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Transcript

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Thank you, and good morning, everyone, and welcome to this conference call. We appreciate you joining us here today to discuss our H1 2026 interim report, which we released earlier this 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 at the disclaimer in the back, and then I will hand over to Kasper to start the presentation. Please move to Slide number 4.

Kasper Fangel

Thank you, Michael, and good morning, everyone. Thank you for joining us today as we review our first half results. I'm pleased with the progress we delivered in the first half of the year. Importantly, the underlying business continues to strengthen.

Organic growth remained healthy, supported by new wins, higher customer activity and continued project work. At the same time, we improved both margins and cash flow compared with the first half of last year, reflecting the operational improvements we've been driving across the business.

In the second quarter, we delivered organic growth of 8.9%, including a like-for-like contribution of 2% for the third consecutive quarter in a row. Above-base growth remains strong, particularly across our European markets. This reflects the continued progress we are making in embedding a stronger commercial culture throughout the organization from our frontline operations to group leadership in line with our strategic priorities. Across the business, we continue to execute well against our strategic priorities, strengthening both our commercial performance and operational discipline.

For the first half of 2026, our operating margin was 4.6%. This reflects both the continued improvement in the underlying business and the contribution from a better run rate of the Deutsche Telekom contract post the settlement agreement. Mads will walk you through the individual drivers in more detail shortly.

Free cash flow for the first half of 2026 was 600 million, benefiting from the improved underlying business, lower seasonal working capital movements and the one-time cash payment of 600 million received from Deutsche Telekom as expected.

Commercial momentum also remained encouraging. Year-to-date, we have announced 13 contract changes, of which 10 were positive. This supports our ambition to improve the quality of our revenue growth while maintaining healthy commercial discipline.

We also continue to improve key commercial metrics with our retention rate increasing to 95%. While there's still work to do, I'm encouraged by the progress we are making. The business continues to move in the right direction. Our commercial momentum remains positive, and our pipeline provides confidence as we move through the remainder of '26.

I also want to touch on the important milestone we reached with Deutsche Telekom during the second quarter. As you recall, on 19th of May, we reached a settlement agreement with DTAG. The agreement marks an important step forward in our long-standing partnership and establishes a stronger foundation for our future collaboration.

In addition to agreeing updated commercial terms, we successfully extended the contract by 6 years. The agreement now runs until the end of 2035, providing greater visibility and supporting a more sustainable commercial relationship going forward.

Finally, a brief update on Toma. Following the acquisition on the 7th of May, the competition authority granted final approval in June. And I'm very pleased to welcome more than 4,000 employees from Toma, and I'm happy to see the first phase of the integration is progressing according to plan.

As we close the second quarter, I can confident reconfirm our outlook for 2026. And I look forward to seeing you at our Capital Markets Day on the 14th of September, where we'll share more about the next phase of our journey and take a deeper dive into our business, our strategy and the opportunities ahead. Next slide, please.

Looking back, 2025 was a good year for ISS. And I'm pleased to see that the strong momentum in executing our strategy has continued into the first half of 2026. As I said, we will, of course, take a deeper dive into our strategy at our Capital Markets Day on September 14. But for now, let me highlight a few key takeaways from the second quarter.

During the quarter, we made targeted commercial investments in selected growth opportunities in the US. These investments support our long-term growth ambition

and position us well to capture attractive opportunities going forward.

I'm also very pleased with the closeness and the transparency we have in the business today, which is underpinned by a first half financial performance that is almost exactly in line with what we expected. I believe this level of closeness and transparency is key to continuing and accelerating the journey we are on.

Finally, let me touch on our third priority, ensuring high engagement across the organization. ISS is, first and foremost, a people business. The engagement of our colleagues is fundamental to delivering great service for our customers and creating sustainable value for our shareholders.

I'm particularly proud to see our people recognized externally for their achievements. During the quarter, ISS Singapore was honored with the best FM Partner Award at the Facilities Management Experts Summit, recognizing the strong partnerships and high-quality service delivered by our local team.

In the UK, ISS was ranked number 1 in 5 categories in 2026 i-FM Brands Survey, including most focused on customer needs and the brand FM professionals most aspire to work for. We were also shortlisted for 5 nominations across 4 categories at the IWFM Impact Awards, recognizing our work in areas such as social value, inclusion and community impact. These recognitions are a testament to the dedication of our people and reinforce that our focus on customers, service excellence and engagement is making a tangible difference across our markets.

Overall, the first half confirms that our strategy is delivering as planned. We continue to execute our strategy to deliver profitable growth and strengthen engagement across the organization. With these priorities firmly in place, we are well positioned to continue creating long-term value for our customers and our shareholders.

