LSEG STREETEVENTS

EDITED TRANSCRIPT

FULL YEAR 2025 ISS A/S EARNINGS CALL

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An LSEG Business

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- **Remy Sheridan** *Morgan Stanley - Analyst*
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PRESENTATION

Operator

Welcome to ISS annual report 2025 presentation. Today's call is being recorded. If you have any objections to this, please disconnect your phone line. All participants will be in a listen-only mode throughout the presentation, and afterwards, there will be a question-and-answer session. Today's speakers will be CEO Kasper Fangel and CFO Mads Holm.

First, I would like to hand it over to Head of Investor Relations, Michael Hvidtfeldt Rasmussen. Michael, please begin.

Michael Vitfell *ISS A/S - Head of Investor Relations*

Thank you very much, and good morning, everyone, and welcome to our conference call. We appreciate you joining us today to discuss our 2025 results, which were released earlier this morning.

As said, I'm Michael VitfellRasmussen, heading up Investor Relations here at ISS. Joining me in the room today 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, and then I will hand it over to Kasper to start the presentation. Please move to slide number 4.

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

Thank you, Michael, and good morning, everyone. We appreciate you taking the time to join us as we review our results for the full year 2025. Looking back on the year, we strengthened the business across the board and delivered solid progress on all strategic priorities. I'll share more details on that in the next slide.

Our financial results ended in line with expectations, and we saw an uptick in commercial momentum, driven by our strategic investments and our relentless focus on sustainable growth. While there's still work ahead of us, we are encouraged by the continuous improvements we are making and the growing momentum across the business. We concluded the year with 25 contract announcements, and I'm pleased to report that 22 of those were positive. This lays a strong foundation for a successful 2026 and increases our revenue growth quality as we become less dependent on pricing alone.

Additionally, I'm pleased to share that we have started the year with positive momentum, with a solid and encouraging pipeline. In 2026, we expect an organic growth of above 5%, with a greater contribution from net new wins and volume, a margin above 5%, and an underlying cash conversion above 60%. As it is well known to all of you, we maintain a stringent and disciplined approach in prioritizing how we allocate capital, and as a part of our continued commitment to deliver value to our shareholders, we are pleased to announce a new share buyback program of DKK2.5 billion.

In 2025, we successfully completed two smaller bolt-on acquisitions, strengthening our local presence in Spain and Austria. These acquisitions have already started delivering synergies and are adding value to ISS. Looking ahead to 2026, we'll continue to assess each potential target in details while maintaining flexibility to prioritize share buybacks when they offer the best return for our shareholders.

The final oral hearing in the arbitration proceedings took place in mid-July 2025. The parties await a ruling by the tribunal and have, in parallel, engaged in discussions on a potential settlement, which aim at settling disputed claims, creating clarity on contractual positions going forward, and further strengthening the collaboration and partnership between ISS and Deutsche Telekom. We expect a final outcome in the H1 of 2026, and I appreciate that you're all eager to hear more details, but I know you will appreciate that this is a sensitive commercial matter, so we won't be able to provide further details.

As you already know, late in 2025, there was a tragic incident at a customer site in Hong Kong. This devastating event resulted in the loss of life, and we are deeply saddened by it. My thoughts and deepest condolences go out to everyone affected by this tragedy, including the families and the broader community. We stand with them during this incredibly difficult time. Please turn to slide 6 for a view of our strategic initiative.

Back in December 2024, we launched the next phase of our strategy, sharpening our focus on what matters most to our customers. As you may recall, we clarified our four targeted group segments and identified three core customer needs that guide our execution: one, customer experience; two, sustainability; and three, efficiency.

Price and sustainability are fundamental, our license to operate, but our true differentiator is delivering an exceptional customer experience. When we get this right, we grow with our customers, help bring people back to the workplace, and create a compelling and sticky value proposition through consistently high-quality service delivery. To deliver on this, we focus on three priorities: one, Group Commercial Operating Model; becoming two, the leading frontline employer; and three, driving efficiency. These are supported by eight global initiatives, where we see significant scale benefits from building capabilities at group level and deploying them consistently across countries.

Let me briefly highlight some of the eight initiatives where we made strong progress this year. We've implemented a new commercial operating model that sharpens how we win and scale Global and Regional customers. As a result, we are seeing improvements in pipeline quality, Internationalization of Major Accounts, and win rates.

Through our partnership with the UK-based Social Value Portal, we can now measure and demonstrate our community impact. Five countries completed full assessment in 2025, with five more planned for 2026, all with impressive outcomes in terms of the social value we deliver in those countries.

At the same time, by the end of 2025, almost 140,000 recognized qualifications will have been achieved by our pacemakers and their families since 2022, strengthening capability and retention. We are also modernizing our recruitment with AI-driven tools, improving both speed and quality, which is especially important in today's tight labor markets and will help reduce turnover over time.

