



# The FM Market – Trends and Developments

Jørgen Lindegaard

CEO - ISS A/S



# Agenda

- Introduction to ISS
- Market trends and developments
- ISS strategies for growth



# ISS today

- Argentina
- Australia
- Austria
- Belgium
- Bosnia
- Brazil
- Brunei
- Chile
- China & Hong Kong
- Croatia
- Czech Republic
- Denmark & Greenland
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Iceland
- India
- Indonesia
- Ireland
- Israel
- Italy
- Latvia
- Lithuania
- Luxembourg
- Malaysia
- Mexico
- Netherlands
- New Zealand
- Norway
- Philippines
- Poland
- Portugal
- Romania
- Russia
- Singapore
- Slovakia
- Slovenia
- Spain
- Sri Lanka
- Sweden
- Switzerland
- Taiwan
- Thailand
- Turkey
- United Kingdom
- Uruguay

- **More than 440,000 employees in 50 countries (among Europe's 5 largest private employers)**

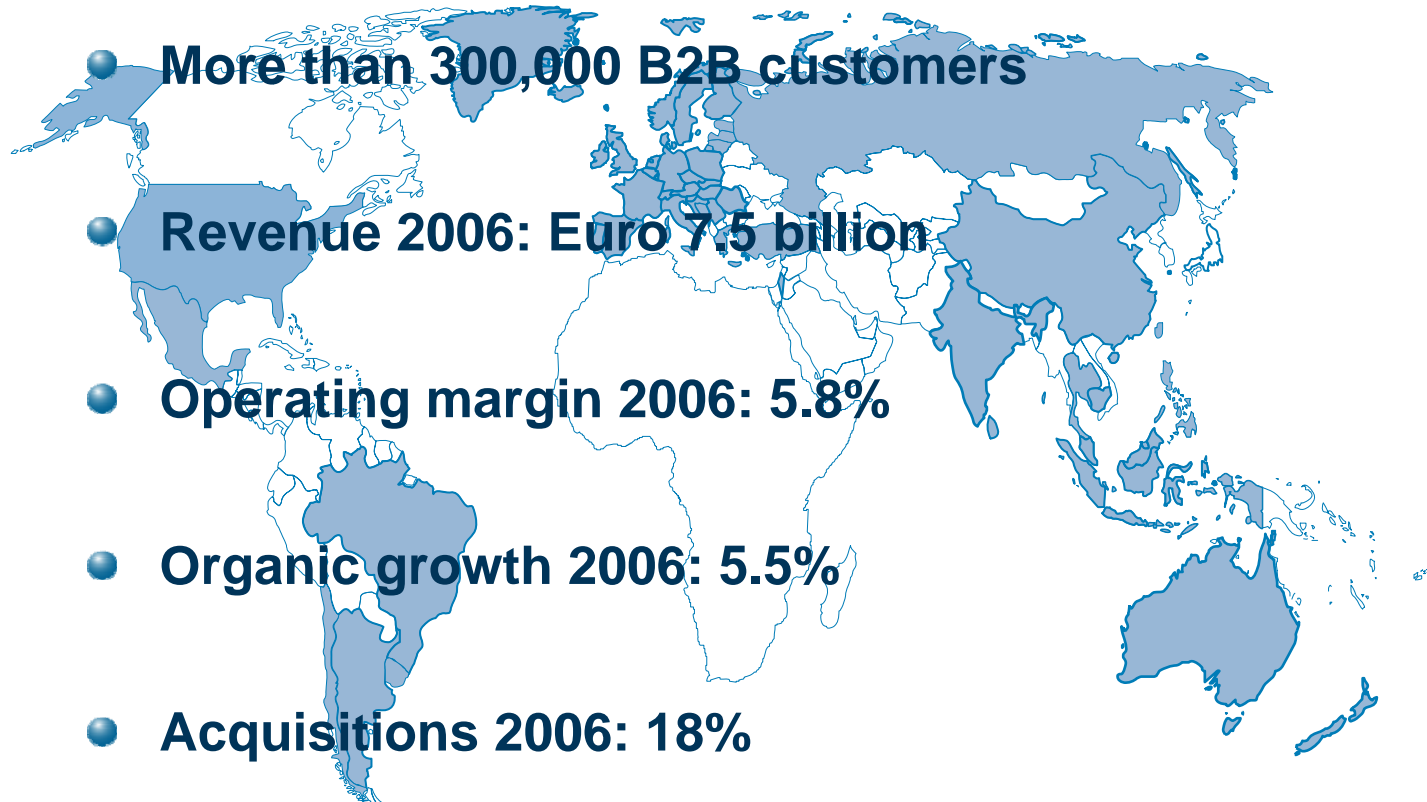
- **More than 300,000 B2B customers**

- **Revenue 2006: Euro 7.5 billion**

- **Operating margin 2006: 5.8%**

- **Organic growth 2006: 5.5%**

- **Acquisitions 2006: 18%**



# The story – so far...

- 1901 Founded as a Danish security company
- 1934 Entered into cleaning
- 1946 Nordic expansion
- 1965 Widened expansion to all of Europe
- 1968 Adopted the ISS name
- 1973 Overseas expansion
- 1977 Listed as publicly traded company
- 2000 Strategy – **Create2005** (Facility Services)
- 2005 Strategy introduced – **Route101**
- 2005 New owners: EQT and Goldman Sachs
- 2007 Revised ISS Strategy – **The ISS WAY**



## Our Vision

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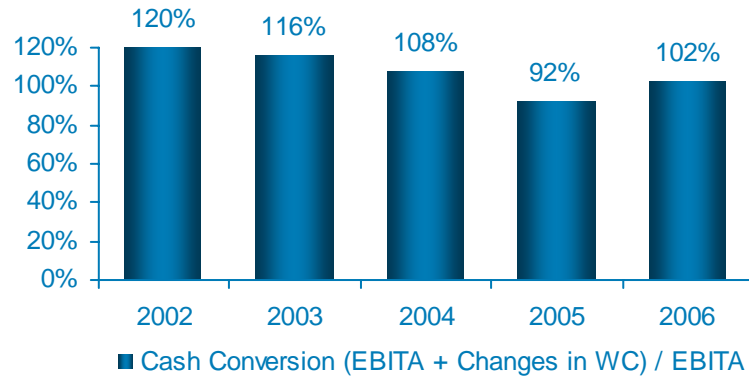
**“Lead Facility Services Globally”**  
***... by leading Facility Services locally***

