b>				
Belgian Railways	Belgium	Transportation & Infrastructure	-	Q2 2020
GLH Hotels	UK	Hotels, Leisure & Entertainment	-	Q2 2020
DSB	Denmark	Transportation & Infrastructure	-	Q3 2020
U.S. Bank	USA	Business Services & IT	-	Q4 2020
Denver International Airport	USA	Transportation & Infrastructure	-	Q1 2021
Post Nord	Scandinavia	Transportation & Infrastructure	-	Q1 2021
Public Administration organisation	Spain	Healthcare	-	Q1 2021
Public Administration organisation	7 countries	Business Services & IT	-	Q2 2021

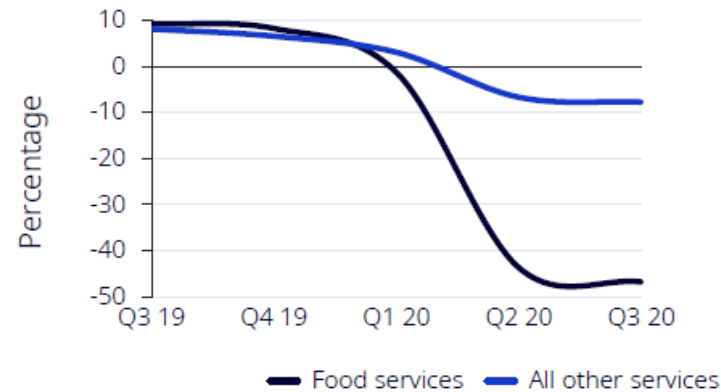
# During the Covid-19 crisis

## Customer type organic growth (Jan-Sep 2020)



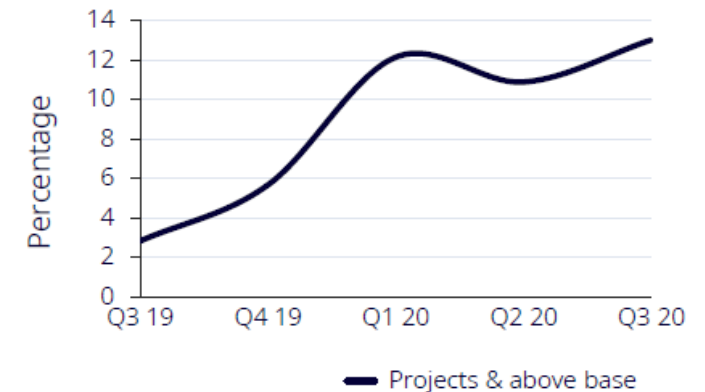
- Our strategic focus on Key Account customers (66% of YTD revenue) has increased the quality of our revenue base, as evidenced by overall more resilient organic growth

## Service line growth



- While food services (15% of revenue in 2019) have been severely impacted by Covid-19 as it is significantly volume driven....
- ... most other services have remained resilient and are expected to be faster to ramp up as sites fully reopen and end-user utilisation increases

## Projects & above-base organic growth







- Contrary to any other historical economic downturn, projects and above base work have *not* declined – but rather *increased*
- While this part of the business has also been significantly impacted by lock-downs, it has been more than outweighed by the demand for deep-cleaning and disinfection



# 'all about servicing our global customers' - *Not as easy as in theory*

- Lost **Novartis** pharmaceutical account (DKK 2.0 billion in 2018 (2.8% of Group revenue))
- **BT Group**: ISS won the cleaning and security contract. CBRE Global Workplace Solutions (GWS) will provide hard and soft facilities management services, ranging from engineering through to postroom services (5 year contract covering 1,900 staff)
- Significant resource mobilisation required for **Deutsche Telekom** key account hits upper lines and slims margins at the bottom (4% of Group Revenue).
- Lost **UK Ministry of Defence**
- Lost **Danish Defence Ministry**
- **Not making headway as promised in Deutsche Telekom**

