ISS A/S

Compounding capital return with targeted organic growth strategy

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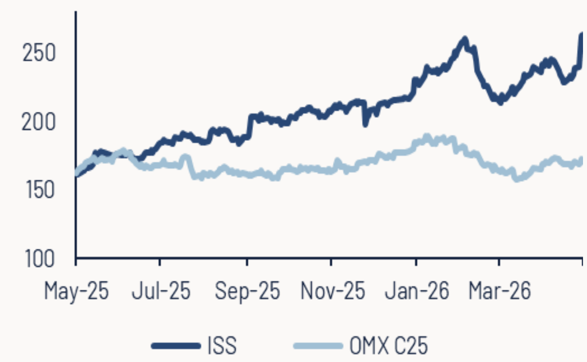
Key Financials and Valuation

Share price



YTD:	20.8%	1 year:	59.5%
1 month:	11.4%	3 years:	88.2%

Note: We apply closing price from 07 May 2026. Source: S&P Capital IQ.

Financials

DKKm	2024	2025	2026E	2027E
Revenue	83,761	84,684	89,234	93,071
Growth	6.5%	1.1%**	5.4%	4.3%
Operating profit*	4,155	4,237	4,583	4,851
Operating margin	5.0%	5.0%	5.1%	5.2%
Net income	2,589	2,613	3,032	3,249
Free cash flow	1,994	2,650	3,218	3,396
Net debt	11,340	13,227	-	-
Market value	23,168	35,081	41,464	41,464
EV/Sales (x)	0.4	0.6	0.6	0.6
EV/EBITDA (x)	6.7	8.7	9.0	8.5
EV/EBIT (x)	9,0	12.5	12.1	11.4
P/E (x)	8.9	13.1	13.6	12.7

Source: ISS and S&P Capital IQ Pro. Note*: Operating profit excl. IAS 29. **Organic growth 4.3% constant currencies FY 2025. Estimates from S&P Capital IQ

Guidance 2026E

	ISS	Consensus*
Organic growth	>5%	5.4%
Operating margin	>5%	5.1%
FCF	>DKK 2.5bn	3.2bn

Note: *ISS FCF guidance rises to DKK 3.1bn if the Deutsche Telekom case is favourable

Financial targets

	ISS
Organic growth	4-6% med-term
Operating margin	>5%
Cash conversion	>60%

Note: *Consensus estimates sourced from S&P Capital IQ.
Dividend DKK 3.2/share proposed - payout ratio 20% of adjusted net profit FY 2025

Valuation Perspectives

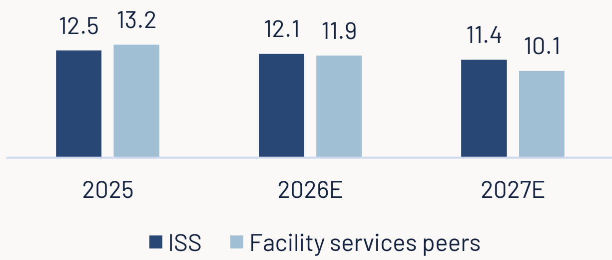
ISS has undergone a significant re-rating, with the share price rising 65% in 2025 vs mid-single digit average for peers. Despite the outperformance in 2025, ISS trades broadly in line with the forward facility services peer median valuation multiples (2026E EV/EBIT 12.1x vs. peers 11.9x and P/E 13.8x vs. peers 13.6x).

The previous valuation gap was closed due to strong execution of the OneISS strategy, improved free cash flow, and rising shareholder returns including DKK 3.0bn of share buybacks in 2025. ISS now seeks to earn a sustained valuation premium similar to class leader Compass Group, which will require consistent execution, combining durable organic growth, with gradual margin expansion, bolt-on M&A, and consistent shareholder returns.

