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PRESENTATION

Martin Kjær Hansen ***ISS A/S - Head of Group IR***

Ladies and gentlemen, my name is Martin Hansen. I'm Head of the Investor Relations at ISS, and I would like to welcome you to our results teleconference call. Please be aware that the announcement, the report, as well as the slides used for this call can be found on our website. Later today, a replay will also be available, and we will post a transcript of the call as soon as it's ready as well.

I'd like to draw your attention to Slide #3 regarding forward-looking statements.

Presenting today will be Group CEO, Jeff Gravenhorst; and Group CFO, Pierre-François Riolacci. We will open for Q&A at the end of this presentation.

And with that, I will hand over to Jeff.

Jeff Olsen Gravenhorst ***ISS A/S - Group CEO & Member of Executive Group Management Board***

Thank you, Martin, and good morning, everyone. Let me start by saying that, overall, I'm pleased with the commercial and operational performance of ISS this year. But before we go through the performance of continued business in detail, I will briefly cover the KPIs as a combined business, which is the basis on which the 2018 outlook was originally set.

Overall, we ended in line with our outlook for the year. Organic growth of 3.4% ended in the high end of the expected range for the year, driven by a continued strong commercial momentum and ongoing demand for above-based work and projects. The operating margin was in line with our outlook and ended at 5.5%, impacted by solid growth and underperformance in a couple of business units. Finally, cash conversion ended at a 101%, and we will cover this in more detail in a moment.

Now for the highlights of our continuing business, please turn to Slide 5. In December 2018, we provided a strategic update laying out the plan on how we will structurally transform to deliver industry-leading growth of 4% to 6% going forward, and actually, being better in 2019.

As a brief update on this, we are seeing solid interest across most assets to be divested and, as such, we're progressing fast with approximately 15% completed or signed. [Also], our transformational project investments are set to gain momentum from early 2019. Notably, the accelerated rollout of our in-house-developed Facilities Management System, build-out of technical services capabilities in Northern Europe and the launch of the Global Shared Service initiatives.

Linked to our strategic update, I'm also pleased to say that we are implementing a couple of regional management changes to further strengthen strategic execution.

The first is we'll build a dedicated team focused on operational performance in and divestment of the 13 countries that we've chosen to exit. The team will also be in charge of building capacity to maintain operational delivery to Global Key Account customers in these countries going forward. This will be led by Richard Sykes, a CEO of Strategic Transformation. He's the former CEO for Northern Europe.

Secondly, as a result of this, as well as the divestment of non-core activities and the implementation of GREAT, the continued operations in Continental Europe and Northern Europe are stronger and more aligned than ever before. In order to drive further efficiencies and growth through best practices, tools and capabilities sharing, the 2 regions will form an organization perspective being merged. However, external financial reporting remains unchanged. This will be led by Jacob Götzsche as a CEO for Europe. He is the former CEO of Continental Europe.

Turning to our financial highlights for the continuing business.

Organic growth remained strong in Q4 at 4.1%, similar to both Q3 and the full year around 4%. We will continue to see strong commercial momentum, as well as surpassing the solid demand from nonportfolio work. The operating margin was 7.4% in Q4, up 0.9 percentage point year-over-year, driven by a mix of run rate improvements and a few positive one-offs as expected. For the full year 2018, the operating margin was 5.7% compared to 5.8% in 2017.

Cash conversion for the continued business ended likewise at 101%. We'll cover both cash conversion and margin development in more details in a moment.

Net profit adjusted for Q4 2018 was DKK 717 million, an increase of DKK 169 million year-over-year despite both currency and M&A headwinds, driven by revenue growth and higher margins. Our leverage at year-end is 2.1x, slightly lower than 2.2x a year ago.

Finally, the dividend for 2018 to be paid in April 2019 is proposed at DKK 7.70 per share. And in addition, we expect to return further funds as we execute on the divestment pipeline.

Turning to some of the recent commercial highlights. We continued to see strong organic growth of 5.5% for the full year, with the Key Accounts now representing 59% of our total revenue. Global Key Accounts decreased by 4% in constant currency due to the ramp-down of DXC, HPI and the EMEA region with an international bank, as expected. Underlying growth remained very strong at 10%, excluding these few but large losses.

I will cover the commercial angle in more detail over the next few slides. So for now, I will just conclude that we continue to see very solid momentum, we are making good progress on our 2019 maturities and the pipeline remains strong.

With this, I would like to turn to Slide 6. Our Key Account business continues to be the key driver behind our organic growth, and we continue to see strong demand for both local, regional and global clients, some looking for an integrated offering and some looking for a single-service solution.

As Key Accounts continue to make up a larger part of our business through a mix of superior growth of Key Account and the divestment of the part of our non-Key Account businesses, ISS is transformed to deliver industry-leading growth of 4% to 6% going ahead.

Please turn to Slide 7. We see very strong commercial momentum in 2018, we also provide -- which also provides a solid starting point for 2019. This slide provides a complete overview of all 2018 wins, expansions and losses, which individually have a group revenue impact of more than 0.1%.

While we've had a long list of key wins and expansions in 2018, the list of losses is limited. We actually don't have a single loss of more than 0.1% on revenue going out in 2019 as it stands.

In terms of the most recent wins and expansions, we've signed 5 key contracts since Q3 results in November, as illustrated on this slide. Combined, these 5 contracts will generate a revenue of approximately 1.7% of continuing business as they will gradually ramp up in 2019.

While I believe there are a number of reasons for our strong commercial momentum, there is no doubt in my mind that our strength in customer-segmented approach is paying off. Our stated primary target segments remain Business Services & IT, Industry & Manufacturing, including Pharma, Healthcare and Public Administration. As illustrated on this slide, by far, most of our larger wins in 2018 was sourced from these 4 sectors.

Please turn to Slide 8. 2018 was also very successful in terms of expansions. We expanded all 7 large key accounts, which, at the outset of the year, were otherwise set to mature in 2018. In addition, we are making good progress on our 2019 maturities, with 3 out of 12 large Key Accounts always successfully extended, still without any losses.

Turning to the updated contract maturity chart on the right-hand side, approximately 45 large Key Accounts generating more than DKK 200 million a year individually makes up 25% of our revenue. Of this, 2019 has 6 percentage points up for renewal, marginally more than the average here of approximately 5%, most of it though with year-end expiry dates.

Please turn to Slide 9 for regional update. Continental Europe delivered another solid quarter of 7% organic growth, up from 6% in Q3. We continued to see remarkably strong volume growth in Turkey, delivered especially by the healthcare sector. Price increases on the back of wage inflation also supported the organic growth.

Growth was also supported by Belgium and Spain. Organic growth in Spain was driven by contract launches and nonportfolio demand, driven, among others, by investments in technical services capability locally. In general, we continue to see solid nonportfolio demand, supported by a number of countries in the region.

Last but not least, it is worth noting that organic growth in Continental Europe remained at 7%, despite strong comps from Q4 in 2017 and the continued negative impact from the loss of DXC Technology and the international bank in EMEA. Very pleasing indeed. For the year as a whole, organic growth was 6% compared to 4% a year before.