Let me now turn to our contract announcements. Since our last update, we have continued doing what we do best, helping our customers create exceptional workplace experiences. Our focus remains clear, delivering outstanding service every day through our self-delivery model and our people-first approach.

You have seen this slide before, but we continue to include it because it demonstrates that our strategy is delivering tangible results. A significant share of our growth continues

to come from existing customers, where we are expanding relationships through additional services and broader geographical reach. This is attractive growth as it builds on established partnerships, deep customer knowledge and a proven ability to deliver.

At the same time, we remain focused on winning new business in our 4 core segments and chosen local segments where we see the strongest long-term opportunities. We also remain disciplined pursuing opportunities where our value proposition is strongest and where we can create sustainable, profitable growth.

Demand for integrated workplace experiences continues to be strong across our markets, and ISS is well positioned to capture that demand. The commercial momentum we delivered in the second quarter, together with the contract announcements we have made and the pipeline we see today are very encouraging.

Taken together, our contract announcements over the past 18 months demonstrate a clear trend. We continue to improve the quality of our growth by building deeper customer relationships, winning attractive new business and executing with greater commercial discipline.

With that, let's move to the next slide. Let me now turn to the composition of our organic growth and what it tells us about the improving quality of our performance. As discussed on the previous slide, our commercial strategy is focused not only on growing but on delivering more sustainable and profitable growth.

In recent years, organic growth has primarily been driven by pricing with a significant contribution from our exposure to Turkey. At the same time, net new wins were affected by contract trims and exits, reflecting the deliberate decisions we made to improve the quality and profitability of our portfolio.

Over the past year, that picture has gradually changed. We continue to see the progress in the first half of 2026, which reinforces that the improvements are becoming more firmly established. As you can see on the slide, both net new wins and volume growth have improved meaningfully.

It also reflects the broader progress we are making in executing our strategy, clear accountability, stronger commercial ownership closer to our customers and operations and continued momentum in the rollout of our scalable initiatives.

Going forward, our focus remains on deepening relationships with existing customers while adding new customers to the portfolio. This will be supported by targeted commercial investments, but always with a clear focus on returns, pricing discipline and profitable growth.

With that, let's turn to the next slide. Before I conclude the business update, I would like to briefly address our contract maturity profile. During the first half of the year, we have made very good progress in extending our contracts up for renewal.

Our maturity profile for 2026 remains at 1%, while our retention rate has improved to 95%. This outcome reflects a stronger commercial discipline, earlier engagement with customers and a more proactive approach to managing expirations. Importantly, this ties directly back to the strategy and execution of stronger commercial ownership, clear accountability and a more focused organization.

With that, I will now hand over to Mads for an update on our financials.

Mads Holm

Thank you, Kasper. Let me take you through the financial performance for the second quarter and first half. As Kasper highlighted, the business continued to strengthen during the period. Compared with the first half of 2025, revenue increased by 3 billion, while earnings per share improved by 29%.

This reflects the continued improvement in the underlying business, including structural run rate improvements made on the DTAG contract post the settlement. Organic growth was 8.9% in the second quarter with positive contribution from all main growth drivers. Above-base was particularly strong and included the one-off impact from the DTAG settlement.

Turning to profitability. The operating margin for the first half was 4.6%. The underlying margin continued to improve compared with the same period last year. Free cash flow for the first half was positive 600 million. This includes the timing effect of the 600 million payment received from DTAG as well as improved underlying cash generation and lower seasonal working capital movements compared with last year.

Overall, the first half results demonstrate continued progress across revenue, profitability and cash flow, and we remain well on track to deliver our full year outlook.

Let us now turn to the regional performance. Overall, all regions delivered positive organic growth in the quarter,

broadly in line with our expectations. Starting with Northern Europe, the region delivered organic growth of 4% in the second quarter.

Growth was supported by the mobilization of contract awarded in 2025 and 2026, including COWI, Velux and DWP. This was partly offset by two previously announced contract losses and two scope reductions. Above-base was positive across the region, although slightly lower than first quarter, reflecting improved commercial execution and continued demand from existing customers.

The underlying margin improved in the first half compared to the same period last year. This improvement was, however, partly offset by mobilization costs related to new contract start-ups.

Turning to Central and Southern Europe. The region continued to deliver strong growth of 18% in the second quarter. Growth was primarily driven by price increases, particularly in Turkey. We also saw a solid above-base contribution and a positive impact from net new wins, confirming the continued commercial momentum across the region. Organic growth also included a one-off contribution from DTAG. The margin improved across all countries compared with the first half of last year.

