

# Shareholder Conference 13<sup>th</sup> June 2013





# Welcome and Group Strategy

# **Richard Cousins Group Chief Executive**





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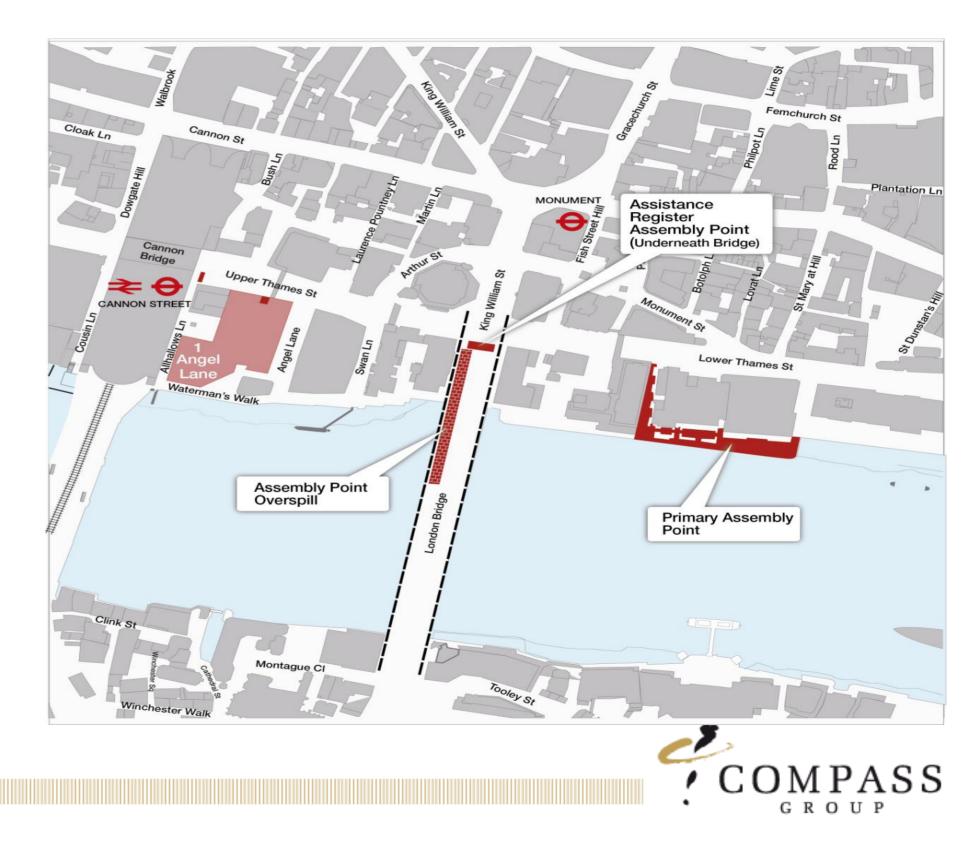


# Health & safety moment

• Fire exits

Do not use the lifts

Evacuation Assembly point



# Objectives of today

- Give a greater insight into the Group
- Highlight the growth opportunities we see
- Meet some of our senior management
- It is **not** to give an update on current trading



# Who you'll hear from

Group		
Richard Cousins	Group strategy	
Dominic Blakemore	Financial strategy	
North America		
Gary Green	North America strategy	
Amy Knepp	Our sales & retention app	
Steve Sweeney	Growing in Higher Educa	
Europe & Japan		
Andy Martin	Europe & Japan strategy	
Break		

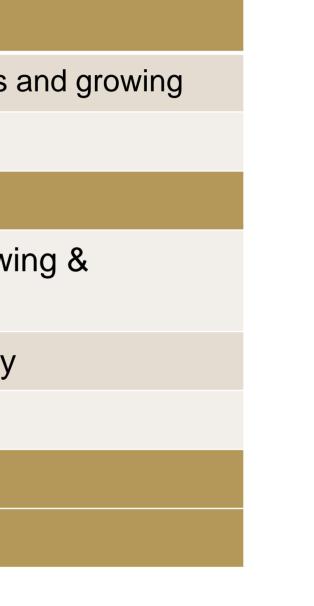
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# Who you'll hear from (cont'd)

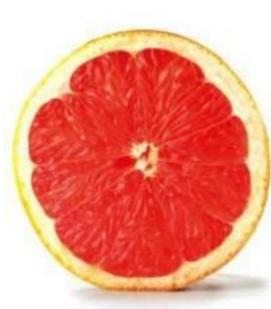
Europe & Japan (cont'd)		
Alfredo Ruiz Plaza		Spain: managing a crisis a
Takeshi Kohjima		Compass in Japan
Fast Growing & Emerging		
Richard Cousins		Overview of Fast Growi Emerging
Yasar Buyukcetin		Opportunities in Turkey
Johnny Thomson		Focus on Brazil
Q&A and concluding remarks		
Lunch on the 6 <sup>th</sup> floor		

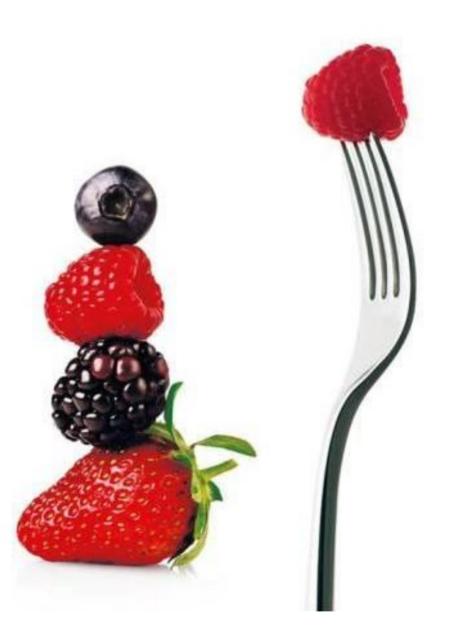




# Group strategy









### Health & safety

- Number one operational priority
- Significant investment in controls and governance
- Good progress to date
  - Food safety performance improved by >30% since 2008
  - Lost Time Injury Rate improved by >25% since 2008
- Ongoing commitment to programmes to improve safety leadership and culture