We continue to advance our workforce management program, improving productivity across key markets. We now have clear best practices and country roadmaps in place, which we expect will drive further gains. We are also progressing well with the transition of local finance activities to our financially shared service center in Poland and remain on track for our 2026 European markets.

Overall, we're executing with discipline across all three priorities, strengthening our commercial foundation, and investing in our people and improving efficiency. We look forward to sharing more details at our Capital Markets Day later this year.

Since our last update, we've continued doing what we do best, helping our customers create exceptional service moment at their workplaces. Our focus remains clear: delivering outstanding customer experiences every day, driven by our self-delivery model and a strong service mindset. You're all familiar with this slide by now, and it clearly illustrates that our strategic efforts are paying off. We are seeing growth win existing customers, which is a lower risk, high-impact way to expand, as we already understand their needs and they trust what ISS stands for.

We continue to target our four core segments for new business, but we remain open to local segments if the business case is compelling. These core segments represent the greatest opportunities globally for future growth at ISS. Not only do we have deep expertise in these areas, but they are also where our value proposition truly resonates, and the results are clear. The demand for workplace experience is increasing.

Our 2025 announcement, combined with our 2026 pipeline, make me confident that 2026 will be a year where we will grow revenues with higher quality. Let's turn to the next slide, please.

Over the last couple of years, our organic growth has primarily been driven by price increases, particularly due to our exposure to Turkey. While net new wins has been negatively impacted by contract trimming and exits, mainly for strategic reasons.

Over the last year, we've improved our portfolio to a 2025 exit position, which is positive from an underlying growth perspective, something that we have not seen in recent years. Going forward, we believe that our increased focus will continue to secure growth with our existing customers and add new customers to the portfolio.

As you can see, we've significantly improved our net new and volume growth, and we remain committed to continuing this through continued focus, including making the right commercial investments. Looking ahead to our growth algorithm for '26 and beyond, I expect both volume and net new wins to become a higher contributor, while pricing will likely stabilize as inflation pressure ease. I'll go into more detail on this at our upcoming Capital Markets Day. Next slide, please.

Before I conclude the business update, I want to address our maturity profile. I'm pleased that we have secured our two largest big-ticket items in 2025. As you know, one was in the US, which also included an expansion, though under DKK100 million. In 2025, we only experienced one contract loss above DKK100 million, and just recently, we lost another contract in early 2026. The latter is a perfect example of a contract we don't intend to renew where the commercial terms simply became unattractive.

ISS will only engage in contracts where the financials make sense or where there is a strategic benefit to the business. Let me be clear that the latter is the exception, not the rule.

We closed the year with a retention rate of 94%, and while this is an improvement from 2024, we are working hard to improve that number. It's critical that we stay focused and proactive on all expirations, regardless of size.

Finally, I'd like to highlight our 2026 maturity profile. The contracts up for renewal in 2026 are more fragmented than those in 2025, with fewer big-ticket items and less dependency. Let me emphasize, this doesn't mean less importance nor focus. Every contract is important to ISS and a top priority for us.

And now, I'll hand over to Mads for an update on our financials.

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

Thank you, Kasper, and now a few words on the financials. In the past three years, we've grown our top line by more than DKK10 billion and significantly improved our EPS. This year, we delivered 9% EPS growth, further demonstrating our robust financial performance and delivering exactly as promised.

Our fourth quarter ended on a solid note, with financial metrics meeting expectations and delivering full-year results accordingly. The organic growth ended at 4.1% in the fourth quarter, while the organic growth for the full year of 2025 amounted to 4.3%, a decrease compared to 2024, driven by a tough comparison base from the one-off restoration work in North America.

As expected, our underlying performance improved in the H2 of 2025, with an operating margin of 5.8%, offset by ongoing investments in the business. This brings our full-year operating margin to just above 5% for the year. Our cash flow delivered ahead of plans, with DKK2.7 billion of free cash flow for the full year, supported by a DKK200 million prepayment, but also driven by higher underlying quality. Please proceed to next slide for a breakdown of the regional performance.

All Regions, except the Americas, delivered positive organic growth in the fourth quarter, in line with our expectations. In Northern Europe, we recorded a fourth quarter organic growth of 5.3%, supported by the startup of DWP, offset by announced contract loss and a scope reduction, both in the UK. I would also like to highlight a strong and broad above-base performance across the region.

We continue to see strong growth in Central and Southern Europe. The fourth quarter ended at 12.5%, primarily driven by price increases in Turkey. Additionally, we saw solid growth in above-base and positive contribution from net new wins.

In Asia and Pacific, we delivered organic growth of 7%, with particularly strong performance in Pacific, India, and Singapore, driven by new contract startups and volume growth with existing customers. As a reminder, roughly half of the contract announced in 2025 originated from APAC.

Finally, performance in the Americas was as expected. The main headwind came from the restoration work in the US in connection with the hurricane last year. Excluding the restoration work, US came in flat in the quarter. Furthermore, the region faces a headwind from contract exits in US and Mexico from last year.

