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CORPORATE PARTICIPANTS

Jacob Johansen *ISS A/S - Head of Group IR*

Kasper Fangel *ISS A/S - Group CEO*

CONFERENCE CALL PARTICIPANTS

Remi Grenu *Morgan Stanley - Analyst*

Michael Rasmussen *Danske Bank - Analyst*

Mads Andersen *DNB Markets - Analyst*

Peter Sehested *ABG Sundal Collier - Analyst*

Nicole Manion *UBS - Analyst*

PRESENTATION

Operator

Hi, everyone, and welcome to the ISS trading update for Q1 2024. Today's call is being recorded. (Operator Instructions) I'm pleased to present Jacob Johansen, Head of Investor Relations. Jacob, please go ahead.

Jacob Johansen - *ISS A/S - Head of Group IR*

Ladies and gentlemen, good morning and welcome to this conference call following the release of our Q1 trading update this morning. As said, my name is Jacob Johansen, I'm Head of Investor Relations. And I'm here today at our global headquarter in Søborg, Copenhagen, with our group CEO, Kasper Fangel, as well as Kristian from IR.

Before we start, I'll ask you to pay close attention to the disclaimer on slide 25. With this, I'll hand over the word to Kasper to go through the presentation and slide number 3, please.

Kasper Fangel - *ISS A/S - Group CEO*

Thank you, Jacob, and good morning, everyone. Let me start by saying that I'm pleased with the performance in the first quarter. There are no major news, but the business is progressing according to plan. We've had a good start to the year with 6% organic growth and we confirm the outlook for the full year. Although a good part of the growth in the quarter was driven by price increases, it demonstrates the strong operating rigor we have around thoughtful value capture. Disciplined price management is a pillar to generating organic growth, and we have demonstrated consistently that we can do that with excellence.

As a result, we've been able to pass on the inflationary burden associated with wage increases. Besides price increases, our growth is being driven by smaller, more local contracts and our commercial pipeline remains attractive. We've also retained a good list of existing customers, demonstrating that our rigor around retention continues to deliver results.

On the M&A front, we had two important achievements this quarter: the divestment of ISS, France was completed in April; and in Switzerland, we have acquired the company gammaRenax. Lastly, the arbitration process with Deutsche Telekom is progressing as expected, with no significant changes to the situation since we spoke in February. We remain confident in our case. And as mentioned in February, the impact on free cash flow is a matter of phasing between 2024 and 2025.

Please turn to slide number 5.

On the strategic front, the execution of the OneISS strategy continued. And following last year's review and prioritization of the strategic initiatives, ISS has enhanced execution power. The focus on fewer initiatives are driving the expected outcomes and value creation. I'm pleased to say that our focus on retention continues to be fruitful. Among the contracts we have extended in the quarter, I'm especially pleased with our progression within the banking segment.

We are servicing 20 of the world's 30 largest banks, and our service delivery and value proposition resonates very well with them. From the banking industry in particular, I'm seeing a lot of interest in our social sustainability efforts and how we, with our more than 350,000 employees, can contribute to our banking customers' ESG journey as a significant supplier.

Operationally, we are following the plan and the margin development -- developed as expected in the quarter. At the beginning of April, we announced that we have completed the divestment of ISS, France less than 12 months after we announced the intention to divest France. Even though it was a tough decision and process, I firmly believe this was the right and necessary thing to do. Our French business is now with a more appropriate owner, and ISS is stronger and more focused as a result.

Please go to the next slide, where we will look at the acquisition we have made in Switzerland.

M&A remain part of our strategy to grow our business, if it makes sense from a strategic and financial point of view. We've been successful with acquiring smaller bolt-on targets that adds value from scale or synergies or fulfills missing service lines or geographical area in a given country. But it's equally important that we remain strict and disciplined in our approach to M&A. It's a part of our capital allocation policy to make sure it's value accretive.

We have a market-leading position in Switzerland with a strong and experienced management team and the team has also a proven track record with M&A. gammaRenax is well established in the Swiss market and it adds scale within existing service lines, mainly cleaning and technical services in prioritized customer segments.