The Continental Europe operating margin ended at 10.9% in Q4, up more than 2 percentage points year-over-year. Approximately half of the uplift was driven by a significant one-off settlement linked to the transition of a large contract. We also continued to see strong margin performance across countries in the region, except Netherlands, where underperformance of noncore activities impacted the results until the divestment completed in November 2018.

Performance in Q4 was still negatively impacted by contract phasing in and out. However, we had a sequential improvement compared to last quarter, as expected. For the year as a whole, the margin ended at 7.2% compared to 6.8% the year before.

The Northern Europe organic growth was 2%, slightly up from Q3 at 1%. Growth was particularly strong in Denmark, driven by contract launches, such as the Danish Defense and LEGO. In addition, we realized solid nonportfolio demand, driven especially by the U.K. and Norway.

In the U.K., solid underlying organic growth continued to be more than offset by the revenue reduction from the few known large losses, such as the HP-related losses, as you know. During the first half year 2019, these losses will annualize and the solid underlying performance will become visible.

While Sweden was not a key driver behind organic growth in the region in Q4, the commercial momentum is now improving. Among others, we have had a couple of important extensions and expansions, including PostNord and Vattenfall. For the full year, organic growth was stable at 1% compared to 2017.

The operating margin reached 8.8% in Q4, up 1 percentage point year-over-year. The margin increase was driven by most countries in the region, especially Norway, due to operational efficiency and good contract performances, as well as positive one-off income related to efficiency initiatives in the U.K., as previously communicated. We now also finally started to see signs of margin recovery in Sweden.

Again, performance in Q4 was still negatively impacted by contracts phasing in and out. However, we'll have sequential improvement compared to last quarter. For the full year, the margin ended at 6.9% compared to 7.1% in 2017.

Please turn to Slide 10. Organic growth in Asia Pacific was 8% and was supported by most countries in the region, especially in Hong Kong and Australia following the start-up of multiple large Key Accounts. Growth was partly offset by revenue reduction from HP Inc.

Following a period of the strategic structural adjustment in China to refocus on Key Accounts, we are now seeing solid organic growth driven, among others, by Apple, Huawei and ABB. For the year as a whole, the organic growth is 6%, up from 0% in 2017.

The operating margin in Asia Pacific was 6.3% in Q4, down 1 percentage point year-over-year. APAC continued to be heavily impacted by large Key Account contract phasing in and out, especially in Hong Kong. In addition, the margin continued to be impacted by the ongoing normalization of margins in Singapore. For the year as a whole, the margin was 6.7%, down from 7.7% in 2017.

Organic growth in the Americas was negative 5%, down from plus 1% in Q3. As expected, the decline was driven by a strong flooding-related nonportfolio revenue in Q4 2017, as well as the loss of HP Inc., and the first revenue impact related to the exit of underperforming small contracts in specialized services division in the U.S.

Outside these isolated impacts, we continue to see solid performance with Key Accounts in general as -- continued strong growth at Guckenheimer at more than 20% organic growth in Q4 driven mainly by new clients. For the year as a whole, organic growth was 1%.

The Americas operating margin ended flat year-over-year at 4.8% for Q4. As expected, we're now starting to see improving margins in the U.S., driven by progress on the turnaround of performance in the specialized services divisions in the U.S. In Q4, this was, however, offset by phasing in of large Key Account contracts, especially in Mexico. For the year as a whole, the margin was 3.7% compared to 3.1% in '17.

Please turn to Slide 11. If we put our regions together in one world map of what ISS looks like going ahead, I would like to highlight that ISS remains a global leading facility services provider, with an industry-leading level of self-delivery, self-performance.

After having completed the divestments in front of us, we continue to serve Global Key Accounts across the world, either through our own contract organizations or by our partners, exactly as we do it today, just even more focused with stronger delivery capabilities, which are even better matched with the needs of our Key Accounts.

With that, I would like to hand over to Pierre, who will walk us through the financials, and please turn to Slide 13.

Pierre-François Riolacci ***ISS A/S - Group CFO & Member of Executive Group Management Board***

Thank you, Jeff. I need to a be -- a bit of a long walk because of the discussions on numbers. Good morning, everyone.

As you could see, we ended 2018 on a strong note on growth, with 4.1% organic growth in Q4, broadly in line with Q3, which was plus 4%. Of course, we had the combined impact of the loss of HPI, DXC and the EMEA region of an international bank for minus 1.7%, less than in Q2 and reflecting the prospect towards the full annualization that we expect in the second quarter of 2019. In the first quarter '19, we expect a drag of around minus 1% on the back of these contracts.

The nonportfolio revenues continued to grow in the quarter and contributed with plus 0.7%, despite a tough comparison, including flooding-related projects in Q4 2017. Performance was driven by the strong nonportfolio demand in Europe, as covered by Jeff. The momentum in the rest of our portfolio business also remained very strong and contributed with plus 5.1 percentage point, driven by the launch and the on-board of contracts which were won during 2018. Please note that this momentum from contracts launched within the year will start to slow throughout 2019.

Turning briefly to the full year. You can see that the drivers are similar, and I will not elaborate on it.

Please turn to Slide 14. Now we look at the operating profit drivers in Q4, again, for continued operations, and we similarly adjust the operating profit for currency and M&A. We had faced a negative impact from ForEx and M&A for about DKK 50 million in the quarter, DKK 47 million, which is corresponding to a drag of about 10 bps on the reported operating margin for the quarter.

Jeff has already covered the regions, so I will just conclude that Q4 ended largely as expected. And there was indeed an uplift of margin of 1% year-on-year, which was driven, first, by a couple of positive one-offs, as expected, in the area of approximately 0.7%, again, for the continued business; and there was also a run rate improvement of about 30 bps, which is coming from the continued underlying efficiencies we are generating; but also the early progress of turnaround on the specialized services division in the U.S., but also Sweden; and also the divestment of loss-making activities in the Netherlands that was completed in November.

We've seen phasing in and out of large Key Accounts remaining a drag in Q4, but we see also some sequential improvement as expected. For the year, full year, you would note that the corporate costs amounted to 0.8%, which is slightly down from 0.9% in 2017 despite the adverse effect of the [discounted] treatment. The margin for the full year ended at broadly flat at 5.7%, including a slight negative impact from ForEx and M&A.

Please turn to Slide 15. As mentioned, in connection with the strategy update in December, we are making a few reporting adjustments to the operating margin, so it might be worth to try to put it all together for you and bridge the '18 margin to the '19 outlook that we are sharing with you today.

Our operating margin on the old format, the old basis, which includes the discontinued operation, ended up at 5.5%. Discontinued operation was a drag to group performance for about 0.2% in 2018, partly driven by one-off costs, and as such, not necessarily reflective of the normalized performance, but still a drag of 0.2%. So excluding the discontinued operation, it take us to a continuing operation margin of 5.7%, which is a reporting basis for '18, as it is reflected in our management report.

Then from 2019 onwards, all of the restructuring charges will be accounted for within the operating margin. So we adjust the restructuring charges of 0.7% in '18 and then the 2018 adjusted margin would have been 5%. This is the like-for-like basis for comparison looking forward when you compare the 2019 outlook of 5% to 5.2% and around 5.5% in the medium term.