# The IFS House: The Industry Pioneer

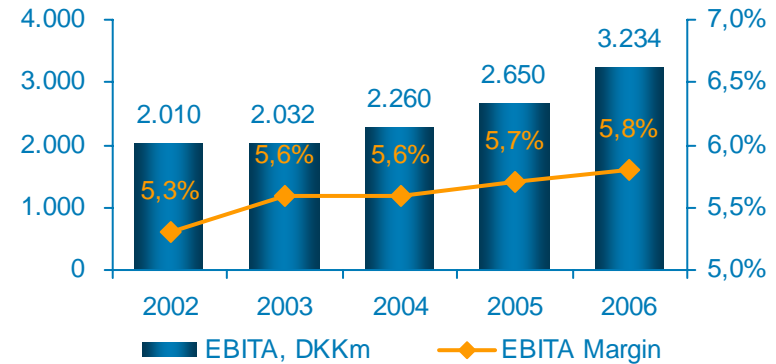


# Focus on outperforming against all four priorities

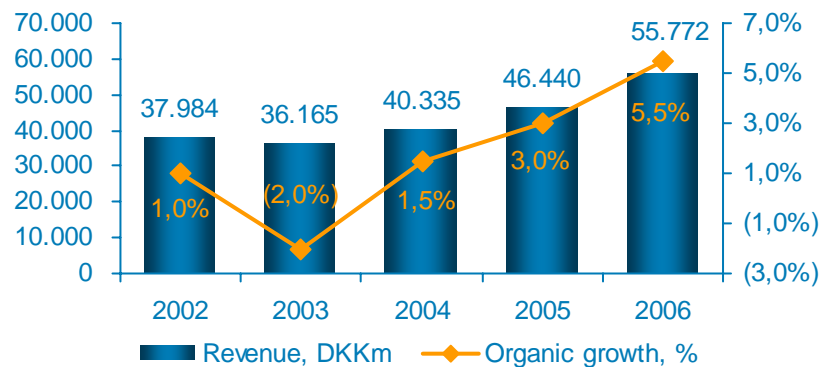
## Priority 1: Cash Conversion



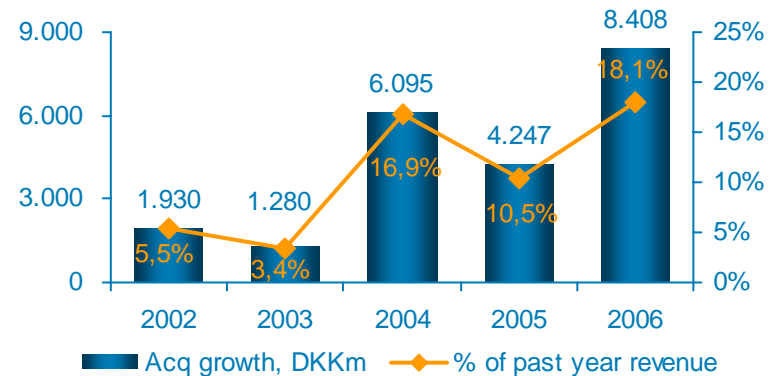
## Priority 2: EBITA Margin



## Priority 3: Organic Growth



## Priority 4: Acquisitive Growth



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# Does ISS have an FM strategy?

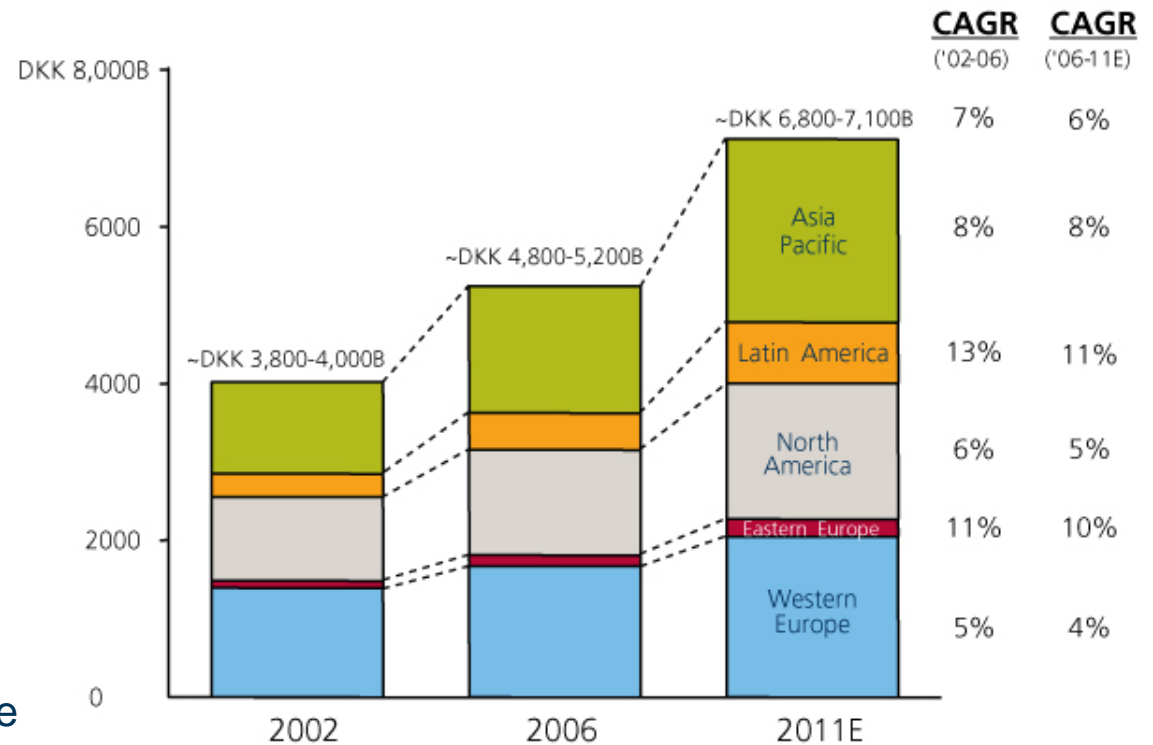
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Yes, we call it;  
*Integrated Facility Services*

# Industry overview and trends – at a glance

- The Global Outsourced Facility Services market totals EUR 650-700 billion,
- Growth: 6-7% annually.
- The market is fragmented, with many small country specific players.
- Only a few large players pursue international opportunities to drive consolidation.
- Single and multi-service contracts covers approx 90% of the total market,
- IFS is currently growing at twice the rate of the market ~ 12-13%.