With the countrywide exposure, it is a low-risk bolt-on acquisition case with a strong operational synergy potential. The transaction is already completed, and gammaRenax will be consolidated into our financials from May 1, adding around 0.6% to group annual revenue. In line with previous acquisitions, we will execute a strict and disciplined integration process, and we expect this to be concluded by the end of 2024.

Please turn to slide number 8.

Our commercial pipeline remains attractive, and we continue to see good opportunities in the market. As mentioned earlier, it is driven by smaller, more local contracts. Although we have not had a significant contract win here in 2024, we are seeing good win activity in local markets. As mentioned, we're still running at a good pace when it comes to renewal of existing contracts. And our customer retention rate was above 94% in the quarter, only slightly down compared to the previous quarters. For the rest of 2024, we have only 3% of our revenue up for renewal, and we are in close dialogue with all customers. So all in all, low risk for the rest of 2024 in terms of renewals.

Please go to slide 10 for a look at the growth and the revenue development.

When looking at the revenue development over the last couple of years, the trend is very clear. We're constantly growing our revenue and it's driven by our portfolio business. Organic growth rates have been more volatile as they have been a function of return to office and recovery from COVID-19. With a 6% organic growth here in the first quarter, we are adding DKK1 billion to our portfolio revenue compared to the same quarter last year.

Revenue from projects and above-base work is slightly down in the quarter after the seasonally strong Q4. Most importantly, it's pleasing to see the projects and above base generally remains well above the pre-pandemic level.

Please turn to the next slide for look at the organic growth drivers in the quarter.

With 6% organic growth in the first quarter, we've had a good start to the year. It's mainly driven by price increases as we are in line with contract terms have passed on the inflationary burden to customers. Across all countries, wages are typically adjusted through minimum wage regulation and collective agreements taking effect in the first part of the year.

As mentioned earlier, our pricing management demonstrates the strong rigor we have around thoughtful value capture. Disciplined price management is a pillar to generate organic growth. The result is that we have a positive effect on organic growth and margin is generally unaffected. The organic growth contribution from price increases in Turkey in isolation contributed with around 3 percentage points.

Volume growth was around 1.5% in the quarter. It was driven by expansion of scope with existing customers. The contribution from net contract wins was negative, as the contracts we lost in 2023, including some deliberate exits are weighing in on the quarter. We would expect this to reverse over the course of the year.

Remember, DEFRA started out with the first wave during February and the second wave came in April. Together with the contract win with the Danish Building and Property Agency, they will have a positive effect going into Q2. Organic growth for projects and above-base work was also negative due to lower demand for deep cleaning and project work compared to last year, which was still impacted by the pandemic.

Please turn to the next slide and the regions.

When you look across the regions, there are some differences that I would like to explain. The development in both Northern Europe and Asia Pacific was very robust with 5% organic growth in both regions. Northern Europe also saw a slightly increasing demand for projects and above-base work. The organic growth in Asia Pacific was driven by portfolio revenue. And in Central and Southern Europe, Turkey was the main driver behind the organic growth.

Price increases had a high contribution, but volumes did also grow in the quarter. Organic growth in Americas was negative 2%. During 2023, we had a number of contract exits and losses, including deliberate exits, and they have a negative effect here in the quarter. Growth for above-base services was also negatively affected by the contract exits.

That leaves me with the outlook on slide 13.

On the back of the development here in Q1, we confirm the outlook for the full year on all financial KPIs. We still expect 4% to 6% organic growth, driven by price increases and volume growth. The operating margin is still expected to be above 5%. The year-over-year improvement is coming from operational improvements and efficiencies across the group and cost savings from last year's OneISS review. The free cash flow guidance is also unchanged. We still expect an underlying cash conversion of above 60%, but the reported free cash flow is expected to be above DKK1.8 billion.