In Asia Pacific, organic growth was 6% in the quarter. Performance was particularly strong in Pacific and India, supported by the Australian Defense contract and continued volume growth with existing customers. The margin was impacted by legal costs in Hong Kong relating to the devastating Wang Fuk Court fire at the end of '25.

Finally, turning to the Americas, performance developed broadly as expected. Organic growth was negatively impacted by net new wins, primarily due to a number of smaller contract exits in Chile.

This was partly offset by supportive volume growth during the quarter. In the US, organic growth was flat, while Mexico delivered solid growth. The regional margin was impacted by targeted commercial investments in the US and restructuring costs in Chile following the exit of a few contracts.

As mentioned earlier, these investments are intended to strengthen our long-term commercial position. At our Capital Market Day, we will provide a deeper review of the US business and share further detail on our strategy and priorities going forward. Overall, the regional performance reinforced the broader message you heard today.

Growth is becoming more broad-based, commercial execution is improving and the quality of the underlying business continues to strengthen. This is consistent with the progress we are making in executing our strategy to deliver profitable growth and improved financial performance.

Next slide, please. In second quarter, we delivered organic growth of 8.9% with contribution from all four growth levers: pricing, volume, net new and above-base. While we expected both volume and net new to be solid, we saw stronger-than-anticipated contribution from above-base, primarily driven by Europe also when excluding the DTAG one-off benefit

This is an important proof point and ties directly back to the strategy update from Kasper. The performance reflects a stronger commercial mindset at site level, clear accountability and better execution closer to the customer, all of which are key elements of our strategy.

Above-base was supported by the positive one-off impact from DTAG in the quarter. As you know, we cannot share the exact amount, but as we have said before, the impact is meaningful in the quarter, but immaterial to the full year growth outlook.

Turning to net new. Performance in the quarter was positively impacted by DWP, COWI, Velux, Australian defense and FCDO as well as contract start-up across Central and Southern Europe. These wins reflect both our focused approach to targeting group segments and our ability to convert opportunity into high-quality contracts. Net new was also negatively impacted by two contract losses in Northern Europe.

On to volume, this was negatively impacted by 2 contract reductions in Northern Europe, one announced at the beginning of 2025 and one in third quarter 2025. However, this was more than offset by the full quarter effect of the expansion in Brisbane in Australia, Bergen in Northern Europe and a new defense customer in Europe as well as other contract expansions from 2025.

As a result, when combining net new and volume, we are pleased to report another quarter with solid like-for-like growth of 2%. This marks the third quarter in a row with strong underlying growth quality.

Finally, above-base revenue for the quarter ended at 3%, driven by a broad-based strong performance across the European regions, a contribution from DWP and one-off from DTAG. Overall, second quarter confirms that our

organic growth is becoming more balanced, more diversified and increasingly driven by the right underlying factors, consistent with the strategy and commercial priorities we have outlined.

Next slide, please. Let me now turn to margins. For the first half of 2026, we delivered a margin of 4.6%. As mentioned before, the underlying business continued to improve across all regions. Combined with the improved run rate on DTAG, this supported the guidance upgrade we announced in May to a margin of around 5.25% for the full year.

As previously mentioned, the first half margin also benefited from the DTAG settlement. The improvements are being implemented throughout the year with the timing resulting in a greater benefit in the first half. For the full year, these improvements to the contractual profitability are expected to contribute to a run rate uplift of 10 to 15 basis points annually to the group.

What I believe is the most important is that the underlying margin trajectory continues to improve. At the same time, we are investing in contract mobilization, commercial initiatives and future growth opportunities while continuing to deliver on our profitability commitments and focus on growing absolute earnings. This demonstrates that we are improving the quality of the business while maintaining financial discipline.

With that, let me turn to free cash flow. Free cash flow for the first half ended at positive 600 million. The free cash flow was positively impacted by the timing effect of the 600 million from the settlement with DTAG and improvements in operating profit.

Working capital benefited from tight receivables management. This was partly offset by higher tax payments and higher interest expenses. The underlying discipline around collections and working capital remains critical and cash generation continues to be a top management priority across all countries.

Let's go to the next slide for a brief update on capital allocation policy. Finally, let me provide an update on capital allocation and shareholder returns. In April, we paid the proposed dividend of approximately 500 million, corresponding to DKK3.2 per share.

Our share buyback program is also progressing as planned. And last week, we concluded the first tranche of the share buyback program. Following the Deutsche Telekom

settlement, we increased the program by additional 600 million, bringing the total program to 3.1 billion.