Global outsourced facility services market by region (DKK billion)



Note: Figures include Cleaning, Office Support, Property Management, Catering, Security, and Others (pest control, landscaping, damage control). Figures exclude waste segment, figures also exclude Africa, growth rates are real market growth rate.



# Key Market Drivers

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Several factors drive development of the Facility Services markets:

- **Economic development**: Increasing globalisation and economic growth.
- **Increased outsourcing**: There is a general trend toward outsourcing of facility services.
- **Increased internationalization**: Large customers centralize purchasing decision making and move towards multi-national.
- **Increased competitiveness**: The market is maturing and customers are gradually shifting towards buying more integrated solutions.
- **Drive for efficiency**: Price, cost and service level dynamics raise the need for productivity improvements and efficiencies through new ways of working.

# The economic development drives international growth

## New high growth markets

- Asia
- South America
- Eastern Europe

## Taking advantage of local/regional economic development

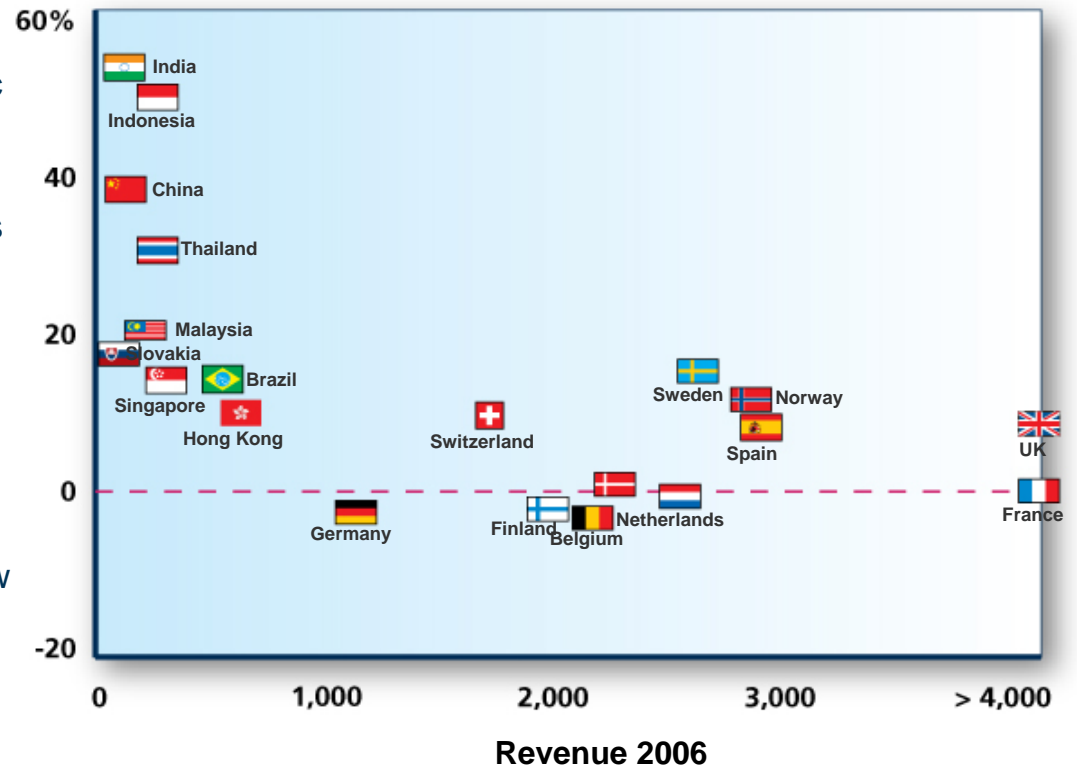
- High economic growth (GDP)
- Immature markets provides opportunities for consolidation
- Acquisitions at a discount

## At ISS we spread our geographical footprint because of growth opportunities and risk limitation

- Some markets are still off limits even though they provide opportunities to grow

It is still important to be represented in “old” markets such as USA as the development of IFS/FM predominately still comes from the US

Org. Growth '06



# The outsourcing trend is prevailing

How outsourced employees are treated is increasingly becoming a key decision criteria

- Staff take-over (TUPE/ARD)
- HR and CSR

Currently the supply side is leading the demand side – and customers would outsource more if

- If demand side was more professional
- If demand side would take-on more risk
- If demand side was more international

