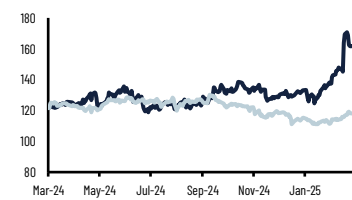


Share information



Ytd	23.4%	1 year:	31.4%
1 month:	17.4%	3 year:	51.0%

Note: *We apply the closing price from 03 March 2025
Index rebased to 04 March 2024. Source: S&P Capital IQ

Financials

(DKKm)	2023	2024	2025E*
Revenue	78,681	83,761	87,950
Revenue growth	6.6%	6.5%	4-6%
Operating profit ¹⁾	3,348	4,155	>4,400
Operating margin	4.3%	5.0%	>5%
Net income	325	2,589	N/A
Net income margin	0.4%	3.1%	N/A
Free cash flow	1,775	1,996	>2,400
Net debt	10,548	11,340	N/A

Note: *2025E numbers reflect ISS' own midpoint guidance. 1) Operating profit before other items (excl IAS 29). FCF >DKK 3.0bn if DT case won in full.

Valuation multiples

	2023	2024	2025E*
P/S (x)	0.3	0.3	0.3
EV/Sales (x)	0.5	0.4	0.5
EV/EBITDA (x)	7.8	6.7	6.8
EV/EBIT (x)	11.1	9.6	9.2
P/E (x)	73.5	8.9	9.6
P/B (x)	2.3	1.9	N/A
P/CF (x)	13.5	11.6	8.9

Note: *Multiples in 2023 and 2024 are based on historical data, while 2025E numbers are based on consensus analyst estimates

Company description

ISS is a global facilities management company, based in Denmark, and listed on Nasdaq Copenhagen in 2014, with global operations and a very strong position in Europe. Geographical markets include Northern Europe (37% revenue FY2024), Central & Southern Europe (33%), Asia & Pacific (17%), Americas (12%), and others (1%) with ISS delivering a wide range of integrated facility services (IFS) including cleaning, technical, catering/food, and workplace solutions via its 325,000+ global employees.

Investment case

ISS refocused its strategy following Covid-19, as lockdown-related challenges impacted earnings, also resulting in a high gearing ratio. The following divestment of non-core markets and cost-cutting program has reduced debt and improved efficiency (Adj. EBIT margin back around 5% FY2024), creating a stable foundation for growth and shareholder returns via dividends and buybacks.

In December 2024 ISS refreshed its strategy with a focus on gaining market share in key markets and segments, leveraging technology to further improve efficiency. The strategy aims to gain incremental market share as the integrated facilities management market continues to benefit from back-to-the-office trends globally. The strategy centred on organic growth, with small bolt-on acquisitions, can deliver strong cash flow and support rising shareholder returns via dividends (DKK 3.1/share FY2024) and announced share buybacks DKK 2.5bn FY2025E. A client retention rate of 93% FY2024 gives ISS considerable revenue visibility, with opportunities to grow with key accounts and win new contracts in a fragmented market, with ISS' global market share around 1%.

ISS trades below its publicly listed peers on an earnings multiple basis despite no clear explanation from balance sheet strength, yields or earnings outlook. Based on a history of inconsistent results, narrowing the valuation gap may demand consistent execution of its strategy to deliver stable growth in earnings and returns to shareholders.

Key investment reasons

ISS offers growing dividends and share buy backs, as it targets 4-6% annual organic growth in its fragmented market (ISS 1% global market share) supported by back-to-the-office market growth and market share gains. FY2025 consensus estimates and stated ambitions project around DKK 17.9/share in capital return via dividends and share buy-backs (11.0% total yield).

In recent years ISS has divested unproductive business units and strengthened its balance sheet bringing Net Debt to adj. EBITDA to the low end of its target 2.0-2.5 range. The enhanced stability and financial position provide a solid platform for stable growth and absolute growth in earnings. That, combined with its current bolt on M&A strategy, should lift returns the coming years.

Financial targets for 2025 and beyond for 4-6% organic revenue growth, >5% operating margin, and >60% cash conversion, give a cash return profile which can sustainably outpace GDP.

Key investment risks

The facilities management industry is highly competitive with relatively low margins. A small change in margins can have a large impact on earnings, and while labour costs are somewhat flexible, wage cost pressures, as seen in 2021, or a cyclical drop in revenue can impact earnings.

Despite a small total market share, growth significantly in excess of the market may be difficult to achieve with an organic and conservative acquisition strategy. Organic market share growth may prove challenging given the last year's inflation-related price hikes are not expected to continue at the same high level.