# The Compass story

#### 1988: UK only





2006: 100 countries





Note: Illustrative only

#### **1995: growing globally**

#### 2013: 50 countries

# Recent strategic evolution



• Strategy: driven by geography and market

Performance: focus on revenue, margin and cash flow

# **Phase 4** 2013 -

#### Incisive regional approach

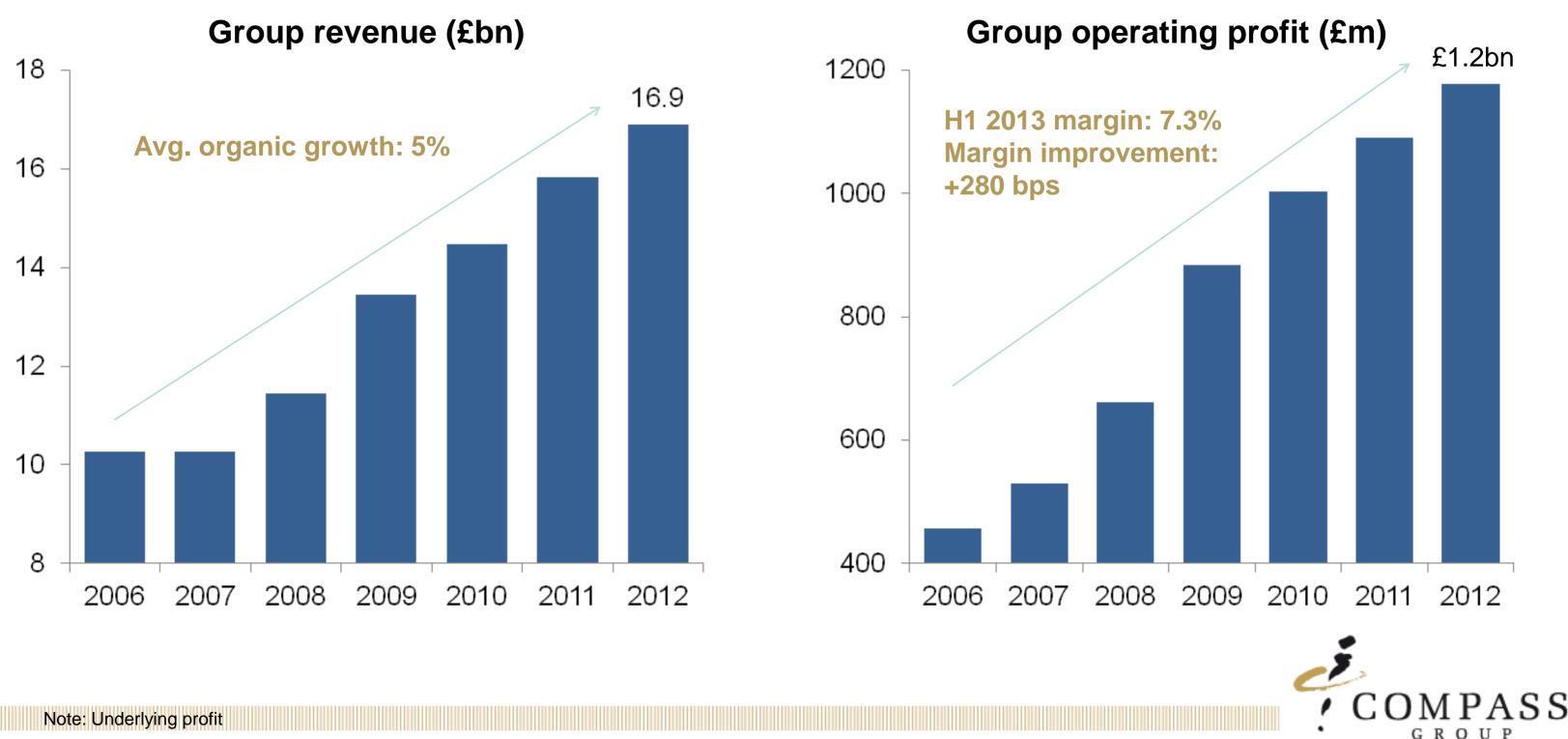


# Delivery through the MAP framework

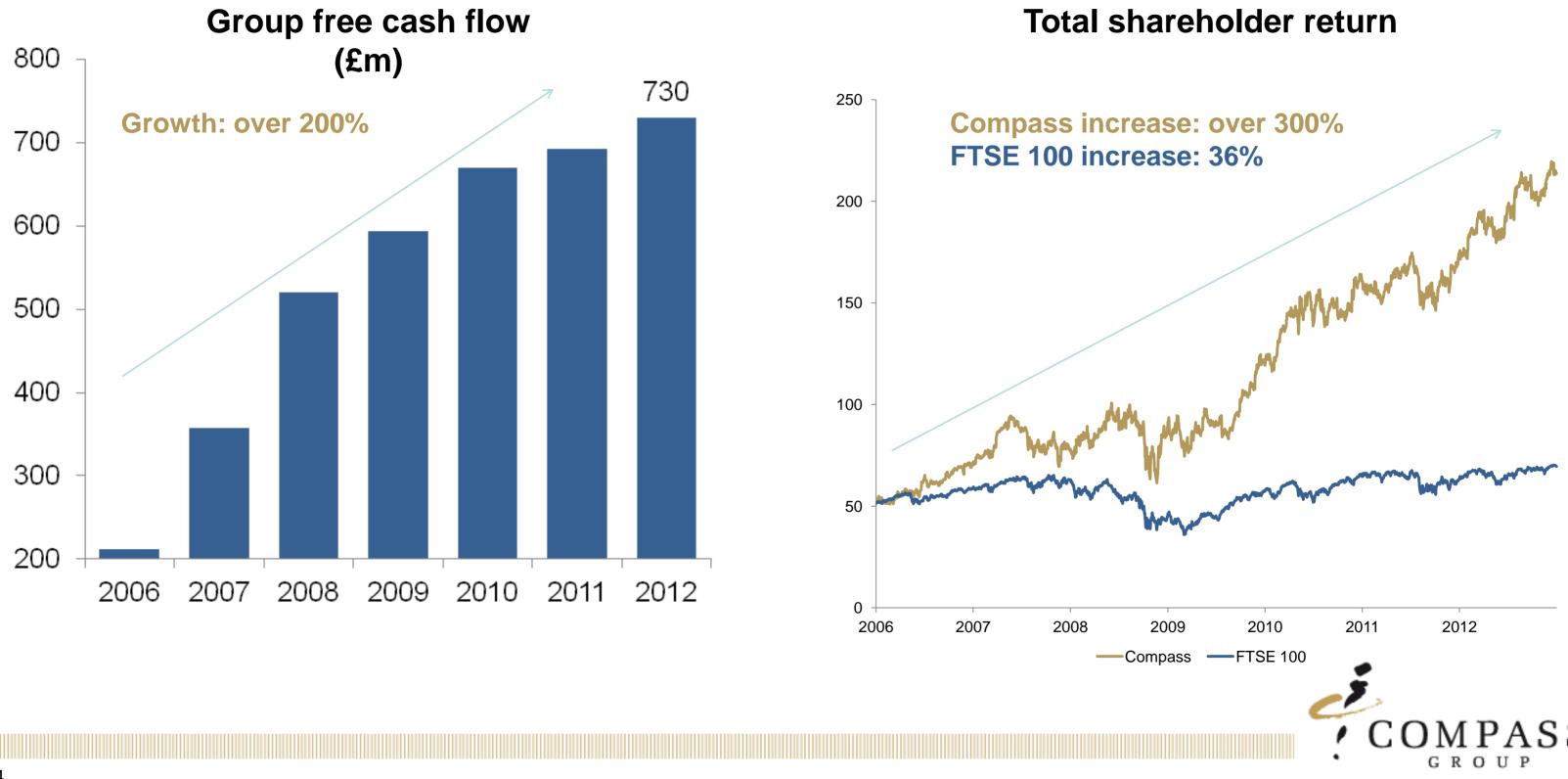




# Good progress on revenue and margin



### Strong free cash flow and returns



# Clear and consistent strategy

Food and support services Geographic spread & emerging markets

#### Efficiencies

- Food (MAP 3)
- Labour (MAP 4)
- Above unit (MAP 5)

