



# 2018 Full Year Results

20 November 2018



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Dominic Blakemore

Chief Executive



# Today's agenda

1. Dominic Blakemore

Welcome & highlights

2. Johnny Thomson

Full year results

3. Dominic Blakemore

Full year review & strategy

4. Q&A



# 2018 highlights

**+5.5%**

ORGANIC REVENUE GROWTH

**7.4%**

OPERATING MARGIN

**+12.5%**

EPS GROWTH  
(CONSTANT CURRENCY)

**£1.1bn**

FREE CASH FLOW

**+17%**

FREE CASH FLOW GROWTH

**+12.5%**

DIVIDEND GROWTH



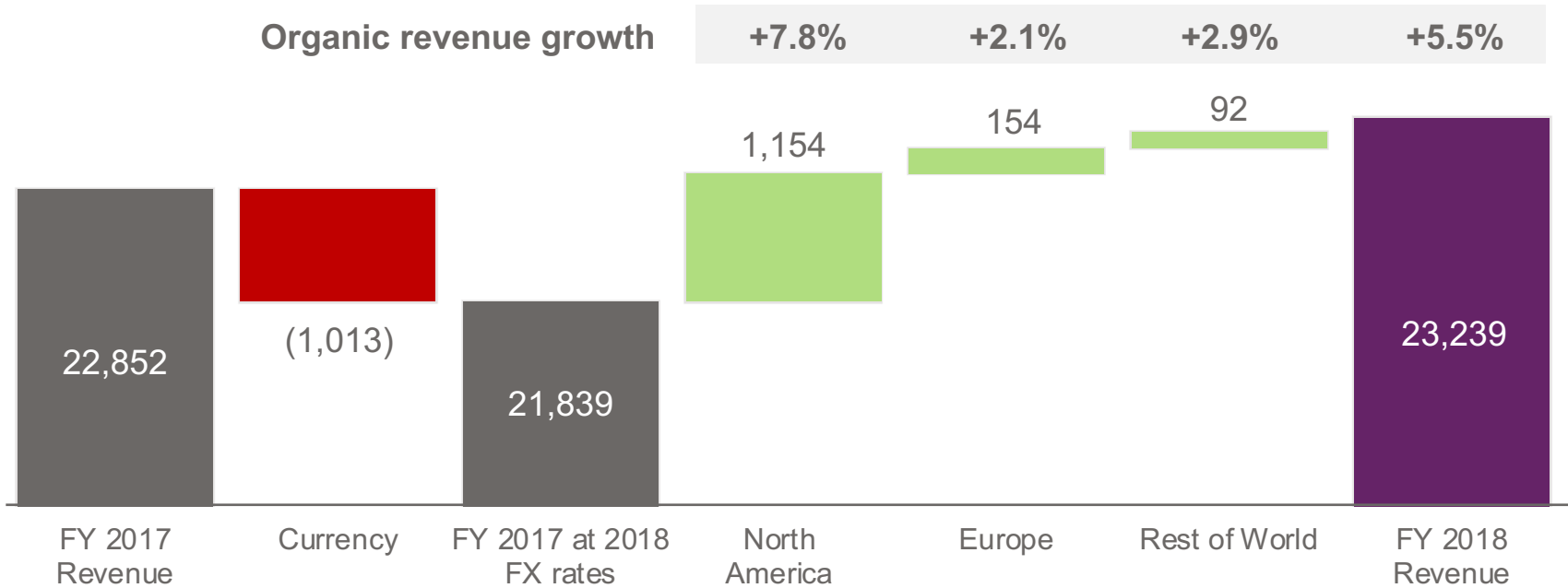
Johnny Thomson

Group Finance Director



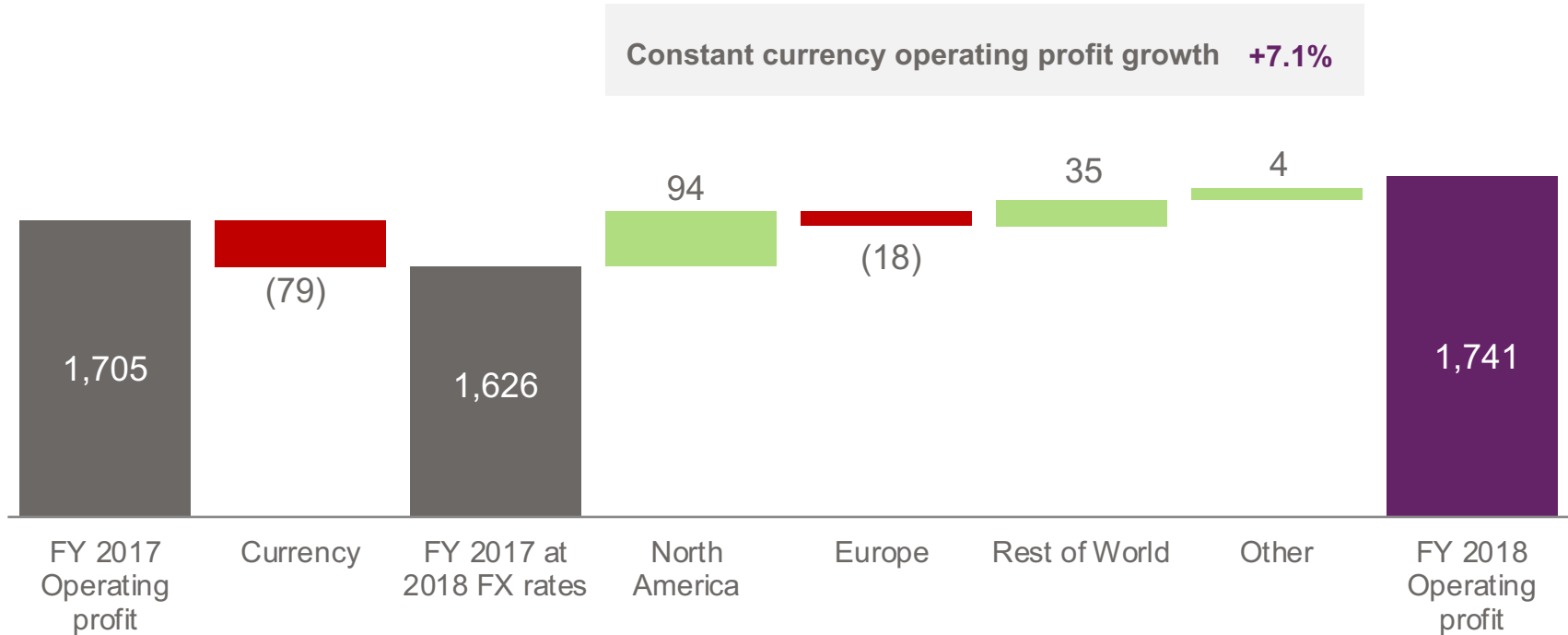
# Revenue

£m



# Operating profit

£m





# Operating profit margin

	2018	2017
North America	8.1%	8.1%
Europe	6.8%	7.3%
Rest of World	7.5%	6.7%
<b>Group</b>	<b>7.4%</b>	<b>7.4%</b>

# Currency impact on operating profit

£m

<b>IMPACT ON PROFIT</b>	<b>FY 2017</b>	<b>FY 2018</b>
USD	(55)	58
EUR	3	1
CAD	(2)	1
AUD	(4)	-
BRL	(6)	(1)
TRY	(3)	(3)
Other	(12)	2
<b>Total currency impact</b>	<b>(79)</b>	<b>58</b>

# Income statement

£m

	2018	2017
Operating profit	1,741	1,705
Net finance costs	(114)	(114)
<b>Profit before tax</b>	<b>1,627</b>	<b>1,591</b>
Tax	(390)	(404)
<b>Profit after tax</b>	<b>1,237</b>	<b>1,187</b>
Non-controlling interest	(8)	(10)
<b>Attributable profit</b>	<b>1,229</b>	<b>1,177</b>
Average number of shares (millions)	1,584	1,628
Basic earnings per share (pence)	77.6p	72.3p