ISS has a legal case with Deutsche Telekom (DT) (final hearing mid-July 2025) over a disputed DKK 600m in unpaid services, which could negatively impact shares in an adverse ruling. Alternatively, a successful case would boost shareholder returns, with free-cash-flow of DKK 2.4bn expected in 2025 no matter a negative outcome.

Peer group

Company	Price (local)	Total return YTD	Market cap (EURm)	EV (EURm)	EV/EBIT		P/E		Div yield		EBIT Growth %		EBIT margin	
					FY2025	FY2026	FY2025	FY2026	FY2024	FY2025	FY2024	FY2025	3-yr avg	LTM
Sodexo S.A.	EUR 75.1	-5.6%	10,986	14,332	11.5	10.6	13.2	12.0	3.3%	3.7%	-15.2%	12.0%	5.0%	4.3%
Compass Group PLC	GBP 28.1	6.7%	57,703	62,630	19.9	18.2	27.0	24.2	1.7%	1.9%	7.8%	13.7%	6.7%	7.0%
Cushman & Wakefield plc	USD 11.5	-11.8%	2,526	5,021	11.1	9.2	11.4	8.7	0.0%	0.0%	20.7%	15.6%	4.1%	4.1%
Aramark	USD 36	-3.2%	9,097	14,529	14.9	13.4	18.8	16.0	1.1%	1.2%	-14.6%	15.7%	4.2%	4.2%
Mitie Group plc	GBP 1.2	6.9%	1,750	1,994	6.8	6.2	9.4	8.5	3.4%	3.7%	12.6%	7.9%	4.0%	4.0%
ABM Industries Incorporated	USD 53.5	5.0%	3,168	4,509	11.6	10.7	14.3	13.0	2.1%	2.0%	-2.3%	6.6%	3.7%	3.7%
Median		0.9%	6,133	2,834	11.5	10.7	13.8	12.5	1.9%	1.9%	2.8%	12.8%	4.2%	4.2%
ISS A/S	DKK 162	23.4%	3,785	5,413	9.2	8.7	9.6	8.7	1.4%	2.8%	22.0%	6.2%	4.4%	4.7%

Note: Data from 03/03/2025

Source: S&P Capital IQ

Note: Peers with skewed fiscal periods include: Sodexo: 1 Sept- 31 August. Compass Group: 1 Oct - 30 Sept. Aramark: Day after close - Friday closest to 30 Sept., Mitie Group: 1 April - 31 March. ABM Industries Incorporated: 1 Nov - 31 October. Only Mitie Group's fiscal periods have been adjusted by T+1, otherwise no adjustments have been made relating to skewed fiscal periods.



Appendix - Valuation

Estimates and assumptions: The data in the peer group concerning the peer companies has not been calculated by HC Andersen Capital but is instead consensus analyst estimates from S&P Capital IQ. HC Andersen Capital assumes no responsibility for the correctness of the numbers in the peer group; however, considers S&P Capital IQ a credible source of information.

Selected facilities management peers

Sodexo: is a global leader in integrated facility management and food services, offering catering, cleaning, and property management. Headquartered in France, Sodexo operates in more than 40 countries, with a particularly strong presence in Europe, North America, and Asia. It employs over 420,000 people worldwide and is listed on the Euronext Paris Stock Exchange

Compass Group (UK): is a UK-based multinational specializing in contract food services and facilities management. Serving key sectors such as healthcare, education, business, and leisure, it operates globally, particularly in North America, Europe, and Asia-Pacific. Compass Group employs over 550,000 people and is listed on the London Stock Exchange.

Cushman & Wakefield: is a prominent global real estate services firm providing facilities management, property management, leasing, and advisory services. Headquartered in Chicago, USA, it has operations in over 60 countries across North America, Europe, Asia-Pacific, and Latin America. Cushman & Wakefield employs over 50,000 people and is listed on the New York Stock Exchange.

Mitie Group: is a UK-based facilities management company offering integrated services such as cleaning, security, technical maintenance, and workplace management solutions. Predominantly active in the UK and Ireland, Mitie supports clients in sectors including healthcare, education, financial services, and government. It employs over 70,000 people and is listed on the London Stock Exchange.

ABM Industries Inc: provides comprehensive facilities management services, including janitorial, engineering, HVAC, electrical, and parking solutions. Headquartered in New York, USA, ABM primarily operates across North America, serving clients in commercial real estate, industrial, healthcare, education, aviation, and government sectors. It employs over 100,000 people and is listed on the New York Stock Exchange.