At our upcoming Capital Markets Day, we will provide a deep dive into our US business and share insights on our strategy going forward. I'm pleased to see underlying stabilization in the business and the large retention, including a small scope increase in the US in the later part of fourth quarter. Next slide, please.

For the full year, we delivered organic growth of 4.3%, driven primarily by successful implementation of price increases, which contributed by around 4.5%. Turkey was slightly below half of that increase. As you may recall, we adjusted our organic growth guidance in connection with the third quarter due to a contract exit and timing of new contract startups. Therefore, our growth algorithm had a neutral like-for-like contribution for the full year, but I'm very pleased to see the underlying like-for-like improvement two percentage points in fourth quarter versus third quarter.

In the fourth quarter, net new was positively impacted by the startup of DWP, VELUX, and a contract win in Central and Southern Europe, while there was a headwind from the beforementioned contract loss in the UK. Volume growth in the fourth quarter was positively impacted by the Brisbane Airport startup in fourth quarter, alongside other contract launches earlier in the year. However, it was negatively affected by the announced scope reduction in fourth quarter 2025 in the UK. Above-base revenue for the quarter ended at -2%, impacted by significant headwinds from last year's hurricane-related restoration work in the Americas, while we saw an improvement in above-base revenue across all other regions. Next slide, please.

ISS has been on a margin recovery journey over the past five years, improving from an operating margin near 0% in 2020 to a current margin of above 5%. This progress is a direct result of our focused execution of the One ISS strategy, emphasizing selective tenders, driving profitable growth, and consistently managing costs.

As we close out 2025, we finished the year with a margin slightly above 5%. The margin this year was impacted by commercial investments in the US and EGM changes in the beginning of H1, both fully absorbed in our margin guidance.

We also continued to invest in our shared service center in Gdansk, with all European countries expected to be integrated by year-end. By leveraging wage arbitrage, we are maintaining strong momentum and reinvesting to onboard additional processes later this year and exploring potential expansion beyond Europe. What's truly important here is that we have been able to invest significant amounts into contract startup and reinvest in the business while still delivering on our margins. Please turn to next slide for some thoughts on our free cash flow.

Free cash flow for 2025 was DKK2.7 billion, equaling a cash conversion of 64%, those slightly ahead of guidance. This was driven by DKK200 million of prepayments rather close to year-end, primarily driven by customer receivables be paid before due date. Hence, adjusting for that, we slightly over-delivered at DKK2.5 billion.

Working capital benefited from tight receivables management and a slight improvement in DSO compared to last year. Also, it's worth noticing that the factoring balance grew less than organic growth for the full year, hence increasing the quality of our free cash flow once again. Let's go to the next slide for a brief update on capital allocation policy.

I'm pleased to share that this morning, we are launching a share buyback program of DKK2.5 billion, in line with our capital allocation policy. DKK2.5 billion is a starting point, and we will re-evaluate the situation later in the year to ensure our capital deployment remains aligned with our priorities.

ISS buyback journey began in 2024, and we continue to maintain a strong focus on doing what is best for our shareholders. All excess capital belongs to our investors, and we are committed to deploying that capital in a way that maximize long-term value for our investors. Combined with our proposed dividend of 20% of net profit, equaling DKK3.2 per share, we are delivering a total payout yield of above 7% to our shareholders.

During the year, we completed two acquisitions in total, Garbialdi in Spain and Franye in Austria, combining adding 0.8% on group revenue on a full-year basis for a total enterprise value of around DKK300 million. The reason for us doing only two is that we continue to look very diligently at the business cases, and they have to generate long-term benefits to ISS, including short-term financial benefits through synergies and smooth integration, as mentioned before. The multiple for both acquisitions after synergies are attractive compared to ISS's current trading multiples, reflecting our disciplined approach to capital deployment, and both acquisitions are performing according to plan.

In 2026, we'll continue to do what creates most shareholder value. We will continue to evaluate M&A opportunities where there either is a strong strategic fit or clear operational synergy, or it simply makes financial sense. Above all, every M&A decision must be value accretive for our business and for our shareholders.

That concludes the financial update. I'll pass it back to Kasper, who will walk us through the outlook for 2026. Please turn to the next slide.

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

Thank you, Mads. We continue to see significant growth opportunities across all of ISS's markets, with each region presenting promising potential for further expansion. With our strategic investments and the strengthening of our commercial function, we're confident in achieving a higher like-for-like growth than in the previous couple of years. Therefore, we are guiding for above 5% organic growth for 2026.

As I mentioned earlier, in 2026, we anticipate a slight shift in our organic growth algorithm, with less reliance on pricing and a greater contribution from like-for-like growth, driven by higher volume and net new wins. Regarding margins, we are guiding for an operating margin of above 5%. Once again, I want to emphasize that our focus is on driving the absolute growth of EBITDA, not just adding incremental basis points to the margin.