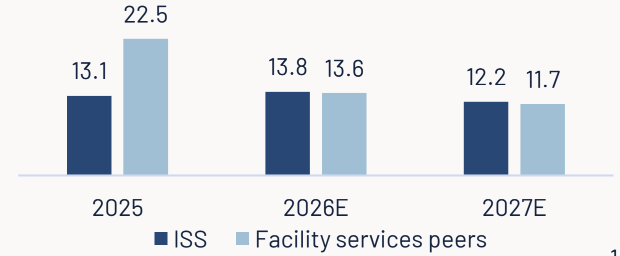
Consistent execution may justify additional multiples expansion, while share buybacks and dividends present a solid capital return profile. With leverage at 2.3x NIBD/EBITDA shareholder returns can continue – the DKK 2.5bn new share buyback and DKK 3.2/share dividend represent total capital return of around DKK 3.16bn is around 7.6% total capital return given the current share price of DKK 251.4/share.

Two catalysts could accelerate re-rating in 2026: sustained organic growth and margin delivery above 5% and resolution of the Deutsche Telekom arbitration (H1 2026), which could lift FCF guidance from >DKK 2.5bn to >DKK 3.1bn.

EV/EBIT



P/E



Investment Case – From facilities provider to integrated workplace partner

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Key Investment Reasons

- ISS offers an attractive capital return profile, as 4-6% annual organic growth with >60% cash conversion and >5% operating margin can sustain growing capital returns. In 2026, shareholders will receive DKK 3.1bn in total returns (DKK 2.5bn new buyback programme + DKK 3.2/share proposed dividend for FY 2025 – a 20% payout ratio).
- ISS operates with a ~1% global share in a fragmented market, enabling continued organic growth at a pace greater than GDP, supported by return to the office and prioritized customer segments. The proven delivery model can support ongoing high cash conversion >60%.
- A solid balance sheet 2.3x NIBD/EBITDA FY2025 following divestment of unproductive assets enables bolt-on M&A to support growth, while paying out excess cash to shareholders.

Key Investment Risks

- Facilities services management is a highly competitive industry, with generally low-margins. This means operating leverage cuts both ways, and contract losses, wage inflation, or macro softening can pressure earnings, despite labor costs being somewhat flexible.
- Growth in 2025 was price-led (~4pp of 4.3% organic growth). Volume was a larger component of Q1 2026 growth, but this must be sustained. Despite a small global market share, growth significantly above the market may be challenging with a conservative acquisition strategy.
- ISS has a legal case with Deutsche Telekom (DT) (awaiting verdict after the final hearing in July 2025) over a disputed DKK 600m in unpaid services, which could negatively impact shares in an adverse ruling. No matter the outcome ISS expect free-cash-flow of DKK 2.5bn in 2026E, and a positive result can lift capital returns further.

Company description: ISS is a global facilities management company, based in Denmark, listed on Nasdaq Copenhagen in 2014, with global operations and a very strong position in Europe. Geographical markets include Northern Europe (38% revenue 2025), Central & Southern Europe (35%), Asia & Pacific (17%), Americas (9%), with ISS delivering a wide range of integrated facility services (IFS) including cleaning, technical, catering/food, and workplace solutions via its 320,000+ global employees, across 40,000+ customers.

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, with the operating margin stabilizing at 5.0% in both 2024 and 2025, creating a solid foundation for growth and shareholder returns via dividends and buybacks.

ISS' refreshed strategy with a focus on key markets and segments, and leveraging technology to further improve efficiency, aims to grow market share incrementally, while the broader 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, delivered DKK 2.7bn in free cash flow in 2025 (up 35% YoY) and supports rising shareholder returns via a new DKK 2.5bn share buyback programme for 2026 (following DKK 3.0bn completed in 2025), a proposed dividend of DKK 3.2/share.

