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EDITED TRANSCRIPT

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- **Remi Grenu** *Morgan Stanley - Analyst*
- **Allen Wells** *Jefferies LLC - Analyst*
- **Kristian Godiksen** *Seb Enskilda (London) - Analyst*
- **Nicole Manion** *UBS AG - Analyst*
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PRESENTATION

Operator

Welcome to the ISS Trading Update for Q3 2025. Today's call is being recorded. (Operator Instructions)

I would like to introduce Group CEO, Kasper Fangel; Group CFO, Mads Holm; and Group Head of Investor Relations, Michael Vitfell -Rasmussen. Speakers, please begin.

Michael Vitfell- Rasmussen *ISS A/S - Group Head - Investor Relations*

Good morning, everyone, and a warm welcome to our conference call. We appreciate you joining us today to discuss our Q3 trading update released earlier in the morning. As said, I'm Michael Vitfell-Rasmussen, heading up Investor Relations here at ISS. Joining me today in the room is our CEO, Kasper Fangel; our CFO, Mads Holm; and Anne Sophie Riis from the IR team.

Before we begin, please take a quick view of disclaimer, and then I will hand it over to start the presentation. Please move to slide number 4.

Kasper Fangel *ISS A/S - Group Chief Executive Officer, Member of the Executive Group Management*

Thank you, Michael, and good morning, everyone, and thank you for joining us for our third-quarter 2025 Trading Update. We delivered a third-quarter fully in line with expectations, reflecting steady progress on our strategic priorities, strong commercial momentum, and disciplined execution, keeping our overall strategy firmly on track. And while there is still more to do, we are encouraged by the improvements we make day by day and the underlying momentum across the business.

Let's begin with an overview of our progress and the key drivers behind the financial results. We delivered Q3 in line with expectations on all three KPIs. Growth was 4.9%, an improvement against Q2 of 3.8%. But more importantly, underlying growth is accelerating as new contracts ramps up as well as we are expanding our services with existing customers. Our focused execution is delivering results. We secured a larger number of contract extensions and added new logos throughout the year.

All in all, we continue to see signs that our efforts to strengthen the commercial engine are paying off. That said, a significant portion of the new logos we secured are back-end loaded, with start-up dates towards the end of 2025 or early '26. And as a consequence, we are narrowing our guidance range from 4% to 6% to 4% to 5%, leaving us with a strong exit rate for 2025.

When you look at Q4, remember the uncertainty around the potential level of above base and not least, a very challenging comparison base we have from last year. We successfully went live with DWP on October 1. And thanks to a well-executed mobilization, operations are running as planned. A major achievement for the team on such a large contract and a strong demonstration of our business ability to deliver.

The process with Deutsche Telekom is progressing as planned, and no news does not equal bad news. We're now awaiting the final ruling from the court. Our view on the likely outcome remain unchanged since our last update in connection with Q2, and we continue to firmly believe that we are well positioned in the arbitration process. Finally, we are pleased to see that our credit rating upgrade reflecting our strong financial position and consistent execution.

Since we last spoke, we've continued to do what we do best, helping our customers create exceptional service moments at their workplaces. Our focus remains on delivering great customer experiences every day, powered by our self-delivery model and a strong service mindset. By combining that with our ongoing commercial initiatives, we're continuing to see solid momentum both in new wins and meaningful expansions with existing customers.

So far this year, including Brisbane Airport, we just announced this morning, we have announced 21 contracts, 9 new wins, 9 expansions, 2 scope productions and 1 loss. As I mentioned earlier, the majority of these contracts will start up in the latter part of this year or early 2026, which means we won't see material impact from them until 2026.

While this weighs a bit on our 2025 growth rate, it provides a strong foundation for '26, a year where we'll maintain our dedicated focus on execution within our four chosen segments, continue to pursue local opportunities and grow with our existing customers. Simply by doing what we do best, creating workplace experiences that truly matter and delivering unique service moments.

I'm encouraged when I look at the market environment we are operating in today. Office trends are generally improving across most markets. And as many of you have probably noticed yourself, employers are increasingly updating their return-to-office policies to bring people back together. In this transition, ISS plays an important role, helping create workplaces that attract employees back through a pull rather than a push effect. Our value proposition is centered around making the workplace better, spaces that inspire, connect, and enable productivity.