Capex **Progressive dividend** Infill M&A Returns to shareholders

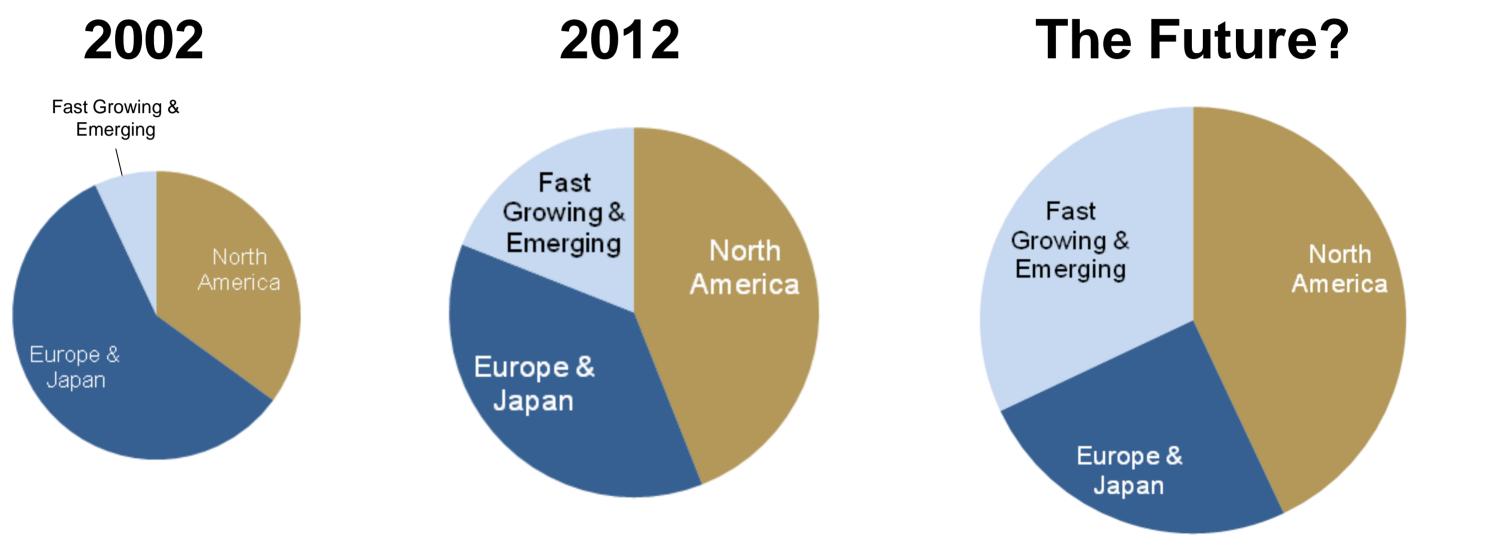
### **Organic top line growth** Infill M&A

#### **Continued margin** progression

#### **Strong cash flow** Shareholder value



# Evolving geographic profile





# Different opportunities in each region

Region	H1 2013 organic growth rate	Revenue opportunity
North America	8.2%	Ongoing
Europe & Japan	(3.6)%	Modest
Fast Growing & Emerging	10.5%	High growth rates

Margin opportunity

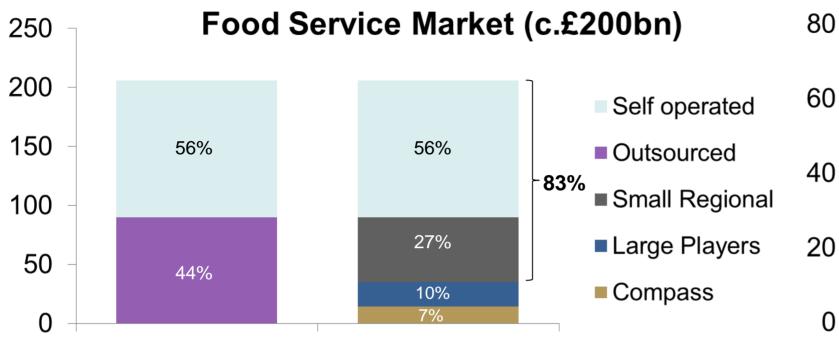
Steady expansion

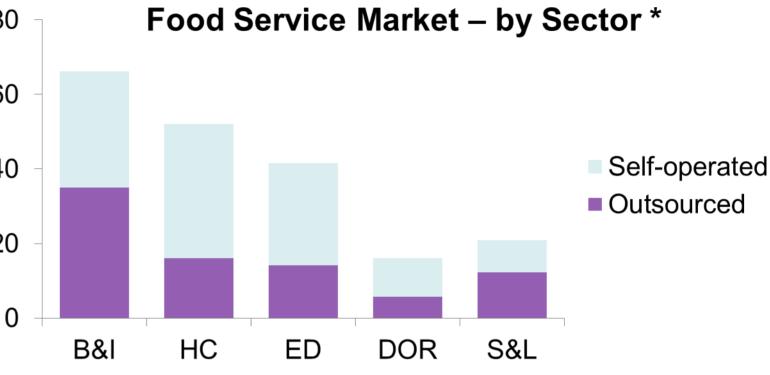
#### Further efficiencies

#### Balance with investment

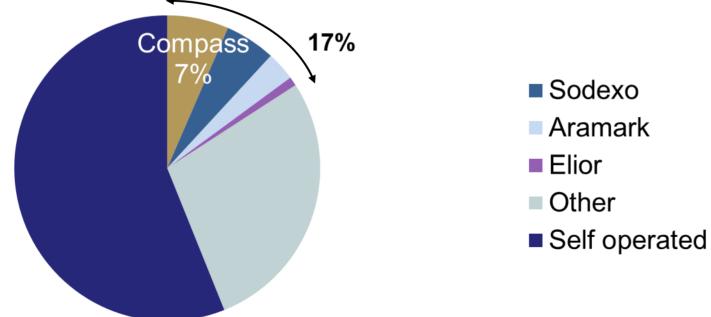


# Food: Significant structural growth opportunity





#### Food Service Market Share – c.£200m



- Compass 7% of market; top 4 are 17%
- Underpenetrated sectors



Food service market c.£200bn, 44% outsourced

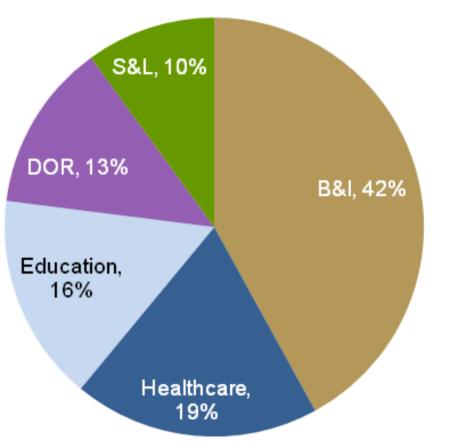
Over 80% self operated or small regional players



### Food: Good opportunities across all sectors

- Well diversified across sectors
- Good opportunity from 'greenfield' sites & increased outsourcing in B&I
- Growing presence in Healthcare & Education
- Significant opportunity