Key operational challenges	
 Deutsche Telekom	<ul style="list-style-type: none"><li>• Delayed IT migration and operational challenges</li><li>• Significant one-off costs in 2020, including write-down of transition costs</li><li>• Execution programme towards stabilisation on track</li><li>• Initiated restructuring projects ongoing</li></ul>
 Danish Defence	<ul style="list-style-type: none"><li>• Operational challenges and ongoing dialogue with customer about a possible exit</li><li>• Onerous contract provision recognised in 2020</li></ul>
 UK	<ul style="list-style-type: none"><li>• Significant revenue and operating margin reduction due to Covid-19</li><li>• Detailed review of the business platform led to changes in the management structure and one-off costs</li></ul>
 France	<ul style="list-style-type: none"><li>• Significant revenue and operating margin reduction due to Covid-19</li><li>• Major reorganisation ongoing but delayed due to Covid-19 and nationwide lockdowns</li><li>• Large restructuring plan being executed</li></ul>

# Divestment = investment?



2bn DKK will be raised through divestment



Divestments (Portugal, Russia, Taiwan) – increased focus on cash generation as well as business units that don't fit to strategic profile –



Organisational restructuring: Strategic Investment Unit



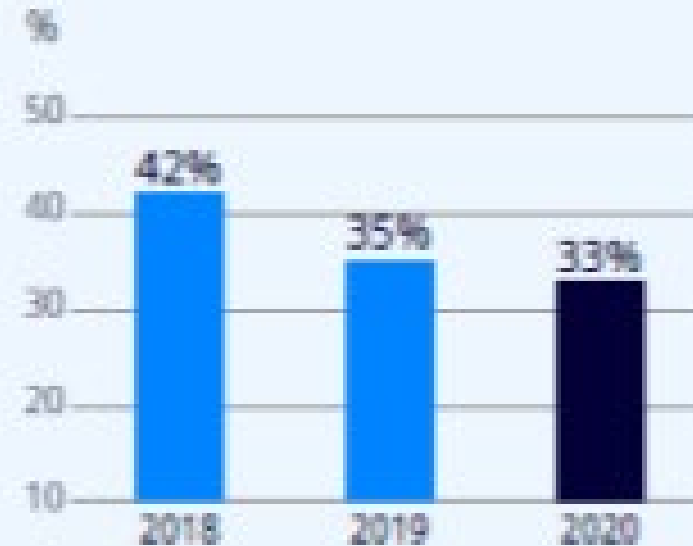
Operational: more technical services, catering and food services (healthy food), workplace technology and data (sensors in floors/doors, etc.)

# Staff Retention and Labour Turnover at ISS Facility Services

# Employee Turnover & Retention

- Some of the initiatives included placing employees closer to their residences so they did not need to travel long distances, and increased opportunity for training so they could have the opportunity to seek other jobs within ISS.
- global employee turnover continued to improve in 2020 to 33% and reflecting among others
- The positive trend is also driven by key account focus, including discontinuation of high-churn non-key account customer contracts.

## Employee turnover



**19,5%**

### Employee Turnover

We have a clear ambition of driving down turnover and be an attractive employer. From 22,5% in 2019 and a target for 2021 at 19,0%

# Covid-19 – A challenge to Staff Retention

- Corporate cost reduction drives outsourcing
- Reduced square meters (10-15%) in next three years.
- Aviation section harder hit and will not recover fully

Getting ISS Facility Services'  
Clients to focus on Staff Retention

Investor Strategies – Whom do we  
need to reach out to?

**Shareholders**

ISS A/S (DK0060542181) ▾

Name	Equities	%
Kirkbi A/S	31,563,598	17.0%
Mondrian Investment Partners Ltd.	14,853,457	8.00%
Longview Partners LLP	13,167,916	7.09%
Vulcan Value Partners LLC	10,360,286	5.58%
BlackRock Investment Management (UK) Ltd.	6,927,508	3.73%
The Vanguard Group, Inc.	5,311,958	2.86%
Norges Bank Investment Management	4,903,811	2.64%
First Eagle Investment Management LLC	3,146,867	1.69%
BlackRock Fund Advisors	2,593,257	1.40%
Harris Associates LP	2,437,600	1.31%



*Tasks ahead for us...*

## ISS Trade Union Alliance

- Hold company **accountable** to their Global Framework Agreement
- **Monitoring** and analysis of company developments
- Build **solidarity** with cleaners' unions in ISS across Europe and the globe
- Train **new leaders and organizers** in the cleaning sector
- Develop Global Client **Organizing Strategy**
- Establish **knowledge exchange** between different trade unions
- Increase **trade union participation** in the European Works Council



# Chances for co-operation with ISS Facility Services

- ISS Journeys – all employees will be able to upgrade their skills (vocational and skills as part of collective agreements)
- Health & Safety
- Integration of workers with disabilities