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CORPORATE PARTICIPANTS

Jeff Olsen Gravenhorst *ISS A/S - Group CEO & Member of Executive Group Management Board*
Martin Kjær Hansen *ISS A/S - Head of Group IR*
Pierre-François Riolacci *ISS A/S - Group CFO & Member of Executive Group Management Board*

CONFERENCE CALL PARTICIPANTS

Allen David Wells *Exane BNP Paribas, Research Division - Research Analyst*
Daniel James Hobden *Crédit Suisse AG, Research Division - Research Analyst*
James Peter Winckler *Jefferies LLC, Research Division - Equity Analyst*
Laurits Louis Kjaergaard *ABG Sundal Collier Holding ASA, Research Division - Research Analyst*
Magnus Thorstholm Jensen *SEB, Research Division - Senior Equities Analyst*

PRESENTATION

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

Ladies and gentlemen, this is Martin Hansen, Head of Investor Relations at ISS, and I would like to welcome you to our first half results for 2020.

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, we'll -- the replay will also be available, and we'll also post the transcript as soon as it is ready. I'd like to draw your attention to Slide #2 regarding forward-looking statements.

Presenting today will be group CEO, Jeff Gravenhorst; Group CFO, Pierre-François Riolacci; and in the room, we also have Deputy CFO, Kasper Fangel. We'll open for Q&A at the end of the presentation, as usual.

With that, I'll hand over to Jeff on Slide 4.

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

Thank you, Martin, and good morning from me as well. The first half year of 2020 have actually proven to be the toughest -- one of the toughest periods in our 119 years history. External shocks in the form of malware attack, then swiftly followed by the global pandemic have tested our organization to the full.

At ISS, our #1 priority is safety and well-being of our colleagues as well as our customers, employees and end-users. And very sadly, 25 ISS lives have been lost to COVID, and our thoughts are with the families and friends. We remain on ensuring our people can carry out their important roles with the requisite level of protection whilst always adhering to the strict practices and ways of working.

Our financial performance has been severely impacted by COVID and the malware attack. But our operating resilience and steadfast support for our customers during this testing time has proven enduring. Whilst significant uncertainty remains, our decision to increase our focus on key account customers have been further vindicated, and the strength of our value proposition has become even more apparent. We have started the shift from crisis management back to -- towards execution of our strategic priorities, and we are confident that ISS will emerge from the crisis stronger than before.

Please turn to Slide 5. Following a strong start to the year, organic growth dropped to almost minus 10% in the second quarter, taking the first half as a whole to minus 3%. In the midst of global pandemic, which has led to lockdown across most of the world, our ability to retain revenue has been assuring. We have been supportive through this by a shift towards the key accounts, which continue to grow in the first half of 2020 as well as by the significant demand for deep cleaning and disinfection services. I'll come back to that in a moment.

Our operating margin, reported, ended at minus 2.2% for the first half of 2020 or breakeven if we adjust for restructuring and one-off cost. The underlying performance driven by the operating profit drop-through from lost revenue as a result of COVID-19 as well as the mix effects and inefficiencies driven by the significant redirection of resources as a result of COVID-19 and the IT malware attack.

The reported operating margin was pushed into negative by some restructuring and one-off that Pierre will detail later in the presentation and which were vastly noncash. While operating profit declined significantly year-over-year, our free cash flow actually improved by almost DKK 1 billion, obviously, with both positive and negative drivers. But overall, a solid performance, which Pierre also will cover in more details in a second.

So while overall results are significantly impacted by the environment we currently operate in, our financial position remains solid. That includes a strong and improving liquidity, no financial covenants and no meaningful unaddressed debt until 2024.

Resolving the malware attack is progressing according to plan. That means with all business-critical systems up and running now. But we still have some work to be done on integration, of course, a number of projects that were delayed because of the malware projects.

Further, our divestment programs is starting to regain momentum, and the commercial environment has started to unfreeze following a halt during the first few months of COVID-19. So while a potential second wave of COVID-19 could still lead to volatility, we are currently seeing good progress in some of the business areas.

As a final note on this slide, I will, as previously announced, step down as group CEO and retire on the 1st of September. At which point, I will hand over the baton to Jacob Aarup-Andersen. I'm convinced that Jacob is the right leader to take ISS to the next level, and I wish him the best of luck on the journey.

So please turn to Slide 6. As we mentioned, our revenue remained somewhat resilient through the unprecedented times, despite a few parts of the business being severely impacted. Our key account business delivered positive organic growth of 2% in the first half of 2020 and declined just by -- or by just 4.5% in the second quarter, especially reflecting the increased quality of our revenue base.

Food Services or catering and, to some extent, our Support Services have been severely impacted by COVID. These service lines are significantly volume-based. However, most other services covering almost 80% of the group revenue have remained resilient with mid-single-digit negative organic growth even in the second quarter.

Finally, we have not been faced with an overall declining demand for projects and above-base work. Demands have actually increased by more than 10% as the significant demand for deep cleaning and disinfection more than outweighed our other negative impacts from COVID-19. However, it is a significant change of mix of activities, which also means that in parts of our business, we have significant idle resources and fixed costs related to business units which normally handled projects within, for example, technical services, which have currently been halted to a significant extent. As such, the net increase in revenue from projects and above base, well, does not currently support the margins. Some of these changes have also led to the need for restructuring costs.

So please turn to Slide 7 for a regional update. Continental Europe delivered 1% organic growth in the first half of 2020, despite being significantly impacted by COVID-19 lockdowns as well as the loss of the majority of the services delivered to Novartis. However, this was partly offset by the Deutsche Telekom contract in Germany as well as contract launches in Turkey. Growth is hampered by a significant reduction in capital projects but more than outweighed by the high demand for deep cleaning and disinfection.

The operating margin declined to minus 2.6%, firstly, as a result of COVID, including the operating drop-through from revenue lost. The limited availability of government support schemes in the likes of Iberia adversely impacted the drop-through rates. While other countries, for example, France and Germany suffered from their segmental enclosure to Automotive and Aviation. In France, margins remain negative, albeit we are actually progressing largely according to the updated plan.

Secondly, as a result of the significant redirection resources on the back of COVID-19 and malware attack, we have, in the first half of 2020, faced margin impact related to delays in a number of our key priorities in the region, most notably, Deutsche Telekom, where operating profit has been significantly negatively impacted in the short term by 3 drivers.

First, we have in the first quarter -- first half not been able to fully execute on the planned efficiencies -- efficient improvement as a result of the malware and COVID. The vast majority of our contracts, including Deutsche Telekom, have an annual glide path price adjustment, and as such, we have, in short term, faced lower revenue, while the cost base has not yet been adjusted according to plan. Further, the management fee has been hit by missing certain KPIs in the first half due to delays in delivering new systems caused by IT malware attack. And finally, delays has also significantly impacted the planned projects and above-base revenue, as earlier communicated, to the degree where the structure put in place to handle these projects is currently a drag on the margin.