And while I can't share specific numbers, we do feel the positive impact of more employees returning to the office. And over time, I'm confident these trends will continue to support our growth into '26. From the growth we've seen this quarter, we are observing an underlying like-for-like improvement in both volume and net new wins. The narrowing of the guidance is purely related to timing of contract start-ups and an earlier exit of the recent and out contract loss. We've also improved our retention rate to 94% this quarter, which I will elaborate on in the next slide.

Our 2025 expiries have decreased from 3% to 2% since we last spoke in August. We still have two big ticket items up for renewal this year, and we remain confident on a successful outcome of the current processes. I'm also pleased with the fact that an increasing number of our extensions often results in an expanded scope, driven by our commercial and on-site team's ability to identify and capture growth opportunities.

We have had two scope reductions and one loss during 2025 so far, which, of course, is disappointing. But also the nature of our business and we keep full focus on doing what is best for the business and not driving into two aggressive terms and conditions.

And now I will hand over to Mads for an update on our financials.

Mads Holm ***ISS A/S - Group Chief Financial Officer, Member of the Executive Group Management***

Thank you, Kasper. Turning to our financials for the third-quarter of 2025, we delivered a solid result with performed as planned. We delivered organic growth of 4.9% with an improvement in like-for-like growth since the second-quarter. The organic growth in the quarter was primarily driven by implementation of price increases, which contributed by around 4.5%. This underlines the resilience of our business model as we continue to successfully pass on inflationary pressure, particularly wage-related cost increases to protect our margins.

Volume growth had a positive contribution of around 1%, primarily driven by increased activity level at customer sites, mainly in Northern Europe and APAC as well as scope increases across the regions. As expected, net contract wins had a negative contribution of around 1%. Recall that the majority of the contracts we have announced year-to-date will start up late 2025 and early 2026.

Projects and above base activity contributed around 0.5% and grew organically by 3% in third-quarter despite a tough comparison base from last year. Growth was mainly related to customers' refurbishment programs and other smaller above base work, which are large contribution from Central and Southern Europe. As you know, we don't report on margins or cash flow in our trading update. But I want to emphasize that both are progressing as planned, and we remain fully confident in achieving our full year targets.

Next slide, please. All regions, except America has delivered positive organic growth in the third-quarter, in line with our expectations. In Northern Europe, we recorded third-quarter organic growth of 1% with a challenging comparison due to the annualization effect from DEFRA and the Danish Building and Property Agency which went live in second -quarter 2024. That, combined with a tough, above base comparison for third-quarter 2024.

Recall DWP in the UK successfully went live on the 1 of October. Business is running according to plan, and the full impact will be reflected in the fourth-quarter. We continue to see strong growth in Central and Southern Europe, primarily driven by price increases in Turkey. Additionally, we saw solid growth in above base and positive contribution from net new wins.

In Asia Pacific, we delivered organic growth of 9%, with particular strong performance in the Pacific region and in India, driven by new contract startups and volume growth with existing customers. As a reminder, roughly half of the year-to-date announced contracts originate from APAC.

Finally, performance in the Americas was broadly as expected. The main headwind came from the annualization of a few smaller contract exits outside the US. We haven't seen larger wins in the region, but we remain patient and disciplined, focused on securing healthy, long-term contracts rather than chasing short-term growth.

US came in flat, in line with expectations. At our upcoming Capital Market Day, we will provide a deep dive into our US business and share insight on our strategy going forward. And just a reminder, the fourth-quarter will face a very tough comparison due to the one-off restoration work following last year's hurricane.

Next slide, please. We are around two-thirds through our share buyback program, delivering a total shareholder payout yield of approximately 10%. In line with our capital allocation policy, we continue to pursue smaller bolt-on acquisitions in selected markets when they are value accretive. During the quarter, we completed the acquisition of Garbialdi, a company based in Northern Spain. This acquisition strengthened our regional presence and established us as the market leader in the area.