Dividend per share (pence)	37.7p	33.5p

- 2019 net finance cost expected to be around £120m

- FY18 tax rate lower due to the tax reform in the US
- 2019 tax rate expected to be around 24%

- Constant currency EPS growth of 12.5%
- DPS growth of 12.5% in line with our policy

# Operating cash flow

£m

	2018	2017
Operating profit	1,741	1,705
Depreciation and amortisation	500	483
Net capital expenditure	(757)	(683)
<b>Net cash flow</b>	<b>1,484</b>	<b>1,505</b>
<b>Net cash flow conversion</b>	<b>85%</b>	<b>88%</b>
Trade working capital	148	(62)
Provisions	(45)	(24)
Other	(7)	0
<b>Operating cash flow</b>	<b>1,580</b>	<b>1,419</b>
<b>Operating cash flow conversion</b>	<b>91%</b>	<b>83%</b>

- D&A up slightly due to our investments in capex

- FY18 Gross capex 3.5%
- FY19 Gross capex up to 3.5%

- FY18 working capital inflow better than expected, including the reversal of the timing of payroll
- FY19 working capital expected to be the usual small outflow

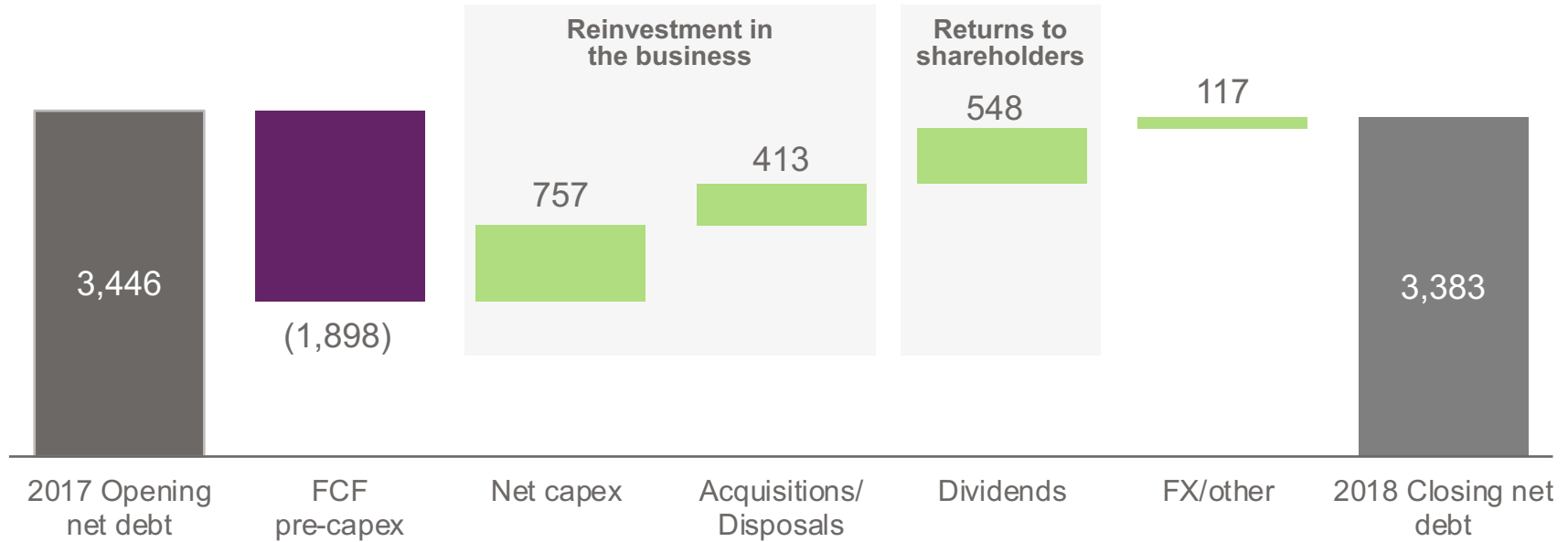
# Free cash flow

£m

	2018	2017	
Operating cash flow	1,580	1,419	
Post-employment benefits	(8)	(14)	• FY19 expected to be £20m
Net interest	(95)	(97)	• FY19 expected to be in line with 2018
Net tax	(323)	(332)	
Other	(13)	(2)	• FY18 cash tax 20% slightly better due to lower rates in the US
<b>Free cash flow</b>	<b>1,141</b>	<b>974</b>	• FY19 expected to be between 20-22%
<b>Free cash flow conversion</b>	<b>66%</b>	<b>57%</b>	