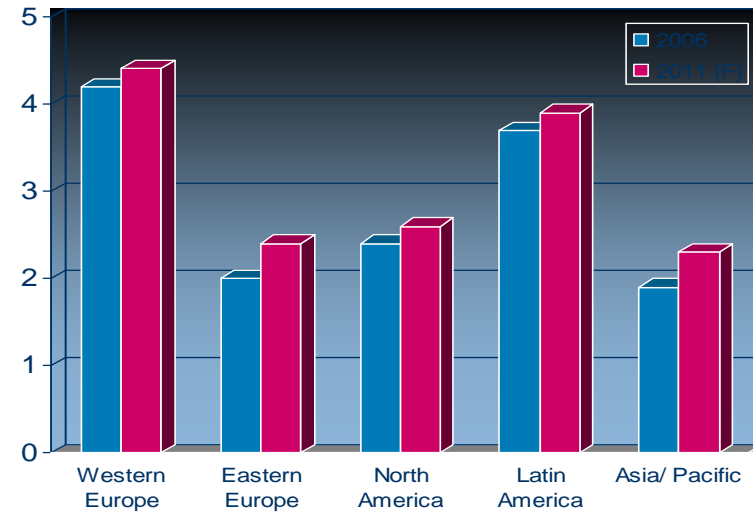
Most critical arguments **for** outsourcing

- Cost reductions
- Lack of internal economies of scale
- Unable to handle peak periods

Most critical arguments **against** outsourcing

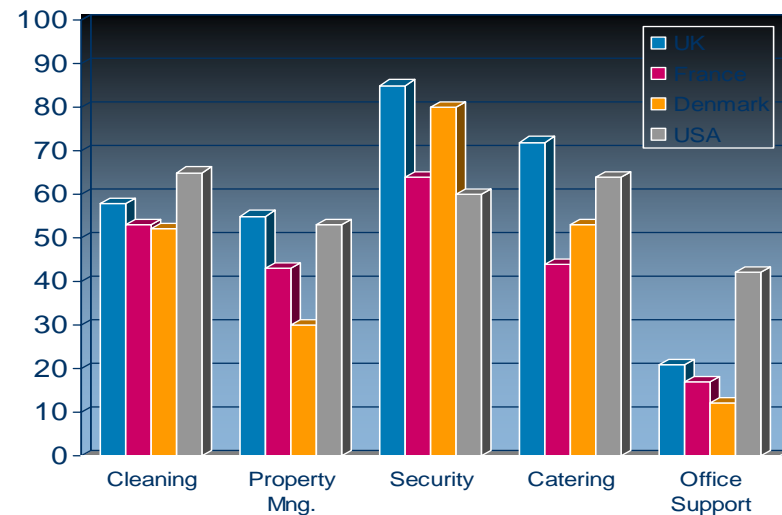
- In-house competence
- Suppliers have difficulties adapting to the culture of the outsourcing company

Facility Services as % of GDP



Source: ISS data '07

Penetration of outsourced Facility Services



# Increased internationalization provides growth opportunities

## The market is quickly becoming international

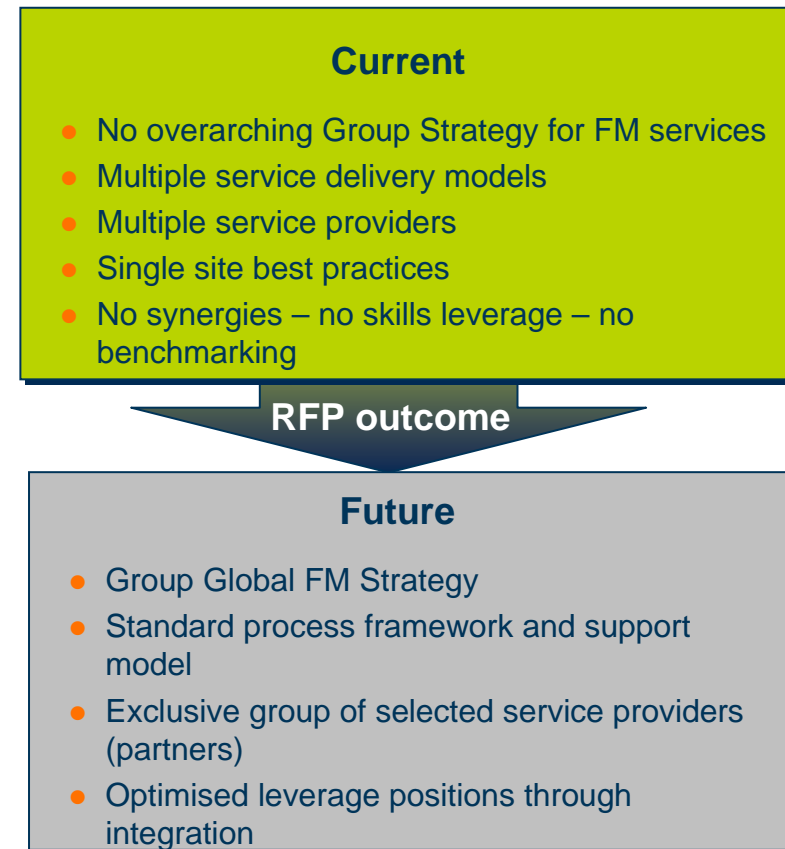
- Centralised purchasing
- Increased transparency
- Cross-border collaboration