All of these delays are clearly temporary. The unfortunate impact from the malware and COVID will disappear. The commercial consequence of underperformance have been settled. And the revised plan is in place with full support from the customer. The contract will return to acceptable margins, similar to the first few quarters of delivery. As such, we will catch up, and the future business case remains unchanged.

As a final note, on the Continental Europe, the operating margin was significantly impacted by COVID-related restructuring and one-offs, including taking a prudent view on bad debt provisions. Excluding these one-off impacts, the operating margin was negative by around 1%, including the notable direct and indirect impact across countries from inefficiencies.

Northern Europe delivered a minus 7% organic growth, with all countries impacted in varying extent by COVID-19 lockdowns. Norway was particularly hard hit due to its higher-than-average exposure to Food Services, hotels and airports. Norway as well as Denmark were further impacted by reduction in projects and above-base work resulting from system shutdowns or downtime following the IT malware attack. The operating margin in Northern Europe declined to minus 4.7%, with all countries impacted by the effect of COVID lockdowns, including the operating drop-through from the lost revenue.

The turnaround plan on the larger loss-making contract in Denmark has been delayed due to the COVID-19 and malware. However, as previously communicated, the client is, together with ISS, redesigning -- or designing a new operating model with the purpose of driving better cooperation and reduced transactional costs on the contract from 2021 and onwards. Our team is working hard to turn this contract to breakeven and, in time, profitable while still having a solid service performance. Our collaboration with the customers developing into a prudent partnership on all aspects, which is a very positive foundation for our turnaround activities. However, we still see some -- we still see several potential outcomes, some of which could leave us with a one-off exposure to results in the second half of 2020.

One-off costs and restructuring also notably impacted regional performance. While some are the COVID-19-related, we also faced a charge related to the U.K. as a result of risk identified in 2019 in connection with the implementation of new systems, some of which had not been fully provided for in prior years. Together with external independent support, we have concluded a full review and reconciliation, and findings have been fully provided for. All required management changes have been implemented. The new systems are up and running, and processes are being redesigned to ensure full compliance and transparency. Our customer base in the U.K. is second to none, with strong Net Promoter Scores and praise of our operations during the COVID-19 period. While the run rate in the U.K. might be slightly lower than as a consequence, it is still a very strong business platform.

Please turn to Slide 8. In Asia Pacific, organic growth was flat year-over-year. COVID-19 headwinds were more than offset or were offset by substantial demands for projects and above-base work, which grew around 30% as a result of the demand for deep cleaning and disinfection. In addition, Australia benefited from solid commercial momentum in key account division with a number of contract extensions and expansions.

The operating margin declined to 3.8% positive. All countries, except China, contributed to the decline, driven by a lockdown effect from COVID-19. Similar to other regions, the Aviation and Food Service segments were hit the hardest. Margin increases in China were principally driven by the demand for deep cleaning and disinfection. Excluding one-offs, the margin was actually broadly stable year-over-year. We've been adjusting our business platform in APAC over a number of years, and I'm pleased to see the resilience of the region through these turbulent times.

In the Americas, organic growth was a negative 11%, driven by a high exposure to segments particularly impacted by COVID-19, notably, Aviation and Food Services. Food Services usually makes up around 40% of the revenue for Americas, well above the 15% that we have at group level. Once again, this was partly offset by the demand for projects and above-base work, which in the Americas grew by around

45%. Again, this demand was driven by deep cleaning and disinfection.

The operating margin in the Americas decreased to 3.1% positive, in a limited decrease of 0.9% versus last year despite the significant revenue impact on Food Services as well as one-off cost. Excluding the one-off cost, the margin was flat year-over-year. Hence, significant negative impacts related to COVID-19 were fully offset by the successful transformation initiatives implemented during '18 -- 2018 and 2019, including exits of small legacy contracts, increasing the focus on key account as well as organization changes and efficiencies in general. It is very pleasing to see this continue to come through despite the environment we're operating in.

Please turn to Slide 9. I'm pleased to see that the commercial environment is slowly regaining momentum following a freeze during the large part of the first half of 2020 due to the COVID-19. We have, since Q1 result in May 1, extended and expanded a number of key contracts and not lost a single mentionable relationship. Key new wins include 2 hospitals in Turkey. And in addition, we've extended one of our global key accounts, expanded global key account relationship with UBS to cover an additional 23 countries as well as extended with a large international software and IT customer in the U.S.

As illustrated by the chart to the right, we have now largely extended all key accounts otherwise set to mature in 2020. The pipeline is solid, and on the back of COVID-19, we are already having interesting discussions with many existing and potential clients. Addressing our 2021 maturities on the back of a global pandemic that have tested our value proposition to the full provides a good starting point for fruitful negotiations going forward.

Please turn to Slide 11 for a business update. In an unprecedented global crisis like this, we are conscious that we employ several hundred thousand employees. Including the family members, we impact far more than 1 million people across the world. As such, we play a significant role for society at large, both in the fight against the virus but also in the social impact of its ramifications. As one of the world's largest private employers, we will, as a responsible company, remain committed to high social standards.

Please turn to Slide 12. Our key account transition has put us in a good position to manage our service delivery and customer relationship through a crisis like COVID-19. With this focus on key accounts, ISS currently takes on a central role in the business continuity plans of our clients around the world. And as such, many customers continue to pay for our base fee despite the fact that services are not performed entirely to specification.

In addition, our unmatched self delivery of services by more than 400,000 employees across the world means that we don't rely on a large group of subcontractors without business continuity plans or financial strength. This enable us to help clients react swiftly and consistently across services, sites and countries. We have a resilient customer mix with a limited exposure to segments hard -- to segments hardest hit by COVID-19. And finally, we have a balanced service portfolio with a limited exposure to volume-based activities, such as catering, linked to the number of end users. However, the vast majority of our services will have to be performed regardless of the end-user activity in the buildings.

Please turn to Slide 13. COVID-19 has propelled ISS to the forefront of ensuring our clients' workplace can and will be a safe place to work once again. With such a pivotal role in ensuring our clients' business continuity, just one of the offerings that we developed during this period is PURE SPACE. PURE SPACE puts your customers first, users first. Through the use of certified disinfection and hygiene standards, PURE SPACE aim to provide clients and their employees with a peace of mind about the cleanliness of their workplace.