# Net debt

£m



# Portfolio

	SALES AND EXITS COMPLETED YTD	TOTAL PORTFOLIO UNDER REVIEW
Annual Revenues	c. £300m	c. £1.2bn
Operating margin	c. 2%	c. 7%
Proceeds	c. £50m	

For organic growth modelling purposes

- Total disposals to be removed from FY 2018: Revenues £280m, operating profit £6m
- Total acquisitions\* to be added to FY 2018: Revenues £150m, operating profit £9m

# Ongoing priorities for uses of cash





# IFRS 15 has a minimal impact on Group

MEASURE	FY 2018 PROFORMA
Revenue	c. 0.5% decrease
Operating profit	c. 0.3% increase
Margin	c. 4 bps increase
Free cashflow	No impact
ROCE	c. 10bps decrease
Net asset increase on balance sheet	c. 2% increase

- Minimal impact on main KPIs of revenue, operating profit, margin and ROCE
- To be adopted in FY19
- Comparatives for HY18 and FY18 will be restated
- No impact on organic growth or margin progression

# 2019 guidance for modelling purposes

Interest charge	<b>c. £120m</b>
P&L tax rate	<b>24.0%</b>
Cash tax rate	<b>20-22%</b>
Gross capex	<b>Up to 3.5% of revenues</b>
Working capital	<b>Small outflow</b>
Post employment cash contribution	<b>c. £20m</b>
Foreign exchange impact on 2018 EBIT (at current spot rates)	<b>£58m</b>

# Financial summary FY 2018

Organic revenue growth	<b>5.5%</b>
Operating profit margin	<b>7.4%</b>
Free cash flow growth	<b>17.1%</b>
EPS growth (constant currency)	<b>12.5%</b>
Dividend growth	<b>12.5%</b>

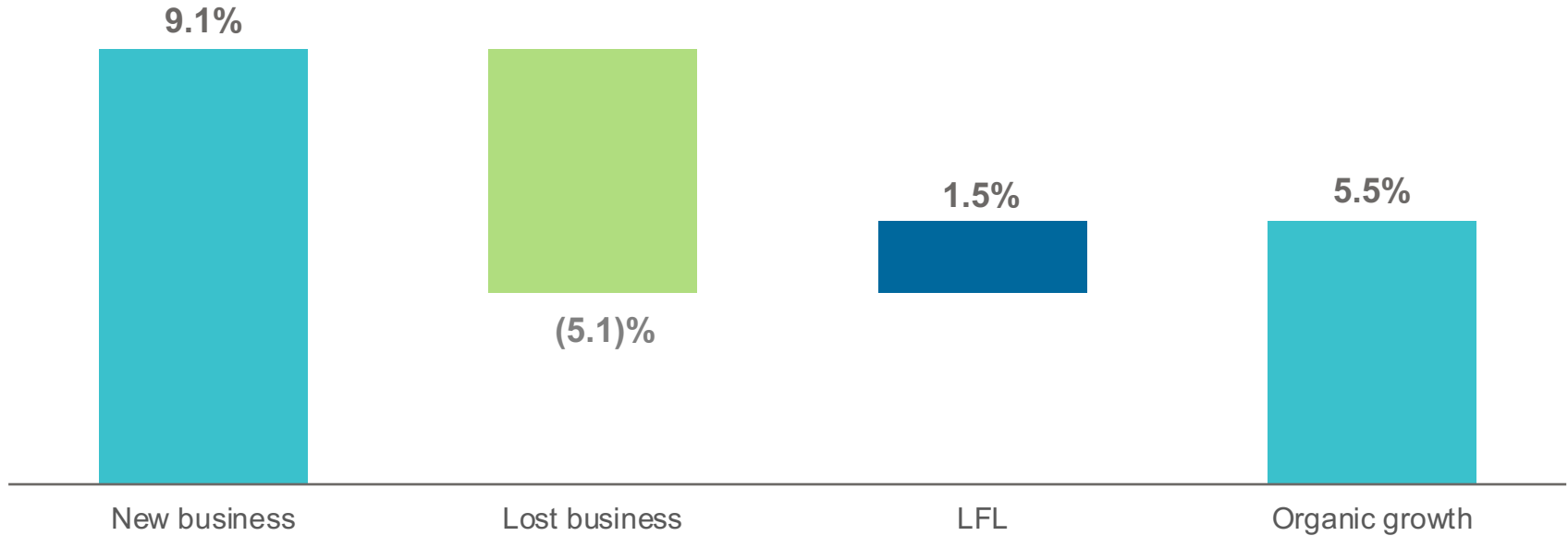


Dominic Blakemore

Chief Executive



# FY 2018 organic revenue growth



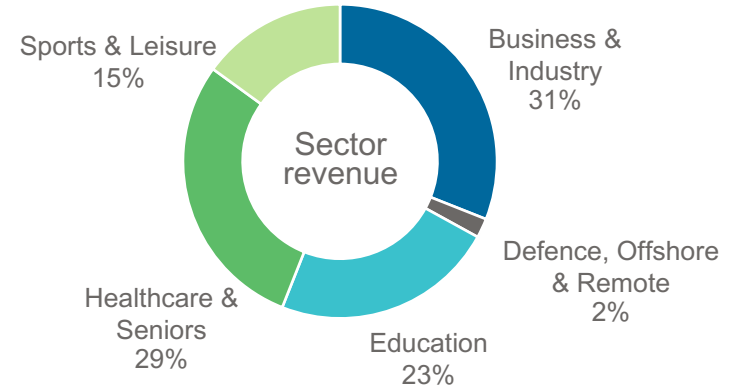
# North America: excellent progress in our largest region