## IFS (FM) providers needs to adapt to this and:

- Understand the dynamics of protecting and growing current business
- Find ways to leverage the international footprint to attract new clients
- Create a business model which builds on local strengths and cater for international needs.

## Global reach requires new skills

- People
- Processes
- Systems



Source: Shell EMEA outsourcing 20/10/07

# The competitive landscape is changing

## Everybody is fighting for the same market

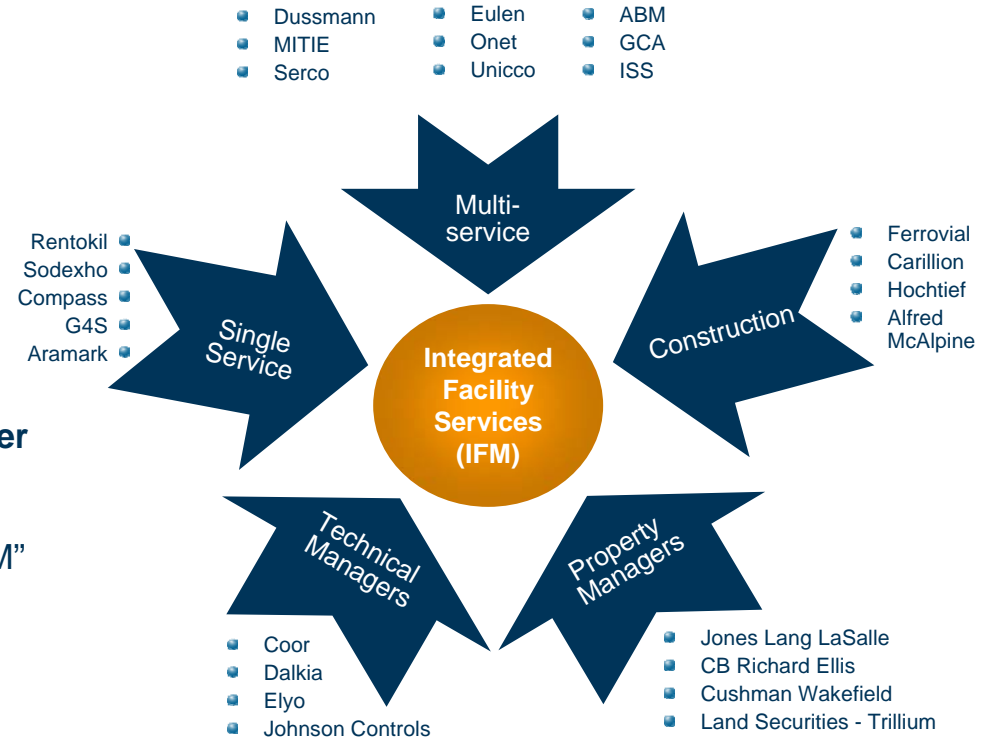
- Integrated Facility Services
- Integrated Facility Management
- Total FM etc.

## The IFS/FM market is big and continues to grow:

- Competition comes from many places and continue to drive the development
- Annual growth rate of 12-13% p.a.