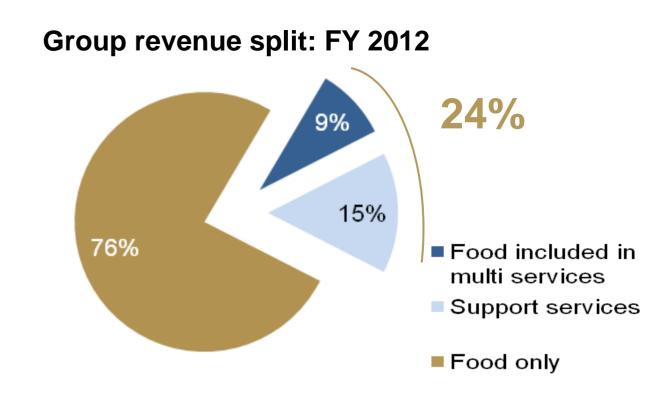
#### **2012 Group revenue by sector**

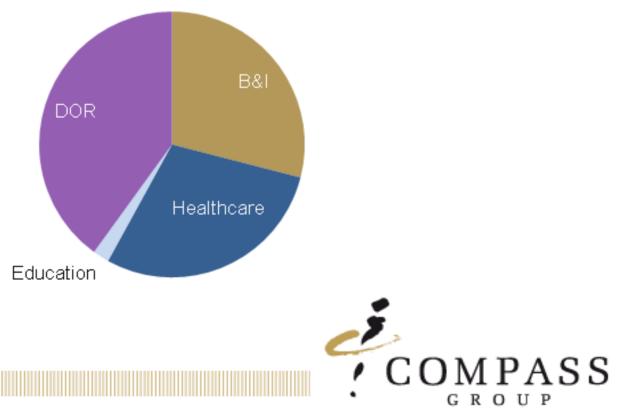


# Support and multi services

- Now a significant part of the Group
- Incrementally building capacity
- Organic and inorganic growth
- A significant opportunity; disciplined approach

**Support & Multi Service Revenue** 2006: £1.2bn  $\rightarrow$  2012: £4.1bn





#### Support & multi services sector split (£4.1bn)

# Support and multi services: Sector approach

Sector	2012 revenue	Market trend
Defence, Offshore & Remote	£1.7bn	<ul> <li>Predominantly multi service</li> <li>Excellent opportunities</li> </ul>
Business & Industry	£1.2bn	<ul> <li>Some bundling by multi nationals mainly in Europe</li> </ul>
Healthcare & Education	£1.2bn	<ul> <li>More bundling in some countries (US and UK)</li> </ul>
Total	£4.1bn	

#### Strategy

- Market leading position
- Ongoing organic growth
- Continue to build capability and grow
- Leverage existing capability and grow



How we drive organic growth

# MAP 1

- Invest in sales teams, process & training
- Innovation and quality
- Continued focus on improving retention
- Exciting pipeline

# mp<sub>2</sub>

- Service excellence
- Innovation and training
- Intelligent marketing
- Measure success

#### Focus on quality, sustainable organic growth



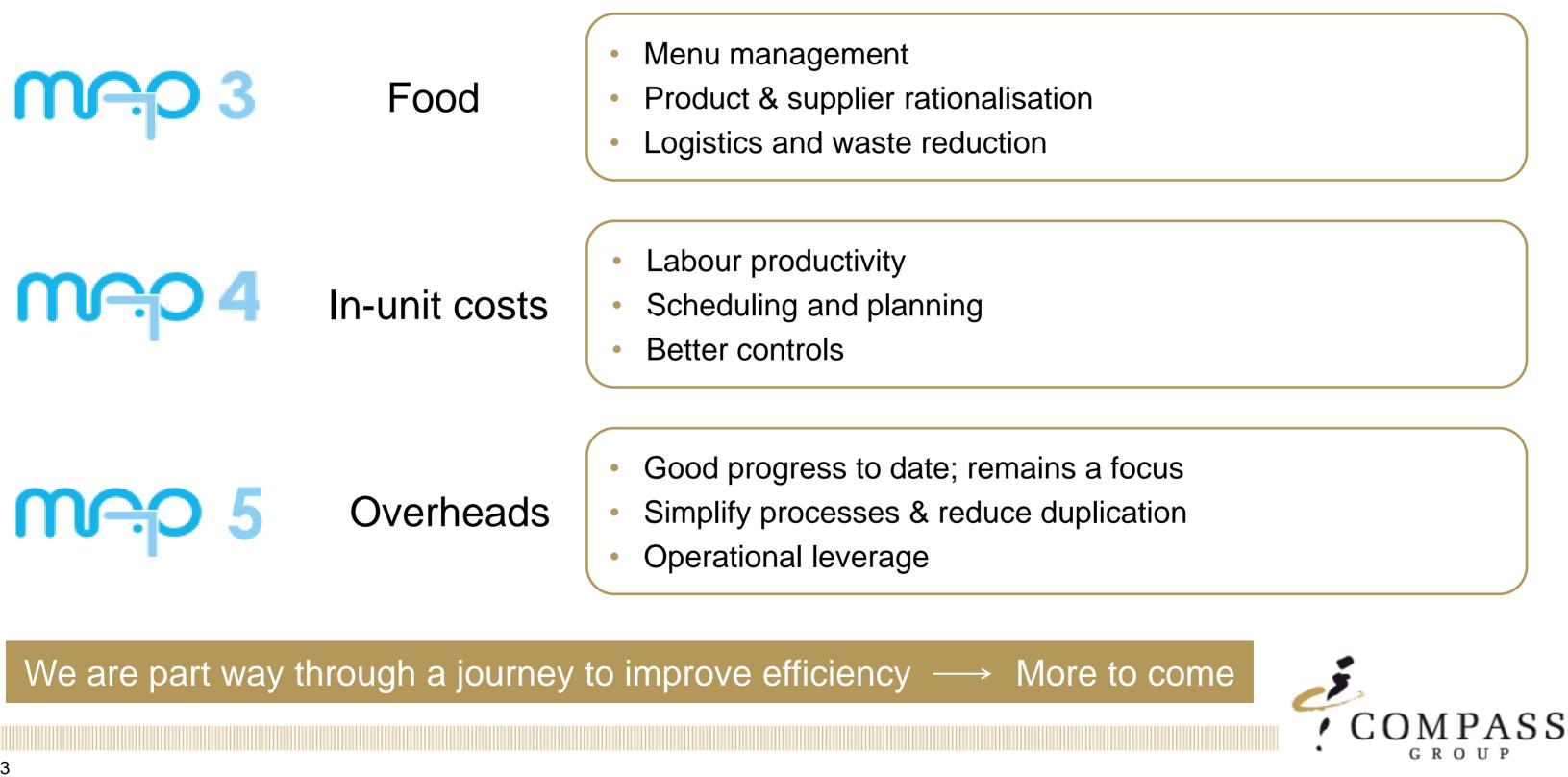




### whole+sum



# How we generate efficiencies



### Infill M&A

- Nearly £1.3bn spent on acquisitions since 2008
- Preference for small-mid size infill
- Food and support services
- Existing geographies
- New capabilities and strong management teams



An important part of our strategy BUT disciplined approach

#### M&A SPEND: 2008 – 2013

#### **MULTI SERVICE** £584m

#### INCLUDING

#### £328m **IN FAST GROWING & EMERGING**

#### TOTAL: £1.3bn



### Management

- Some parts of Compass have and had excellent management teams
- Others needed strengthening
- Since 2006, of top 500 leadership team:
  - 1/3 new to Compass
  - 1/3 moved within
  - 1/3 unchanged
- Investing in people for the future