This is a result of negative timing effects of up to DKK600 million from Deutsche Telekom withholding payments. Let me reemphasize that this is purely timing. It's not about of whether or not we to get these payments, but rather a matter of when. Please also remember that we will have seasonality in our cash flow. So you should expect the free cash flow to be negative in the same ballpark as in H1 2023. Please turn to the -- for the first half of 2023.

Please turn to the next slide for some closing remarks.

We are off to a good start here in 2024. And as I just mentioned, we are confirming the outlook for the full year. We are moving in the right direction with disciplined execution, both strategically and operationally. We are more focused and more reliable ISS, and our commitment to delivering exceptional service experiences to our customers remains unchanged. This would not have been possible without a tremendous and dedicated effort on a daily basis by our more than 350,000 place makers around the world.

I often describe ISS as an engine for elevating people, families, and communities, allowing them to achieve things they never thought possible. When our customers entrust us with their workplaces than just buying services, they're allowing people to fulfill their dreams through meaningful work. So a special thank you to our customers for the social impact they're enabling with and through ISS.

Lastly, I'm also happy to inform you that our new Group CFO will start in ISS at the beginning of June. I'm personally looking forward to get Mads on board, and he's also very much looking forward to meeting you all.

With this, I have concluded the presentation, and I will hand over the word to the moderator to take us through the Q&A session. Operator, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Remi Grenu, Morgan Stanley.

Remi Grenu - *Morgan Stanley - Analyst*

Morning, gentlemen, and thanks for taking my questions. I've got three, if I may. So the first one is, can you give us a little bit more flavor on the commercial pipeline? I'm referring to that in the context of the negative contribution of net contract wins in Q1 and your expectation is going to be positive throughout the year. And also on that specific question, is it any concern on your side? And is it ISS-specific or the whole market about the fact that you have bot won any large contract so far? So that would be the first question.

The second one is on the top-line guidance. I guess this one is quite important because when you are passing price increases, you must have a little bit more visibility. You at the higher end of the range during the first quarter. And I think that the comparison is easing as we go through the year. So do you have any confidence that you could be at the higher end of that 4% to 6%. That is the second question.

And the third one, I understand is the just the focus of today's -- probably not in the profitability, but given the Q1 and what you've seen so far throughout the year, any strengthening in your confidence that you will exceed this kind of 5%-plus guidance on operating margin? Thanks.

Kasper Fangel - *ISS A/S - Group CEO*

Thanks for these questions. Let me take them one by one, and good morning to you as well.

So first of all, you asked whether I'm concerned on top line. Let me just give you a bit of context here. I'm very pleased with the retention rate being above 94%, and I'm pleased with that because that means that we are keeping our customers. And that means that both from a pricing point of view, but also from a value proposition point of view, we're doing things here that are resonating with our customers.

And a further data point on that is that you are seeing in Q1, consistently to what you've seen throughout last year that we are growing with our existing customers. So we are tapping into the available wallet that sits with the existing customers, and we are adding more business to our portfolio, which is good.

And then I also think it's very important to highlight the fact to that, don't forget that we are starting up almost DKK1 billion in April and May, where, DEFRA, of course, is the biggest contract that we have mobilized in the UK. And that also means specifically on your question that I do expect that net wins for the full year of 2024 is going to be a positive number. So we're turning from a negative number -- a negative contribution in Q1, and for the full year this year, I expect it to be positive.

Specifically, on the pipeline, we do, as I said in my presentation, continue to see a lucrative a pipeline. And I have to say that I think we're doing all the right things just to be concrete on that. We have a laser focus on our segment strategy. And that allows us to be better in targeting -- in the targeting process and targeting customers that we're going all in with. And additionally, we are working actively on having an early engagement with our customers and starting to create the relationship long before the RFP starts. And the last thing which I think we have seen, good example of is working as a part of OneISS, we are leveraging the expertise that we have across the whole enterprise.

So we're not targeting customers only with the local expertise, we're pulling the best together from everywhere in ISS and are putting that towards the key targets that we are targeting. So all in all, I think we're doing all the right things. And we got to have some patient here, because I think it's only a matter of time before we will see that that is coming through in wins.