We need, and we want the flexibility to reinvest in relevant growth opportunities. Our priority is increasing ISS's absolute earnings power while maintaining high cash conversion. This, we believe, is the best way to generate shareholder value. Now, let's move to next slide to review our free cash flow guidance.

We keep a relentless focus on cash flow in ISS, and also in 2026, we expect to deliver an underlying cash conversion of above 60%. This equals above DKK2.7 billion in underlying cash flow. Adjusting for the DKK200 million negative impact from the 2025 prepayment, we expect free cash flow of above DKK2.5 billion before any positive impacts from Deutsche Telekom. We still expect payment from Deutsche Telekom for the amounts withheld in the past, which will bring our expectations to the free cash flow, including Deutsche Telekom payments, at above DKK3.1 billion for the full year. Please turn to the next and final slide.

As we wrap up, I would like to highlight how ISS's strategy and performance combine to deliver sustainable shareholder value. Our equity story can be summarized as follows: ISS has a strong market leadership in a growing facility service market with a GDP plus growth rate. We will maintain a relentless focus on profitability, driven by our operational discipline.

We generate robust cash flow, giving us the flexibility to reinvest in growth while returning capital to our shareholders. This foundation is reinforced by disciplined capital allocation, balancing reinvestment, bolt-on M&A, and share buybacks. On top of that, we have a strong sustainability agenda, which not only reflects our values, but also provides us with a meaningful competitive advantage. Taken together, these strengths position ISS to deliver sustainable growth and long-term value creation for our shareholders.

In summary, 2025 was another solid year for ISS. We delivered in line with all key parameters, demonstrating strong stability and consistency, showing the resilience of our company despite elevated macroeconomic uncertainty.

Looking ahead, our focus is to continue delivering as we promise, quarter after quarter. We're on the right track, making the necessary investments and building a stronger ISS than ever before. I'm confident that we will continue to accelerate. The strengths of ISS are undeniable, our strategy is clear, the investments are in place, the leadership is strong, and we are simplifying the way we operate. This ensures that all 325,000 of us are moving in the same direction together.

Let me finish by thanking our Placemakers. Your dedication and care in every service moment define ISS and earn the trust of our customers every day. To our customers, thank you for your partnership. We remain committed to helping you achieve your desired outcomes. Finally, I want to extend my thanks to all the investors we've met throughout the year. Your trust and support make all the difference, and I look forward to continuing our journey together. We look forward to seeing all of you at our upcoming Capital

Markets Day later in 2026, where we'll deep dive much deeper into our value drivers, sharing the progress we've made, the initiatives on the way, and what's on the horizon as we look to the future.

2026 is an incredibly exciting year for us. Not only do we have significant business plans, but we are also celebrating our 125-year anniversary. This milestone is a celebration of the impact that we have had on millions of people, our successes with trusted customers, our contributions to local communities, and of course, the incredible talents who have used this company as a platform to realize their dreams and ambitions.

With that, we've concluded the presentation, and we will now open the floor for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Mads Brinkmann, Berenberg.

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

Good morning, gentlemen. Thank you very much for taking my questions. If we can just start on organic growth, please. I appreciate that this year, you're guiding of above five instead of the four to six, so I assume there's a level of confidence in being able to do that. Is there an element of conservatism here? I mean, I think on the volume side, it's probably relatively straightforward in terms of what you have so far announced last year.

If I look at the pricing side, I know you're guiding for above three. But if I look at my numbers, it looks like the pricing is going to be closer to four than it's going to be three. I think by now you should have a pretty good idea of how pricing looks like on organic growth, that of course, as you alluded to. You only have 4% of larger contracts up for renewal in 2026 which is done year over year.Retention looked good in Q4. I'm just wondering if there's an element of conservatism here, and if things doesn't actually point more to something like six or the high end of the previous range? I'm just wondering if there's an element of conservatism here, and if things doesn't actually point more to something like, like six or the high end of the previous range?

Then my second question, please, on the margins. I mean, I appreciate you saying that you're investing also a restructuring charge in there that means that the margin would have been 6-7 bps higher or something. I mean, But in theory, we've had One-ISS we have margin accretive acquisitions and in theory, better top line. Why are we not seeing, like -- why are we not seeing more impact -- positive impact on the margin here?

Just on the margin as well, I understand the US is down. I think that was well flagged and understood, but I'm a little bit puzzled by the fact that Central and Southern Europe was actually down. I think it was down 60 basis points year-over-year in H2 at least. Maybe if you could just comment on what drove that development in Central and Southern Europe as well, please.

Just lastly, a quick one on the phasing of the margin. Sorry if I missed it, but I guess this year was around 165 basis points. Normally, it's 150, but in 2024, it was probably closer to 200. Just any guidance on how we should think about that into 2026? Thank you.