It's a perfect strategic fit with Grupo Fissa, which we acquired in 2023, and it brings clear low-risk synergies, particularly within back office functions. We expect synergies to come through already at the start of 2026. Garbialdi adds approximately 0.6% to group revenue on an annual basis and the acquisition multiple is very attractive compared to ISS current trading multiple, reflecting our disciplined approach to capital deployment.

We will continue to evaluate bolt-on opportunities where there either is a strong strategic fit or clear operational synergies, but most importantly, where it can create long-term shareholder value.

As Kasper mentioned in the beginning of the presentation, I also want to highlight our Moody's upgrade. Our credit rating was improved from Baa3 positive to Baa2 stable, a clear recognition of our strong financial position and improved track record of disciplined and reliable execution.

Please turn to the next slide where Kasper will provide additional color on our 2025 outlook.

Kasper Fangel ***ISS A/S - Group Chief Executive Officer, Member of the Executive Group Management***

Thank you, Mads. First of all, I'm pleased to report a sequential like-for-like improvement in underlying growth since Q2. While net new wins remained slightly negative, the overall trajectory is positive and we're moving in the right direction. In the first three quarters have progressed in line with our expectations. However, the timing of contract wins and losses have differed from our initial forecast.

Specifically, new wins are more back-end loaded than anticipated, and we are exiting a particular loss faster than expected. As a result, we're slightly adjusting the contribution from net new wins and are narrowing our organic growth guidance to 4% to 5%, positioning us with a strong exit rate heading into 2026. On margins, we remain fully on track and reconfirm our guidance of above 5%.

Next slide, please. We also reconfirm our cash flow guidance for the year. We still expect the strong underlying cash flow generation to be maintained in 2025. The guidance of above DKK2.4 billion is in line with the above 60% cash conversion, adjusting for the DKK200 million negative impact from 2024 prepayments. We still expect payment from DTAG for the amounts withheld in previous years. And providing its received in '25, that will bring our expectations to the free cash flow, including DTAG payments at above DKK3 billion.

Please turn to the next and final slide. As we wrap up, I would like to highlight how ISS' strategy and performance combined to deliver sustainable shareholder value. Our equity story can be summarized as follows. ISS has a strong market leadership in a growing facility service market with a GDP plus growth rate. We maintain a relentless focus on profitability, driven by operational discipline. We generate robust cash flow, giving us the flexibility to reinvest in growth, while returning capital to our shareholders. This foundation is reinforced by disciplined capital allocation, balancing reinvestment, bolt-on M&A and share buybacks.

On top of that, we have a strong sustainability agenda, which not only reflects our values, but also provides us with a meaningful competitive advantage. Taken together, these strengths position ISS to deliver sustainable growth and long-term value creation for our shareholders.

In summary, Q3 was another solid quarter for ISS. We delivered in line on all key parameters, demonstrating strong stability and consistency. And this shows the resilience of our company despite elevated macroeconomic uncertainty. I'm proud of that performance. And looking ahead, I'm confident we will continue to accelerate. The strength of ISS are undeniable.

Our strategy is clear, the investments are in place and the leadership is strong, and we are simplifying the way we operate. This ensures that all of our 325,000 of us are moving in the same direction together. And let me finish by thanking our place makers. Your dedication and care in every service moment define ISS and earn the trust of our customers every single day.

To our customers, thank you for your partnership. We remain committed to helping you achieve your desired outcomes. And with that, I've concluded the presentation, and we will now open the floor for Q&A. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Mads Brinkmann, Berenberg.

Mads Brinkmann *Joh Berenberg Gossler & Co KG - Equity Analyst*

If we could just start on the extensions and the ticket items that you talked about, Kasper. I'm just wondering, I know it's at least the biggest one of them, I guess, is very much by year-end, so end of December. But I'm just wondering, like which other contracts like you alluded to yourself, you've been able to extend quite a few, but also expand those contracts. I was wondering whether you could have some color on these last two big ticket items if the extensions are dragging on just because it actually includes potential negotiations about scope increases as well, that would be very helpful.

And then on M&A, especially the Spanish one, I mean just taking this into context, it seems on the face of it to be value accretive and a cheap acquisition, so to say. But just looking at it, you've added three acquisitions in Spain over the last three years, DKK1.6

billion. So you're taking Spain on very crude math to like a top five country larger than Germany.