Please turn to Slide 16. Now going maybe one step further in the main margin drivers that we expect to see at work in 2019, and again, starting from the comparable margin of 5% in 2018.

First, you need to factor in the net positive one-off of around 0.2%, which leads a clean margin of 4.8% in 2018. From there, we expect the margin to increase by about 0.5 to 0.7 percentage points, driven by operational efficiencies, including the ramp-up of margin and significant contracts that were launched and extended during 2018, but also driven by the gradual turnaround of underperforming operations, like in the U.S. and Sweden.

In addition, also, we'll start to see the benefit from the normalization of restructuring expenses, mainly in the second half of 2019. The 2 big drivers: improvement of run rate and the reduction of restructuring expenses, driving these margins to an expected run rate in 2019 of 5.3% to 5.4%.

However, in '19, we also expect to be impacted by our transformational projects for about 0.3 percentage points. These are expenses that will significantly strengthen our Key Account delivery capabilities in '19, mainly the rollout cost of our IFS suite solution, technical solution, FMS, ERP and the procure-to-pay solution, but also the build-up of our technical services capabilities in Northern Europe. These transformational project costs are earmarked for 2019 and 2020, following which, they will fall away. This is consistent with the outlook of 5% to 5.2%.

Please turn to Slide 17. Maybe just before I run through the details, I would like to highlight that we have included in the appendix a couple of slides for modeling purposes. First, we have included another view of the upcoming accounting impacts driven by the IFRS 16 leases standard that will be implemented on 1st of January 2019. And two, we have also included detailed restated numbers for both '17 and '18, restated for discontinued operation, but also restated for restructuring being shown above the line.

Thus being said, going back to '18, revenue was significantly hit by a ForEx impact of DKK 200 million in Q4, and almost DKK 2.4 billion for the continued business for the full year, which together with the M&A impact almost offset the good organic growth that we have.

I will not elaborate further on the operating profit before other items. Just maybe to mention that the depreciation charge in Q4 was close to DKK 180 million, and for the full year basically flat compare '18 to '17. However, as we mentioned already, we expect this depreciation to increase in '19 from around 0.8% of our revenues in '18 to around 1% of our revenues in '19. And this is due, of course, to the accelerated migration to our new in-house solution, including Facility Management System. Of course, this depreciation is not part of the transformation project. This is a cost, of course, that will stay going forward.

In addition, IFRS 16 will add a further approximately DKK 900 million of depreciation. As you know, this is accounting, and it means that the depreciation line compared to revenue is expected to increase by this amount. So we expect to see something like 2.2%, 2.3% for the full year 2019, of course, offset by EBITDA growth.

On the other income and expenses, it's DKK 207 million in Q4, DKK 653 million for the full year 2018. The key driver here is the GREAT implementation in France, in Sweden and in the U.S., as well as the net loss on divestment, mainly related to divestment of our noncore activities in the Netherlands. It was already there, you remember, in Q3.

On the financial income and expenses. I mentioned that the full year '18 net expense increased by DKK 90 million. And this is -- purely is driven by the higher interest rate relating to our U.S. dollar currency swap on the back of the acquisition of Guckenheimer, but also the higher cost of debt following the refinancing in August 2017, or longer maturity and fixed rate. Nothing new in there. The average net debt was broadly flat year-on-year. And in addition, we had some foreign exchange losses, which, net, were higher than last year.

If you look at Q4, you will note that the quarter was up only marginally as most of the full year drivers have now fully annualized. For 2019, we expect financial expenses, before ForEx, in area of DKK 620 million to DKK 640 million. This increase is being driven by the implementation of the IFRS 16 lease new standard.

On the tax side, the effective tax rate for Q4 and for the full year were positively impacted by the recognition of additional deferred tax assets in Germany, but the underlying effective tax rate remains around 25%, and that's probably what you should be using in your modeling.

The adjusted net profit from continuing operation is DKK 834 million in Q4, which is up by DKK 227 million year-on-year, driven by the increased operating profit.

Good news on the optimization and impairment of brand and customer contracts, which is DKK 463 million in '18. And we are slowly getting to the end of this amortizing of the PPA from when ISS was taken private in 2005. And as such, the amortization will step down over the next few years to around DKK 300 million in '19 and even lower in 2020, as expected.

Last point. The net profit from discontinued operation is negative DKK 863 million. I will come back to this in a moment. But of course, you will know that the net loss was driven by the expected fair value adjustment in connection with the businesses which were classified as held for sale at year-end.

Please turn now to Slide 18 for the cash flow. The cash generated by operation was DKK 130 million lower in '18 compare to '17, driven by ForEx and also weak performance of discontinued operation. The cash generated by operation improved by DKK 225 million in Q4.

On the working cap, I will come back in detail in the next slide. But for now, please note that the transition and mobilization of Deutsche Telekom is well on track. And as such, the combined impact for the year reached DKK 268 million and the combined DKK 500 million over the full transition that we had indicated remain broadly unchanged.

On the other expenses paid, it's a charge of DKK 446 million for the full year, which is mainly related to the same countries that I mentioned on the previous slide. And you remember that some of the P&L restructuring charge were booked in '18, but would be cashed out in '19, which mean that we expect the restructuring cash-out '18, '19 to be broadly in line, maybe slightly lower in '19.

On the other interest paid, the increase is mainly driven by slightly higher cost of debt, including this U.S. dollar currency swap, and timing also of coupon payments related to the 10-year fixed EMTN bond that was issued in '17.

On the cash flow from investing activities, of course, the 2017 number reflects the Guckenheimer acquisition. But more importantly, the capital expenditures are running at 1.3% of revenues, both for Q4 and for the full year, which is in line with our historical range of 1% to 1.5%.

In '19 and in 2020, we expect CapEx to be in the high end of the range, around 1.5%, driven by these transformational projects that I have already mentioned.

Also, from 2019 onward, the implementation of IFRS 16 will lead to a repayment of lease liabilities and other cash flow from financing. However, as we see this as an investment that goes hand in hand with our IFRS 16 depreciation, we, going forward, will adjust our free cash flow definition to reflect this investment. So in a nutshell, IFRS 16 will not significantly impact the free cash flow we comment and guide on.

And that free cash flow in 2018 was about DKK 2.4 billion, down by almost DKK 350 million compared to last year, mainly driven again by the ForEx impact, transition and migration on Deutsche Telekom and the performance of discontinued operation.

All in all, 2018 was definitely a slightly unusual transition year with heavy impacts related both to many large contract wins and expansion, as well as a few large losses flowing over from 2017.

Please turn to Slide 19. As we could see in the cash flow statement, the change in working capital for '18 is only plus DKK 40 million, so not a big number, but there are quite a few moving parts which I want to spend some time on.

First thing, we see an increase of gross trade receivables in '18 compare to '17. When I said gross trade receivables that is before any factoring of customer supply chain financing arrangements. So it's up by DKK 1.1 billion. In the same time, you see an increase of payable of DKK 0.5 billion. So there is a net negative cash flow of DKK 600 million, which is reflecting actually a growth in Key Accounts. And I think this growth in Key Accounts, as we explained, is impacting our capital because they are longer payment terms.