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

Good morning, Mads. Thanks for the good questions. Appreciate it. First of all, we are guiding above 5% on organic growth because we are confident that the growth will be above 5% this year. Just to help you on the building blocks that you alluded to yourself, which will give you some additional color. We expect prices this year to be higher than what we've seen historically, but lower than what we saw in 2025, in last year.

You're indeed right. We expect the underlying growth to be positive over the course of this year, 2026, and that's both growth with existing customers, and it's also on the net new win. That's also what you've seen in the fourth quarter of 2025, and we expect that to continue throughout 2026.

Of course, we have the last component, which is project volume, which is more difficult to predict. However, there's nothing pointing in the direction that we should see a structural decrease in project volume. But it is early in the year. We've had a good start to the year, but it's too early to predict exactly where that is ending up from a project point of view. Hopefully, that gives you some color on where we are on organic growth.

Of course, the things that you're mentioning, I agree on that. We will continue to update you on a quarterly basis in terms of progress, but overall, we believe that we have turned a corner here and are starting to see the underlying growth coming through, which we are very pleased about.

From a margin point of view, you are indeed right that we're investing into Americas, and I'll come back to your comment around Central and Southern. Investing into Americas and delivering the 5%, which is the same ratio as in 2024, of course, means that the rest of the business is improving. There is improvement in the rest of the business in 2025 versus 2024. We have done those investments into the Americas. Of course, we are investing because we are expecting to see a return.

We're following the progress in the US a lot. We believe we're doing absolute the right things. Now we have the management team in place. The plan is clear, the pipeline is building, and now we need to convert those opportunities into new wins for us as a company.

You alluded a little bit to indirectly, well, is 5% just the limit in terms of profitability to the ISS business? Of course, it's one of the areas that we'll deep dive into in a Capital Markets Day. I don't want to socialize a discussion where we don't have concrete data and substance in that discussion. At a Capital Markets Day, you should expect that we will come with data that will show you where the opportunities are and also show you how we are intending to get our arms around those opportunities, and then how that is converting into financial expectations in the midterm and in the long term.

Specifically, on your comment on Central and Southern, it's simply us that has accelerated some investments there, predominantly related to the shared service center that Mads has mentioned and communicated several times. We've done that here in the fourth quarter, so nothing in regards to trading. It's some incremental costs that we've incurred in November and December, which will pay a return obviously going forward.

Lastly, on phasing, you should expect normal phasing on margin over the course of 2026. You mentioned the 1.5% yourself. That's a good data point to use for modeling purpose in terms of phasing on margin this year.

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

Thank you very much.

Operator

Remy Sheridan, Morgan Stanley.

Remy Sheridan *Morgan Stanley - Analyst*

Morning, Kasper. Morning, Mads. Thank you very much for the presentation. Just a few questions on my side. Talking about the shared service centers and trying to understand a little bit the phasing of investment. Can you help us understand what's been the net contribution to margin in 2025? The cuts you've put on the table versus the gains you've made already in year one and how that compare to your planned investment in 2026 and the gains you're going to realize on the 2025 investment and 2026 as well. Yeah, just trying to understand a little bit what could be the support to margin in 2026 from these initiatives versus what you've done in 2025 already. That's going to be the first one.

The second one is on the comment you made, Mads, on the share buyback. I think you alluded to the fact it could be you left the door open for that share buyback to be increased at some point this year. I'm trying to understand what's the potential upside there, which is driving this comment. Is it simply about better cash generation, working capital management, or a view that M&A spends this year could be a little bit lower than what you've done in 2025, or just increased confidence on the DTAG contract? Appreciate you probably don't want to comment on the last point but just thought I would put that there as well.

The last one is to elaborate a little bit on the previous question on organic growth. I mean, I concur to the point that it seems a little bit conservative, also on the net win side, I mean, at least one point. I know that the guidance is open-ended, but DWP alone on a standalone basis should bring close to that contribution in 2026, I guess. I'm just trying to understand if I'm missing anything there in term of potential loss of contracts with the small clients, which could be an offset, or the one-point contribution from, at least one-point contribution from net win is just to remain on the conservative side.

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

Thank you very much, Remy. I will start to address two of your question, and then Kasper will take the two last one. If we take the share buyback, you're absolutely right. As I said in my presentation, the DKK2.5 billion is a starting point. We have kept a very flexible approach to capital distribution, and it is based on an ongoing evaluation, depending on where we see both leverage, but also what Kasper and I are comfortable with alongside recommending to potentially increase at a later stage.

You allude to the DTAG case and money from there. Kasper can comment on it, but in reality, that means we are having a flexible approach. We have also shown them, both in 2024 and 2025, that we were able to increase the share buyback over the course of both years.

When it comes to the shared service center journey, it did had a negative impact on our 2025 margin. The reason for it is that to Kasper's point before, was that we were able to accelerate. We had an opportunity to do so, and therefore, we decided to do it because we believe it's the right thing for ISS going forward.