But our role extends further than just ensuring that our clients' premises are disinfected, clean and safe. COVID-19 has presented increasing challenges to revisiting workplace designs and layouts to ensure that they are compliant with social distancing measures, monitoring the health and well-being of end users and implementing new methods of delivering Food Services to employees. While most of the world is still in a lockdown, we are working with clients to plan how they will safely return to their workplace.

Please turn to Slide 14 to take a closer look at exactly that. The workplace has been changing constantly over many years, and ISS has changed with it in order to capture the benefits related to many of these changes. Instead of the workplace being a demotivating place to where employees use -- used as a place to store your employees, it is increasingly seen as a strategic tool to drive culture, motivation and efficient teams. Technology has already enabled more flexible working conditions as exemplified by the open office environments and flexible seating that many of you will be familiar with from your own day-to-day life. Instead of designated seats, companies nowadays invest more in the health and well-being of their employees as a means to increase productivity and retention.

As part of our integrated facility services approach, combined with a focus on key accounts, adapting to these changing needs has been a central part of our strategy. We have adapted with success and have gradually been investing into further workplace management and design, exemplified by the acquisition, SIGNAL, in 2017.

COVID-19 may ultimately prove to accelerate the trend towards more flexible and modern workplaces and with a number of aspects that requires appropriate attention. As an example, the whole concept of working from home has clearly become more relevant during COVID-19. While there are a number of benefits with regards to remote working, there are also a number of clear challenges to manage like collaboration, communication and motivation, as highlighted by the survey results on this slide.

Let's turn to Slide 15. It is important to note that when the complexity and scope of customer needs increase, this automatically goes hand-in-hand with the need to go with larger and more professional facility services providers. As clients implement more modern and flexible workplaces, including flexible seating, among others, it doesn't necessarily go hand-in-hand with fewer square meters to be serviced. Often, the client reinvest the free space -- the freed-up space for breakout zones, event space or simply more space between desks, with a particular relevant discussion given the social distancing measures associated with COVID-19.

We've included a case study on one of our largest global key account that illustrate this. Our customer has a significant more modern and flexible workspace over many years. And as you will see, the number of square meters on this client has actually reduced by around 60%. Including the impact of a few divestment, yet our revenue has actually increased by 10%. So as needs changed, smaller and more basic suppliers were pushed out, and ISS was offered to take on incremental work.

As a final remark on this page, it is -- it may be worth remembering that flexible workspace and working remotely is mainly relevant for office environments. While this is a significant part of our business, more than half of our revenue is estimated to be generated from sites with specialized environments such as hospitals, pharmaceutical facilities, factories, energy production, where we deliver services on site.

Please turn to Slide 16. I'm confident that we are well positioned to capitalize on a number of potential opportunities as we come through this crisis. We are currently experienced and increasing the awareness of the role of facility services, for instance, in connection with business continuity plans. It is further tie -- it further ties into an increasing awareness of some of the benefits of both integration, self delivery and global presence, to be able to react swiftly and manage consistently across services, sites and countries.

Further, we are seeing a changed perception of some of our services. Lots of clients are increasingly interested in discussing how we can help them manage the workplace at large as covered over the last few slides. Needless to say, we are also facing a changing perception of the importance of cleaning.

Finally, we see a good chance that the penetration rate of outsourced facility services will take another step up, partly as a result of the increasing level of professionalization required by the client. In a tougher-ing economic environment, corporates turn to outsources as a way to manage their cost more efficiently.

So to wrap up, these are an unprecedented times, and they are challenging for everyone. Our strategy -- strategic choices have developed a resilient business mix, which enable us to manage through this crisis as an even stronger company.

But with this, I would like to hand over to Pierre to take us through the financial impact of this crisis in more detail.

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

Thank you, Jeff, and good morning, everyone. As you will see, we are trying to be as transparent as possible about the COVID-19 and IT malware impact. But I have to recognize that sometimes, a highly judgmental to draw a line between these factors, which are actually intricated. And one would argue that all operations have been tainted by either or both factors.

Revenues are down 5.2%. This is including acquisition and divestments for minus 1.7%, and the currency was a headwind of 0.5%. Currency impact is set to be negative for the full year, around minus 2% in 2020. The organic growth was, as Jeff pointed out, resilient at minus 2.9% and despite an impact of around minus 8% in isolation for COVID-19.

The major contract developments contribute to plus 2.1%, and it does include the growth from the launch of Deutsche Telekom on the 1st of July '19 as well as the loss of Novartis as a global customer from January 2020. The other contract development in the rest of the portfolio contributed to minus 6.3%, heavily impacted, of course, by the lockdowns from the second half of March.

Projects and above-base works contributed plus 1.3% to the organic growth, reflecting the double-digit organic growth that Jeff covered before, and it came partly as a surprise, at least to the extent that we've seen.

When you look into the second half of the year, of course, there is no need to mention the very, very fluid situation relative to COVID-19 in many countries. But you may also remember that while we do have a few wins and expansions in H2, we also have launches from last year starting to lapse in terms of their organic growth contribution, not the least, being Deutsche Telekom, where the around 4% organic growth contribution will stop from hereon. Further, we are cautious not to simply extrapolate the current strong demand for deep cleaning and disinfection onto the rest of the year. It is likely to be volatile.

Now excluding Deutsche Telekom, the organic growth in June was about minus 10%. And it is probably somewhat reflective of what is a likely outcome that may be for H2, and that's in our guidance. With July being around minus 8%, we have a decent start for Q3.

Please turn to Slide 19 for an overview of the operating profit. There are quite a few moving parts, and you need to stay with me to try to understand what happened between the 2 first half. As mentioned by Jeff, our operating margin ended breakeven, 0% in H1 2020 if we adjust for restructuring and other one-offs; minus 2.2% on a reported basis. Of course, there is an impact of the total revenue, which has -- which is coming with an impact on the absolute number, minus 5% on revenues all in.

Now the operating profit was even further impacted by the drop-through and the 8% of revenue lost as a result of COVID-19. With a drop-through of around 25%, this led to an absolute loss of operating profit on the back of COVID, direct loss of around DKK 0.8 billion in the first half of 2020. This drop-through was negatively impacted by a higher-than-expected degree of key account clients covering staff costs through the lockdowns, while the service is not delivered, but covering staff costs without margin. At the same time, we benefited also of higher-than-expected demand for projects and above-base work, as we discussed, mainly in cleaning. The cumulative impact of these 2 trends explains a softer headwind in revenues, but with no drop-through improvement over the last couple of months.

We expect the drop rate to be around the same level for the remainder of the year, but of course, it can be lower and higher in any given months. And it will be impacted, among others, by how smoothly activity levels normalize versus government support programs coming to an end. And this correlation of government support scheme with the real COVID-19 situation is a key assumption in the drop rate.