And indeed, if you look at the debtor days, before factoring and customer supply chain financing, these debtor days are up by approximately 3 days to a total of 50 days. And this is actually quite decent for a business like ours. What is worth to mention is that '18 is a special year, with a loss of mature contracts with short payment terms, more than offset by the growth of new large Key Accounts with longer payment terms. And including, on top of that, some late invoicing for large [contracts]. So clearly, '18 was a bit of a special one.

In addition to these this receivables and payables move, we had an increase of other receivables in '18. Made of 2 things. One, sign-on fees on new but also extended contracts, as well as the transition on mobilization of Deutsche Telekom. Together, about DKK 350 million. Both our long-term investment that will be paid back, actually, over the life of contract and which have reflected in our income.

The order impact -- other receivables mainly cover supplier rebates, as well as a settlement linked to the transition of a large contract. Both items are short-term timing impact as there are fully committed and confirmed to be paid in 2019. Combined, all of these items amounts to an unusually large working cap drag of DKK 1.5 billion in 2018. And this drag was offset by the use of factoring and customer supply chain financing.

As a reminder, ISS carries no credit risk on factoring and customer supply chain financing as it is fully non-recourse. It is limited to approximately 110 large blue-chip clients with strong credit ratings, most of them are actually rated, all of them are investment-grade. And actually, the average of their credit rating is about A. And as such, it comes with a limited financing cost, which is reflected in our P&L for DKK 20 million in 2018.

So the use of factoring and customer supply chain financing increased by DKK 1.5 billion in '18, first, to bridge working cap impact related to growth and the longer payment terms of Key Accounts. This is part of the value proposition to them, and this is fully priced in. And secondly, it was used also to neutralize a negative short-term free cash flow impact that will reverse in 2019.

Now to be very candid, we overshot factoring and supply chain financing by some DKK 300 million, and that's precisely the reason why we expect this factoring and supply chain financing offer by clients to come down in '19 despite the high growth and despite the build-up of the Deutsche Telekom position.

With this, please turn to Slide 20 to cover what this means for free cash flow. So where are we on our journey to deliver a sustainable DKK 3 billion free cash flow midterm? We look at the DKK 2.4 billion in '18 to be close to a normalized number for the reason I mentioned, even if it is down compared to '17 due -- partly due to FX, partly due to operations.

What do we see in '19? We expect to deliver a free cash flow of around DKK 2 billion, so DKK 1.8 billion to DKK 2.2 billion in '19. It will be supported by robust underlying EBITDA growth, despite expected further negative ForEx. But we also have been negatively impacted by the continued transition and mobilization of Deutsche Telekom, as well as the accelerated short-term transformational projects, which together is a cash out estimated to about DKK 600 million in '19, which is DKK 300 million more than in 2018. So DKK 600 million cash out in '19, plus DKK 300 million compared to '18. And then there would be another impact which is, as I just mentioned, the lower use of factoring and customer supply chain financing due to the '18 overshot.

Midterm, how do we see that? Looking forward, we expect to deliver a medium-term constant currency free cash flow of around DKK 3 billion. And the uplift, compared to '19, will be driven by the growth on EBITDA, as well as, of course, the elimination of the DKK 600 million in '19 which is related to these transformational projects and the Deutsche Telekom ramp-up, but also based on normalization of factoring and supply chain financing.

With that, I would like to turn to Page 21 and give you a brief update on our divestment process. First, it's fair to say that the performance of our discontinued operation was weak in '18 in terms of organic growth, operating margin and cash generation. However, the operating margin decline year-over-year was due to a mix of unusually poor short-term performance in one country, as well as a few negative labor-related one-offs. In other words, this operating margin for our discontinued operation in '18 does not reflect a normalized level.

The classification of countries and business unit as held for sale as of the end of year led to a combined fair value adjustment of DKK 850 million in Q4, in line with the expected around DKK 1 billion communicated in December. Please note that we also expect a number of these divestments to lead to an accounting date, but this will be recognized only when closed.

We have made early progress on the divestment pipeline. 15% of these divestments are now either being completed or signed. And we are seeing some solid interest across most of the assets. We start to get -- as we start to get proceeds, then we will look towards additional returns to shareholders, as previously committed.

And then moving to Slide 22. Just a reminder of our capital reallocation. During the next 2 years, we expect to have a combined DKK 6.5 billion to DKK 8 billion net cash flow available through a combination of free cash flow from our operation, but also divestment proceeds. Subject to protecting our investment-grade financial structure, which is part of the value proposition, this capital will partly be reinvested in the business through our transformational projects, but also potentially through a fewer acquisitions, provided that they are compelling, in order to strengthen our delivery capabilities to Key Accounts even further.

The remaining capital will be returned to our shareholders. We remain fully committed to our ordinary dividend target. And the dividend for '18 to be paid in '19 has, today, been proposed at DKK 7.7 per share. Through '19 and '20, we plan, at the very least, to keep the dividend stable at the DKK 7.7 per share, which amounts to about DKK 3 billion paid in total over these 2 years. In addition, we would be returning at least 25% of the net divestment proceeds, which is at least DKK 0.5 billion, in the form of share buybacks or extraordinary dividends.

Combined, this means that we expect to return around half of the net cash available, DKK 3.5 billion, so around DKK 20 per share to our shareholders during these 2 years.

With this, I would like to hand back over to Jeff on the outlook. Please turn to Slide 23.

Jeff Olsen Gravenhorst ***ISS A/S - Group CEO & Member of Executive Group Management Board***

Thank you, Pierre. We've already covered out the 2019 outlook in some detail through this presentation. So I'll just use this slide as a simple recap.

With the ongoing strong commercial momentum, annualization of a few large contract losses in the first half and the launch of Deutsche Telekom in July, we are set to deliver 5% to 7% organic growth in 2019, around the top end of our medium-term guidance. The operating margin is expected to be between 5% to 5.2% in 2019.

Run rate improvement are set to -- are set to more than offset the 2018 one-offs, as well as the 2019 transformation projects. Combined with the strong organic revenue growth, this means that we are looking into a year of 5% to 11% organic growth at the operating profit level and even stronger organic growth at the EBITDA level.

Looking past 2019, we expect our margins to improve further to be around 5.5% in the medium term. As previously communicated, to be very candid, we are actively pursuing a slightly higher margin than 5.5%, but our medium-term guidance is meant to make room for both good and bad years.

Finally, we expect our reported free cash flow to be between DKK 1.8 billion and DKK 2.2 billion, including significantly -- significant nonrecurring items. In the medium-term, we expect to reach approximately DKK 3 billion, as also previously communicated.

With this slightly longer presentation, obviously with -- on the back of the restated accounts, I would like to open up for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And the first question is from the line of Dylan Aziz of UBS.

Zafar Aziz ***Deutsche Bank Aktiengesellschaft - Director of Depositary Receipts IR Advisory Group***

3 questions from my side, and I guess they all relate to the margins. You're guiding for about 50 to 70 bps of run rate improvements. And I guess if you exclude restructuring all (inaudible) the most important factors in that 50 to 70 bps the contract that suddenly prior to that, and where are you in your Swedish business right now? You've won have some contracts recently. How do you see the margin evolving going forward? And is that to go back to previous levels? And lastly, at Deutsche Telekom ramp up, how dilutive do you expect that to be once it starts to contribute into the third quarter?