## There is a strong need to develop the market further and a shared interest to define the industry

- Strengthen industry organisations e.g. IFMA, BOMA, EUROFM, IAOP ... and of course “DFM”
- Professionalize the industry through education and recruitment (international)
- Improve market communication – both from industry organisations as well as independent corporations



# There is a strong drive for efficiency in order to add value

**We have to perform services which are 20-25% more efficient than a non-outsourced provision**

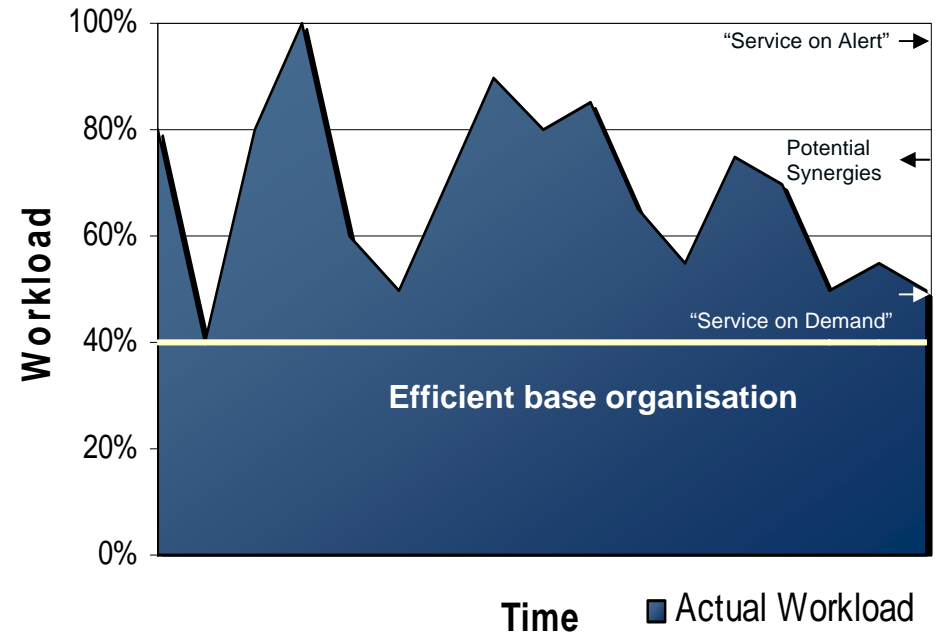
- Having an efficient base organisation (on-site)
- Being supported by effective Route Based specialists
- Going from “service on alert” to “service on demand” at the same quality level or better!

**Self-delivery is a fundamental requirement:**

- Create an ability to integrate services and multi-task employees
- Provide an ability to take-over outsourced staff as new core ISS employees

**Going from input to output specifications**

- Being able to document quality based on Service Level Agreements (SLA) and Key Performance Indicators (KPI)
- Being able to empower our front-line employees and give them more responsibility (ISS Way)
- Being able to provide quality services





# The industry to going through a transformation

## The industry is changing and IFS/FM decisions are becoming more strategic in nature

- As Corporate Real Estate is changing so is IFS/FM
- Decisions are taken at a higher level at the clients organisation
- Capital planning horizon goes from 12-18 months to 3-5 year

## The need for accurate, real-time, benchmarked data is increasing:

- Data create transparency and provides explanations
- But we should also be able to improve our forecasting and create “what-if” scenarios

## Integrating “sustainability” in the planning process

- Buildings (and services) are becoming **green** and the environment plays a significant role
- Business Continuity Planning is critical
- Increased awareness about social responsibility - ethics must be aligned



Source: FMJ Jan/Feb '08

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# Accelerating the opportunity to grow

## Pioneer the Development of IFS

- Build on single service excellence platforms
- Establish critical mass and local density
- Transform customer relationships into strategic partnerships

Through

## Drive Organic Growth

- Improve customer retention through enhanced segmentation and monitoring
- Increase presence in high growth services and markets
- Drive cross-selling and integrated solutions
- Ensure adequate and competitive pricing

## Enhance Operational Excellence

- Continue strong focus on cash conversion at country level
- On-site synergies to improve production cost efficiency
- Use ISS's best-in-class self delivery as a key competitive advantage
- Develop ISS's Excellence Centres and "best practice" initiatives
- Incentivise a strong, excellence-focused company culture

## Continue Acquisitions

- Increase operational scope and service density
- Follow world GDP growth and customers into new regions
- Strengthen local identification, execution and ownership

Unique global footprint from which to consolidate industry leadership

# Leveraging our current advantages for further growth



**A unique platform for growth and value creation**



**Thank you for your attention**