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- Significant progress over last 7 years
- BUT still great opportunities ahead
- Delivery of consistent strategy
- Focus on top line growth and efficiencies
- Clear geographic priorities
- Strong management team



#### Organic Top Line Growth

#### Continued Margin Potential

# Strong Cash Flow & Shareholder Value





# Financial Strategy

# **Dominic Blakemore Finance Director**





# Key highlights from half year results

- Overall good financial performance
- Organic revenue growth
- Margin progression
- Constant currency EPS growth
- Underlying free cash flow generation
- Interim dividend of 8.0 pence per share

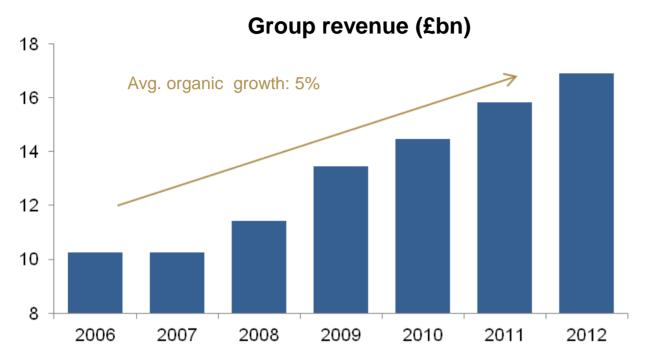


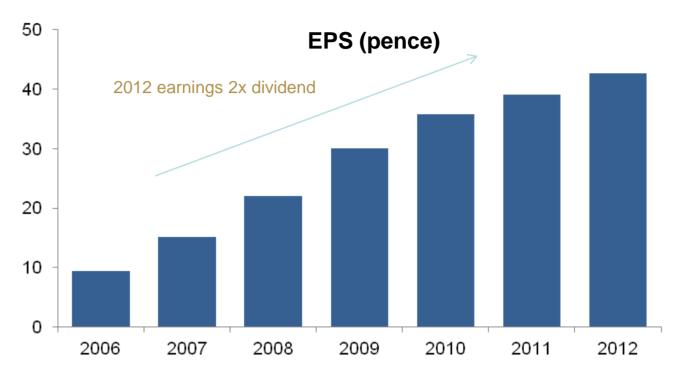
+4.1%

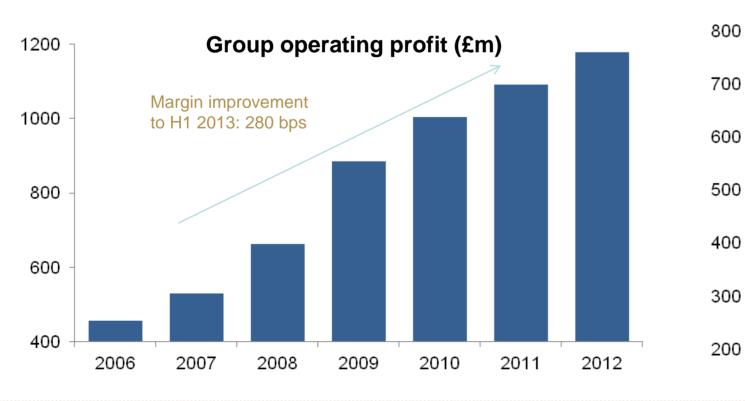
- +10.9%
- £386m
- +11.1%

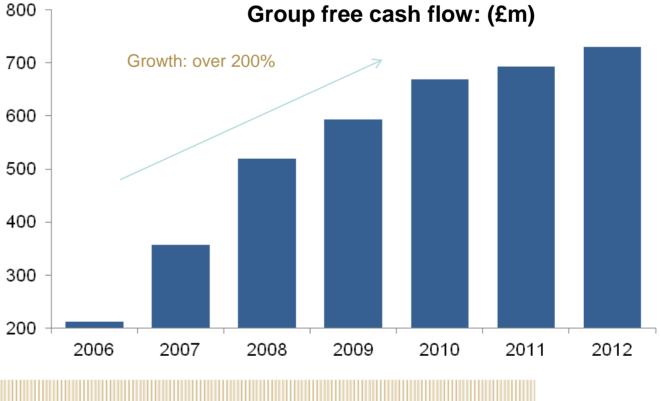


### Historic financial performance









Note: Underlying figures

# Financial strategy

- Strong free cash flow
- **Capital expenditure**
- Progressive dividends
- Disciplined infill **M&A**
- Efficient balance sheet
- Capital returns

#### Management of working capital

Appropriate investment – around 2.3% revenue

Growth in line with constant currency earnings Maintaining cover around 2x

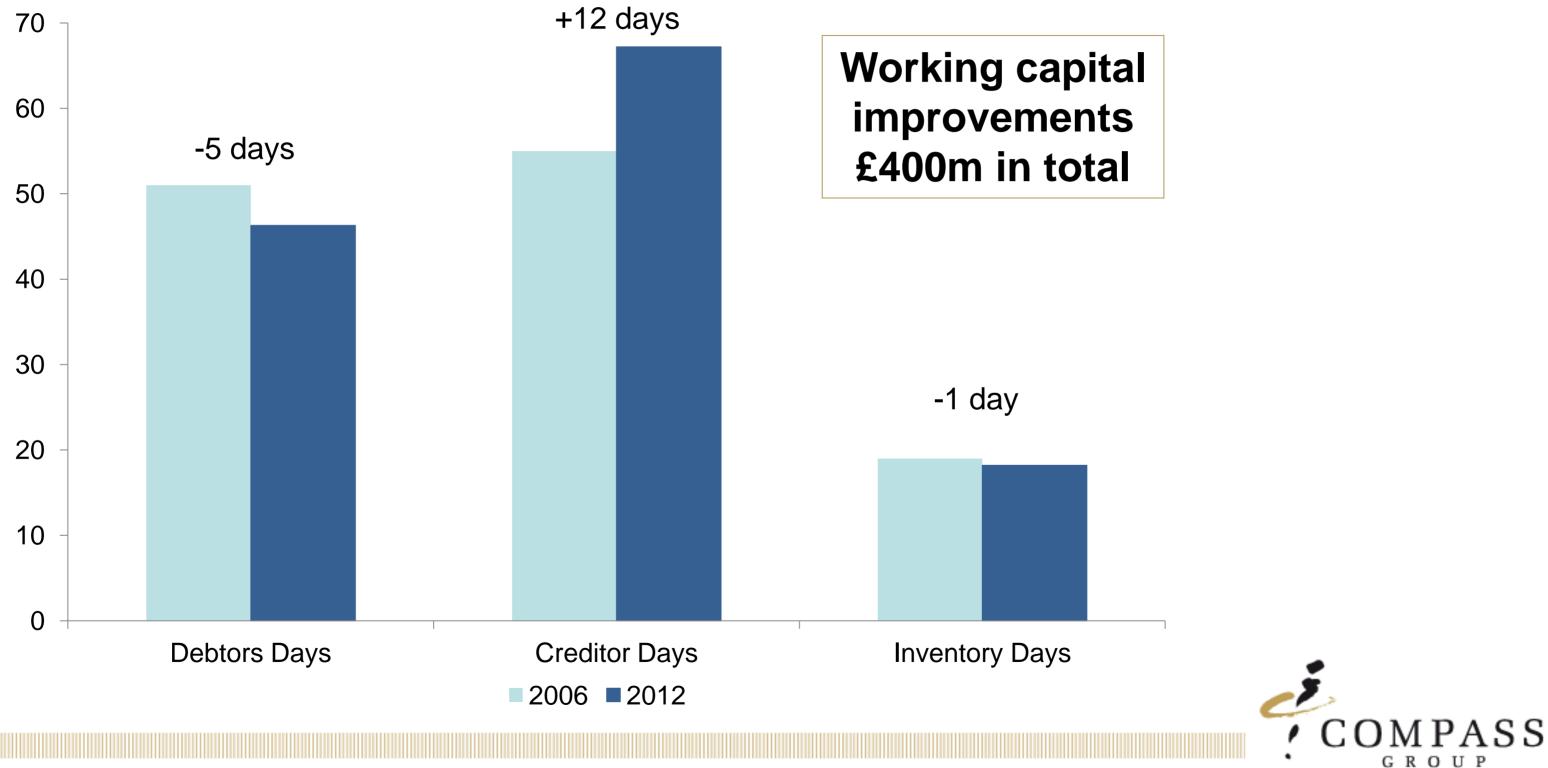
Required returns > cost of capital by end of year 2