In terms of top-line guidance on your second question, then I'll give you a little bit more color on that one. Remember, as you could see in my bridge in Q1, the contribution on price increases is 6.5%, and that is going to reduce over the course of this year, because we have price increases that gradually kicked in over the course of last year. So that is going to reduce.

I believe that, as I said that new wins is going to have a positive contribution for the remaining three quarters of this year. And volume, there's no reason to believe that that will change significantly compared to what we've seen in the first quarter. And then there is above-base work. And on project work and above-base work, that is more uncertain by nature. So it's harder to predict.

However, I will say that we can see that structurally on project work that there is a bigger volume compared to what was the case before COVID-19. So I'm not concerned about that the reduction that we're seeing in above-base work in Q1 is a sign of anything changing structurally, it is simply just because the comparison is more tough because last year, we had significant volume uptick, as the last tail of COVID-19 with disinfection in particular that we benefited from in Q1 2023.

Your last question on profitability. I mean I'll keep that one relatively short. Q1, we have delivered according to plan. We can see that the things are coming through. And I'm comfortable that that we're going to land this year above 5% on our operating margin.

Remi Grenu - *Morgan Stanley - Analyst*

Great, thanks very much.

Operator

Michael Rasmussen, Danske Bank.

Michael Rasmussen - *Danske Bank - Analyst*

Yeah, thank you very much, and good morning, Kasper. So three questions from my side. First of all, any stories or anecdotal evidence or anything that you could add from the DEFRA start-up? Are things moving as you had hoped for? Are you seeing any mobilization costs or are you seeing anything on the risk side, both positive and negatives, please?

Secondly, if you could add a few words on the shared service center process. Could you just remind us on what kind of savings you're seeing here? Also, if you could little bit about the OneISS initiatives that you talked about last? How is that coming through on an underlying basis please? My final question, maybe a bit on the technical household side, but what kind of IAS 29 impact should we see it in 2024, based on the levels of inflation that you're seeing right now? Just so we get the numbers right here in between the operating lines. Thank you.

Kasper Fangel - *ISS A/S - Group CEO*

Thank you, and good morning, Michael. Good questions as always. So on DEFRA, it's going according to plan. It's a significant volume that we are absorbing in the UK. I think the UK team is doing a very good job on absorbing more than DKK500 million. They have the transparency, they have the accountability, and we can see that things are coming through according to plan.

It's a learning from the past that we're not holding back on spending what needs to be spent to get off to a good start with such a significant volume. We can see where we're getting the mobilization right and spending some incremental cost on that. That is a good investment, because that means that you get the profitability up quickly, you get the engaged customers, you get the engaged the staff and engaged the customers. And the whole thing is just off to a good start, and that's exactly what we're seeing in the UK.

So overall, in line with expectations, yes, there are some incremental costs that we are expensing. But I'm seeing that as a good investment. It's all included in the guidance of above 5%. So no concerns in that regards. And it's the right thing to do to make sure that we're getting off to a good start there.

In terms of the shared service center, then you're right. I mentioned -- I think it was the last call that that is a benefit that we will need to harvest in ISS. Because given the legacy of this a company, we have acquired a lot of companies decades ago and never really gotten the synergies out of being one enterprise, and that's exactly what we're doing here.

There's no point doing all sorts of admin and transactional stuff with fully fledged back office in the local markets. And that's why we have started a transactional shared service center in Gdansk, And we have volume that has started to a transfer to Gdansk. UK is actually one of them, and it's going according to plan. And we will see that we are ramping that up over the course of this year. But it's not only going to be this year, it's a longer journey than that, because we want to make sure that we get quality in this and we are not losing control. So very pleased with that.

And the last question on this beautiful standard IAS 29. You should expect the impact on margin to be the same as you saw last year. So immaterial. I believe from memory last year it was 4 bps, and it's similar that what we're looking at here in the first quarter from a margin perspective.

Michael Rasmussen - *Danske Bank - Analyst*

Great. Thank you very much, Kasper, and the best of luck for the next quarter.

Operator

Mads Andersen, DNB Markets.

