



24 July 2013

**Compass Group PLC**  
**Interim Management Statement**

This statement updates investors on the Group's progress in the period since 31 March 2013.

**Group**

Compass has delivered another good performance in the third quarter of the year and our overall expectations for the full year remain positive and unchanged. North America and Fast Growing & Emerging grew strongly, whilst the difficult economic conditions in Europe & Japan continued as expected. Organic revenue growth in the quarter was 4.0% on a comparable working days basis<sup>1</sup> (5.2% reported organic revenue growth) and for the nine months to 30 June 2013, organic revenue growth has been 4.5%.

We have continued to drive efficiencies across the business using our performance management framework, MAP. These efficiencies have enabled us to invest in growth and manage the challenges in Europe. We have also delivered an increase in the operating profit margin of 20 basis points in the quarter. This follows a 15 basis point increase in the operating profit margin in the first half of the year. Free cash flow conversion has remained strong.

**North America**

We have maintained good trading momentum in North America, with high levels of new business and retention across all sectors. Year on year organic revenue growth in the third quarter was 7.7% on a comparable working days basis. Of that organic growth, the Ascension Health and Texas A&M contracts contributed towards 2% (this contribution was towards 3% in the first half of the year). The ongoing focus on generating efficiencies has resulted in a 10 basis points increase in the operating profit margin in the third quarter compared to the same period last year.

**Europe & Japan**

Economic conditions across Europe & Japan have remained difficult and in the third quarter organic revenue declined by 3.4% on a comparable working days basis. Whilst we continue to see good levels of new business in some countries, the retention rate has been impacted by the cumulative effect of our planned exit of certain uneconomic contracts and business closures. Like for like volume has continued to decline in line with our expectations. However the actions we have taken to reduce cost (as announced in September 2012) have enabled us to offset the impact on profitability. This cost reduction plan together with the ongoing efficiency programme has enabled us to deliver an increase in the operating profit margin in the third quarter of over 50 basis points compared to the same period last year.

**Fast Growing & Emerging**

Organic revenue growth in the third quarter remained strong, driven by both new business wins and like for like revenue growth. Whilst we have seen a modest slow down in some emerging markets and the natural resources industry in Australia, our businesses continue to perform well. This is underpinned by the delivery of good levels of net new business across all countries, with particularly strong performances in Brazil and Turkey. For the third quarter, organic revenue growth was 10.0% on a comparable working days basis. We continue to generate efficiencies which are currently being reinvested in the business to underpin the future growth

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<sup>1</sup> Excluding the impact of the timing of Easter and other working days, which account for 1.2%.

opportunity. This reinvestment includes the roll out of the regional management structure, together with some in country restructuring costs. In the third quarter, the operating profit margin declined by 20 basis points, reflecting this investment.

### **Financial Position**

We have invested around £80 million in acquisitions in the financial year to date. During the period, the Group continued with its £400 million share buyback programme. As at 23 July 2013, 27.1 million shares have been purchased for cancellation for £223.7 million, and the programme remains on track to complete within the calendar year.

Since the end of the third quarter, we signed an agreement to draw \$500 million (c. £325 million) of new debt through a private placement with US institutional investors. These new funds will be applied to repay some existing debt on maturity and for general corporate purposes. Moody's Investors Service has also changed its credit rating outlook for Compass to positive from stable. The credit rating remains Baa1.

Other than the above, there has been no significant change in the strong financial position of the Group in the period since 31 March 2013.

### **Summary & Outlook**

We have had a good third quarter, with strong organic revenue growth in North America and Fast Growing & Emerging. It is encouraging that the ongoing efficiency programme is enabling us to manage the difficult economic conditions in Europe, reinvest in the future growth of the business and deliver an increase in the Group operating profit margin of 20 basis points.

As we look out to the remainder of the year, our overall expectations for the full year remain positive and unchanged. The pipeline of new contracts in North America and Fast Growing & Emerging remains healthy and we expect to see good performances in these regions. The pressure we have seen on like for like volumes in Europe & Japan is expected to continue, but we remain confident that the actions we are taking on cost will enable us to manage this. Looking to the longer term, we remain very optimistic about the structural growth potential of this market and Compass's strong position in that. As a result we remain confident in our ability to continue to create significant value for shareholders.

## Note to Editors

- (a) Compass Group PLC is a world leading food and support services company, which generated annual revenues of £16.9 billion in the year to 30 September 2012. It operates in around 50 countries, employs over 500,000 people and serves over 4 billion meals every year. The Company specialises in providing food and a range of support services across the core sectors of Business & Industry, Defence, Offshore & Remote, Healthcare & Seniors, Education, Sports & Leisure and Vending with an established brand portfolio.
- (b) MAP (Management and Performance) is a simple, but clearly defined Group operating framework. MAP focuses on five key value drivers, enabling the businesses to deliver disciplined, profitable growth with the focus more on organic growth and like for like growth.

The five key value drivers are:

- MAP 1: Client sales and marketing
- MAP 2: Consumer sales and marketing
- MAP 3: Cost of food
- MAP 4: Unit costs
- MAP 5: Above unit overheads

- (c) Organic revenue growth, a term used throughout the announcement, is calculated by adjusting for acquisitions (excluding current period acquisitions and including a full period in respect of prior period acquisitions), disposals (excluded from both periods) and exchange rate movements (translating the prior period at current period exchange rates).
- (d) Forward looking statements

Certain information included in this announcement is forward-looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward-looking statements. Forward-looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of expected future revenues, financing plans, expected expenditures and divestments, risks associated with changes in economic conditions, the strength of the foodservice and support services markets in the jurisdictions in which the Group operates, fluctuations in food and other product costs and prices and changes in exchange and interest rates. Forward-looking statements can be identified by the use of forward-looking terminology, including terms such as "believes", "estimates", "anticipates", "expects", "forecasts", "intends", "plans", "projects", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. All forward-looking statements in this announcement are based upon information known to the Company on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward-looking statements, which speak only at their respective dates. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

A copy of this release, together with all other recent announcements and presentations can be found on Compass Group's website at [www.compass-group.com](http://www.compass-group.com).

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