Target 1.0x - 1.2x net debt to EBITDA

**Return to shareholders** to drive balance sheet efficiency



# Strong free cash flow – Management of working capital

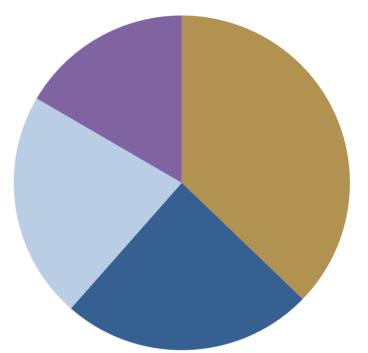


### Capital expenditure – What we spend

- 85% of capex on revenue generating activities
- New business a competitive advantage
- Retention to help retain the contract
- Base estate to drive participation & spend



#### **Gross Capex** Spend by Type



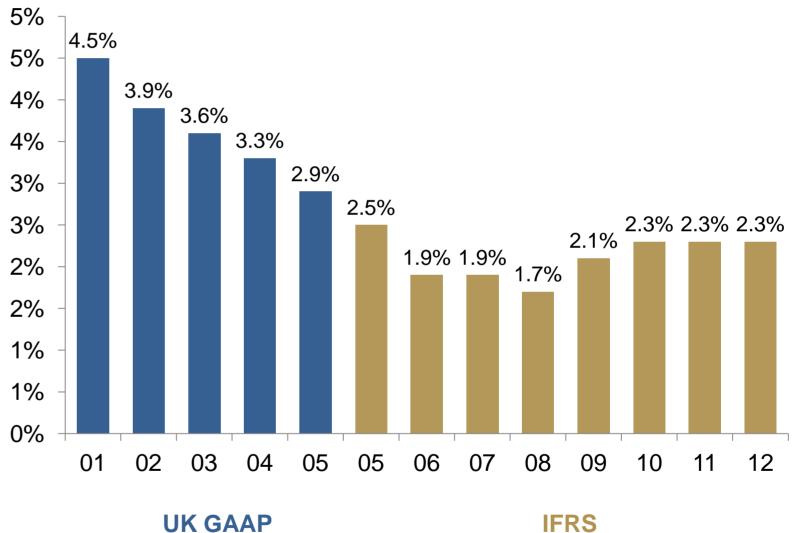
New Business

Retention Maintenance & IT



### Capital expenditure – Evaluation & control of spend

- Disciplined process for capex approval
- Post investment appraisals
- Returns over 20%, post tax
- Average spend on capex c.2.3% of revenue



#### **Gross capex spend % of revenue**

**IFRS** 



### Capital expenditure – Case studies

#### **Case Study 1: Retention**

- Signed 10 year contract in 1999
- Introduced capex to secure 20 year extension in 2009:
  - Refurbishment of dining facilities
  - Introduction of Pulse on Dining
- Revenue increase 20% in 3 years
- Year 2 ROCE 25%

#### **Case Study 2: New business**

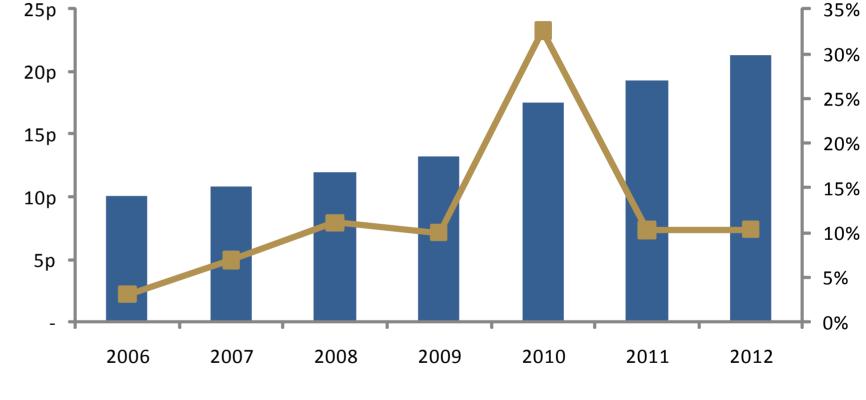
- New 10 year contract in 2011
- Used capex as part of the bid: • Investment in regional and national retail brands Introduction of Pulse on Dining

- Revenue increase 20% in year 1
- On track to deliver projected ROCE > 20%



### Progressive dividend policy

- Growth in line with constant currency earnings, maintaining cover around 2x
- Earnings and cash cover moved from 1x to 2x since 2006
- Rebased dividend in 2010
- Dividend doubled since 2006



Dividend Growth



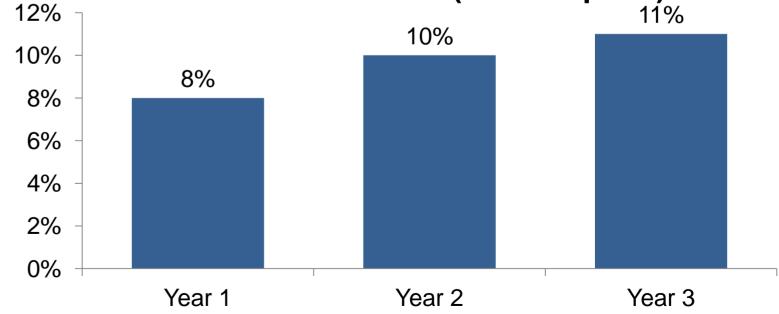
# Disciplined infill M&A – Strategy

#### M&A criteria

- Strategic fit
- Scale and capability
- Quality business, strong management
- Required returns in excess of cost of capital by end of year 2







# Total spend since 2008: £1.3bn £677m

#### Post tax returns

#### 2008 to 2010 deals (£550m spend) 11%

### Disciplined infill M&A – Case study

#### **Clean Mall, Brazil**

- Acquired 2010
- Consistent with our M&A strategy
- Support services specialist
- Cross sell opportunity
- Year 2 ROCE over 20%