## Organic revenue up 7.8%

- Broad based sector growth
- Retention rate remains at c. 97%

## Margin strong at 8.1%

- Successfully offsetting labour cost inflation
- Improving labour productivity
- Sensible pricing





# North America: labour initiatives

## Labour Management

Ensuring basic labour costs are controlled

## Productivity

Maximizing the efficiency of the workforce

## Work Design

Changing the model to take out labour

## Acquisition & Retention

Attract, onboard, train and retain talent





# Europe: a mixed picture

## Organic revenue up 2.1%

- Very good growth in the UK driven by new business wins
- Subdued but improving growth in Continental Europe

## Margin down as expected

- Cost pressures in the UK
- Benefits of cost actions offset by weak volumes in the UK

	UK	Continental Europe
Revenue growth	Very good	Subdued but improving
Margin	Cost pressures & weak volumes	Low inflation & increasing mobilisation costs

# Rest of World: pleasing progress

## Organic revenue up 2.9%, up 5.0% ex O&R

- +20% growth in Turkey, China, India and Spanish speaking LATAM
- Offshore & Remote down 3.0%

## Margin increased by 80bps to 7.5%

- Benefit from the delay in the final transition from construction to production
- Better overhead leverage in growth markets
- Continuing to drive efficiencies around the region





Commitments

The following so  
that meet our su  
of total purchas

**FAST COMPANY**  
**THE WORLD'S 50**  
**MOST INNOVATIVE**  
**COMPANIES 2018**  
**#1 Food #34 Overall**

SUSTAINABLY  
SEAFOOD  
83%  
250 LBS.

100%  
41 LBS.

# Strategy



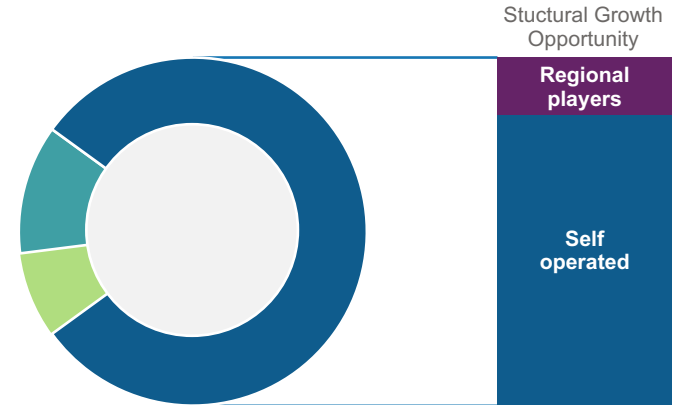
86 LBS.

# Increasing our focus on food

## Leveraging our competitive advantages

- Strong organic growth
- Decentralised/ flexible structure
- Sectorisation and sub-sectorisation approach
- Unique scale in purchasing and overheads
- Best people and a performance based culture