Pierre-François Riolacci ***ISS A/S - Group CFO & Member of Executive Group Management Board***

On the 50 to 70 bps improvement that we expect on the margin, and that I mentioned, we may reach, definitely, we do expect some tailwind coming from the lower restructuring. Let's say, something like 30 bps, something like that would mean that we do expect a run rate to carry on improving. You see in Q4 a run rate improvement in our consumer business of about 30 bps. So I think that's a good proxy of what we would expect to see. And it will be fueled by the, of course, the different items I mentioned, with the efficiencies that some businesses that we expect to confirm in their turnaround, and Jeff will on Sweden, and of course, also, we'll see less headwind from this contract term, contract churn, I would say. We do expect some of the contract that we started in '18 to ramp up in [margins] so that will be, I should say, the 3 key drivers: operational efficiencies, ramping up in margins of these large contracts and also the continuing to turnaround of some of our weaker operations.

Jeff Olsen Gravenhorst ***ISS A/S - Group CEO & Member of Executive Group Management Board***

With respect of the question on Sweden. We're, of course, very pleased with the commercial development, as already mentioned, mainly driven by the size, the signature miles by, but expense. We continue to see some stronger commercial momentum in the Swedish market. Also, we see some better commercial conditions also in the specialized services part of the business. In relation to the margin development, we talked about already in Q4 slightly better margins in Q4 year-on-year, so of course, we expect that to pick up. I don't expect Sweden to pick up to sort of the past margins, but definitely, we'll be able to come up to be on level with the group expectations and maybe slightly above over time. So good development in the Swedish market and the Swedish business. On DTAC, this is not -- this is a completely different kind of ramp up of contracts, so we have a lot of costs, as you know, starting this whole contract for the last year or so and also during the last -- the next few months, which is ramping up and making us capable of delivering the services on the 1st of July head on when this piles up. So we don't expect to have any significant or material deviation in the margin DTAC to the business overall.

Operator

And the next question is from the line of Aymeric Poulain from Kepler Cheuvreux.

Aymeric Poulain ***Kepler Cheuvreux, Research Division - Head of Support Services Research***

3 questions for me, please. The first is on the disposal program. Just wanted to check whether the French, that business was sold in 2018, or whether we should -- it's part of the profits you anticipate for this year. That's the first question. Second question is on the factoring. It's stable the level you were used to when, and you explained that the reason for that. As we go into 2019, you anticipate coming back to normal. But should we assume 10% of receivable or will it be a gradual removal? Just to get a sense of how much it will impact your free cash flow in 2019, in particular. And last, you stated the serious deterioration in organic performance in North America, which you also explain from a part with the discontinuation of some contract. Do -- should you expect that to continue throughout 2019, or do you see a continuation of this effect in 2019?

Jeff Olsen Gravenhorst ***ISS A/S - Group CEO & Member of Executive Group Management Board***

So right. The first question was on the French [IFS] business. The proceeds included in the '17, '18 or '19 is part of the program going forward. So it has been signed of the [closed] ships but the proceeds in '18, but will be part of the proceeds going forward. Pierre, on the...

Pierre-François Riolacci ***ISS A/S - Group CFO & Member of Executive Group Management Board***

Yes. On the factoring, I mean there would be -- we expect in '19 to see 2 different plans. One is, as we mentioned, we use factoring to offset some short-term headwind, and also the (inaudible). So that we would expect to come down to that magnitude, and we expect it comes in this slide. On the other hand, we still have -- we have to stop the DTAC contract which is heavy on working cap. We're also growing, as you know, heavily in Key Accounts in that tier, so there will be some further increase and in terms of financing the growth. The net will be negative indeed, but you should distance these 2 different items. I'm not going to tell you precisely, but you should expect the net negative more effective factoring, bearing these 2 items, so short-term financing being a cash thing, so we will confer that,(inaudible) as well, on the other hand, the growth of Key Accounts.

Jeff Olsen Gravenhorst ***ISS A/S - Group CEO & Member of Executive Group Management Board***

On the organic growth in North America, Q4, as I alluded to, it is heavily impacted in Q4 from the flooding incidents in Houston last year, but there was a lot of one-off income, so that is part of the reduction in fourth quarter compared to the year. And also, we have now started to retract from the retail market in the U.S., as also communicated last year or at the [30th] December. If you're looking into this year, we expect that this will, of course, have an impact on the retail reductions, so you probably do expect to have accounting growth for the full year, albeit that it will ramp up during the year and also going to 2020 when the retail program has been completed, we get back to good organic growth for the North American market, and in particular, the Key Accounts sector.

Operator

Next question is from the line of Paul Checketts from Barclays.

Paul Daniel Alasdair Checketts ***Barclays Bank PLC, Research Division - Director***

I think I've got 3 questions, please. The first is, first, talking about the top line guidance for 2019. Within the split of Key Accounts due to mature, can you give us a feel for how many contracts are within that? And what -- how big the largest one would be? And then also I think on the same topic. How is the bid line looking for the current year? That's the first area. And then the second, just return to cost restructuring, there's so much focus on this. And although the finance input costs solid a negligible term (inaudible) arguably, the valuation your the impact on your valuation is much larger. I wonder, do you intend to stop using factoring and take the impact at that moment, but effectively cease using it like a lot of businesses don't, so that's area. And related to that, if you look at the contract in 2018, the large contracts that renewed, in the payment terms extend on those contracts. And then the last question was is on wage inflation which remains a hot topic in the broader area. I just wondered, are you happy at the moment with your on wage inflation given that it's still remaining at pretty high levels?

Jeff Olsen Gravenhorst ***ISS A/S - Group CEO & Member of Executive Group Management Board***

Thank you, Paul. And if I just start with the top line, if I got your right. Within that 5% to 7%, how much of the larger contracts we'd expect to lose? Is that the question that you were asking?

Paul Daniel Alasdair Checketts ***Barclays Bank PLC, Research Division - Director***

More or less, in the past, you gave us some more granularity on that component of the revenue that is scheduled to end in '19. Can you give us a feel for how big the biggest [one] and the timing in the year, where that would occur.

Jeff Olsen Gravenhorst ***ISS A/S - Group CEO & Member of Executive Group Management Board***

So overall, we will give you a list of all the contracts and (inaudible) percent of revenue. And of those, none of them are really up for renewal until the end of the year. So in the [end] year, we don't expect to see any major losses within that portfolio. We've actually, as you've seen, renegotiated extended all of the large contracts in 2018 to 2019. There are a number of contracts that's up for renewal and we're negotiating, 3 of them we have already landed. That goes forward into 2020 and beyond. And then we're working very heavily on other contracts that are up for renewal for the year, but it will not have an impact in the year, should not be successful. The bid pipeline, it looks very strong. As always, I think the commitment towards the IFS offering of the consolidation of services, consolidation within countries to make national contracts, retail contracts, Globe contracts, we continue to see the same pattern coming out. So within that, I think we have a strong commercial future also. Pierre then on the factoring?