ISS has considerable revenue visibility with its client retention rate at 94% in 2025 and a 2026 contract expiry profile at the low end of historical levels, with continued solid commercial momentum YTD 2026 (2 wins, 6 expansions, 1 exit), following 25 announcements in 2025 (10 wins, 12 expansions, 3 reductions/exits). The shift away from price-driven growth is becoming more evident, with Q1 2026 organic growth of 7.4% reflecting a notably more balanced mix. This underpins the 2026 guidance of >5% organic growth, >5% operating margin and >DKK 2.5bn underlying FCF. The Deutsche Telekom arbitration case, with a final outcome expected in H1 2026, represents a potential additional catalyst.

Strong execution in 2025 has seen ISS close its valuation gap to peers (around 20-30% at the 2024 annual report). Sustained execution of the mid-term strategy, and continued shareholder returns, may further narrow the valuation gap to leading peer Compass Group, which remains significant.

Peer Group – Focus on global facilities management peers

Our ISS peer group comprises global facility management and outsourced services companies. Compass Group is the sector benchmark — the valuation gap to Compass represents the key upside catalyst if ISS sustains delivery.

ISS has closed ~20-30pp of its valuation discount to peers during 2025. The remaining gap to Compass reflects a margin difference (ISS 5.0% vs Compass ~6.9%) and Compass' long history of demonstrating growth with solid margins. Sustained growth with margin delivery and strong shareholder returns are likely key for further valuation improvement. The peer set includes Compass Group, Sodexo, Mitie, Aramark, Cushman & Wakefield, and ABM Industries.

	Total return	Market cap	EV	Revenue (CAGR)	EBIT growth (CAGR)	EV/EBITDA			EV/EBIT			P/E			EBIT margin (%)		
Company	**YTD**	**(EURm)**	**(EURm)**	**2025-28E**	**2025-28E**	**2025**	**2026E**	**2027E**	**2025**	**2026E**	**2027E**	**2025**	**2026E**	**2027E**	**2025E**	**2026**	**2027E**
Median - Global FM peers	-1.9%	4,518	7,695	6.5%	15.9%	8.0x	8.0x	7.1x	13.2x	11.9x	10.1x	22.5x	13.6x	11.7x	4.2%	5.0%	5.3%
Compass Group (benchmark)	-6.7%	42,305	47,887	8.0%	12.8%	15.8x	11.1x	10.2x	19.7x	15.4x	14.0x	38.6x	20.2x	18.5x	6.6%	7.2%	7.4%
ISS A/S *Premium(+)/Discount(-)*	**22.4%**	**5,546**	**7,416**	**4.6%**	**9.3%**	**9.3x**	**9.0x**	**8.5x**	**12.5x**	**12.1x**	**11.4x**	**13.1x**	**13.8x**	**12.2x**	**4.6%**	**5.1%**	**5.2%**