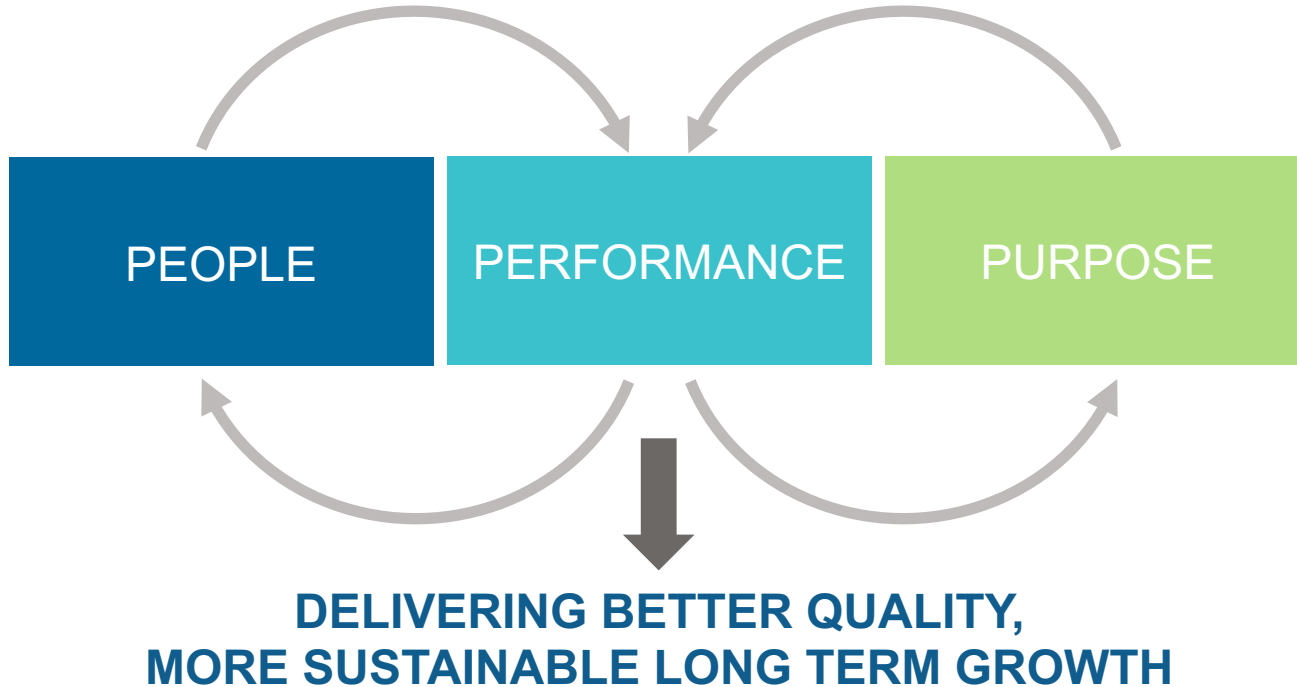
Food services market c. £200bn\*



■ Compass Group    ■ Other large players  
■ Regional players    ■ Self operated

\*based on management's estimates

# The 3 Ps



# Performance: continuing to drive organic growth



NEW BUSINESS  
WINS

MAP 1



RETENTION

MAP 1



PORTFOLIO

# Performance: operational priorities



PRICING

map 2



PURCHASING

map 3

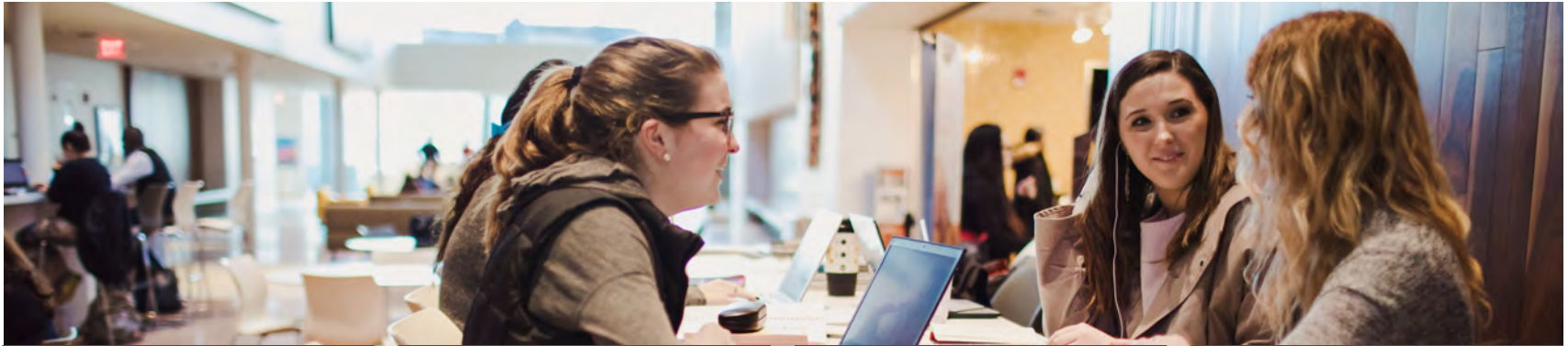


PRODUCTIVITY

map 4

map 5

# People: becoming a true people business



**EXCEPTIONAL  
LEADERSHIP**

Increase internal promotion

**QUALITY UNIT  
MANAGEMENT**

Improve onboarding &  
development

**HIGHLY ENGAGED  
COLLEAGUES**

Camaraderie, recognition  
and progression

**DIVERSITY &  
INCLUSION**

To reflect the society we  
live in and communities we  
serve



# Purpose: living our social purpose

HEALTH AND  
WELLBEING

ENVIRONMENTAL  
GAME-  
CHANGERS

BETTER FOR THE  
WORLD

SAFETY CULTURE



# Continuing to drive the Compass model

Organic revenue growth	4 – 6%
Operating margin	Modest margin improvement
Dividend	Growth in line with constant currency EPS
Capex	Up to 3.5% of revenues
Net Debt / EBITDA 1.5x	Surplus cash used for M&A or returned to shareholders via buy-backs or special dividends

# Summary and outlook

- 2018 was another excellent year
- Focused on execution
- 2019 Outlook:
  - Continued strong organic growth in the middle of 4-6% range
  - Modest margin improvement