In May, we cancelled 14.2 million shares following the authorization received at the Annual General Meeting in April. This reduced our total share count to 160 million, representing a reduction of more than 8% this year. Combined, the dividend and the ongoing share buyback represent a payout yield of 8%.

This reflects our disciplined approach to capital allocation. We remain focused on maintaining a strong balance sheet, investing in the business and returning excess capital to shareholders when that represent the most attractive use of funds.

Our capital allocation priorities remain unchanged. We pursue acquisition only where they meet our strict strategic and financial criteria. Toma is a good example of this approach. The acquisition was announced early in the quarter and final competition approval was received in June. As Kasper mentioned earlier, the integration is progressing according to plan, and we remain confident that Toma will strengthen our position in the Nordic region and create long-term value.

Let me finish with a brief update on Turkey post the Actera transaction. Following Actera's exit, we have now completed the planned recapitalization of the business, reducing the debt level and lowered the financing costs. We remain on track to deliver the expected 3% EPS uplift on an annualized basis.

With that, I will hand it back to Kasper. Please turn to Slide 18.

Kasper Fangel

Thank you, Mads. Following another solid quarter, we are pleased to reconfirm the guidance for 2026 that we upgraded in May. We continue to expect organic growth of above 6% for the full year. Pricing, including the contribution from Turkey, is still expected to be the largest growth driver.

However, as we've shown today, the growth composition is becoming more balanced with stronger contributions from volume growth, net new wins and above-base activity.

Our focus on expanding with existing customers continues to deliver results, while we are also making progress in winning new customers within our target segments. At the same time, stronger commercial ownership at site level is helping us identify and capture more opportunities closer to our customers, supporting our above-base contribution.

However, as always, visibility on above-base activity remains more limited, but the momentum we see is encouraging. On profitability, we remain on track and reconfirm our full year margin guidance of around 5.25%.

Overall, the first half reinforces the message you have heard throughout today's presentation. Our strategy is delivering, commercial execution is improving and the quality of our growth continues to strengthen. Please turn to the next slide.

To echo Mads, we keep a relentless focus on cash flow at ISS, and we are on track to deliver a cash conversion of above 60%. This equals above 2.7 billion in underlying cash flow, adjusting for the 200 million negative impact from invoices with due date in 2026 that was paid in 2025 and including the payment from Deutsche Telekom, we expect free cash flow of above 3.1 billion for the full year. Please turn to the next and final slide.

As we wrap up today's presentation, let me take a step back and bring together the key messages. Our equity story remains unchanged. ISS is a global market leader in an attractive facility service market with long-term structural growth opportunities. We combine this strong market position with disciplined execution, a clear commercial strategy and a relentless focus on profitable growth.

As you've heard throughout today's presentation, we are continuing to improve the quality of our business. Commercial momentum is strengthening. Underlying growth is becoming more balanced, financial performance and cash generation are improving. At the same time, we remain disciplined in how we allocate capital, investing in the business while returning excess capital to our shareholders.

The first half of 2026 demonstrates that our strategy is delivering. We have strengthened the underlying business, reached an important long-term agreement with Deutsche Telekom, continued to improve our commercial execution and maintained the financial discipline needed to support sustainable value creation.

Looking ahead, our priorities remain unchanged. We will continue executing our strategy to deliver profitable growth, deliver consistent financial performance and ensure strong engagement across the organization. We are confident that these priorities will continue to strengthen ISS and create long-term value for our customers and our shareholders.

Finally, I would like to thank all our placemakers around the world. Your commitment and professionalism are what make ISS successful every day. I would also like to thank our customers for their continued trust and partnership.

With that, we conclude today's presentation, and I hope to see you all at our upcoming Capital Markets Day in Copenhagen on the 14th of September. And now we are ready to take your questions.

Operator

Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on the telephone. You will hear a tone to confirm that you have entered the queue.

If you wish to remove yourself from the question queue, you may press star and two. In the interest of time, please limit yourself to two questions. Anyone who has a question may press star and one at this time.

And the first question comes from Mads Brinkmann from Berenberg. Please go ahead.

Mads Brinkmann

Yeah, good morning. Thank you very much for taking my questions. Just if we start on the guidance, please. On top line, obviously, very strong print in Q2. And just, I guess, the implied growth. I know you guide for above 6%, but I'm still just struggling to understand why you haven't raised guidance further.

I mean the implied growth in H2 is now 4%. I know you flagged Q4 as a tough comp, but still assuming that Q3 is sort of not too dissimilar to Q1, maybe not Q2, but Q1 at least, then I mean, it looks like you're in a very, very good place. So why haven't you lifted guidance on that one, please?