In addition, we mentioned in February that there were risks related to the malware attack and the COVID-19. And as such, we did face other operational impacts, inefficiencies and delays for a global amount of around DKK 0.6 billion. 1/3 of that was expected and relates to the loss of Novartis as a global customer and also the losses that we incurred on a large contract in Denmark. Nothing really new. Another 1/3 of that is related to Deutsche Telekom, which is a loss in the first half due to the reasons that Jeff just explained, largely on account of systems delays due to malware. The last part relates to significant inefficiencies in the business. Again, it relates to this malware attack in February, and a week later, the global pandemic. The significant redirection of both management and IT resources at country, regional and group level has led to delays across the business.

Many initiatives which are critical contribution to improve productivity to support our contract development could not be delivered in full or in time. Good example is the efficiency plan announced in November of '19, [the DKK 400 million]. While the plan was largely being executed, including numerous white-collar lay-off at our global headquarters, the net benefit to corporate cost is not yet materially visible on a net basis as a result of the mentioned impacts and inefficiencies.

Finally, we faced around DKK 0.8 billion headwind in restructuring and one-off cost. One-off cost in the U.K. relates to risks that we started to identify in 2019. Some are prior year's adjustment and reflects some erroneous entries. They are not material at group level. We have also incurred during the period some cost to identify, fix, remedy some broken processes in part of the U.K. business.

As Jeff alluded to, we have taken all consequences from all perspectives. The total U.K. impacts one-off is about 40% of the total DKK 0.8 billion, the vast majority of it being noncash. Then we had restructuring on selective business units, which on the back of COVID-19 have been particularly hard hit. The amount in H1 is about 20% of the DKK 0.8 billion, mostly noncash in period. The process on assessing what business unit need to be restructured is still ongoing, and we do expect some mentionable amount in H2 but still far too uncertain to state.

The other 40%, which are all noncash, reflect us taking a prudent view as a consequence of COVID-19, most notably on bad debt provisions as well as a modest additional provision for the loss-making contract in Hong Kong in case of a probable extension.

Please turn to Slide 20. We have discussed revenues and operating profits, so just a few comments on other income and expenses, which is a negative of DKK 795 million in H1 2020, and this is principally driven by the costs related to the IT security incident for DKK 779 million, including a noncash write-down of DKK 343 million. For 2020 as a whole, we expect the total P&L cost for this IT incident to amount to around DKK 850 million, so limited charges in H2, which is what you would expect as the issue is behind us for 95%.

Financial income and expenses were slightly lower in H1 2020. This is due to interest rate spreads and the lower euro-dollar swaps during the first half. However, for the year as a whole, we expect financial income and expenses to be slightly higher than the full year 2019, assuming neutral FX impact for the remainder of the year.

Income tax is not an easy one. It's in line. It's a bit better than last year. However, due to the negative operating profit, our effective tax rate is minus 12.5% in H1. It does reflect a significant valuation allowances on deferred tax assets as well as the lessening impact from interest limitation and other nondeductible costs. We expect the second half this year to be broadly similar. It would be a complex year in terms of tax impact P&L and probably with some judgment, but we continue to see our underlying effective tax rate to be around 25% going ahead. No change.

On the goodwill impairment, we have 4 minus -- sorry, DKK 416 million charge, which is related to an impairment loss in France. This loss results from a reassessment in one segment of the business, on which the impact of COVID-19 is expected to be long-lasting and which is mainly related to Aviation.

Finally, the acquisition-related amortization and impairment of brands and customer contract was DKK 48 million, an expected reduction compared to last year. It reflects current run rate, and as such, we would be around DKK 100 million for the full year.

Please turn to Slide 21. While operating profit declined significantly over -- year-over-year, you can see that our free cash flow actually improved by DKK 0.9 billion. I will explain this variation in the next slide. But if we just stick for a moment on the minus DKK 1.7 billion in H1, what are the key drivers? The first one, of course, is an exceptionally low level of EBITDA at plus DKK 0.1 billion. It should be noted that the DKK 0.8 billion one-offs that I detailed a bit earlier are impacting EBITDA, but they are largely noncash, and they are reversed in the working cap variation. So of course, it is a wash on the free cash flow.

The minus DKK 0.7 billion working cap variation reflect many moving parts. On the negative side, you have the working capital seasonality. It has always been the case that we had a negative working cap in the first half. And of course, it is still there in COVID-19. We have also a very strong payment discipline with suppliers and even an accelerated payment of supplier in the midst of COVID-19. It is about complying with more stringent regulations in Europe, especially in the U.K. and in France. It's also a consequence of our new payment terms with suppliers. And it's clear that in the middle of this crisis, we have been also supporting our suppliers like our customers have been supporting us. I would point us on the negative, reduced use of factoring, which is, as expected, due to the loss of Novartis but also due to the lower revenues in H1 for a total of about minus DKK 0.7 billion.

On the other side, we have positives. And there is, of course, the postponed payment of VAT and social contributions. We benefited from this government support scheme for about DKK 1.6 billion. That helps. We had also working capital tailwind from reduction in revenues with lower activity. We have less capital, which is tied in the business. It helped. And then I mentioned the noncash items in EBITDA, which are reversed in the working cap.

And finally, on the free cash flow, just to mention that it was supported also by a strong discipline in investment levers to, of course, adapt to the current situation. And this is reflected in both reduction in CapEx and net additions to leased assets, clearly not the right time to invest too much.

Please turn to Slide 22 for a comparison of the 2 half years. Once again, looking at H1 '20, you see an improvement of DKK 0.9 billion year-over-year despite the significant negative impact on EBITDA, which is exaggerated by this one-off I mentioned. The big ticket there is, of course, a change in working capital. It was an outflow of more than DKK 3 billion in H1 2020, and it is an outflow of only DKK 0.7 billion in H1 2020. So this DKK 2.5 billion improvement year-over-year is principally driven by the postponement of VAT and social contribution for DKK 1.6 billion; the working cap tailwind from reduction in revenues, where we were growing last year; and this noncash one-off in EBITDA that I mentioned. I should also mention that you remember in H1 2019, we had all sorts of negatives in the working cap, and of course, they are not repeating. So it also helps the comparison year-over-year. On the other side, we have this strong payment acceleration with suppliers that we had under the first half of the year.

A few other smaller items contribute to the improving free cash flow, including the investment discipline, a bit less tax, a bit less interest charges, as mentioned.

I recognize that there are a lot of moving parts on the cash flow, and there has been actually a lot in '19 and 2020. So as a reminder, in connection with the full year 2019 release, we illustrated how we saw our normalized free cash flow for the business on a full year basis being around DKK 1.9 billion. This is not gone. And then further, you can see that our current free cash flow in the first half is actually quite decent despite the circumstances. Of course, COVID-19 has impacted many things in the short term, but our underlying cash generation remains strong, and it will support our deleveraging and ultimately, returns to shareholders as headwinds play out.