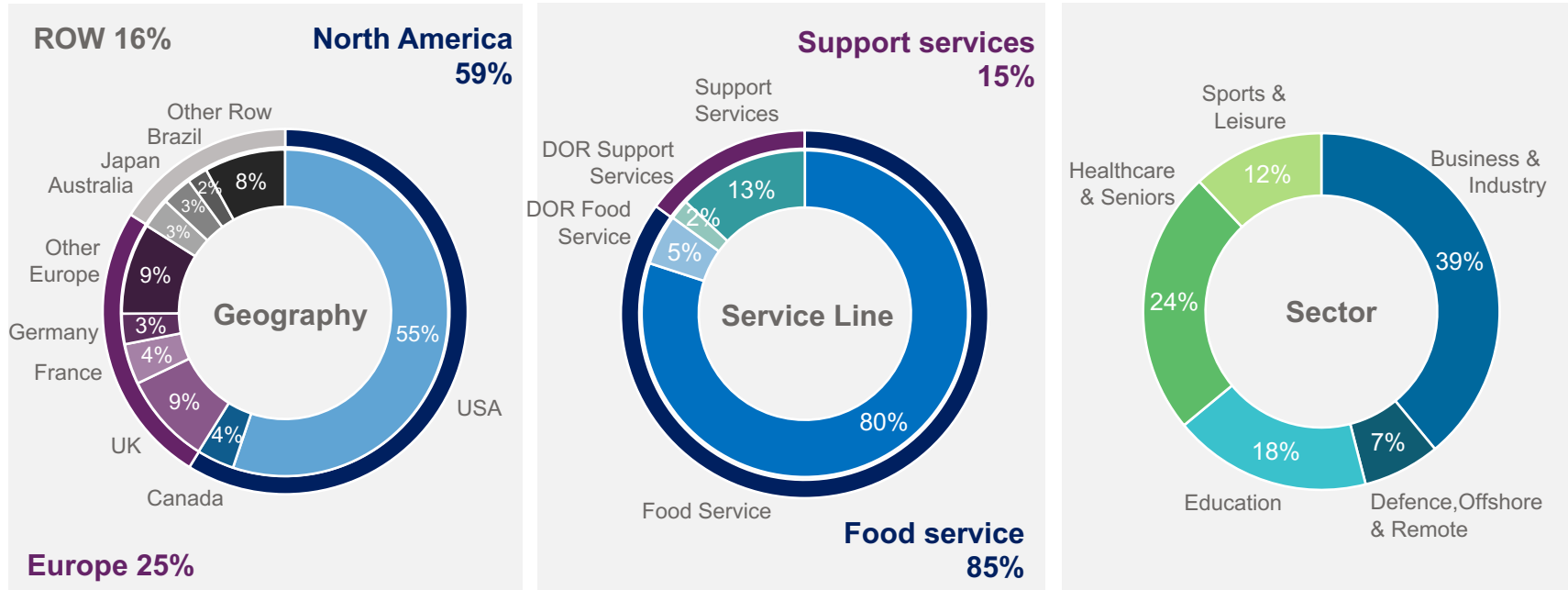




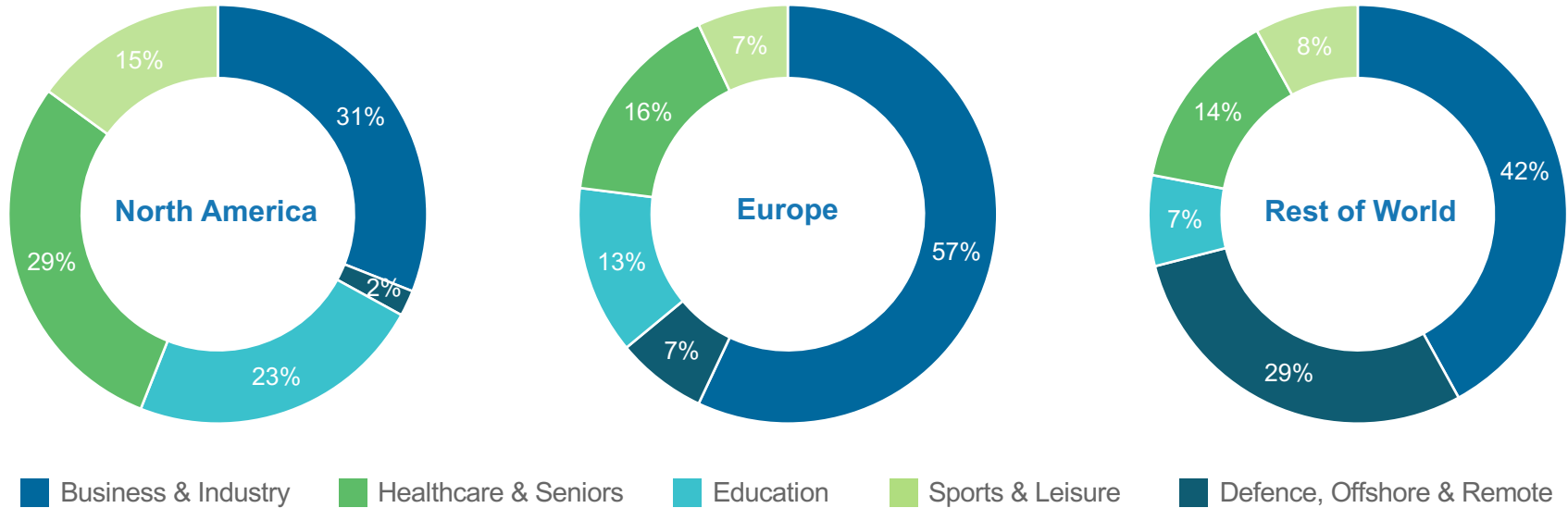
# Supplementary information



# Revenue



# Geographic revenue by sector



# Geographic financials

£m	North America	Europe	Rest of World	Other <sup>1</sup>	Total
<b>2018</b>					
Revenue	13,785	5,783	3,671		23,239
<i>Organic growth</i>	7.8%	2.1%	2.9%		5.5%
Operating profit	1,120	395	276	(50)	1,741
<i>Margin</i>	8.1%	6.8%	7.5%		7.4%
Cash flow	1,023	407	200	(489)	1,141
<i>Cash flow conversion</i>	91%	103%	72%		66%
ROCE	28.7%	10.9%*	27.9%		20.3%
<b>2017</b>					
Revenue	13,322	5,598	3,932		22,852
<i>Organic growth</i>	7.1%	0.9%	(1.2)%		4.0%
Operating profit	1,082	411	265	(53)	1,705
<i>Margin</i>	8.1%	7.3%	6.7%		7.4%
Cash flow	902	345	217	(490)	974
<i>Cash flow conversion</i>	83%	84%	82%		57%
ROCE	29.5%	11.5%*	23.5%		20.3%

# Dividend cover

	2018	2017	2016	2015	2014
<b>Per share (pence)</b>					
Dividend (interim plus final)	37.7p	33.5p	31.7p	29.4p	26.5p
Underlying earnings	77.6p	72.3p	61.1p	53.7p	48.7p
<b>Dividend earnings cover</b>	<b>2.1x</b>	<b>2.2x</b>	<b>1.9x</b>	<b>1.8x</b>	<b>1.8x</b>
<b>Cash (£m)</b>					
Cash cost of ordinary dividend (in the year)	548	531	496	457	444
Underlying free cash flow	1,141	974	908	722	737
<b>Dividend cash cover</b>	<b>2.1x</b>	<b>1.8x</b>	<b>1.8x</b>	<b>1.6x</b>	<b>1.7x</b>



# Balance sheet

Overview (£m)	2018	2017
Goodwill	4,270	3,994
Other non-current assets	3,245	2,820
Working capital	(1,222)	(821)
Net Assets held for sale	164	0
Provisions	(394)	(398)
Post employment benefit obligations	122	28
Current tax payable	(158)	(141)
Deferred tax	(4)	84
Net debt	(3,383)	(3,446)
<b>Net assets</b>	<b>2,640</b>	<b>2,120</b>
Shareholders' equity	2,615	2,098
Non-controlling interests	25	22
<b>Total equity</b>	<b>2,640</b>	<b>2,120</b>