I'm just -- if you could help understand, please, in terms of the bigger picture here, the strategy of why you've been so acquisitive in Spain. I know you've bought stuff in Switzerland as well, but it's just it hasn't occurred at least in the past that Spain sort of a big strategic priority. So I'm just wondering why you keep buying stuff in Spain other than it being cheap in the short run.

And then sorry, I'll do a third on the margin, please. I know you don't comment on it or so you haven't reported on it. But just if you could tell us whether the margin for Q3 has been in line or above the margin in Q3 last year, please?

Kasper Fangel *ISS A/S - Group Chief Executive Officer, Member of the Executive Group Management*

Thank you, Mads, and good morning to you as well. Thanks for three, very valid and good questions. I will take the first one around extension, and then Mads will talk to your question around M&A and margin. So first of all, Mads, we have reduced the percentage from 3% to 2% here in Q3, and you are indeed right that a number of the extensions has also resulted in expansions. And we have announced those of them that are above DKK100 million, but we also have a significant number of below DKK100 million, where the same pattern has occurred, which is good.

And it is really about expanding both into new service lines with our existing customers, but also to expand across borders. And it's a great growth opportunity for us. We are starting to see it coming through in the numbers with an improvement in Q3, but we expect that also to be a good growth lever for us in the future because we know the customers, we know the DNA. We know what we're trying to solve for in terms of outcome and therefore, we can put together strong value propositions.

On the particular two that are left this year, then first of all, there's no delay in the plants here at all. It has always been the plan, that these are going to be extended very late in the year. So there is no delay. And I will also not highlight any particular red flags. The process are going according to plan.

We're having the right discussions with the customers, and we feel comfortable around that this is a good process where we'll also be successful. But of course, we never celebrate before we have obtained the signature.

Mads, M&A, and margin, over to you.

Mads Holm *ISS A/S - Group Chief Financial Officer, Member of the Executive Group Management*

Yes. So Mads, you're right, we're doing an acquisition in Spain. We see Spain as a solid market, and we have a very strong management team in Spain who are really, really good at these integrations. And that's also why Spain is one of the few countries where we allow M&A. And it's also a place with a healthy margin.

And you're completely right. There are cheap opportunities in Spain, which makes it a very attractive multiple game, which we talked about last year. We buy a certain price, we take out the synergy. We have a multiple in the mid-single digit and then you add on top the ISS digit.

And as we have seen here, we will be able to take out the synergies early 2026. Therefore, of course, we do this because it's the best spend of capital, and that is part of what we do in Spain, part of what we do in the group when the opportunity is right.

Looking into the margin, we reported a margin for 4.2% in the first half of the year and we have guided above 5% for the full year and we see the 5% as the floor, as we have mentioned earlier. Of course, the seasonality effect of third-quarter is coming through. And we keep doing what's right for ISS, and that also means that with the 5% floor, we have the manure room to make the right investments for ISS throughout the full year. So we're on track to deliver the margin on a floor, which is 5%. And we are seeing -- we are on track to deliver on it.

Mads Brinkmann *Joh Berenberg Gossler & Co KG - Equity Analyst*

If I may just follow up, sorry, on the M&A side of things. Just maybe for the full year, I think you said previously, we should expect DKK500 million, DKK600 million like you did last year in terms of M&A spend. Is that the same that we should think about this year, given that you've done to now, I think, I guess, around DKK300 million in spend, something like that. So another DKK200 million, DKK300 million, is that fair to expect for the remainder of the year? Or I mean, is it too late in the year now for you to do anymore?

Kasper Fangel *ISS A/S - Group Chief Executive Officer, Member of the Executive Group Management*

I think what we have said is that the DKK500 million to DKK600 million, which we've done earlier is a good guesstimate. I think it would be fair to say this year, we will most likely end up a little bit lower than that.

Operator

Mr.Remi, Morgan Stanley.

Remi Grenu *Morgan Stanley - Analyst*

Just two questions from my side. So the first one would be on the series of contracts that you (technical difficulty)

Kasper Fangel *ISS A/S - Group Chief Executive Officer, Member of the Executive Group Management*

Remi, really sorry to interrupt you, but we can't hear the question, sorry. It seems like you're very far away from the mic, can you move closer?