#### Surplus capital efficiency – Returns to shareholders

- Committed to an efficient balance sheet
- Target to maintain strong investment grade credit ratings
  - Moody's Baa1
  - S&P A-
- Adjusted gross debt / EBITDA of 2.2x to 2.3x (Net debt / EBITDA, 1.0x 1.2x)
- £900m of share buy backs during calendar years 2012 and 2013

Capital returns to retain balance sheet efficiency





#### Since 2006 we have delivered the following:

<ul> <li>Average organic revenue growth</li> </ul>	5%
<ul> <li>Total margin progression</li> </ul>	280bps
<ul> <li>Underlying EPS growth</li> </ul>	> 400%
<ul> <li>Free cash flow</li> </ul>	£3.8bn
<ul> <li>Dividend growth</li> </ul>	> 100%
<ul> <li>Capital returns</li> </ul>	£900m









# North America Strategy

### **Gary Green CEO, North America**



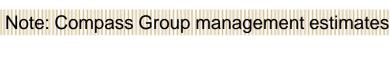


### North America today

- Market leader
- \$12 billion business
- 6 million meals a day across 48 states
- 11th largest private sector employer in the US
- 190,000 employees
- Winning portfolio of brands











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### PASS

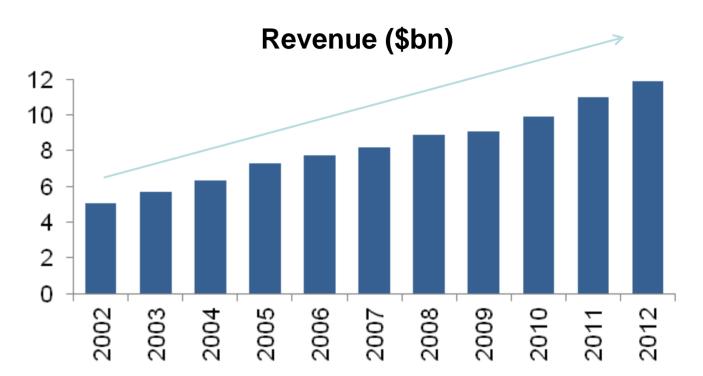
### Microsoft

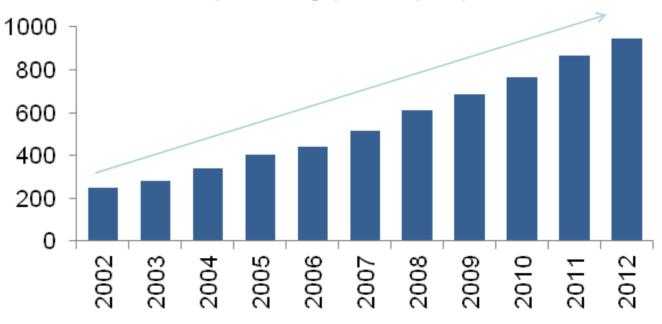




#### Track record of performance 2002 - 2012

- Grown from \$5bn to \$12bn
- > 6% annual organic revenue growth
- Improved margin to 8%
- Great momentum





#### **Operating profit (\$m)**

#### How have we delivered this?

- 1. Geographic coverage and sector presence
- 2. Sales and retention culture
- 3. Quality of offer and innovation
- 4. Scale leverage and efficiencies
- 5. Experienced management & quality people



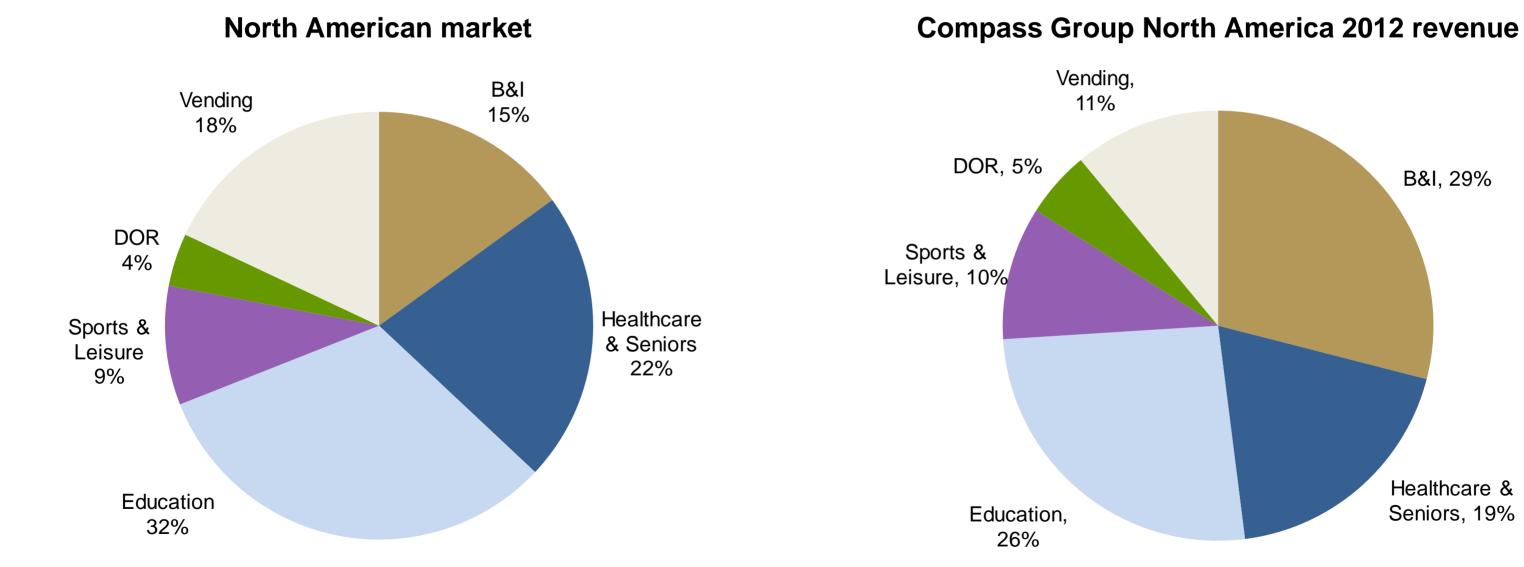
#### Acquisitions created the platform





#### Well balanced & diversified business

- Wide geographic presence: 48 states, 10 provinces & 2 territories
- Access to all market segments



