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Annual assembly, ISS 5 April 2016



Claus Wiinblad, Senior Vice President, Head of Danish Equities.

Thank you.

My name is Claus Wiinblad, and I represent ATP.

Thank you to the chairman of the board and CEO for the 2015 report.

2015 delivered solid results with organic growth of 4.4 per cent and the expected improvement of the EBIT margin of 10 basis points.

IFS continue to show solid growth in line with the strategy. Europe and Asia delivered strong growth, whereas ISS still struggles to gain momentum in the important US market.

One of the very attractive characteristics of ISS is the very strong cash generation, and for several years ISS has delivered a cash conversion rate close to or above 100 per cent.

I would like to address the following: how will ISS put their cash flow into use?

Initially, in connection with the IPO, it was clearly stated that the cash generation should primarily be used to pay down debt in order to bring the debt level below the target net debt/EBITDA of 2.5. This will probably happen this year and has created speculations and expectations about when ISS will start distributing the surplus cash through a share buyback program.

A very narrow acquisition strategy was defined in connection with the IPO focusing on catering and technical services, primarily in the US. Since then ISS has only made one acquisition which is GS Hall in the UK.

I would like to raise the question whether it is the right time to broaden out the current very narrow acquisitions strategy – to expand the strategy with a potential to create more long term shareholder value than just distributing the cash back to shareholders.

Of course such an acquisition strategy should have very strict return criteria, and clearly the targeted acquisitions should bring additional competences or expand the geographical reach in order to bring additional value and synergies to the company and not just add volume. In my opinion, the acquisition of GS Hall definitively lived up to these criteria.

I would like to add a more general comment to this subject.

In the current environment with low macroeconomic growth and very low interest rates, there is in general a very high investor focus on companies' ability to pay a high dividend and have a high payout ratio. I think the focus on a high cash distribution to some extent has gone too far. In my opinion, it is important that companies focus on developing the company and on an ongoing basis optimize their capital structure. When that is done, any surplus cash should of course be distributed back to shareholders. A high payout ratio should not be a target in itself.

I would like to stress that the proposal is not that ISS should go back to the old volume driven acquisition strategy which clearly did not create shareholder value. Further, I would like to say that I appreciate the overall strategy of growing IFS, create a stable organic growth and expand the margin.

What I would like to see from ISS is only a minor change to this strategy in which the scope for finding value adding bolt on acquisitions in general is defined as a more active strategy than the current very narrow acquisition strategy. The service industry is so fragmented that it should be possible to expand the strategy in this direction.

With these words I would like to wish management and employees all the best for 2016.

Thank you for the attention.

Spørgsmålet blev kommenteret af bestyrelsesformanden/den administrerende direktør.

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ATP deltager aktivt i selskabernes generalforsamlinger og fører løbende dialog med de enkelte selskaber for at drøfte strategi og resultater og for at vurdere ledelsens fokus på aktionærinteresser.