Please turn to Slide 23. Taking everything into perspective, I'm generally pleased with our financial position and the discipline implementing a resilient debt structure. Our liquidity remains very strong, and it has actually only improved further. It is now at a level that can only be justified by a very fluid situation in the economy, which is there.

We recently issued a 5-year bond with the intention to repay the bond that matures in 2021. The new issuance was multiple times oversubscribed and issued with a fixed rate of 1.25%, which shows a continued strong market support of our credit position.

Further, the COVID-19 liquidity lines remain fully undrawn. And at the end of July, the undrawn amount under the RCF is around DKK 4 billion. As such, we now have no meaningful unaddressed debt until 2024.

Our net debt has been reduced by not less than DKK 2 billion over the last year, the last 12 months. Hence, the increase in leverage that you see on the graph is entirely driven by the significant but short-term reduction in operating profit. As covered earlier in the presentation, revenue prospects are gently improving, and as such, we are confident that leverage will reduce sharply during 2021, as operating performance normalizes and our divestments of between DKK 1.1 billion to DKK 1.6 billion materialize.

We will also comply with our ordinary dividend payout ratio of approximately 50% of net profit adjusted. It doesn't take a PhD to figure out that we will be losing money for the full year. And therefore, the best case is that we would not pay dividends in 2021 based on the 2020 results. And given the current turbulent situation, we will not consider potential extraordinary returns until our leverage target is within reach. While leverage is currently above our target, we have no financial covenants. We do not have any constrained time line to get to a 2.8 DCR target. As such, we have the flexibility we need, and we currently see no need to raise capital.

With this, I would like to hand back to Jeff. But before I do that, I would like to say a big thank you to Jeff for always being available for the market, including in the incredibly challenging time that we have been through sometimes.

Please turn to Slide 25.

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

Thank you, Pierre. Let me start with a simple illustration of the rapidly changing situation we continue to try to navigate through this strange world. The number of new COVID cases, they continue to increase on a global level. As such, we see some countries reimplementing restrictions, while others are easing as reflected by the chart to the right. As we enter into the second half, more than 90% of group revenue is generated from countries with workplace restrictions, one way or another.

At the end of June, around 50,000 of our employees were sent home from work as a result of short-term reductions in activity, just to give you an idea of the magnitude of this.

In summary, uncertainties remained high as we reinitiate the guidance for 2020. It is required by the Danish business authority for all listed companies in Denmark to give a guidance for 2020. So restating the outlook at this point in time with the historical high level uncertainty does require that we operate with a high case and a low case in addition to our mid-range expectations.

Please turn to Slide 26. The organic growth outlook for 2020 is between minus 2% and minus 10%, a wide range. Once again, it reflects the significant amount of uncertainties, are we going into second waves or not, ranging from -- so basically, ranging from a global second wave lockdown to a strong recovery during H2. The base scenario or the midrange scenario is the 6% to 8% negative growth. First of all, you may want to remember that the organic growth contribution for Deutsche Telekom is around 4% in the first half of 2020. That lapsed on the 20th of June 2020, as a result of the contract launching 1st of July last year.

In our base case, in our midrange case, the organic growth momentum from June, excluding Telekom -- Deutsche Telekom of around minus 10% is assumed broadly similar to the second half of 2020. While further customer sites are expected to reopen, and we've seen that also during July, we also remain cautious with regards to potential local second-wave impact as well as the sustainability of the strong demand for projects and above-base works that we saw in the first half of 2020.

Compared to our midrange, we see a high-case organic growth scenario of minus 2% in 2020, assuming a strong recovery, including catch up on new sales as well as continued high demand for projects and above base throughout the second half of the year. And on the other hand, we also see a low case of minus 10%, which assumes a global COVID-19 second wave, including impact from client initiating larger scope adjustments. So yes, a broad range.

We expect the operating margins, excluding restructuring and one-off costs, to be marginally positive in 2020. First half -- second half 2020 is expected to improve compared to the first half's 0%, supported by positive marginal seasonality and as well as a gradual freeing up of resources and allowing us to slowly start catching up on the operational delays and challenges.

Operating profit drop-through from revenue loss as a result of COVID-19 is assumed broadly stable at around 25%. But then margin outlook excludes the restructuring and noncash one-offs, which in the first half was DKK 800 million, which are likely in second half as well. Several hundred millions in additional restructuring and one-off costs in the second half is not unlikely, but actual timing and size is simply too uncertain for us to forecast at this point in time.

The free cash flow outlook for 2020 sits between negative DKK 0.5 billion to DKK 3.5 billion, so that the midrange scenario is around minus DKK 2 billion in 2020. It is driven especially by the reduction in operating performance, mainly as a result of COVID-19.

Further, it's assumed that we have no postponed VAT and social contribution by the end of the year, meaning that the DKK 1.6 billion postponed by the end of the first half will be settled by the full year 2020. We also plan to retain a strict supplier payment discipline in order to support healthy payment environment in the midst of COVID-19. And on the side note, we also expect a slight reduction in factoring, reflecting especially the loss of Novartis.

Compared to our midrange, we see a free cash flow high case of negative only DKK 0.5 billion in, say, in 2020. This assumes that the high-case organic growth scenarios come through with a margin above our base case or midrange case and with stronger performance on collections.

On the contrary, we see a free cash flow low case of negative DKK 3.5 billion in 2020. This assumes a low-case organic growth scenario, leading to a margin below our midrange and increasing delays in collection.

So in summary that it just reflects the uncertainties we're in, albeit it just shows we still have a resilient business. And right now, as we saw on reported July numbers, organic growth for July was minus 7.5%. So we're on a track of improving. But again, we don't know what happens if a second wave come through, and that's why the level of uncertainty is reflected in this outlook.

The same, of course, on the one-off and the restructuring is. It depends on what part of the business needs to be restructured if we don't see a recovery in the business within a prudent time.

So with this, I would like to open up for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And the first question is from the line of Laurits Kjaergaard.

Laurits Louis Kjaergaard ***ABG Sundal Collier Holding ASA, Research Division - Research Analyst***

A little bit of a question into your above-base work in terms of your regional performance. Could you talk about how big a part of, for example, Americas above revenue is from above-base work?

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

Okay. I think generally, the above-base works is around 20%. And I think it's similar in the North American part, but that has increased, obviously, significantly, as we said in the first half of this year coming from disinfection and deep cleaning. As we have a big Food Services business, most of that is actually stable portfolio work in the Americas.