For 2026 purpose, from a margin perspective, I think you should expect that the shared service center journey will be more neutral, because things are starting to come through alongside as we invest. For 2025, negative. For 2026, flat.

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

Yes, and on your comment on Deutsche Telekom, nothing has changed in terms of our expectations to the outcome. Nothing compared to what we have communicated previously. Deutsche Telekom is owing us some money from the past, and we still feel confidence that we will get that cash to a magnitude of the DKK600 million that we mentioned all the way along. No changes to that.

In terms of your questions on conservatism on the organic growth, I mean, it's early in the year. With the transparency we have as of today, we're looking into a year where we are very positive and optimistic about the organic growth for 2026. Of course, we will update you each quarter. As I said, we've had a good start to the year. The first data that are coming out in terms of the results for the first couple of months in the year are looking good.

You mentioned in terms of losses. I mean, we have a retention rate of 94%, which is an improvement versus the 93% that you saw last time. It's moving in the right direction. Of course, we lose customers. Otherwise, that retention rate would be 100%. I'm factoring that into the comments that I made earlier around that we are in a better place commercially, but it is early in the year.

Remy Sheridan *Morgan Stanley - Analyst*

Understood. Thank you very much.

Operator

Christian Gregersen, SEB.

Christian Gregersen *SEB - Analyst*

Thank you, guys. A couple of questions from my side as well. First of all, an additional question on the guidance, which seems conservative, especially on the net new wins. Based on when you compile all your contract announcements, I reckon obviously that it's open-ended, but maybe you can elaborate a bit on why it's only above 1%. Are there anything in terms of the retention rate or pruning of contracts below DKK100 million we can't see? Or are you just cautious being early in the year and wants to go back to the track record you had back in how you guided back in 2023? That would be the first question.

And then the second question, obviously, I'm aware you can't comment too much on the details in DTAG, the dispute with them, but then a technical household question from my side. Yeah, but I'm not a lawyer or expert in German arbitration rules, so just can you put the arbitration proceedings on hold if you and DTAG agrees with that? Yeah, if you are stating to the arbitration that you are closing in on a bilateral agreement, that would be the question on DTAG, and then maybe you could comment on the underlying profitability of. Most recently, I remembered you said that it's black numbers now but still margin dilutive.

On the third question, just also a follow-up on the shared service center, you mentioned that nine countries is now on. What does that make up in terms of the percentage of total countries that needs to be implemented? Yeah, maybe you could comment on the underlying cost savings coming through when you deduct for all the implementation costs. Thank you.

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

Yeah, Christian, so let me start on the shared service center journey. I will not give you a direct number about how we see the improvement underlying, because what is really important here is that we keep investing it. What I said before was that we expect a margin neutral contribution for 2026. What I also said in my presentation is that we are also evaluating to establish shared service center outside Europe, and that means both from our APAC region, but it also mean from our US region. Depending upon how we accelerate those journey and how we look at that journey, that depends on how the margin contribution from the shared service center will be over time.

I think what is most important here, we are doing this because it's the right thing for ISS. We are doing this because it's economies of scale, and it makes a lot of sense, and there's no doubt that over time, this will definitely be the right thing. It will be one of the points that we can dive more into at details at our upcoming Capital Market Day.

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

Thank you, guys, and also good morning to you, Christian, from my side. On your questions on organic growth and DTAG, just a few words on that. I mean, I think you mentioned it yourself. The organic growth of above 5%, that's a floor. It is early in the year, and we are predicting as accurate and complete as we can.

I'm not going to give you the building blocks per quarter. But for the full year, we expect that the underlying growth, both on net new and on growth for the existing customers, is significantly better than what we've seen in 2025. You're seeing it starting to come around here in the fourth quarter of 2025, where volume with existing customers is a contribution of 1.5% and 0.5% on net new.

In terms of DTAG, as I said in my presentation, it is a sensitive legal matter, and for commercial reasons, it's limited what I can disclose further, Christian. The development that we are putting in the report and telling you is that there are two tracks now to resolve this matter. There is the ongoing arbitration case, and then there are conversations with the customer that are ongoing.

Again, in terms of outcome, our expectation has not changed, and if we are to settle through conversations with the customer, well, then it's got to be at terms that are attractive to ISS and of course, also attractive to Deutsche Telekom. That means that what they owe us from the past is getting paid, and that we are getting a fruitful outcome in terms of commercials going forward.

Christian Gregersen *SEB - Analyst*

Okay. Okay. Can I just maybe ask one follow-up question on the organic growth part? Obviously, I reckon that it's a floor guidance of the above 5%. It was more on the specific one, on the net new wins of above 1%. Are there anything there, you know, below the DKK100 million that we should be aware of, or some contract pruning or on the retention rate, something that, you know, you can't see from just the contract announcement tables that you put out?