Pierre-François Riolacci ***ISS A/S - Group CFO & Member of Executive Group Management Board***

François brought up the question very, very candidly and I think that's a good thing to do. I think there might be a good reason and a bad reason for factoring is light. And I think in our case, we are extremely transparent, both on what we use and why we use it. On the Key Accounts side, it's clear that our growth is targeting Key Accounts, it's targeting bigger customers with very strong credit. And I think I mentioned, I gave you some ideas of the number of customers and also of credit that we have. It's clear that these customers asking for long payment terms, and we can discuss for a long time, is it good or bad, but that's a fact. And to your point, even when we really contract, sometimes, we are asked to extend payment term. And we have one fixed -- one clear request on that side that, at the end of the day, when you look at our portfolio today, it's still good, 50 days of the year so, it's still a good number on this business despite us getting to Key Account. But it's true that looking forward, it's not going to Key Accounts. It's the question which is certain. I think that in the strategy update, we were clear that we would like to use customers supply chain financing which are actually part of the value proposition, which are our pricing to a finance part of the growth, and I think that's something that we have been quite adamant about. Now there is in '18 another handle that was true which was to finance the short-term items that we will collect in the 2 or 3 first quarters '19. We could argue on that. And I mean, clearly, we are very open to input. And anyway, this is clearly a one-off, so we do not have that sort of things. We do have short-term financing, of course, which are very near, but we do that on cash flows. It's clear that this year, it was big. And there is some value in ensuring a free cash flow which is consistent with the business. And usually, that's what happens. So I think I take the input. And clearly, going forward, this is factoring the expense supply chain financing from our customers. It's not something that we plan to use for a short-term. I think it's clearly the Key Accounts point which is if you want and we're happy to carry on the discussion on that.

Jeff Olsen Gravenhorst ***ISS A/S - Group CEO & Member of Executive Group Management Board***

On the wage inflation, we see slightly, on average, for the markets we're in which is marginally higher for in '19 than '18. This is about 2 countries. One is of course Turkey where you see wage inflation, 26%. These are very good at getting covered by the client. As you can also see, the margin being very stable. And then it's U.K. which is slightly higher in '19 that we've seen in the rest of the markets. Having said that, a little bit more the wage increases in the U.K., as you know, the levy and so forth, and the minimum wage is going up in the U.K. over the last few years, the use of this and we will actually also add a curate efficiency or getting the price also up. Then we have to remember that part increases and wage inflation is not an element. It's actually quite a good part for our business to remind the customers. It's a good idea to do something in the non-core activities and give it to people like us, so it's a good driver for outsourcing it to us because we can optimize the efficiency and thereby help the clients to offset these pressures. For us, it's aligned with pretty much in line with normal years in the more in the U.K. and a little bit more in Turkey. In Turkey, we have already compensated for that.

Operator

And next question is from the line of Klaus Kehl from Markets.

Klaus Kehl

Klaus Kehl from Markets. And a question about the organic growth. If we go back to Slide 13, then you show us that the impact from the large contracts is about minus 1.7. And overall, you are delivering 4.1. So wouldn't it be fair to say that, actually, your current run rate is close to 6%? And going into '19, you will add at least 2 percentage point from the Deutsche Telekom contracts. So in other words, the guidance you are giving us on top line growth is actually not very aggressive. Yes. Any thoughts about my calculations?

Jeff Olsen Gravenhorst ***ISS A/S - Group CEO & Member of Executive Group Management Board***

Yes. Thank you. Obviously, a lot of thoughts here. But you know perfectly well that with organic growth, you can't actually talk about the run rate. Because once you get 12 months into a start up, it's not a run rate anymore. You got to win another contract. So we have phasing out on the number of contracts started last year just to remind you of the hospital in Turkey started in September '17 Danish different started in February '18, LEGO started in August last year. A big food and beverage business started, so all of these start-ups are going to be annualized. They're also going to be some annual losses, but that's what you have to take into account when you talk about a run rate. But you're perfectly right that in Q4, the underlying growth was around the 6%. Having said that, all of this rebalancing with the phasing of the annualization of the start ups from last year which was very strong and so strong that it could compensate for the losses mind you['19] and then of course, also the annualization, the losses which were obviously small. So that's the point of those (inaudible). The so I think 5% to 7%, we are quite pleased with that growth for 2019.

Klaus Kehl

Okay. And then another question. When you talked about your long-term vision of a margin of in the range of 5.5%, you mentioned something like you could go above that. Is that something you will return to, let's say, in the next 12 months and update this target? Or do you more mean that, in a good year, it could be above, and in the bad year, could be below?

Jeff Olsen Gravenhorst ***ISS A/S - Group CEO & Member of Executive Group Management Board***

That's exactly what I said and that's exactly what I meant. We have to say that it's not a 5.5% every year. Sometimes, it will be lower, sometimes, it will be higher. And it's around that mark. Our drive on this strategy as we also said in December is the growth path, sustainably having a good organic growth,[a 4% to 6%] that's a driver, but we have to say that, sometimes, of course, we'll drive it up, and sometimes, that could be small things going the other way. So that's the point.

Operator

Next question is from the line of Allen Wells from Exane BNP Paribas.

Allen David Wells ***Exane BNP Paribas, Research Division - Research Analyst***

A couple from me, please. I guess, firstly, just thinking about the Americas market, the U.S. markets you previously flagged it as a big opportunity from our wallet perspective, perhaps you can provide a bit of an update just in terms of where we are, so Guckenheimer progress, the outlook for U.S. contract growth in the pipeline, et cetera. So first question. Secondly, just coming back to the comments around customers, demands changing in terms, et cetera. When you speak to other players and to dissimilar factors and securitas, et cetera, no one else has released seen maybe as aggressive news from the customer side. We do anything when I'm missing there? Why would you guys be a little bit different? Maybe you could comment on that. And then a third question, just so it's come back to the factoring thing again. I mean you mentioned that you made a point about transparency here. I guess maybe one of the things I would argue is the use of factoring caught a lot of people off guard at the end of last year. And hence, the debate. Obviously, the factoring was quite extensively discussed as part of that [December] strategy day. At that time, the DKK 1.4 billion sort of guided to be increasing in line with the growth within the business. And now we've got another DKK 600 million, DKK 700 million of short-term one-off financing has come through there. So I'm just trying to understand what changed between December and now in terms of where that additional amount sort of came from. And then maybe finally just on that, the DKK 3 billion free cash flow target for 2020, what is your absolute factoring assumption that the balance be in 2020 that we can think about contributing to that DKK 3 billion, please?