And then separately, on the free cash flow, this goes back to the upgrade you did in May. Obviously, you lifted organic growth and on the margin and at least just on my back-of-the-envelope calculation, that would sort of mean an incremental 200 million in post-tax EBIT.

So I'm just trying to understand why the guidance when you upgrade this was only upgraded by the 600 million payment related to Deutsche Telekom and not sort of the operating performance of the business as well. Does it mean that you -- essentially, you have a cushion for -- if you need to invest more in H2 or mobilize new contracts or what's the deal here?

And then secondly, sorry, just lastly on DTAG, you mentioned the 10 to 15 bps uplift here over the longer run

or sort of over the year. And just want to make sure I haven't missed this, sorry, is this on the same scope of services or is this an expanded scope of services as well? Thank you.

Kasper Fangel

Thank you very much, Mads. My Mads in the room, do you want to take the guidance and the free cash flow, then I can talk to the DTAG?

Mads Holm

Hi, Mads, and good morning to you. First of all, I think it's a little bit of a notch too early. And as you allude to yourself, we are saying that above 6 percentages. And that, of course, doesn't mean that we're delivering 6.01%. That believes that we have maybe as you alluded to, a cushion, but we are confident in delivering above the 6%, which is therefore also derisked to a large extent.

You touched upon another point yourself, which is, of course, the tough comp base in the fourth quarter, where we had several contracts start up last year, including the DWP. And then the last one, I just want to emphasize when it comes to it. We are still uncertain, of course, about the above-base activity, not because we are seeing any trend. But still, as alluded to in the beginning, it's just a notch too early to see where we are on the above-base side.

Looking at the free cash flow side, I mean, we are mentioning a number, but we're also targeting a cash conversion of 60%. And that's the primary goal. And remember, we also alluded to that we will deliver above the 3.1 billion. And of course, we will see that any additional earnings will, of course, be moved into cash. So therefore, the above 3.1 billion also includes an upside, of course.

Kasper Fangel

Thank you very much, Mads. And in regards to your question on Deutsche Telekom, it's on the same scope. So there's no changes to the scope, Mads.

Mads Brinkmann

Fair enough. That's very clear. But maybe just -- I know it's limited to what you can say, but in essence, I mean, I'm just trying to understand the sort of the retroactive sort of backward-looking impact in the quarter here in DTAG. I know it's -- on a group level, you say it's not meaningful, but I mean the growth in Central and Southern Europe, of course, very, very high.

So I'm just trying to understand the retro aspect. Sorry, I can't speak today. But the impact going back a few years, I mean, is that essentially from when you initiated the arbitration, I believe it was '22 or does it go further back than that? Any color would be much appreciated, please?

Kasper Fangel

Yes. No, no, I totally understand, Mads. And as I'm sure you will understand, it's limited what I can disclose, as you are

saying yourself because that's what we agreed with the customer. So I can't give you the exact details in terms of value, but I can give you some more color that will be helpful.

So the one-off is booked as project volume in Q2, and that's where we have a contribution of 3% in the quarter to the organic growth. And if I strip out the DTAG impact above base still had a decent contribution to organic growth in the quarter.

Mads Brinkmann — Thank you very much. Yes. I mean, is it fair to assume a flat above-base underlying quarter-over-quarter?

Kasper Fangel — In Q2, you mean?

Mads Brinkmann — Yes.

Kasper Fangel — No, because then it would not have been a a decent contribution. So it is a positive contribution in the quarter, also excluding the DTAG one-off impact.

Mads Brinkmann — No, okay. Sorry, fair enough. So I just meant like -- you did 1.5% in Q1, so 1.5% in Q2 is not unreasonable ex-DTAG.

Kasper Fangel — Yes.

Mads Brinkmann — Thank you very much. Yes.

Operator — The next question comes from Thomas Lind Petersen from Nordea. Please go ahead.

Thomas Lind Petersen — Hi, good morning, everyone. And congrats on the strong results here. Maybe sort of a follow-up on Mads'. So regarding Central and Southern Europe, so obviously, super strong growth here. Can you split the underlying growth between pricing in Turkey and then Germany/DTAG and other regional momentum? So that would be my first question.

And then the second one would be around Americas. If you could just give us a bit of an update here because it remains weak, at least in terms of organic growth here and margin is also declining. So what is also expected in time line for America margin to recover? That would be my two questions. Thank you.

Kasper Fangel — Thanks, Thomas. So in terms of Central and Southern and just zooming in on Q2 in isolation, it's very pleasing to see that the like-for-like growth, so the net new contract wins and the scope changes are high. So that's a significant contribution. So that does not have anything to do with the DTAG one-off, and it doesn't have anything to do with prices and Turkey, as you're alluding to.