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

Yes. I think that the bulk of the above portfolio came from our cleaning business in Americas, which is around $300 million for the full year. And in there, we had indeed an increase of project, which is around 40% to 50% compared to last year.

Operator

And the next question is from the line of Dan Hobden.

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

It's Dan Hobden from Crédit Suisse. I've got a few. Maybe if I stick to 1 or 2, I can come back at the end if there's time.

Maybe, first of all, I think you said that July was minus 7.8%. I think that includes Deutsche Telekom. So as we look at your midrange minus 6% to minus 8% organic growth, I suppose that implies 0 improvement going through the second half of the year. Is there anything kind of I'm missing there? And within July, is it possible to say what percentage of your clients or what percentage of your staff are back at work or out of work? I'm just trying to think about how we think about taking that minus 7.8% through the remaining 5 halves -- or sorry, 5 months of H2.

The second question maybe is around Deutsche Telekom. I think it's got worse or -- and as we think about it, I think you mentioned it was negative margin. When are we thinking that, that will improve? Is that an H2 thing, 2021 thing or 2022?

And I suppose that links into probably my final question, which is how are we -- if we're still thinking on 2020, but if we think about 2021, if you think about some of your key projects, the Deutsche Telekom contract, the French restructuring, the U.K. restructuring, the contract in Denmark, as we referred to it, how are we to think of them into 2021, and therefore, sort of the margin expectation from 2021? Is there anything that drags across from 2020 onwards?

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

Thank you. Now on -- you got to remember that in July, the DTAG revenue lapsed a year, in June actually, so there's no tailwind from DTAG in July. I think that was so far...

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

I think that in June, exactly to the point Jeff was making, in June, the organic growth, excluding DTAG, was about minus 10% and with a July number at minus 7.8%. Indeed, you see a slight improvement, but it's only 1 month, so you need to be extremely careful coming on the back of indeed, some sequential improvement.

The assumption, which is in the outlook, as you rightfully pointed out, is that indeed, the H2 is not showing a recovery compared to the June trend. And this is clearly factoring in that there would be some move back and forth on this COVID-19, and we are not betting in this midrange that indeed, there would be a constant improvement. So that's pegged into the numbers.

And the number of people in July, Jeff?

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

Yes. If you take it for the numbers of people that has been sent home, we had just above 50,000 entering into the month of July. We don't give you the month-by-month number on this, but it has improved. In most countries, the numbers have decreased, and that's also reflected in this improvement in the organic growth. However, there are also countries where the numbers are increasing again. So it is up and down, I have to admit, but we do see an overall improvement as we go through July. But it's not a number that we have sort of enough scrutiny on for this point in time other than it's improved during the month of July reflected in the organic growth.

Again, projecting it is very, very hard because we could see countries go in and out of lockdowns.

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

Maybe on your questions, which are very, very relevant trying to go on the other side of the crisis in 2021. First, on DTAG, what is hitting us today? I'm not going to be too long, and maybe we can double-click on that later. But what is hitting us is that we -- due to this delay in systems, we have not been able to deliver some of the performance. So we had a hit on the KPIs, which has been driving our margin down. That does not explain the loss. The loss is coming from the glide path that we are committed to. So we have lower revenues on the back on some numbers. And if we have not been able to adjust the cost base due to this delay in systems, and we didn't want to implement cost-cutting with the risk of jeopardizing operations, so we are squeezed with a lower revenues and a higher cost base. That's the second driver.

And the third driver is that we were planning to ramp-up in terms of revenues with capital projects and one-off. We've built the teams. And then due to lack of systems, we have not been able to sell these revenues, also on the back of COVID which is not coming. That means that we have higher fixed cost base and not revenues coming in. We need to fix these issues.

We have a plan which has been agreed. That plan is taking us up to June 2021. It's not, of course, that we need to wait there to see improvement. We have gradual improvement coming from milestones, and that will drive the margin up gradually from the low point of H1 2020 to in H2 '21, we should be back to -- on the base case. So the full normalization should be in 2020, but we should be there mid '21. That plan has been agreed with the customer. Now it is up to us to deliver. And I guess that every quarter, we'll have a discussion on where we stand on this, and I think that's only fair. So that's for DTAG, the big ticket.

We had indeed a few other big tickets. Danish defense, I think Jeff alluded to the negotiation, which is ongoing. It has to happen, and it has to happen by the end of the year, which means that by the end of the year, we'll be in a clear position about what's coming in, in 2021. And clearly, in 2021, on the back of that, there should be no loss or there should be a very -- well, there should be a loss in 2021 one way or the other, even if we have to provide for it, and that was the potential outcome that Jeff was alluding to. We are depending on this negotiation outcome, which is coming in the second half.

On France, I think that, again, as we said, we are progressing despite this COVID-19. There are, of course, all sort of noise but we are confident that we should be, in '21, getting to the breakeven point in France. That's where we -- you remember, that's where we were supposed to be, and we see a good track to there, so hopefully, catching up on that one.

And then in the U.K., it's -- I think that's -- as I mentioned, it is one-offs, it is noncash. It's a very strong business platform. I have to say the COVID-19 impact in the U.K. is massive. And it's difficult yet to see how all things will come back. But we have a very strong portfolio of customers. And we are confident that going forward, the U.K. is a platform that can deliver a margin, which is not dilutive against group margin for sure. So we don't see that we have a structural issue in the U.K.

Jeff, any comment?

Operator

And the next question is from the line of James Winckler.

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

Just specifically wondering if you -- obviously, as you said, the trend of strong demand for deep cleaning, sanitization is hard to forecast. But within July, wondering if you can give some insight in terms of how specifically that work trended in July versus June or Q2 more broadly.

And then could you just give -- I think you gave some color on, I might have missed it, but you're forecasting a stable 25% drop-through. I'm wondering how that's going to be maintained in light of a lot of governance support schemes explicitly ending in the back half of this year.

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

On the July numbers, I mean, they are just out of the kitchen, and they are also monthly reporting. So we -- I cannot give you the details. And even going forward, I think we are now giving some sort of outlook with the midrange to try to give you some better visibility. There will be volatility, and I think that we need to be careful on the discussion that we have in each and every month. It's not a linear curve. I mean, we are not out of the woods. We still have a lot of countries going back and forth. And therefore, I think we need to be a bit careful with these monthly numbers. And I cannot commit that going forward, we should carry on doing this. And of course, we'll mention if we see a break in the trend. So that, I cannot give you much more information about the July numbers.

On the drop-through on the 25%, I completely agree with you. This is a key assumption. Today, what we have seen consistently, actually, is that the governments are behaving, which means that they keep the government schemes in line with what we see in the business in terms of COVID-19 impact. But of course, it could change in the future. There are also some threshold impact. Some of this regulation in Switzerland, in Netherlands in pockets are depending upon a certain drop in revenues. So when things get better, you are at least to see that we are not matching the criteria anymore. So we may lose the benefit of that.