# Financing

## Components of debt

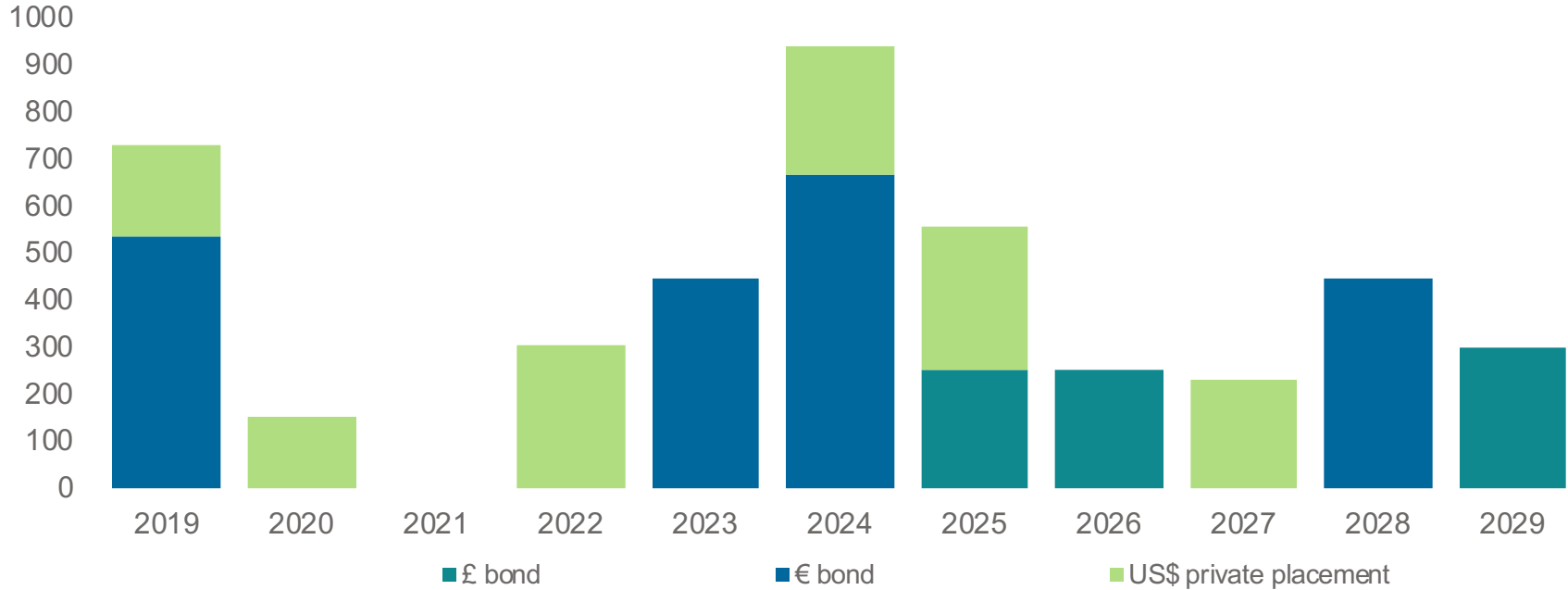
	<b>£m</b>
Bonds	2,893
Private placements	1,457
Bank loans	-
	<b>4,350</b>
Finance leases	6
Other loans and fair value accounting adjustments	(8)
Derivatives	(72)
<b>Gross debt</b>	<b>4,276</b>
Cash net of overdrafts	(893)
<b>Closing net debt at 30 September 2018</b>	<b>3,383</b>

# Financing

Principal borrowings	Coupon	Maturing in Financial Year	Drawn £m
<b>Bonds</b>			
€600m	3.125%	2019	535
€500m	1.875%	2023	445
€750m	0.625%	2024	668
£250m	2.000%	2025	250
£250m	3.850%	2026	250
€500m	1.500%	2028	445
£300m	2.000%	2029	300
<b>Total</b>			<b>2,893</b>
<b>US private placements</b>			
\$1,000m (2011 Notes)	3.31% - 4.12%	2019 - 2024	767
\$500m (2014 Notes)	3.09% - 3.81%	2020 - 2025	383
\$400m (2015 Notes)	3.54% - 3.64%	2025 - 2027	307
<b>Total</b>			<b>1,457</b>
<b>Bank loans</b>			
£1,000m syndicated facility		2021	-
£690m (bilateral)		2021	-
<b>Total</b>			<b>-</b>

# Financing

£m



# Financing

## Debt ratios and credit ratings

<b>Ratings</b>		<b>Outlook</b>	<b>Confirmed</b>
Standard & Poors	A	Stable	15 Mar 18
Moody's	A3	Stable	07 Mar 18
Fitch (unsolicited)	A-	Stable	24 Oct 17

<b>Ratios</b>	<b>2018</b>	<b>2017</b>
Net debt <sup>1</sup> / EBITDA <sup>2</sup>	1.5x	1.6x
EBITDA <sup>2</sup> / net interest <sup>3</sup>	19.6x	19.2x

# Exchange rates

## Rates used in consolidation

	Income Statement <sup>1</sup>		Balance Sheet <sup>2</sup>	
	2018 per £	2017 per £	2018 per £	2017 per £
Australian Dollar	1.77	1.67	1.80	1.71
Brazilian Real	4.73	4.09	5.21	4.24
Canadian Dollar	1.73	1.68	1.69	1.68
Chilean Peso	850.39	837.69	860.15	857.49
Euro	1.13	1.15	1.12	1.13
Japanese Yen	149.06	141.38	148.12	151.02
New Zealand Dollar	1.93	1.78	1.97	1.86
Norwegian Krone	10.88	10.55	10.62	10.68
Turkish Lira	5.92	4.44	7.83	4.77
UAE Dirhams	4.95	4.69	4.79	4.93
US Dollar	1.35	1.28	1.30	1.34

# Exchange rates

## Effect on 2018 revenue and profit

### US DOLLAR

#### £m cumulative change for an incremental 5 cent movement

Exchange Rate	Revenue Change	Profit Change
1.60	(2,035)	(169.8)
1.55	(1,681)	(140.2)
1.50	(1,303)	(108.7)
1.45	(899)	(74.9)
1.40	(465)	(38.8)
1.35	-	-
1.30	501	41.8
1.25	1,043	87.0
1.20	1,629	135.9
1.15	2,267	189.1

### CANADA DOLLAR

#### £m cumulative change for an incremental 5 cent movement

Exchange Rate	Revenue Change	Profit Change
1.98	(98)	(7.0)
1.93	(80)	(5.8)
1.88	(62)	(4.5)
1.83	(42)	(3.1)
1.78	(22)	(1.6)
1.73	-	-
1.68	23	1.7
1.63	48	3.5
1.58	74	5.3
1.53	101	7.4