Mads Andersen - *DNB Markets - Analyst*

Yeah, good morning, gentlemen. I have a couple of questions as well. If we could start on the M&A side ofthings. Just on the acquisition you did during this quarter, is it -- I mean, what are we -- in terms of impact on cash flow here, what are we talking? It is 300 -- 350, is that a fair purchase price? Is that a fair assumption?

And then, I think previously, you've alluded to the fact that it was a beating assumption to assume around DKK500 million for acquisitions in '24. Is that still the plan or is that -- are you taking a step-up on that now, considering that you've done this so early in the year -- during the year?

Secondly, I am struggling a little bit with some of the comments around organic growth, Kasper. I know it's going to come down throughout the year. But as far as I can tell, you still have very strong carryover in Q2, especially from Turkey. It takes of -- I mean, then tapers off at least a bit in Q3 and Q4. But I think the main sort of moving parts on the price still seems very supportive in Q2. And then, I guess you say that we shouldn't expect underlying volumes with existing customers to change much.

So I mean, I'm struggling a little bit with the fact that I guess, right now, in (inaudible) we have reached the low end, just 3.4. Based on the pricing and underlying volume growth, in either are you more concerned about -- I mean, you say you're not concerned about variable volumes, but should we essentially expect variable volumes to deteriorate further or get even worse? What's the driver here? Are you just being conservative again on pricing? Because I mean, in last year, you also increased the pricing contribution assumption, yeah, I think every quarter throughout the year. So that's the second one, please.

And then thirdly, if I just can ask you about (technical difficulty), obviously, I don't assume you'll say anything about where we are now. But I mean if I take the net debt from Q4 and adjust it for the dividend payments buybacks and obviously, your hand on M&A, I guess, DKK400 million is something since you refered to take a normalized EBIT margin and depreciation.

Then I mean, I think it's fair to assume that are going to be just around the high end of guidance on your target range for growth -- sorry, not for growth, for leverage. Is it fair to assume, given where the shares is trading, but also the fact that you have started the buyback program that we can see a step up at the H1 results, especially given your strong sort of cash flow seasonality in the second half? Or will we have to wait for Q3 or Q4 or should we expect anything or if you are in fact stepping up in that? Thank you.

Kasper Fangel - *ISS A/S - Group CEO*

Okay. Thank you and good morning, Mads. Let me help you not being confused on the organic growth guidance, because, of course, when we are saying 4% to 6% as a range, then it's because that that growth could end between 4% and 6%. Otherwise, we would have narrowed at this point in time. So I'll just remind you that this is the first quarter, so it is 25% of the year that that has gone.

You're of course right. We're looking at Q1 of 6% growth. And that means mathematically that the growth for Q2 to Q4 then should be slightly higher than the 3% to get to the 4%. And but there are a number of things here that you're pointing to yourself, where we still need more visibility and where we don't think is the right thing to go in and narrow after Q1. And that is exactly on project work, as you mentioned. Again, I don't see anything structural there. But of course, we need to see that that is also coming through in the numbers.

Then on price increases, the key assumption that we have made on all of this is that there won't be any new significant increases to minimum wages in local markets over the course of this year. So we don't -- we have not assumed in that that we will see a further contribution from price increases in Q2 and Q4 that we saw last year. And I don't think it will happen over the course of this year. But of course, we were surprised last year, the same thing could happen this year.

And on the growth, both in terms of the volume and the new wins, I think have provided color on that. I feel comfortable. I think we're doing all the right things, but I'm also acutely aware on new wins that I have entertained in many quarters, seeing we're just around the corner to close a number of significant prospects, and it has been delayed. And that is a general trend that we are seeing that a decision around which provider to go with. For something that is now essential in the market across all industries is which partner to choose for facility management services.

It takes time and there are many stakeholders involved. And in many instances, we are seeing that the decision making is going all the way up to Board level. It's a positive thing for us in the long term, because it means that that is not just a matter of price, it's value. And of course, it is value because what customers are striving for is to make sure that they're creating an appealing and exciting office environment, where they can get the staff back in with huge excitement. But it just takes longer in the decision-making process.