Note: data from 05/05/2026. Consensus estimates from S&P Capital IQ

Source: S&P Capital IQ

Peer Group (2/2) – Full peer group overview

	Price	Total return	Market cap	EV	Revenue (CAGR)	EBIT (CAGR)	EV/EBITDA			EV/EBIT			P/E			EBIT margin (%)		
Company	**(local)**	**YTD**	**(EURm)**	**(EURm)**	**2025-28E**	**2025-28E**	**2025**	**2026E**	**2027E**	**2025**	**2026E**	**2027E**	**2025**	**2026E**	**2027E**	**2025**	**2026E**	**2027E**
Sodexo S.A.	EUR 43.1	-1.5%	6,280	10,493	1.5%	-1.1%	6.2x	8.1x	7.1x	8.9x	13.5x	11.3x	10.2x	13.1x	11.3x	4.5%	3.3%	3.8%
Compass Group PLC	USD 29.3	-6.7%	42,305	47,887	8.0%	12.8%	15.8x	11.1x	10.2x	19.7x	15.4x	14.0x	38.6x	20.2x	18.5x	6.6%	7.2%	7.4%
Cushman & Wakefield Ltd.	USD 13.9	-14.5%	2,757	4,898	6.5%	30.0%	8.7x	7.9x	7.0x	13.3x	9.9x	8.8x	16.6x	9.5x	8.2x	3.2%	5.3%	5.6%
Aramark	USD 45.1	22.6%	10,062	15,292	6.5%	17.3%	5.6x	11.7x	10.7x	17.3x	16.0x	14.4x	27.9x	20.3x	17.2x	4.6%	5.7%	6.0%
Mitie Group plc	GBP 1.7	5.1%	2,565	3,123	7.3%	19.6%	8.5x	7.8x	6.9x	13.0x	10.3x	8.9x	21.7x	14.1x	12.2x	3.8%	4.6%	5.0%
ABM Industries Inc.	USD 40.8	-2.3%	2,027	3,417	3.9%	14.5%	7.5x	7.2x	6.8x	12.6x	9.2x	8.4x	23.3x	10.3x	9.4x	3.7%	4.7%	5.0%
Median - European facilities management peers		**-1.9%**	**4,518**	**7,695**	**6.5%**	**15.9%**	**8.0x**	**8.0x**	**7.1x**	**13.2x**	**11.9x**	**10.1x**	**22.5x**	**13.6x**	**11.7x**	**4.2%**	**5.0%**	**5.3%**
ISS A/S	**DKK 262.4**	**22.4%**	**5,546**	**7,416**	**4.6%**	**9.3%**	**9.3x**	**9.0x**	**8.5x**	**12.5x**	**12.1x**	**11.4x**	**13.1x**	**13.8x**	**12.2x**	**4.6%**	**5.1%**	**5.2%**
Premium (+)/Discount(-)							*16%*	*12%*	*20%*	*-5%*	*2%*	*13%*	*-42%*	*1%*	*4%*			

Note: data from 07/05/2026

Source: S&P Capital IQ

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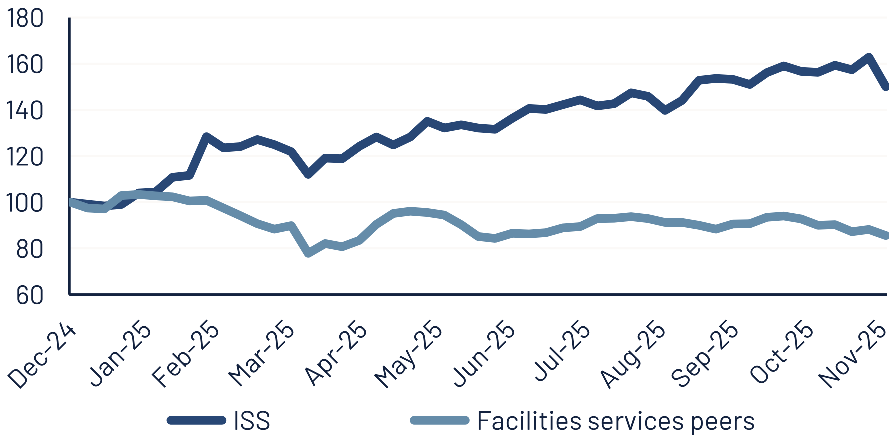
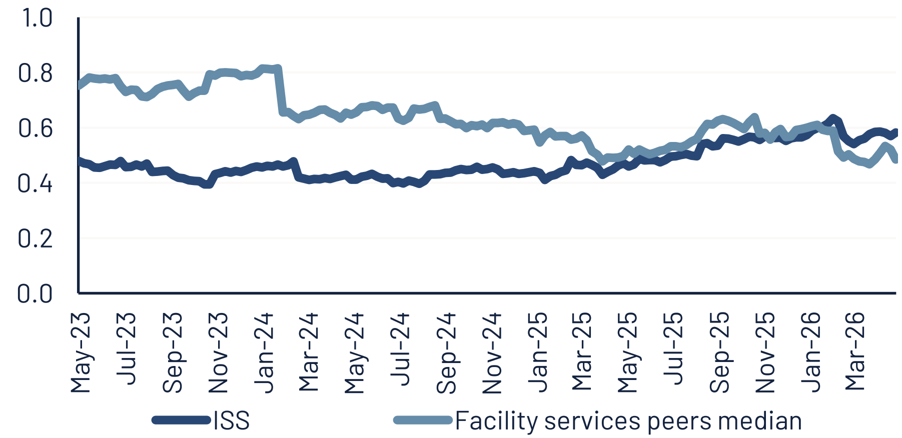
Valuation vs. Peers