Remi Grenu *Morgan Stanley - Analyst*

Is it better now?

Kasper Fangel *ISS A/S - Group Chief Executive Officer, Member of the Executive Group Management*

It's better. Sorry -- thank you.

Remi Grenu *Morgan Stanley - Analyst*

Okay. Sounds good. So yes, I mean, I just want to elaborate a little bit on the contracts you've announced, the win, the expansion, the losses. I mean, I understand whatever is above DKK100 million. But I'm trying to -- can you help us understand the volume growth rates taking into account all these contracts that you expect entering 2026?

So if I'm kind of doing the math back of the envelope, I'm kind of getting to 1.5% to 2% growth contribution from everything you've announced to date in terms of run rate contribution to next year. So just wanted to understand whether you thought that this assumption was in the right ballpark. And if not then, what I'm missing there? So that would be the first question.

The second one is, I think Kasper, at the beginning of the presentation, you referred to continued sign of commercial momentum improvement. So aside from this contract that you've announced, so what's in the discussion with customers or in the quantitative KPIs makes you confident that you continue to see that momentum flowing to IFS?

Kasper Fangel *ISS A/S - Group Chief Executive Officer, Member of the Executive Group Management*

Yes. Thanks, Remi. Much appreciated. So let me start with the pipeline. The pipeline continues to look healthy and lucrative. And that's both on local customers, it is on regional customers, and it's also on global big ticket items. And it is clear that I have -- what I have shared with you several times before that an office environment is just so much more important to all businesses, post-COVID compared to what was the case before COVID 19. Because it really comes to the realization of business decision makers, the way that you engage your staff is to get them physically together, not necessarily every day during the week, but you got to do it at least a few days during the week.

And we all know that having a policy in place and trying to force people into the office environment, that's not going to last as a sustainable solution. You've got to find an office environment that is appealing and inspiring where people have a desire to get in and they are finding the alternative, which is to stay and work from home less attractive compared to getting into the office space. And we are seeing that with the local customers and with the regional customers and, of course, also with the global customers.

And there, we can help because we have the solutions that can help to drive these outcomes. And that is what continues to fuel the pipeline. Specifically on your building blocks, remember, we are starting DWP up, which is over DKK1 billion, DKK1.2 billion to be precise. That has started up in October. So that's DKK300 million of revenue in the fourth-quarter, so a big ticket item that is helping the growth contribution on net new.

And then you mentioned the contract announcement yourself. I don't want to give you any specific numbers, but I will just make a few additional comments that will help you to understand the building blocks for the fourth-quarter because in the fourth-quarter, we also get both on volume and net new contribution from a full quarter impact of contracts that have started up in Q3 and expanded in Q3 over the course of Q3, so a full quarterly impact of that in Q4.

And then we have, as you rightfully said yourself, the ones that are taking in and are going live in Q4. So, all in all, we are very positive about entering -- sorry, exiting this year with a solid exit position setting us up for a good growth in 2026.

Operator

Allen Wells, Jefferies.

Allen Wells *Jefferies LLC - Analyst*

Just a couple for me. Obviously, you flagged in that last answer that the DWP contract starting in October ramping. Could you maybe just provide a little bit of more kind of anecdotal detail around how that ramp started kind of one of the bit months in, what are the learnings? And maybe is there any impacts on from that on the decision to narrow the guidance, I assume not, but maybe you can just clarify. That's my first question.

And then secondly, obviously, you flagged the uncertainty in 4Q on above base. I'm mindful, obviously, we've got the hurricane comp that you've also flagged, but we are approaching the half point of this quarter. So interested to see what you're hearing and seeing so far from decisions from your customers around kind of above base in Q4? And if that carries on for the rest of the quarter in the trend that we've seen so far, what does that actually mean for the above base level for this quarter?

Kasper Fangel *ISS A/S - Group Chief Executive Officer, Member of the Executive Group Management*

Thanks, Allen. So a little bit more color on DWP. I mean, as I said in my presentation, massive credits to our team in the UK and specifically to the individuals that have worked a long time with the mobilization of DWP. It's very well done.