In terms of M&A and leverage, I think they are tied together. On the in particular one in Switzerland, I mean that one, strategically, it's due to rationale here, it is bull's eye. It's exactly the right thing to do. We have a strong country management team that has proven track record, very strong leaders, and we are also comfortable that the synergies are coming through and they're coming through quickly. So I don't want to comment on the exact EV and purchase price. We've agreed that we will not do that with the seller. But it's fully in line with what we have communicated previously around M&A.

And so is the third question on your -- on capital allocation. We believe we have the right policy on capital allocation, and we are evaluating that on an ongoing basis. I don't want to give you, as you said, any exact numbers here in Q1 that will come when we have full disclosure in the first half. And then we will continue on an ongoing basis to assess. And if we have excess capital, then you know, as we have said before, then we also are committed to return that back to shareholders.

And last question, you alluded to yourself, which I think is an important one. Of course, at first half, remember the seasonality in the cash flow. You should expect that the free cash flow in the first half is going quickly broadly the same level as you saw last year, which was slightly higher than the negative DKK1 billion.

Mads Andersen - *DNB Markets - Analyst*

Thank you.

Operator

Peter Sehested, ABG.

Peter Sehested - *ABG Sundal Collier - Analyst*

Thank you. I have a couple of questions. First one is on the US, where you are reporting a negative organic growth of 1% in terms of portfolio growth, and the other 1% comes from the above-base work. But the reason for this is, as you mentioned in the report, a contract losses and also some deliberate contract exits. You maintain your -- or you say that operating guidance is developing according to plan. Were these things also on plan? Assuming that you are cutting some contracts, it is because they are underperforming. So was the plan that positive impact recording a loss-making contracts or low as it should have had a positive impact on your margins? I will start with that one.

Kasper Fangel - *ISS A/S - Group CEO*

Morning. Thanks, Peter. So first of all, in the Americas, let's just be clear on the data points here, because in Q1 last year, we delivered an organic growth of 22% in '23. So the comparison is relatively tough here in the first quarter this year. And there's no surprises, Peter, to this growth in Q1. It is exactly as you were saying. It's exactly what we spoke about in February when we disclose the results for last year. We have some contracts that we have decided to exit, simply because we are not compromising on or not entering into unreasonable partnerships. And what I mean with that is that accepting unreasonable terms.

We have seen that previously, that's one of the things we've struggled with ISS, and we're keeping the discipline high on that. If a customer doesn't want to abort the risk and the whole business context that we are embarking in on, then we're not entertaining that. And that was what was causing the deliberate exits in at the second half of last year.

And then I would just say one other thing on the US, because -- and that is that US is still the swing factor for us as an enterprise. And one quarter with slight negative organic growth doesn't change that massive opportunities in Americas and in particular in US. And we intend to not only explore, but also to grasp that.

Peter Sehested - *ABG Sundal Collier - Analyst*

Yes, because that was actually my second question was on your keenness for the US is thus still intact and -- if I can just follow up on that, in terms of your keenness and what you just set -- what are expectations for --what kind of expectation should we have for M&A in the US? And then I have one more follow up.

Kasper Fangel - *ISS A/S - Group CEO*

Yeah. So you should not expect any M&A in the short term in the US. You know that we are recruiting for a permanent conuntry manager in the US. That process is -- we're closing in on that, and we have a final shortlist. So we are going through the last wave, hopefully, on that selection process. And then, we are still building the key cornerstones in the business to make sure that that we have the right fundament to look at an M&A. So overtime, of course, it is something that that we will look at. But in the short term, we are preparing ourselves and we need to make ourself comfortable. So that's where we are on that.

Peter Sehested - *ABG Sundal Collier - Analyst*

As that final question pertaining to the 600 -- up to DKK600 million, and you sound extremely confident that it's a matter of phasing. It should materialize somewhere in -- sometime during 2025. As far as I can see, consensus does not really factor that in at all. So my question is if you get those DSK600 million in next year, would you then spend that all of that on share buybacks? I guess that would be an useful thing for investors to expect?