On the other hand, when there is a lower impact on revenues, you have also some more efficiencies coming back. So we believe that making the assumption that the 25% would stay, say, for H2 is the most reasonable assumption.

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

And of course, it will also -- that's the reason why restructuring is difficult to predict. Because if we lose the support and we get employees back and it's not supported by customers, then, of course, we have to restructure.

Operator

And the next question is from the line of Allen Wells.

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

Just a couple for me, quick ones. Just following up on that on the restructuring costs. Obviously, the guidance now ex-restructuring, I'm not sure -- and I appreciate that the uncertainty here. But is there any way to think about the range of potential restructuring in the second half? Or at least, what are the moving parts that would make it more or less than the DKK 0.8 billion that we saw in the first half?

That's my first question.

And then secondly, is it possible that you could provide a bit more information around these new U.K. one-off costs? I think you flagged that they're identified in 2019. Obviously, this is the first we've heard of them. What's going on in there? Is it one particular contract? Or what's exactly going on? Is there any -- and again, is there any way you can quantify the cost there as well?

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

On the restructuring in H2, I think it's very, very difficult for us, as Jeff mentioned, to give you a number. I mean, it could be a few hundreds of millions, for sure. We do have countries where we know we have some restructuring to do. We don't know the timing. It could be that it comes in December. It could be that it is actually provided for in Q1 next year. So there is an uncertainty on that one.

And of course, we -- as Jeff alluded to as well, we don't know if some BUs will be supported further by government going forward. We have some cases where today, we have been able to freeze some business because we are well supported. But if this was going away, we will have to go for further restructuring. So that's a significant uncertainty. And I think it's difficult to give a range, but it will likely be a few hundreds of millions that will come on top of what we have seen in H1, and that's only healthy.

There would -- there is a risk that I mentioned on another one-off depending on the outcome of the discussion on the Danish contract which is loss-making. So that's another one. And that's why we cannot provide any guidance on that. Otherwise, we would do it.

In the U.K., yes, you're right, in '19, we identified that we had some risk that we provided for. It was a significant chunk of DKK 150 million that we booked in 2019. We have been double-clicking on it going further. You may remember that we found out this when we decided to roll out new systems and shared services in the U.K. There was a reason why we were doing that. It's because the U.K. was operated with the opco model, so fully decentralized. So we made the choice to go there because that was one of the -- well, actually, it was the last big country operating on that model. And when we actually rolled it out, we discovered that, indeed, we had a few allocations, which are not documented, and we found some irregular entries.

And actually in H1, to a greater extent, that's what we found at year-end, so we took the hit as it had to be done. It also means that we have incurred some significant cost in H1 to actually fix these issues on both on systems and forensic to be very candid because we had to go through the whole process, and that has hit our numbers in the U.K.

I mentioned that this U.K. one-off is about 40% of our DKK 0.8 billion, so we are talking about DKK 300 million which is all in, so the cost of remediation and the adjustment that we had to book on top of what has been done in 2019. Not great, for sure, but on the other hand, this is the right thing to do. We need to make sure we have the right process. And today, I'm pleased to see that we have our new systems up and running. We took all the consequences, including on management and people. And we have, today, processes which are designed to deliver full compliance and transparency on cost which is, in our business, absolutely critical.

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

And can I just ask one quick follow-up question? Just to help understand, when I speak to customers, your businesses around sort of the cleaning requirements and their back-to-work plans, most of the businesses that we -- that I speak to are, obviously, talking about quite significant additional requirements. I don't just mean the deep cleans but service level agreements that are up 20% to 100%, if they're doing more cleans a day or surface wipes, et cetera. Those types of activities, well, first of all, are they captured as above-base work for your contracts? Or when service level agreements are increased in that, is that just captured in additional growth?

And then maybe could you talk a little bit about within your customer base, particularly the key accounts, are there any customers that are not taking or having additional services taken or additional contract level requirements taken at the moment as they go back to work? I'm just trying to understand how you dovetail that additional demand, obviously, with the organic growth numbers that are coming through.

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

Yes. So there are -- I mean, if I understand the question right. I mean, there are 2 things happening. One is that you have one-off ad hoc deep cleaning, disinfection work happening, and that happened a lot during COVID because everybody was reacting very quickly to a situation. So even before the lockdowns in connection with the lockdowns and when you had the lockdown, the buildings were closed up, then there was deep cleaning. Then when there was the go back to work, of course, there's a deep cleaning. That's the one part that we're talking about which is the high level.

With -- the other part is that there are cycles that has been changed, so a change to the scope of cleaning services, but that's what we're going through now client by client, and we expect that, that scope will be higher. So for most clients, there will be higher frequence or a hard review on [high-teens] stewards, as we call them now as part of our product, that we need more visible disinfection services as part of the portfolio. That would not sit in above base. That would be changing the underlying portfolio growth.

So the one part is the reaction, that's the above base. The other one is an increase in the scope of our relationship with the customers on changing the cleaning part.

Now it can also be that they then start moving budgets around. So what's the net sum of that? We don't know yet. But we do know that we see increasing demand for our cleaning services also, portfolio-wise.

Then the last question. Yes. Well, I'll try to answer it. So yes.

Operator

And the next question is from the line of SEB.

Magnus Thorstholm Jensen ***SEB, Research Division - Senior Equities Analyst***

This is Magnus here from SEB. A couple of questions from my side. Firstly, you guided for DKK 2.7 billion minus in free cash flow for H1, but you end up at minus DKK 1.7 billion. Could you please explain the DKK 1 billion that you missed when you guided like a month or so ago?

Second question would be in terms of the delays you've had in H1 that had an impact of around DKK 0.6 billion for the half year. Do you expect a similar impact in the second half? Or will it be less or more? Could you have some input on that?

And finally, your deep cleaning, that clearly drives a lot of revenue these days. What are the margin on that kind of service for you guys compared to the rest of your business? That's my question.

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

Yes. I'm not sure I got your first point. I mean, you mentioned a guidance for H1 on free cash flow? Did I get that?

Magnus Thorstholm Jensen ***SEB, Research Division - Senior Equities Analyst***

Yes, you're right. You said in your release when you had to send out, I think, a month ago that your cash flow for first half would be the same as last year, and it clearly was DKK 1 billion better. So what's changed?