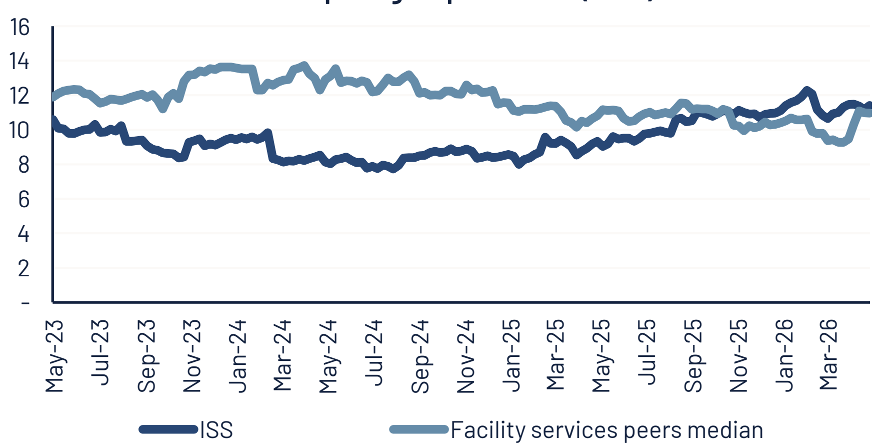
ISS price returns vs peer group median



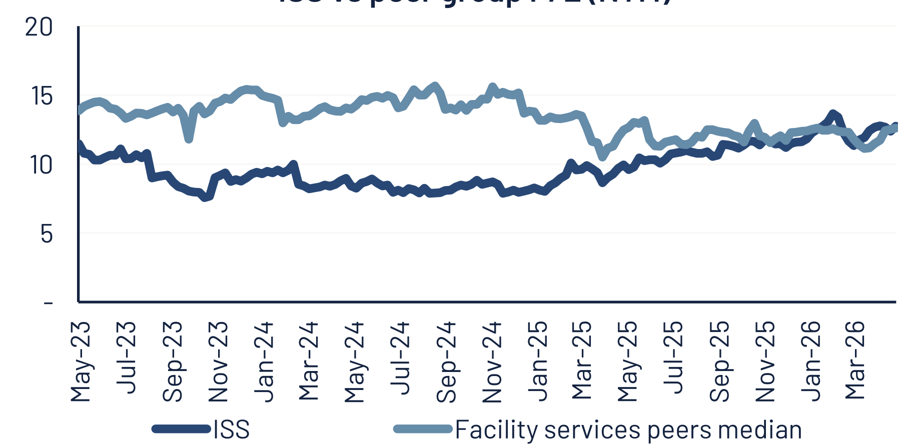
ISS vs peer group EV/Sales (NTM)