Kasper Fangel - *ISS A/S - Group CEO*

First of all, I don't comment on consensus, Peter. I focus on doing the right things for ISS. I -- my position has not changed on that. I said that in the presentation as well, on the up to DKK600 million that DTAG is withholding. And that is, of course, a top priority for us to get that resolved. Whether how that cash is going to be spend, how we spend our free cash flow in general, while we go through the capital allocation policy that we have in place that I've mentioned to to Mads. I don't want to give any specific commitments that we are parking a certain amount to do a share buyback, that's not how we work with that.

Peter Sehested - *ABG Sundal Collier - Analyst*

Fair enough. Thank you.

Operator

Nicole Manion, UBS.

Nicole Manion - *UBS - Analyst*

Morning. Thanks for taking my questions. First question, please, on the positive volume contribution in the portfolio business. You obviously noted what looks like an increase in scope in some contracts. Can you maybe talk us through what a typical example of this looked like through Q1? And are there any areas where you are seeing descoping or customers cutting back on volumes, particularly in light of the level price pass-through at the moment?

And then secondly, just to follow up on the above base. I know this is obviously been normalizing post COVID and is elevated compared to 2019. But that minus 7% organic decline is obviously a lot greater than what you saw in H2, when you were certainly lapping on tough comps. Maybe It has just to do that those extra contract exits, is some of the kind of return to office type work fading? Or is it something else? Thanks

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Kasper Fangel - *ISS A/S - Group CEO*

Yeah. So on the volume contribution and growing with our existing customers, it's about a variety of things, to be honest. But the key thing here that I have a laser focus on is that our operators also have a commercial focus. So they're spotting opportunities with our existing customers, how we can help our existing customers by providing additional services, by growing with them as they are growing their business, et cetera, et cetera, and that's -- it's a combination of all these things that is adding up to us growing with our existing customers. And it's not something that we want to see here in this quarter, it has been a consistent theme and one thing that we have certainly gotten right as a part of OneISS. So I'm very pleased with that.

And it's also going to be super important going forward, because as we've spoken about several times before, especially in large cities where there is a big concentration, the hybrid model will kick in and continue to stay as it is at the moment. It's naive to believe that you will have the same people commuting in London, five days a week, two hours in the morning and the same in the afternoon. And most likely, that will lead to reduction in square meters.

And of course, it's important that as a part of that, that we are helping our customers to drive that transition. And we have in mind that we need to be commercially around that. And we can tap in and do other service lines with smaller suppliers that they have today. We've seen some good examples of that recently, and that's something that I also expect will boost the volumes with existing customers going forward.

Then on above-base work, I really don't have any much additional comments on that. I'm not concerned on that one. It is more uncertain by nature, as you know. And in Q4, we have the seasonality impact that we have seen over the last, I don't know, 10 years that it is just higher in Q4 compared to the previous three quarters. And there's no reason to believe that that shouldn't be the case this year as well. But again, of course, it is more uncertain.

Again, here the key thing is the commercial understanding that our site managers have. So it needs to be a commercial discipline and culture filtering all the way down to the lowest level in the organization, so that they're spotting new opportunities for when ISS can come in and help the customers to do certain events, to do outdoor, window cleaning, all things that are not a part of scope. And we both have incentive programs and a good training program that I think is the reasons why we're seeing that the levels of above base is quite significantly higher than it was a before COVID-19.

Operator

As no one else is lined up for questions in this call, I'll hand it back to speakers for any closing remarks.

Kasper Fangel - *ISS A/S - Group CEO*

Thank you very much. Thanks for attending this call on what we all know is a busy day here in Denmark, with a lot of C25 companies releasing their quarterly results. Thanks for prioritizing this. Very much appreciated. As you know, our IR will be available throughout both today, but also the coming days to make sure that if you have some follow up questions that you will get that clarified and you'll be able to be answered on those.

With that. Thank you very much indeed and have a good rest of your day.