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

Okay, and I get that. I think that we ended up in H1 -- let's say that the good news that we have seen in H1 is clearly on the collection of receivables. And we were expecting, to a certain extent, some payment delays or, let's say, a bit less of a lenient behavior of our customers. And it is fair to say that we have been surprised to the extent of a few hundreds of millions by receivables. And then, of course, when we indicated that we're expecting the same order of magnitude than last year, we had built in a bit of a buffer in there. So that's the reason why we are indeed coming stronger than expected in our H1 in our free cash flow. That's driven by customers' behavior, where we have -- first, we have not seen basically payment defaults, and we have limited payment delays and actually some also very positive behavior.

On your question about margin in H2 and this improvement in operations, yes, we had some delays. I have to say that what is embedded in this incremental improvement in H2 is definitely the seasonality and the improvements that we have consistently delivered over many years in H2 against H1. And this will come through, to a certain extent, to be discussed.

We do have also some clear plans where some of these issues are improving in H2. And that's the case for France. That's the case for Deutsche Telekom, where we do have a plan. So there are some execution in there. But I have to say that what is embedded in the numbers on the back of this improvement is not massive. So we are not betting there to a massive improvement, also taking in account that we may have some further impact.

However, I'm pleased to say that the IT malware is behind us, that we are in control of all that part. So now we have plans that we feel comfortable to execute. A lot of what needs to be done is still about some restructuring adjustment, and there is always an execution risk, especially if people, for some reason, cannot go to work, which is, of course, a main issue, but not a big deal, which is embedded in the numbers for H2, even if we do plan some improvement.

There was a third question.

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

The deep cleaning margin...

Magnus Thorstholm Jensen ***SEB, Research Division - Senior Equities Analyst***

Yes, that was just in the margin. Yes, exactly.

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

It's obviously the decent margins. I mean, it is a cleaning product, so it sits within reasonable margin levels, but it's higher than the norm. The reason why it cannot offset the above-base work that is not being asked for right now is, of course, that we do have costs sitting for technical services where there is no above-base work to be done. So that's the difference. But there is good margins, healthy margins, so double-digit margins on deep cleaning.

Operator

And the next question is from the line of (inaudible) Bank.

Unidentified Analyst

Hello? Can you hear me?

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

Yes, we can hear you.

Unidentified Analyst

I wanted to come back to your drop rate of [around] 25%. It's -- you've been saying what was down when we talked around -- when I spoke to you [about and then rechanged]. So I was just wondering if it would highlight that nothing has changed in the business going forward? Or should that ratio not improve if you're restructuring the business, if you will find yourselves a new world that there's [at any point] to manage cost better? Is -- I'm just a bit puzzled that this rate is still 25% (inaudible) improved level. Or maybe going forward, you're indicating it will be better improved?

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

Yes. On this, you're right. I think that -- you remember that in this drop rate, you have about 2/3 of it, which is coming from the gross margin that we lose. And then there is some stranded costs, which are some residual labor that we are not compensated for. And then some other impacts, which can be linked to some costs that we were allowed to invoice to the customer in direct cost and all that stuff. So when we restructure, that part of the stranded cost would go. And you're right, that would improve the drop rate.

Now the margin -- the gross margin would have gone. And then it means that, indeed, this substance, this loss of substance of the gross margin would go away. But you're right, when we restructure, we should see the benefit, of course, on the drop rate.

However, as we mentioned, you see that in H1, we have not yet done -- completed a lot of restructuring. Now there is some going on in H2. Some will probably spill over in '21, so it will take a time to actually complete the full restructuring. Today, it's a bit on hold because, again, a lot of the business units which are impacted are still benefiting from a strong support from the government that helps to mitigate. But that's exact -- you're spot on. I mean, there is a point where we need to decide that we go for the full restructuring and therefore, reduce the impact on the bottom line.

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

I would just highlight that it really depends on what comes back and what does not come back. If you have Iberia where there is no support, the drop rate is a lot higher. So at the end of the day, it depends on which country comes at what point in time. The 25% is a amalgamation of a lot of different up and down, which is why we use sort of the same number going forward. It does depend on which country goes back and which doesn't.

Unidentified Analyst

Okay. And when you say restructure, are you talking about (inaudible) restructuring? Or are you talking about (inaudible) SG&A within your new business that (inaudible) business altogether in the first week of contract and delivery.

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

I think it would be both. I mean, I can think of a BU where we believe that the business will not come back and the restructuring would be to actually reduce the number of blue collars on a permanent basis. But it would mean also that there would be some SG&A restructuring that would come on top of it. So you would expect actually both to be part of the restructuring.

Operator

And the final question is a follow-up from the line of Dan Hobden.

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

It's Dan Hobden from Crédit Suisse again. Just a couple of very quick questions. Number one, I think you said that you expect some -- you expect the proceeds for divestment or the divestment process to restart steadily. Are you still expecting the same level of proceeds from the remaining businesses there?

And question two around the 2021 timing of renewals. Are they evenly waited through the year? Are they waited towards the start or the end?

Question number three, just a quick one, but Hong Kong, Denmark, France, U.K., it looks as though you've taken more provisions in each of the territories and having already sort of flagged them and identified the issue. Are there any other high-risk areas or areas that you think we should be drawn aware of where maybe future provisioning is possible?

And my final question. As I look at what your margin was in FY '19, do you think it's reasonable that you could return to that in FY '21, given the restructuring that you've been undertaking this year?

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

A couple of comments. On the proceeds, yes, we have been delayed in our program. And of course, some of the businesses have been hit by COVID-19. But overall, actually, the businesses which are on the list of disposal have been resilient, and they have not lost substance. So there is a bit of delay, but they are actually still there, and we are optimistic that we can complete the disposals.

Now it is likely it will spill over in '21. It doesn't mean that we expect to see nothing in 2020. And we have -- let's say, that we have at least 2 significant assets that could be on the list for the second half of the year, and we are working day in, day out to complete that one, hopefully, with the closing within the year, which of course, would help. But confident overall that the net proceeds will come through in the range that we committed to now, 18 months ago.

On the risk and the provisions, well, I think that it's -- you can see in our half year account that we have been taking COVID-19 in account, reassessing the risk. We have been scrutinizing our assets and liabilities to make sure that due to this new risk environment, we are actually recognizing it's different. And you can see the big impact on the P&L. So I think that we have been extremely cautious with that.

I mentioned very clearly the risk on the discussion on the Danish contract. That's one. There is potentially another risk in Germany. If we do not complete our plan, no risk of -- we do not see any risk of whatsoever loss-making provision. That's not the point at all. It's a strong business case. But we do have still some assets that we need to test, depending on the recovery that we have in our plan, and that's potentially another risk. And that's -- I can tell you that we have been reviewing our portfolio on the back of this new risk environment extensively, and that we believe that we are very clear.

Operator

As there are no further questions at this moment, I will hand it back to the speakers for any closing remarks.

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

Okay. Thank you, everyone. Thanks for participating. You may now disconnect.