Jeff Olsen Gravenhorst ***ISS A/S - Group CEO & Member of Executive Group Management Board***

Okay. If I start with the U.S. North American market, this definitely is still a very good opportunity for us to grow in the North American market. We might as well doing very well indeed and we've now landed a number of new signs and also expanding relationships with both largest clients and also the bigger clients, so we have a organic growth of around 20% in that business in the fourth quarter. So very, very happy with that and continued to see good support into absolute structure. The Americas market is a market we'll continue to invest and a market we continue to focus on because we do have a much smaller market share in that market. We also have a slightly different type of markets, so there is a part of the market which is pretty much focused on improved workplace experiences and so forth, where it's all about the end users of the building as opposed to the owners of the building, and that's the market we're going for. We're going for the freestanding users of the market -- of the building market. So we'll see a growth continuing to improve as we go out off the retail market. And we'll continue to see good organic growth opportunities within Key Accounts in the sectors that I just talked about, pharma being one, technology being other, banks being a third, but there's also a big good market for us with and particularly food processing areas. So there was an impact, as I said, from going out the retail market during 2019. On the longer on the payment term changes, we all participate in the same bids, so it will be strange if they don't see the same demands for payment terms. I would say though that this is something where we work with the tools saying, okay, if you want that, then obviously it is a tool that we have that we could get the supply chain financing, which is often part of the package from the clients from that perspective. So it's very few clients where we work with spot from the financing or even factoring for that matter overall, but the debtor days, people are looking for longer days, but they also pay on time. So overall, you can see that net of that, we have 50 days outstanding or gross days, which is actually not bad, so maybe that's because we are low in debtor days overall when compared to other stock now. Pierre, anything else?

Pierre-François Riolacci ***ISS A/S - Group CFO & Member of Executive Group Management Board***

No, no. I think that's a key point. It's clear on this IFRS standards, whether they are global or they are local, we see as a same trend. By the way, we see some of our competitors in the same tenders, and I guess that they have exactly the same fitting. Now It might be that when it comes to single service catering or single service security, it's a bit of a different story, and that's for sure. Now again, we have a high level of transparency not only on factoring, but also on contracts. And I think if you look at the large contracts, 45 contracts, which are 25% of our revenues, in this one, as you can imagine, this is a (inaudible) bids that we need to keep a close eye on and I would invite to have the same level of transparency with competitors and then to focus on these large items, because again, this is large items when we talk about our supply chain financing offered by our clients. We're talking about 100 customers, so it's not a big number of customers. Now there is nothing wrong in leveraging a credit which is actually higher than ours, because if you take this average customer, the average credit customer is actually 3 notch higher than ours, so it does give a flexibility that is part of the assets created by that strategy. And I'm not sure that, that strategy is the same for each and every of the competitors that you are comparing us to. Then to make a long story short, we expect the net contribution of factoring to come down next year. And it is embedded in our guidance, so we cannot be clearer on that. That's one thing. And 2, on your question about the DKK 3 billion, what do we expect to see as factoring in the contribution. That will depend on growth, but it can be anywhere between 0 and maybe 200, 300, depending on the growth, if it is on the low end of our guidance, we would expect it to be close to 0 because we can finance that out the operating cash flow. And if it's a bit higher, then we may use it or not. It will depend on the feedback we get on the market, and we are not blinded, so we'll listen to what our shareholders and investors want.

Operator

Next question is from the line of James Winckler from Jefferies.

James Peter Winckler ***Jefferies LLC, Research Division - Equity Analyst***

I have just a couple of questions. One was on the Global Key Accounts, which you break down in the presentation, 14% of group revenues, negative 4% growth, which I understand is in local currency. I'm wondering if we can get a organic growth figure for that and maybe a bit of just explanation of the growth figure within the Global Key Accounts. And then also just -- again, just on the factory note there, the DKK 300 million of overshot, could you just explain further what drove that overshooting and then kind of why that should not be next year? And then lastly, if you can give any more color on the labor one-offs that you mentioned for the divestments which negatively impacted the divestment margins? And just any sort of confirmation or cover that this is an expected impact or expected disposal proceeds at these discontinued levels.

Jeff Olsen Gravenhorst ***ISS A/S - Group CEO & Member of Executive Group Management Board***

Yes. So if I start with the global accounts. And as you recall, we had some losses in 2017 of global accounts. That's also in those global accounts, we had the flooding revenue in Q4 last year, so that was related to some of the global accounts that in 2017 revenue. So if you look at this minus 4% underlying is actually 13% up if you exclude those losses. So actually quite a good development in Global Key Accounts, of course, driven by the Schreier ramp up, the LEGO, and the food and beverage companies, et cetera. So very good strong development on that. Of course, it is excluding the loss of HP in from 2017.

Pierre-François Riolacci ***ISS A/S - Group CFO & Member of Executive Group Management Board***

Yes. On the DKK 300 million of assets, you know that '18 was a bit of a strange year with a lot of start-up, including I mentioned it some late invoicing, and we actually built these programs throughout the years, for new contracts, of course, when they actually start up and when we start invoicing, so there might be sometimes, you can be a bit surprised by the flow of invoice which is coming in and in December and that's the reason why we have indeed a higher level than we expected, to be very candid, when it came through. This is not to happen in a normalized environment, and of course, looking forward, we believe that we can beat -- we can address that. Again, this overshooting is not billions. We are talking about a few hundred, maybe DKK 300 million, and that's what we are talking about. Again, with a very significant amount, we collect every week about DKK 2 billion, so that's, of course, quite significant, and you can have some moving parts, so that's what I'm referring to and that should not be the case in the future. On the divestments, nothing wrong. I mean, we had some one-off labor costs related. You know that's a good thing maybe -- and thanks for giving me the opportunity to highlight that on this one-offs part. You may have noticed that we had indicated that in the continued business, we have about 1 -- actually, DKK 140 million positive in Q4, and we are actually negative about DKK 40 million in the discontinued business. It's not coincidence. It's clear that if you look back over the last few years, so positive one-off, they tend to be in the countries which are very much Key Accounts driven. And unfortunately, the negative one-off tend to be in the countries which are a bit less focused. And this was the case again. So the net amount is DKK 140 million minus DKK 40 million, DKK 100 million, which is the contribution to our margin on the old format, with the old businesses. And I know that it is a sensitive point for all of you, so it's about DKK 100 million on the full picture, plus DKK 140 million on the continued, minus DKK 40 million on the discontinued. So indeed, the discontinued was hit by this one-off. But of course, we normalize this when it comes to buildings in and the business plan for buyers. And we are quite confident with the valuation. It does not impair in any way our expectation of proceeds. This was actually already embedded in our vision in December. And as you could see, the fair value adjustment that we came through with is DKK 850 million, which is actually lower or let's say at the low end of the around DKK 1 billion guidance that we had given in December. So no but surprise whatsoever in there.

James Peter Winckler ***Jefferies LLC, Research Division - Equity Analyst***

Okay. And then sorry just lastly, last question there. The APAC margin, obviously, as you mentioned, hurt a bit by some of the start up costs, ramping up of the new contracts. However, I think there is a good portion of the underlying kind of one-off income for Q4 was the rebate within Australia. And I'm just wondering if you could confirm the quantity of that and how much that impacted the APAC margin in Q4.

Pierre-François Riolacci ***ISS A/S - Group CFO & Member of Executive Group Management Board***

On the tax rate? No, there was -- no, I think that you are referring to a potential one-off that we could have in APAC. And no, there was no positive one-off in APAC in our Q4 numbers, so it's not going to impact the basis of comparison next year.

Operator

Our next question is from the line of Daniel Hobden from Credit Suisse.