And I would say the learning for us and that is that when you are absorbing such a significant portion of volume, you also got to prepare well in advance. And that's exactly what we have done with -- on DWP, making sure that all the details were worked through, and there was a diligent process around each of the service lines before we went live, and that is paying off, and that's why I'm so pleased to report that things operationally are going well and there's no link to the narrowing of guidance related to DWP.

As I said before in my presentation, the reason why we are narrowing the guidance to 4% to 5%, and is simply because of a few contract leases that are starting up later than what we expected, plus the loss that we have announced earlier in the year that is mobilizing faster than what we initially expected, but no drama around that.

And then in terms of above base, I mean, for the full year, we expect a negative -- a slight negative contribution from projects. And that, of course, also implies that it's going to be a negative in Q4 because we have a positive contribution year-to-date Q3 of 1%, and that is purely related to the hurricane, the comparison from last year, the restoration work that Mads spoke about in his presentation in Q4 in the US We don't see any structural changes on above base where customers are cutting back on their spend on projects. So no structural changes in that regards.

Operator

Kristian Godiksen, SEB.

Kristian Godiksen *Seb Enskilda (London) - Analyst*

A couple of questions from my side. So on the DWP, maybe I'll just follow up. Could you maybe comment a bit on the potential for the above base? You've previously stated that DKK1.2 billion is for the core part of the contract and then there is -- there was significant potential for above base. So that would be the first question.

And then secondly, if you could perhaps review a bit more on the initiatives on -- in the US whether they are gaining traction or not and how far progressed you are there? And then just thirdly, a household question on the -- you stated a couple of times that like-for -like growth -- but I'm a bit unsure what you are adjusting for, maybe could you comment a bit on that? That would be the first three questions, and then I can jump back.

Kasper Fangel *ISS A/S - Group Chief Executive Officer, Member of the Executive Group Management*

Yes. Thanks, Kristian, and good morning to you as well. So on DWP, of course, on such a significant customer with such a geographical presence in the UK. There is also a good opportunity for additional work above scopes, additional project work. And -- but we've got to earn our right to get that and win that.

And that we do, of course, by delivering on the base and making sure that we're competitive on above base. And we are confident that we can do that, but we are not there yet. So that is work in progress. But yes, there is a chunk of opportunities. but it's not something that comes for free. It's something that we need to earn our right to get, and we're working hard on that on a daily basis.

In terms of the US. Then first, a data point that will help, I think, to understand the current context in the US The growth in the third-quarter in the United States of America is flat. So zero-ish. And that, of course, means that the annualization of the losses have stopped, but it also means that we haven't won any meaningful items yet in the US.

And the question then is, are we doing the right things? And do we have the right set up to make a breakthrough in the US going forward and I absolutely believe that is the case. We have the right leadership team in place.

As Mads said, the plan is there, and you will, of course, when we have a Capital Markets Day at some point of time next year, that will be one of the agenda items that you will get additional details on. But the plan is exactly as I want a plan to be. It's a laser sharp, it's focused. It's with a few things that is moving the needle from a growth perspective and therefore, also from a value perspective. And then with a strong governance model around that we're also executing accordingly.

But I will also highlight that we are patient. It takes time. It's not something that comes overnight. What is critical to us is that we can see the arrows pointing in the right direction and we can see that we are becoming a little bit better every day. That is the case, but -- and then be patient about the timing. Then at some point of time, we will also start to see the acceleration coming through in the US.

Your third question, Godiksen, I didn't get that. The like-for-like comparison you mentioned. So maybe just a little bit more color on that if you want that answered.

Kristian Godiksen *Seb Enskilda (London) - Analyst*

Yes, please. So I can do that. And then maybe just one follow-up on the US part. The flat is a -- just to be sure, are the platform than basically in place now in order for you to begin to start win these contracts that you see out in the market was just -- that was just a follow-up.

And on the household question on life that you mentioned like-for-like, I can't remember you mentioned -- you used the term like-for-like before and only referred to organic growth. I was just wondering if there was anything specific to adjust for in.