Then, of course, we have the same impact on prices in the second quarter as we had in the first quarter. So nothing there that is really moving. So what is the difference in Q2 versus Q1 for Central and Southern is a stronger like-for-like and then, of course, an uptick in the project work due to ongoing project work, excluding DTAG and then the DTAG on top. That's the color on Central and Southern.

And in terms of your question on the US then I just want to say that my enthusiasm around the US has not faded away in -- over the course of Q2. I had the pleasure to be in the US meeting current customers and potential new customers and spending time with our team there for a full week last week.

And I got reconfirmed in the fact that we are doing all the right things, and we are investing in all the right things. Of course, we will provide more color on the Capital Markets Day where our Country Manager, Steven Quick, will give a dedicated presentation on the US.

And I don't want to repeat mistakes that has been done in ISS previously by saying comes a certain quarter or a certain month then you will see the significant breakthrough in the US. What we are focused on and what I'm focused on is that we are doing the right things. We can see we are becoming stronger, and that's also the case in Q2 and that the pipeline is healthy, then over time, we will see the return.

And of course, we need a return because it's a significant investment. So we are doing this with the expectation that the return will come through. And then we are also mindful and of course, humble about the fact that we need to be able to afford to do those investments in the US. So I think it is also -- when you assess that whole thing, it's also important to look at it in a broader context.

And you can see that our corporate costs in the first half of 2026 is the same nominal cost as in the first half of 2025, and that's with an organic growth of 8.2% in the first half. So it's not that we're just spending money in the US. We are very mindful of the fact that we need to be able to afford it and do it in a focused way and investing in the right things.

Thomas Lind Petersen — Thanks. Can I just -- a quick follow-up on the US. Are the U.S. commercial investments now largely complete or should we expect the continued margin pressure in H2?

Kasper Fangel — I mean the short answer to that is that the margins in Americas for the second half of this year will be at the same ratio level as the second half of last year.

Thomas Lind Petersen — Thank you. Very clear.

Operator

The next question comes from Kristian Godiksen from SEB. Please go ahead.

Kristian Godiksen

Thank you. A couple of questions from my side as well. So you have had a strong momentum in the U.K. and especially within government contracts, winning especially contracts from Mitie. So I was just wondering what your view is with Mitie being taken over by the OCS group? Is that creating a stronger competitor or what's your view on that? That would be the first question.

And then secondly, maybe if you could comment a bit on this year being more successful in having commercial momentum in expansion of existing contracts rather than new wins. Are there any reasons for that?

And then I noticed that on Slide 18 on the outlook, on the contrary, it looks like growth contribution in the outlook is less for volume growth than for net new wins, which was not the case in the Q1 presentation. So maybe if you could put some color on that as well. That would be my two questions, I guess.

Kasper Fangel

Thank you, Kristian, for those questions. So first of all, in terms of what is happening in the UK with Mitie and OCS, of course, we are following that closely, similar to how we are following all other local markets that we are operating within and what is happening in the market. What I will say as an overall consideration around that is that we operate in margins where there are -- in markets where there are opportunities for both us and the competition to grow.

So massive opportunities, and that goes for UK as well, not only for the scope that is outsourced today, but if you're also adding into the equation the work that is in-sourced today. But of course, we are following the OCS and Mitie situation. I think it's too early to be conclusive of it, but we are proactive and very close to that. But don't see that as a structural thing that will hinder growth for us globally and also not isolated for the UK.

In terms of your question on expansions with existing customers. It is a strategic initiative. And as you will recall, that's exactly what we have worked on in the last three years, and it's really starting to come through now. We have a structured approach around it. We have the right setup where people are working together across countries on making sure that opportunities to grow outside your own remit, outside your local market is fostered in a good and not-bureaucratic way.

And we are working on stakeholder management, making sure that we speak to the right people in terms of the people that are making the decisions. So I'm pleased with the progress. And the good thing is that we have not untapped all those opportunities that we have with our existing customers. So it's still a growth lever that you will hear more about at the Capital Markets Day, but there are still, I would actually call it, significant opportunities to be had around that growth opportunity.

And then in terms of the outlook, I appreciate you looking at the details on that, and that's very clear. It's -- there's nothing material that has changed there. It's immaterial, Kristian, minor rounding. So nothing structural that has changed since the last update in terms of outlook and the contribution from volume.