### EURO

#### £m cumulative change for an incremental 5 cent movement

Exchange Rate	Revenue Change	Profit Change
1.38	(519)	(41.5)
1.33	(431)	(34.4)
1.28	(336)	(26.8)
1.23	(233)	(18.6)
1.18	(121)	(9.7)
1.13	-	-
1.08	133	10.6
1.03	278	22.2
0.98	438	35.0
0.93	616	49.2

# Exchange rates

## Effect on 2018 revenue and profit

### AUSTRALIAN DOLLAR

£m cumulative change for an incremental 5 cent movement

Exchange Rate	Revenue Change	Profit Change
2.02	(87)	(8.9)
1.97	(71)	(7.3)
1.92	(55)	(5.6)
1.87	(38)	(3.8)
1.82	(19)	(2.0)
1.77	-	-
1.72	20	2.1
1.67	42	4.3
1.62	65	6.7
1.57	90	9.2

### BRAZILIAN REAL

£m cumulative change for an incremental 20 centavo movement

Exchange Rate	Revenue Change	Profit Change
5.73	(97)	(7.1)
5.53	(81)	(6.0)
5.33	(63)	(4.6)
5.13	(43)	(3.2)
4.93	(23)	(1.7)
4.73	-	-
4.53	25	1.8
4.33	51	3.8
4.13	81	6.0
3.93	113	8.4

### TURKISH LIRA

£m cumulative change for an incremental 20 kuruş movement

Exchange Rate	Revenue Change	Profit Change
6.92	(42)	(2.7)
6.72	(34)	(2.2)
6.52	(27)	(1.7)
6.32	(18)	(1.2)
6.12	(9)	(0.6)
5.92	-	-
5.72	10	0.7
5.52	21	1.4
5.32	33	2.1
5.12	45	2.9



# Definitions

<b>Capital employed</b>	Total equity shareholders' funds adjusted for net debt, post employment benefit obligations net of associated deferred tax, amortised intangibles arising on acquisition, impaired goodwill and excluding the Group's non-controlling partners' share of net assets and net assets of discontinued operations.
<b>Constant currency</b>	Restates the prior year results to the current year's average exchange rates.
<b>EM &amp; OR restructuring</b>	Emerging Markets and Offshore & Remote restructuring.
<b>Free cash flow</b>	Calculated by adjusting operating profit for non-cash items in profit, cash movements in provisions, post employment benefit obligations and working capital, cash purchases and proceeds from disposal of non-current assets, net cash interest, net cash tax, dividends received from joint ventures and associated undertakings, and dividends paid to non-controlling interests.
<b>Free cash flow conversion</b>	Underlying free cash flow expressed as a percentage of underlying operating profit.
<b>Gross capital expenditure</b>	Includes the purchase of intangible assets and property, plant and equipment, including assets purchased under finance leases.
<b>Like for like revenue growth</b>	Calculated by adjusting organic revenue growth for new business wins and lost business.
<b>Net capital expenditure</b>	Gross capital expenditure less proceeds from sale of property, plant and equipment/intangible assets.
<b>Net debt</b>	Bank overdrafts, bank and other borrowings, finance leases and derivative financial instruments, net of cash and cash equivalents.
<b>Net debt to EBITDA</b>	Net debt divided by underlying EBITDA.
<b>NOPAT</b>	Net operating profit after tax (NOPAT) is calculated as underlying operating profit from continuing operations less operating profit of non-controlling interests before tax, net of income tax at the underlying rate of the year.
<b>Organic profit growth</b>	Calculated by adjusting underlying operating profit for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates) and compares the current year results against the prior year. In addition, where applicable, a 53rd week has been excluded from the prior year's underlying operating profit.
<b>Organic profit</b>	Calculated by adjusting underlying operating profit for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates).
<b>Organic revenue</b>	Calculated by adjusting underlying revenue for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates).
<b>Organic revenue growth</b>	Calculated by adjusting underlying revenue for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates) and compares the current year results against the prior year. In addition, where applicable, a 53rd week has been excluded from the prior year's underlying revenue.

# Definitions

<b>ROCE</b>	Return on capital employed (ROCE) divides NOPAT by the 12 month average capital employed.
<b>Specific adjusting items</b>	acquisition transaction costs; adjustment to contingent consideration on acquisition; amortisation of intangibles arising on acquisition; change in the fair value of investments; other financing items including hedge accounting ineffectiveness; profit/(loss) on sale and closure of businesses; share-based payments expense relating to non-controlling interest call options; tax on share of profit of joint ventures.
<b>Underlying basic earnings per share</b>	Excludes specific adjusting items and the tax attributable to those items.
<b>Underlying cash tax rate</b>	Based on underlying cash tax and underlying profit before tax.
<b>Underlying depreciation and amortisation</b>	Excludes specific adjusting items.
<b>Underlying EBITDA</b>	Based on underlying operating profit, adding back underlying depreciation and amortisation.
<b>Underlying effective tax rate</b>	Based on underlying tax charge and underlying profit before tax.
<b>Underlying free cash flow</b>	Free cash flow adjusted for cash restructuring costs in the year relating to the 2012 and 2013 European exceptional programme.
<b>Underlying net finance cost</b>	Excludes specific adjusting items.
<b>Underlying operating margin - Group</b>	Based on underlying revenue and underlying operating profit excluding share of profit after tax of associates.
<b>Underlying operating margin - Region</b>	Based on underlying revenue and underlying operating profit excluding share of profit after tax of associates and EM & OR restructuring.
<b>Underlying operating profit - Group</b>	Includes share of profit after tax of associates and profit before tax of equity accounted joint ventures but excludes the specific adjusting items.
<b>Underlying operating profit - Region</b>	Includes share of profit before tax of equity accounted joint ventures but excludes the specific adjusting items, profit after tax of associates and EM & OR restructuring.
<b>Underlying profit before tax</b>	Excludes specific adjusting items.
<b>Underlying revenue</b>	The combined sales of Group and share of equity accounted joint ventures.
<b>Underlying tax charge</b>	Excludes tax attributable to specific adjusting items.