Kasper Fangel *ISS A/S - Group Chief Executive Officer, Member of the Executive Group Management*

Yes. Okay. A housekeeping question. There is nothing to -- I think what you're referring to here is that I mentioned that I'm pleased to see that the contribution from volume to growing with existing customers is improving in Q3 compared to the first half position and the same goes for net new contracts.

So if I look at that consolidated, we had a negative contribution in Q2 of approximately 1.5%, and that is flat in Q3. So the arrow is pointing in the right direction, and it's starting to come through in the numbers. That's what I meant. And then in terms of the US on the platform, I mean I think in summary, a good way to describe it is that we have a platform in place now in the US that -- where we have the people and the expertise that we need to fuel the engine with horsepower from a commercial point of view.

And we have the platform in place where we can absorb that organic growth without having to increase our overhead costs accordingly. And that has been built over the last 12-plus months. So now it's about having the laser focus on the prospects in your pipeline and converting these opportunities into new wins and push that over the finish line.

Kristian Godiksen *Seb Enskilda (London) - Analyst*

Perfect. Just a very brief follow-up on the growth contribution. Now I understand it. Can you tell me or what was the reason for the sequential improvement for the existing customers?

Kasper Fangel *ISS A/S - Group Chief Executive Officer, Member of the Executive Group Management*

For the volume?

Kristian Godiksen *Seb Enskilda (London) - Analyst*

Yes.

Kasper Fangel *ISS A/S - Group Chief Executive Officer, Member of the Executive Group Management*

Yes. It's simply the expansions that we've also communicated externally that have contributed positively in Q3 versus the first half.

Operator

Nicole Manion, UBS.

Nicole Manion *UBS AG - Analyst*

Just two for me, please. Firstly, on the net new, can you give us any insight in the nature of the delays and some of the contract starts, anything sort of common you're seeing across customers or nothing really to sort of call out there? And are there any much smaller contracts in there that are still churning off more than expected or not? I assume not from your comments, but I just wanted to check in on that.

And then secondly, just on your comments on return to office. It looks like you think this can still be a tailwind into next year. I just wanted to pick up on this a bit. Some of your peers have maybe suggested that this theme has paid out a little bit, but it seems as though you think it has further to run, just wanted to get your thoughts there, really what you're seeing and perhaps in what markets beyond sort of general trend of kind of higher office investments.

Kasper Fangel *ISS A/S - Group Chief Executive Officer, Member of the Executive Group Management*

Yes. So on the net new, it's a combination really of the above DKK100 million that we have announced, but also contract wins lower than DKK100 million that we have won and that have started up and is supposed to start up in the fourth-quarter. And then from a retention point of view, as I said in the presentation, we have improved that from 93% to 94% here in in Q3. So yes, we do have some losses that are below DKK100 million. Otherwise, that number would be 100%.

But we are strengthening the focus on retention with additional resources that have -- it's that day job to make sure that we are working on that particular thing. And we're not there yet. We can still become better at it. But I think we are moving into a better territory and that is also what is coming through in the 94% improvement versus 93%.

And then on return-to-office. The -- I mean my major point around that is that it's more the -- how can I say, the emotional part of it. And what I mean with that is that we seek in conversations more and more with customers that they want their staff to have this feeling around that they're not being forced into the office, because then it's a matter of time before they will start to seek employment with the competition. Nobody wants to be forced for anything. They want to have the desire to get back in, and they want their people in the office, and they want to push that to a greater extent than what they have done before, and that's where we are coming in.

We don't expect a swing factor in more people being in the office from now on compared to what we've seen in the first nine months of this year in terms of the growth for next year. There will be some small moves but I don't see that as a swing factor. The other part is massive. This thing around notion and the belief in people and decision-makers to make the office space something that is appealing and inspiring because that means that you're willing to invest in it.

And that's exactly where we're coming in and we have a great opportunity.

Operator

Lars Heindorff, Nordea.

Lars Heindorff *Nordea Markets - Analyst*

Two from my side, a follow-on on the US on Kristian's earlier questions. So how much of the negative growth in the Americas, you write about the deliberate closures, how much does that affect the negative growth? And given the positive comments that you made on the US but still with flattish growth. I mean, when do you expect to see that US will actually turn into positive organic growth? That's the first part.

