

Market: OMXC Large Cap

Ticker: ISS

Share price (DKK): 161.3

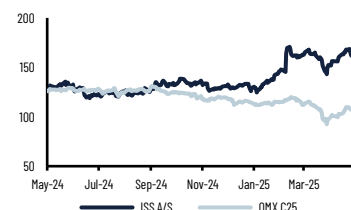
Market cap (DKK): 28bn

Net debt (DKK): 11.4bn

Enterprise value (DKK): 39.8bn

\*Net debt from Q4 2024

## Share information



YTD 22.8% 1 year: 30.2%  
1 month: 5.9% 3 years: 27.0%

Note: \*We apply the closing price from 08 May 2025  
Index rebased to 13 May 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 <sup>(1)</sup>	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' midpoint guidance. 1) Operating profit before other items (excl IAS 28). 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	6.7
EV/EBIT (x)	11.1	9.6	9.1
P/E (x)	73.5	8.9	9.7
P/B (x)	2.3	1.9	2.5
P/CF (x)	13.5	11.6	8.8

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, listed on Nasdaq Copenhagen in 2014, with global operations and a very strong position in Europe. Geographical markets include Northern Europe (37% revenue 2024), Central & Southern Europe (33%), Asia & Pacific (17%), Americas (11%), and others (1%) with ISS delivering a wide range of integrated facility services (IFS) including cleaning, technical, catering/food, and workplace solutions via its 300,000+ 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% in 2024), creating a stable 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, can deliver strong cash flow and support rising shareholder returns via dividends (DKK 3.1/share 2024) and announced share buybacks of DKK 2.5bn 2025E. ISS has considerable revenue visibility with its client retention rate improving slightly to 94% LTM in Q1 2025, driven by contract extensions. The Q1 2025 revenue increase of +4.3% y/y suggests back-end loaded growth to reach the guidance mid-point, as is expected from ramping up its major contract with DWP in the UK.

ISS' earnings multiples trade slightly below peers despite no clear explanation from balance sheet strength, dividend yields or earnings outlook. Given a history of inconsistent results, consistent execution of its strategy to deliver stable growth in earnings and returns to shareholders may drive a narrowing of the valuation gap.

## Key investment reasons

ISS offers growing dividends and share buybacks, 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. Consensus estimates for 2025E dividend and the announced DKK 2.5bn share buyback suggest a total capital return of 18.4/share in 2025E.

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 2.0-2.5x range. The improved financial position provides a foundation for stable revenue growth and absolute earnings growth. A stable growth focus, 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 that 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 that 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 2025E	EV/EBIT 2026E	P/E 2025E	P/E 2026E	Div yield 2025E	Div yield 2026E	EBIT growth % 2025E	EBIT growth % 2026E	EBIT margin (%) 3-yr avg	EBIT margin (%) LTM
Sodexo S.A.	EUR 55.1	-30.7%	8,064	12,213	10.5	9.7	10.1	9.5	4.8%	5.2%	14.2%	7.4%	4.0%	4.4%
Compass Group PLC	GBP 26.1	-1.0%	52,189	56,991	19.0	17.4	25.7	23.1	2.0%	2.2%	-13.0%	9.1%	6.4%	7.0%
Cushman & Wakefield plc	USD 10.3	-21.6%	2,106	4,461	10.7	9.1	9.8	8.1	0.0%	0.0%	15.7%	17.3%	4.0%	4.4%
Aramark	USD 38.4	3.1%	8,923	14,154	15.6	13.9	19.8	16.8	1.1%	1.2%	46.8%	12.0%	3.6%	4.3%
Mitie Group plc	GBP 1.5	36.4%	2,223	2,460	8.5	7.8	11.6	10.2	2.7%	3.0%	6.1%	9.6%	3.3%	4.0%
ABM Industries Inc.	USD 50.7	0.2%	2,802	4,223	11.5	10.7	13.5	12.3	2.1%	2.2%	34.0%	7.3%	4.1%	3.7%
<b>Median</b>		<b>-0.4%</b>	<b>5,433</b>	<b>8,337</b>	<b>11.1</b>	<b>10.2</b>	<b>12.6</b>	<b>11.3</b>	<b>2.0%</b>	<b>2.2%</b>	<b>14.9%</b>	<b>9.4%</b>	<b>4.0%</b>	<b>4.3%</b>
<b>ISS A/S</b>	<b>DKK 161.3</b>	<b>25.4%</b>	<b>3,710</b>	<b>5,337</b>	<b>9.1</b>	<b>8.6</b>	<b>9.7</b>	<b>8.8</b>	<b>2.6%</b>	<b>2.9%</b>	<b>10.8%</b>	<b>5.8%</b>	<b>4.1%</b>	<b>4.7%</b>
Premium (+) / Discount (-) to peers					-18%	-16%	-22%	-22%	27%	33%				

Note: data from 11/05/2025

Source: S&amp;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.