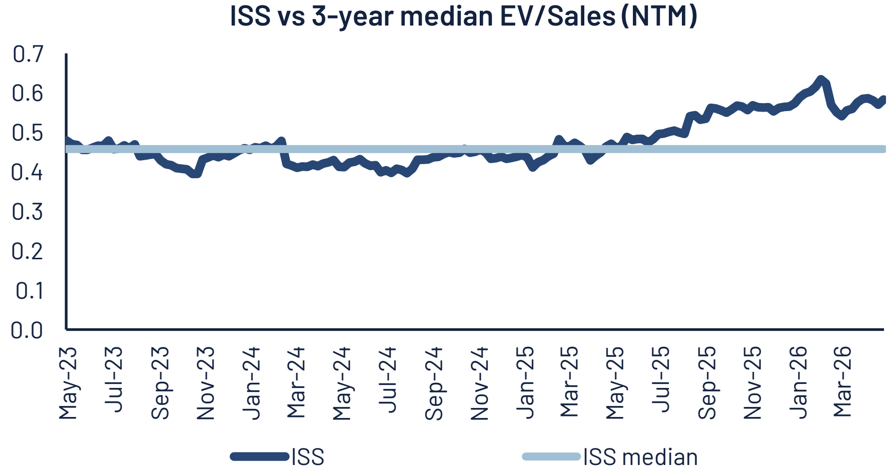
ISS vs peer group EV/EBIT (NTM)

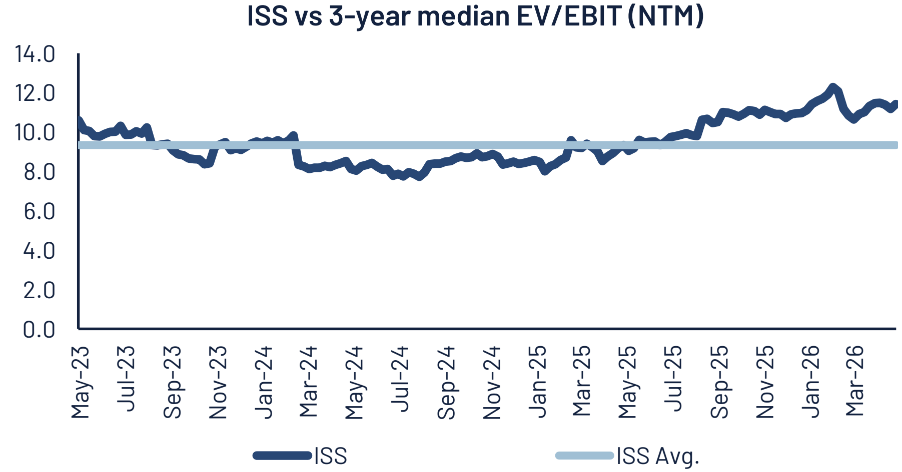


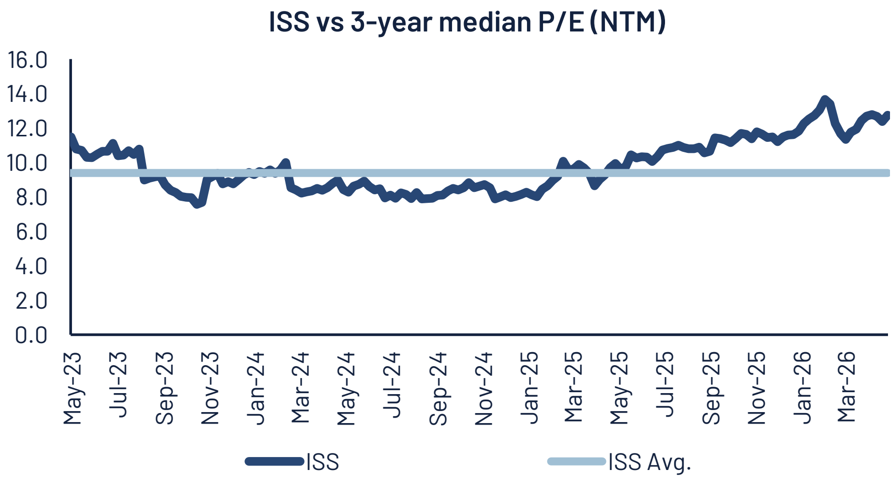
ISS vs peer group P/E (NTM)



Valuation vs. Historical







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