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

No.

Christian Gregersen *SEB - Analyst*

To be aware of?

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

No, it's a fair question and observation. Of course, the 94%, as I said, we do lose customers. Some of them you have seen, you announced because they're above DKK100 million, and we also lose some that are below DKK100 million. Otherwise, our retention rate will be 100%.

Christian Gregersen *SEB - Analyst*

Of course.

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

It's 94%, it's improved, but there's nothing structural that we see where there is a need for us to exit contract over the course of this year or anything that is sitting on in the retention that can add up to a significant amount.

Christian Gregersen *SEB - Analyst*

Okay. Very clear. I just read another number than above one when I look at all your contract announcements, so whether there was something in there that I missed. Okay. I hope not. Thank you.

Operator

Allen Wells, Jefferies.

Allen Wells *Jefferies LLC - Analyst*

Good morning, Kasper. Good morning, Mads. A couple from me, please. Just circling back on the margin. You also mentioned that obviously the Americas margin continues to be impacted by the desire to continue to invest in that business. Could you maybe just talk a little bit about that investment, where exactly it's going? Maybe when we're going to start to see a bit more of a return on that, what the pipeline looks like in North America? You know, we've talked a little bit about the opportunity and the kind of the wallet opportunity in the US for a while now with limited success. Just where you are in terms of confidence on the Americas and the progress there?

I think also looking at the margin in addition to the Americas, people have asked you about the shared service centers. It also looks like there's a bit of an impact from maybe DKK60 million from kind of provisions or restructuring above the line in the H2 versus H1. Is that correct? Maybe you can just talk a little bit about what that relates to.

And then finally, just to maybe ask the DTAG question in a slightly different way. My understanding was that there's always been an ongoing dialogue between the two companies through this process. When we see the language around strengthening the collaboration and partnership between ISS and Deutsche Telekom, could you maybe just comment, has something changed there in the last three to six months in terms of what's included in that dialogue or what's being said, that you felt like you wanted to comment on that now? Thank you very much.

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

Good morning, Allen. Let me go through those questions. Starting with Deutsche Telekom, you're right that it's our biggest customer, and of course, that means that you have ongoing conversations due to, you know, just running operations. The conversations around the arbitration or around the dispute has progressed, and that's why we're putting that up there as, you know, an additional disclosure.

In terms of your question on the DKK60 million, that's exactly as what I mentioned before. That's an addition to provisions that has been booked in the fourth quarter of the plus DKK60 million. That has to do, as I said, with the acceleration of the program, predominantly on the shared service center. That's included in the 5% margin, and that expense has been taken in the fourth quarter. Of course, because we expect to see the benefit coming through over the course of this year and going forward.

In terms of margins in the US and the investments, well, what are we investing in? What we have done over the course of 2025 is that we have made changes to the management team. There is a new established management team under the leadership of Stephen Quick. I have to say that the caliber of that management team makes me incredibly excited. It's people within the different responsible activities that are very clear in explaining how are we going to use that to really get going on the growth. Now the plan is there, and of course, the next step is to continue to build the pipeline and then convert these opportunities into new wins.

It takes some time to do that. The pipeline is better now compared to what it has been in the past, but it need to be even better. And I'm not going to do the same mistake as we have done many time in ISS before and say, well, give it a couple of quarters, and then things will be absolutely thriving in the US from a growth perspective. Because -- I know it takes time, but I can't predict with accuracy when we are cracking the nut and things are coming through. But what I can say is we're doing the right things, we have the right product in place, we have the right people in place, the value proposition is shaping up, the pipeline is growing, and then we're working hard on converting that into significant new wins for us.

Allen Wells *Jefferies LLC - Analyst*

Thanks for the clarification. Thank you.

Operator

Nicole Sheridan, UBS.

Nicole Sheridan *UBS - Analyst*

Good morning, Kasper and Mads. Just the one follow-up question, please, on Remy's question on net new, but maybe specifically on DWP. I understand it might be difficult to give precise numbers, but obviously, it is a particularly large contract, and some of these larger contracts sometimes ramp up in a bit of a staggered way. Could you give any detail here, just so we can think about, you know, accurately about the impact on net new as the contract ramps to full scale over the year? Any insight generally into how that ramp has sort of gone versus your expectations so far? Thank you.

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

Yes, we went live with DWP in the beginning of October. The volume is coming through from a base point of view as expected. We also expect that there will be good commercial opportunities on above-base on that contract going forward. We haven't seen that fully utilized or in the numbers for 2025, but we're very excited about that in the future. Overall, it's a big mobilization that we've done on DWP.

The consolidated view is that things are going according to plan. That's not the same as saying that everything is just thriving. There are tons of hard work that you would expect, you know, just normal, ordinary business that needs to be right. On that account, we're working through that. We are where we expected to be, not better, not worse, on DWP, but in line, both from an operational delivery point of view with expectations and also from a financial point of view.