And then the second is on the net new and the trends which obviously will be up in the fourth-quarter given the DWP contract and some of the late start on some of the contracts that you mentioned earlier on. Would it be fair to assume that net new -- the run rate will be positive as we enter into '26?

Kasper Fangel *ISS A/S - Group Chief Executive Officer, Member of the Executive Group Management*

Yes. So first, on your second question, Lars, and also good morning to you. Yes, the exit position of net new will be positive going into next year. You're right about that, and I can confirm that. And on your first question in terms of the US, I don't want to give any specific time line and say within x number of quarters, then we're cracking the code to how we can accelerate growth in the US.

That will not be credible to do that. What I will continue to communicate is exactly where we are on the journey, and I will continue to push our team in the US to do the right things, and that is to build a pipeline that is not filled with all sorts of [Mickey Mouse] prospects, but real prospects with strong substance and it's getting there.

It's better. It's not where it needs to be in the end, but it's improving. And then it takes time. Hopefully, we are moving fast, but I can't give any guarantee around that. We have destroyed good trends in the past in ISS, I've been here in 17 years by losing patience too fast and it's nothing to do with them having a free ride or anything. Our US management team are absolutely feeling accountable for working on the right things. And then I know and we know that when we do the right things, then it's also a matter of time before it starts to pay off in the numbers.

And I think the last point you mentioned there was around -- well, if US is flattish, how can the region then be negative? And that has to do with contract exits in Chile and Mexico in the beginning of this year. So it's the analyzation of that that we're seeing here in the third-quarter. And that's not structural in terms of that, that we have lost additional contracts in the third-quarter.

I just -- it's the annualization from what the losses that we incurred in the beginning of the year.

Operator

Johan Eliason, SB1 Markets.

Johan Eliasson *SP1 Markets - Analyst*

Just a question on your capital allocation priorities. You have the ambition to spend around DKK2.5 billion on buying back your shares. And then (inaudible) on M&A. And that has made sense obviously, since your own valuation has been quite low. But we have seen your valuation improving over the year from around PE 9 times to around 12 times today.

It's still below where you were before the pandemic, but that was also in another interest rate scenario, obviously. But looking into next year, how will your priorities, I guess, on a relative valuation basis, M&A might look a little bit more attractive going forward? Or is this sort of the balance you sort of foresee for some time now?

Mads Holm *ISS A/S - Group Chief Financial Officer, Member of the Executive Group Management*

Thank you very much for the question. I mean, we have a very firm capital allocation policy, and we keep that. We still believe that, first of all, we pay out 20% to 40% of our solid dividend. And of course, we look into other alternatives. And among them, bolt-on M&A is definitely on the list, but of course, also capital allocation in form of share buybacks.

And I think what you have seen within -- I would say the last two years is that we have utilized share buyback in conjunction with, of course, also doing this bolt-on acquisition where they make sense from a financial perspective. And I alluded to it how we also see it as a multiple play for ISS.

That capital allocation policy will stick also in the next year. So nothing too much other than we will be extremely committed to the policy that we have established because we actually believe it's a strong policy and it's well understood by the market. And that's how we will look at it. From an M&A perspective, remember, there's a few countries that would do M&A because we want to do it where we think we have a strong management team who are able to do this in the right way with low risk. So aligned with the capital policy also in '26 is the key here.

Johan Eliasson *SP1 Markets - Analyst*

Excellent. And then just a housekeeping. Can you remind me of the remaining duration of the DTAG contract?

Mads Holm *ISS A/S - Group Chief Financial Officer, Member of the Executive Group Management*

So the DTAG contract ends at the end of 2029.

Kasper Fangel *ISS A/S - Group Chief Executive Officer, Member of the Executive Group Management*

Okay. Thank you very much, everyone, for joining our call. It's a busy day here in Denmark with a lot of Danish companies announcing the results this morning. Thanks for prioritizing ISS. Thanks for your interest in the company.

Our IR team will remain available to take questions over the course of today, but of course, also the coming days. And then Mads and I are just very much looking forward to meet a lot of you. in the upcoming roadshow. And with that, thank you very much. Have a fantastic rest of your day.

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