Kristian Godiksen — Okay. Okay. Because I noticed on the retention rate, maybe I guess that fits right on that. So that's actually improving. So how sustainable is this 95%? I'm just trying to square it, obviously, that volume growth is -- it seems like there's a small notch decline there. And then on the contrary, you have retention rates going up?

Kasper Fangel — Yes. And that's a fair question. What I can say as a simple answer to that is that we see no reason why retention rate shouldn't remain at 95% for the remainder of the year.

Kristian Godiksen — Okay. Perfect. Thank you. I'll jump back.

Operator — The next question comes from Oliver Benneballe from DNB Carnegie. Please go ahead.

Oliver Røst Benneballe — Yes. Thank you for taking my questions. You flag a one-off revenue adjustment from the DTAG settlement recognized as part of Q2 above-base work. I realize you cannot specify the size, but could you please provide some comments on its impact on earnings and specifically how we should think about its impact on EBIT?

And also a question on Americas. Could you please provide an update on the pipeline progressions and what initiatives you are working with? And separately, how are you thinking about M&A as a tool to accelerate presence in the US? Thank you.

Kasper Fangel — Yes. Thank you for those questions. In terms of Deutsche Telekom, I think I have covered the revenue recognition in one of the previous questions. So just a quick recap on that. It's booked as project volume in Q2. We have a contribution of 3% in Q2 from project volume. And if I exclude the impact from the DTAG one-off impact, then we still have a decent

growth in project volume in Q2. So that's the closest I can come to magnitude.

And then in terms of -- from a margin perspective, the settlement agreement has allowed us to improve the contractual profitability. So what we and I call the run rate to a level where it benefits group margins with 10 to 15 basis points annually. And that's the case for 2026, and that will stick going forward as a minimum improvement.

And then in terms of the Americas pipeline, I think I alluded to it before. The pipeline in Americas has improved over the course of Q2, and we have further progressed in some of the process that we are attending in. That's not the same as saying that we are winning, but we are obviously making positive progress.

And you get feedback also from customers that are in those processes. And what I meant about that we are improving is that that feedback that we and I are getting are more and more positive around the US. So we are both strengthening our go-to-market and our proposition -- value proposition that we are putting forward to our customers. And at the same time, our operating model is also improving, working in a more efficient way.

So I am optimistic and I remain optimistic about the Americas and in particular, the US. And from an M&A perspective, don't expect M&A in the next chapters in Americas for us. We want to make sure that what I've just alluded to here in such a positive way is also coming through. And that's the test that we can deliver and things are coming through.

Once then we have that comfort that things are coming through, then we can talk about accelerating things with inorganic growth in the US. But it's not the plan and not on the table to do that in the initial phase.

Oliver Røst Benneballe — Very clear. Thank you.

Operator — The next question comes from Nicole Manion from UBS. Please go ahead.

Nicole Manion — Hi. Good morning. Just one on Northern Europe, please. I think you said that volume and net new were slightly negative in Q2. Obviously, aware of the exits and scope reductions you've announced there. But given the size of what's still ramping up, would maybe have expected the balance to sort of still be slightly positive on maybe the net new. Is there anything to be aware of in the region in terms of maybe some smaller unannounced exits or reductions or

perhaps the phasing of some of the contracts that are ramping up or down? Thank you.

Kasper Fangel

Thanks, Nicole. So, in Northern Europe, the contract exits that we have announced in February '26 or the 1, it was not 2, but 1, that's -- it's the first quarter where that has a full impact in Q2. And then 2 of the wins and the expansions that we have announced in the region does not have a full impact in Q2 and that's totally as expected.

We do expect organic growth to improve in the third quarter in Northern Europe. So, I think that's the summary of what I just mentioned. So, the third quarter organic growth is expected to be stronger in Q3 versus what we saw in Q2.

Nicole Manion

Okay. Thank you.

Operator

The next question comes from Mikkel Logsted from ABG Sundal Collier. Please go ahead.

Mikkel Logsted

Hi, good morning, everyone. I just have one question, and that's about the US. Some of your peers over there has been somewhat vocal about increased demand within technical services from hyperscalers. Is that something you have noticed as well? And do you think your current capabilities can meet this demand? Thank you.

Kasper Fangel

Thank you. Super question. Much appreciated. And you're indeed right. That's an exciting opportunity and something that we of course, also are looking at and reviewing at the moment. But I'll be honest with you and say that particularly what you're referring to in terms of technical services in data centers in the US with the scale-up and the ramp-up that is happening there is not something that you should expect in the short term will be a contribution to us.

On the other side, though, in data centers, they also need janitorial services, cleaning services, and they need food to be fed. And that is something that we have -- where we have the capabilities in the US today. And also, are excited about some of the conversations that we are having to deliver those offerings to the many data centers that are popping up in the US.