Nicole Sheridan *UBS - Analyst*

Thank you.

Operator

Klaus Kehl, Nordea.

Klaus Kehl *Nordea - Analyst*

Hello. First of all, a question related to the US. You have mentioned a couple of times that you have invested quite a lot in the US in 2025. Your pipeline is growing, et cetera, et cetera. I guess my question is, if you invest in the US, then it must have been a drag on your margins in 2025. Is that correct? Secondly, in this regard, will it also be a drag in 2026, or would it be more neutral? What kind of assumptions do you have in your guidance? That's first question.

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

Klaus, you're of course right in what you're saying. The ratio in 2025 in the Americas is lower than it was in 2024. That is as an outcome, as a consequence of the investments that I've spoken to in the US. We don't guide on regional performance for quarters, neither for full year, but I expect that the ratio will certainly not decline from what we saw in 2025. We need to see some improvements to that number in 2026, and we are confident with that because a lot of the cost that was included in 2025 are also, you know, incremental of one-time nature. A reasonable expectation is to assume that the profitability will increase in the Americas in 2026.

Again, I want to be very clear, because all of what we are circling around here comes back to how ISS is guiding now, compared to how ISS used to guide in the so-called old days. The good thing about the way we are guiding now is that we have maneuver room to do what is right for the business.

I remember the days where, you know, we had an expectation and a promise to the market that we would increase our ratio with a 10th every year. The problem with that was that we delivered that, but it was harming to do what is right for the business in the midterm and in the long term, and we and I are not going to make that mistake.

Klaus Kehl *Nordea - Analyst*

Okay. That's perfectly clear. Just a question related to the above-base business. Here in the beginning of the year, it has been extremely cold, at least in the Nordics, and I also believe it's the same picture in the US. Has that in any way affected your above-base in the beginning of the new year here?

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

It...

Klaus Kehl *Nordea - Analyst*

I guess it would be a positive impact.

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

Yeah. I mean, the weather in all, you know, so looking at it from a helicopter point of view, is not what is the swing factor on the above-base generation. It's more, you know, when we're taking care of critical infrastructure in buildings. That's where the bulk of the above-base revenue is. So you know, what you're talking to is a minor but insignificant benefit with some snow removal and these sort of things that, of course, will be a positive, but not something that will move the needle from an enterprise point of view.

Klaus Kehl *Nordea - Analyst*

Perfect. Thank you very much.

Operator

Mads Brinkman, Berenberg.

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

Thank you very much for taking my questions. I know you alluded to it a little bit, so I just wondering if we could talk a little bit about the pipeline in a little bit more detail, both on net new and underlying. I see that basically just looking around, there's a couple of your competitors up with or having contracts up for renewal in 2026, and I guess it's an open secret that there's a big mining contract open somewhere. I think, would it be fair to assume that you guys are in running for that one?

More specifically, I think on underlying or sort of volume expansions with existing customers last year, you did very well, announced a host of new expansions. I mean, in all fairness, many of them were small, of course, in the grand scheme of things they add up. I know these things take time, but just considering that you also have some quite large customers, is it fair to expect that in 2026, it's going to be the year where maybe on average, or yeah, that maybe not on average, but that you will see some of these expansions also going meaningfully above DKK100 million per expansion? Yeah, sorry, that's my question.

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

So we are operating in a market that, you know, has changed a lot post COVID-19, and that makes us very excited because it gives opportunities for both us and the competition, to be honest, and that's both local opportunities, it's regional opportunities, and it's global opportunities. An office today for all businesses, regardless of, you know, country and industry, is not just square meters. It has to be a place where the company feel comfortable that their staff wants, has a desire to get into the office space, and it's a place that is, you know, better than the alternative, which is to work from home.

Why is that so important? Well, because that physical presence in the office means that people are getting more engaged; and when people are more engaged, then they're also more productive, so it's important for their business performance. That's why, you know, today, when we are discussing our solutions with customers, then it's not only a procurement and a finance discussion. It's a discussion with the executive level and the CEO in many instances being involved.

It's reflected in our pipeline, these opportunities coming through, and that's both in the local pipeline, it's in the regional pipeline, and also some global opportunities. I'm not going to promise anything about that you will see x number of contracts being won in this year and starting up next year. That will not be credible. I will say to you that we have a healthy pipeline, and we believe that from a setup, in terms of how we are set up commercially, that we are stronger today compared to what was the case a year ago.

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

Thank you very much.

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

Thank you very much, everyone. Thanks for prioritizing this call. Very much appreciated. Thank you for the good questions. Our IR Team remains available for the rest of the day and the coming days. Mads and myself will meet many of you in person in our roadshow that will start in Denmark tomorrow, and then we will be in the UK next week. Looking forward to meet you in person and continue the dialogue. Thank you so much. Thanks for the interest in the company, and have a fantastic rest of your day. Thank you.

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