Daniel James Hobden ***Crédit Suisse AG, Research Division - Research Analyst***

I'll try and avoid questions on that have been answered. But 2 questions, if I may. One is around the significant one-off settlement linked to the transition a large contract in Continental Europe. Obviously, it seems to me quite a significant amount of money. Could you just provide a little bit more color about what that was? And then my second question is on the margin profile, which you shared with us back in the December strategy update. I was just wondering, given the rebates that you've been having, and obviously, the discussions around this factoring, and how is the margin profile shaped in terms of your -- the rebates that have happened here? Are you seeing margin pressure? And in secondary to that, who are you coming up against in terms of competitors? Is it still the same bigger players or are you seeing an emergence of the smaller, more regional, more local competitors?

Pierre-François Riolacci ***ISS A/S - Group CFO & Member of Executive Group Management Board***

Well, I'm going to disappoint you because I'm not going to enter into details about any single transaction which is related to one contract. But I can share with you some comments is that when we have a transition, a significant transition, we can have, as you can imagine, some discussion, heated discussion with customers about what costs should be there, under what rules was in there. But of course, we do transition. So we do have the cost and we expand the cost, and there is, of course, it can be somewhat -- it can be someone significant. And then we come at some point with the transaction, and we have an agreement with the customer, and it may be that we actually collect the cash later on, because, as you can imagine, customers, they have their own budget, management, restriction and all that stuff. So there is naturally a gap between when we actually incur the cost and when we are going to collect the money, and that's the reason why you recognize something in the profit and the cash may be coming later on. I think that I've been very clear about the one-off that we have in Q4. It's DKK 140 million in the continued business, minus DKK 40 million in the discontinued. Net is DKK 100 million. And I think we cannot we cannot be more transparent than that, and I would not like to really point out to one single contract. But you know that we are starting at very large operations this year and next year. And as you can imagine, there are big tickets which are flying around.

Jeff Olsen Gravenhorst ***ISS A/S - Group CEO & Member of Executive Group Management Board***

When we look at the -- or the market, the contract margin profiles and sort of the market per se, I don't see any difference from the competitiveness point of view. I think it's always been a tough business. It continues to be a tough business in business where you make very high margin. So this is an area where we continue to improve our product. You know that by the investments that we're doing, but also by offering to our clients, they're becoming better and better, they're having fewer clients, but are more tactical and strategic level. That gives us an opportunity to be a little bit more value driven in the dialogue with the customers, also slightly higher margins which is what we showed you the profile of. But also, when we then renegotiate on existing contracts, you do need to give, most times, we come up with efficiency improvements with the clients are looking for, and that doesn't change. That means that when you ramp them up one more time, you will have a slight drop in the margin and then you move margin up as you make an effect. This is typically to do with the fact that we take out hours, but the hours are already there, and that means it takes a while before those costs are out. That's the same profile. That's what we've shown for many years and we've repeated that again at December, so I don't see any change in that. Competitiveness-wise, well, there's a lot of competitors in this market which is one of the reasons why we're going towards this area. Globally, we're up against 4 players depending on which end of the stick you're looking at. Locally, by country, there'll always be a few local players that are also in this IFS or the integrated offering field, but it's a lot of all of them are interested in having blue-chip delivery, proper compliance and proper governance, and thereby, we're all looking for decent returns on our investments. Most also listed and professionally owned. So I think it's a good market to be in compared to the mom-and-pop market which is the one that we definitely are not trying to compete in. The use of factoring in there, as you said, the whole point of that is, yes, they are looking for a longer term because they know they're strong. They know the strong credits. So that's of course, the point. So when you do the , then you look at, okay, we'll try negotiate the days down, but at the same time, if it's a Class A asset, then we will have very few, we accept that this is part of the equation, and then, of course, that's loaded in this pricing, or costs, sorry.

Operator

And our final question for today is from the line of Matija Gergolet from Goldman Sachs.

Matija Gergolet ***Goldman Sachs Group Inc., Research Division - Equity Analyst***

Lots of questions this morning. 3 more for me, please. Firstly, you mentioned a high inflation growth in Turkey, I think, at 26%. I want to confirm with you, I think with 4%, 3%, 4% of your revenues, so that gives you like almost like 100 basis points of more organic growth on a group basis such a high inflation in Turkey. And also, maybe linked to that now, it helps one of the reasons why you also granted more this year compared to your long-term guidance. Secondly, when it comes to basically exceptionals, the 0.2 that you now kindly split out, just to be clear, that refers to the pension, one that we had in Q2, and the incremental one-offs that we have in the fourth quarter, or is there anything else that you're including in there? And then just lastly, lots of say questions around working capital, just focusing on 2019 working capital. So what I can gather from today, we have the Deutsche Telekom over DKK 200 million, there's a sale organic growth or good organic growth, and then there should be a few more hundred million from negative working capital into a decrease in the factoring, so we're looking now DKK 0.5 billion plus negative working capital absorption for 2019. Is that a fair assumption?

Jeff Olsen Gravenhorst ***ISS A/S - Group CEO & Member of Executive Group Management Board***

If I start with Turkey, when you have price increases, whatever it is, whether it's 5%, 10% or 2%, then there's always a matter it's a combination between just a straight uplift and a efficiency improvement or a scope change, so it's never a like-for-like. So if you have a 10% increase in price, in salaries, you might end up with a 5% increase in the price to the client, but a different product. So it's never easy to just make it like-for-like, #1. #2 is in Turkey, we are seeing a 50% of the growth in Turkey is volume driven. So yes, there is a big part coming from Turkey because we have new hospitals coming on all the time, and other clients for that matter. But at the same time, the inflation uplift is, as I said, a combination between rescoping, making better efficiencies, investing in better ways of working, at the same time, it's just getting straight uplift in the outer rate. So it's a combination. So overall, that's the answer for Turkey, I guess.

Pierre-François Riolacci ***ISS A/S - Group CFO & Member of Executive Group Management Board***

Yes. Thanks for making the point on one-off, which is we had a good one. So indeed, you remember that we have some positive tailwind of one-off cumulative on the first 9 months, let's say, to make a long story short, around DKK 30 million, and this DKK 100 million that I have mentioned for Q4, all in, continued and discontinued, they are coming on top of it, so it's DKK 130 million, which is consistent with the 20 bps that we mentioned. On the working cap in '19, that's a tough question, because I wish I could determine the working cap very precisely at the end of December '19. There will be a lot of moving parts. I think your reasoning is right, but don't forget that we do also expect to cash in some of the short-term financing which cost us a lot of money which were offset by factoring, but of course, a decrease in factoring would be also [believed] partly to buying cash in that come in the so you have still a few moving parts. And yet, we would expect working cap, being, of course, negative in '19, that's for sure. That's what we do expect. But I struggled to quantify that too precisely, and I wouldn't like to commit myself to a number.

Operator

And that was our final question for today, so I will hand the call back to the speakers. Please go ahead.

Jeff Olsen Gravenhorst ***ISS A/S - Group CEO & Member of Executive Group Management Board***

Thank you, all, for participating on the call today. Obviously, our Investor Relations will be available for follow-up questions. But otherwise, that's it for now. Thank you.