Mikkel Logsted

Thank you.

Operator

The next question comes from Annelies Vermeulen from Morgan Stanley. Please go ahead.

Annelies Vermeulen

Hi. Good morning, Kasper. Two questions, please. So firstly, on the additional legal fees in APAC, could you quantify the impact to the margin there? And would you expect a similar impact in Q3 and Q4 until the matter in Hong Kong is resolved? I think the review is expected for Q4?

And then secondly, all these wildfires in Europe, have you had any customers affected by that or any impact to your business operations in those regions in Q3? Thank you.

Kasper Fangel

Thank you. So, if we exclude -- so we just look at the underlying and we exclude the incremental costs related to legal fees, then the margins are slightly improving in Asia Pacific in the first half. And we do not expect cost of the same magnitude in the second half as we had in the first half related to that particular case in Hong Kong.

And on your second question on the wildfires, that's obviously devastating. And no, we have not luckily had any customers or any of our people that have been involved or caught by the wildfires in Europe during the summertime.

Annelies Vermeulen

Great. Thank you.

Operator

The next question comes from Casper Blom from Danske Bank. Please go ahead.

Casper Blom

And just yet another follow-up on the DTAG, sorry, sorry about that. But Kasper, you've given us quite some building blocks to try and triangulate what the revenue impact is. This one-off revenue that you have from the DTAG settlement in the quarter, is that one we should think about as having like 100% margin? Is that just a full drop-through without any cost related to it?

And then secondly, on Northern Europe, you mentioned this mobilization costs related to new contracts having an impact on the margin in the first half. Will we see similar cost in the second half of the year? Or should it then, how could you say, reverse into more business and thereby a higher margin?

Kasper Fangel

Thank you, Casper. So first, on the mobilization costs incurred in Northern Europe in the first half, that will fade away in the second half. And yes, we expect higher margins in the second half versus the first half for the exact reason that you are mentioning, new business is coming in and these incremental costs will fade away.

On the revenue recognition and whether that has a 100% drop-through, absolutely not. Let me explain how it works. So basically, the revenue that we are recognizing in Q2, it's that revenue that we are using to generate the run rate improvements of the 10 to 15 bps annually that I mentioned before.

So that will be implemented throughout the year of 2026, revenue being recognized in the first half and then offset by

costs during the year. And that is what leads to the 10 bps to 15 bps uptick underlying positive impact at Group level.

So no, it's not a full drop-through. There are cost against it both in the first half, and that will come gradually throughout the year and then give this nice uptick of 10 basis points to 15 basis points for the full year, which sticks. So, it will sit there as a minimum also going forward.

Casper Blom

That's very clear, Kasper. If I may follow up, the 10 basis points to 15 basis points run rate improvement that you speak to and you're also saying that it will stick. Is it also correctly understood that we should expect more on top of this over the next, I don't know, 2 to 3 years as you gradually improve the Deutsche Telekom contract towards Group average margins?

Kasper Fangel

I think the first point to understand here is that this is 10 points to 15 points at group level. So of course, when the Deutsche Telekom revenue is around 4 billion, then you will see that it's quite a meaningful uptick to the run rate on that contract.

We are getting that right, and we are implementing that as we speak. We can already see here in the first half that it's coming nicely through. And I'm convinced that we will get it done over the course of this year.

So, let's focus on that first before we start to talk about further improvements from Deutsche Telekom. One step by the time, I'm very pleased with the settlement with Deutsche Telekom. The way we are working together now looking forward and helping each other to create win-win situations in the partnership is a completely different ball game compared to how it used to be.

So, I'm optimistic about the future, but I'm not going to sit here on a call and say 10 basis points to 15 basis points, and then you should expect significantly more on top of that one step at a time, and we're in a very good position as of today.

Casper Blom

Understood. Thanks a lot for the flavor.

Operator

Ladies and gentlemen, that was the last question. I would now like to turn the conference back over to Kasper Fangel for any closing remarks.

Kasper Fangel

Thank you very much. Thank you, everyone, for attending. Thanks for the good questions in the Q&A session. Much appreciated. Our IR team obviously remains available today, and we are also looking forward to meet many of you in the coming days in the upcoming Roadshow.

And then I have to say we are incredibly excited about the Capital Markets Day on the 14th of September here in Copenhagen, where I hope to see as many as possible of you attending in person or if not in person than virtually on the Capital Markets Day.

But with that, thank you very much indeed for your interest in the business, in the company, in ISS, and have a fantastic rest of your day. Thank you.