#### Sectorised approach to the market

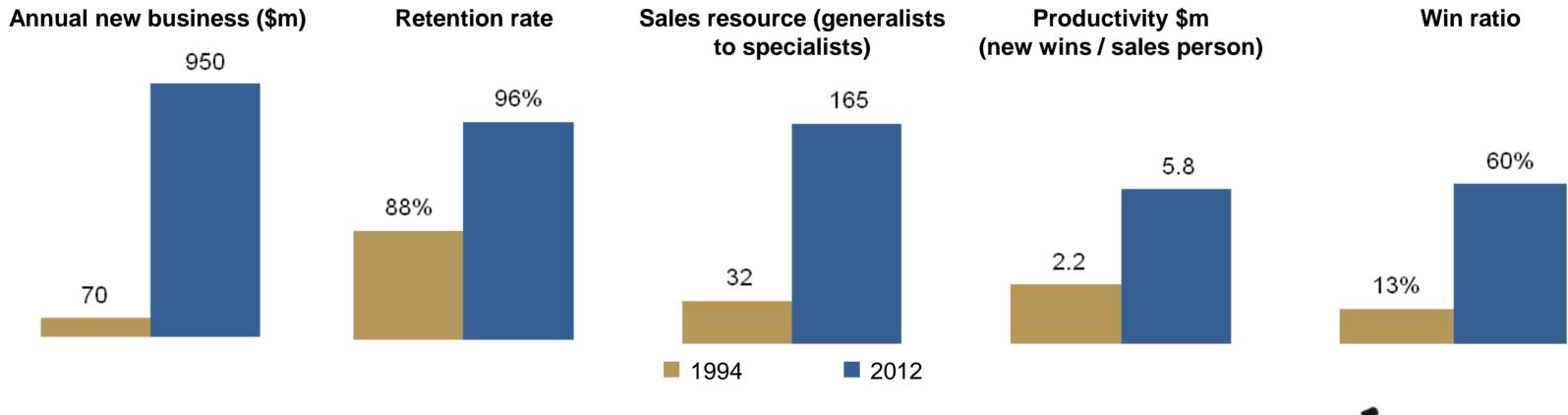
Sector	Compass brands	Exam
Business & Industry	BON APPÉTIT MANAGEMENT COMPANY Restaurant Associates	C
Healthcare & Seniors	Crothall Services Group Services Group	N
Education	Chartwells BON APPÉTIT MANAGEMENT COMPANY	ā M
Sports & Leisure	Very Pestamants	US C
Defence, Offshore & Remote	ESS Support Services Worldwide	Che



#### Sales & retention culture

- Sales force from generalists to specialists; professionally trained
- Step change in retention



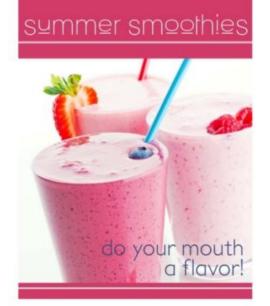


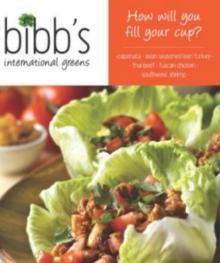


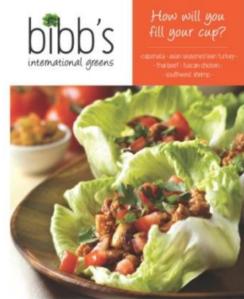


### High quality offer & innovation

- Quality offer at all market levels
- Innovation
- Excellence in marketing
- Focus on participation and spend



















### Scale leverage and efficiencies – MAPs 3 & 4

- Reconfigured the purchasing model
  - Professional team of specialist buyers
  - E-procurement
- Sourcing
  - Wholesalers to manufacturers
  - Supplier rationalization
- 3rd party procurement
- Product waste (Trim Trax)
- Non-food opportunities

- **People Share**
- STAFF (labour scheduling)
- In-unit systems to reduce admin burden
  - My Finance (p/l review)
  - CPM (payroll management)
- Medical plans
- Training & reward programs
  - Manager-level turnover < 20%
  - Hourly-level turnover < 50%





### Scale leverage and efficiencies – MAP 5

#### **Reduced MAP 5** above unit overheads by >\$200 million through:

- Closing 27 field accounting centers
- Integrating over 100 acquisitions
- Replacing the legacy systems with SAP...
- Whilst supporting \$11 billion of new account openings and....
- Investing in the creation of Strategic Alliance Group and Foodbuy





### Experienced management and quality people



- Investment in Resource Network
- Johnson & Wales partnership



- Rewards/incentives
- 'High touch' style
- Stable, performance-oriented team



- Be-A-Star program
- Visible communications
- Training programs









#### The future

- 1. Large and growing addressable market
- 2. Positive outsourcing trends
- 3. Market leading businesses, offers and brands
- 4. Ongoing efficiencies
- 5. A capable & motivated team



### Large and Growing Addressable Market

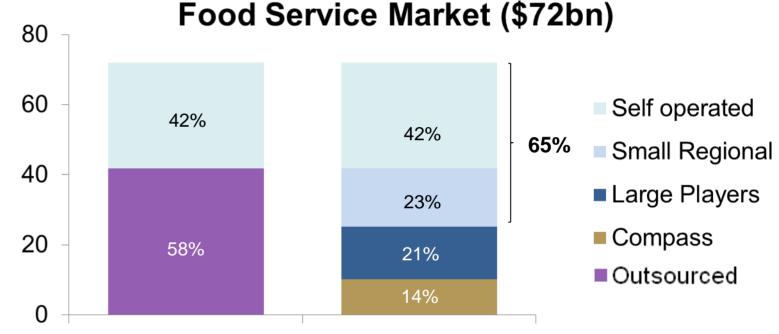
 \$72bn addressable food service market

 65% self operated / small, regional players

 Healthcare and Education <40%</li> outsourced

Opportunities across <u>ALL</u> sectors

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#### Positive outsourcing trends

- Healthy outsourcing culture
- Rising costs / austerity driving new outsourcing interest
- Big contract potential: Higher Education & Healthcare
- Actively pursuing opportunities







#### Market leading businesses: Business & Industry

Core engine of growth

All market levels – Bon Appetit / RA / Eurest

New greenfield sites and small regional players

New formats: small store, grab 'n' go







#### Healthcare & Seniors

- \$16 billion market; 40% outsourced & accelerating
- Compass \$2bn; growing at 6-8%
- Patient, staff & visitor feeding
- Large contract potential and bundling
- Exciting future opportunities



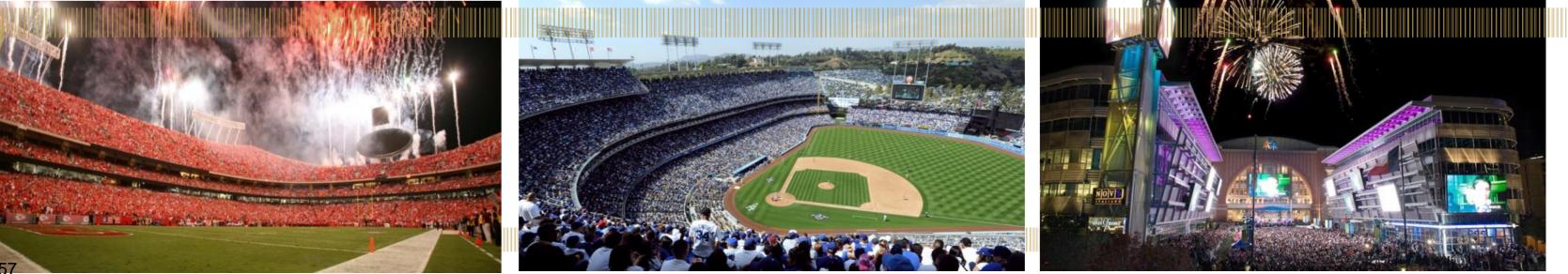




### Sports & Leisure

- Convention facilities, concert and performance venues, racetracks, stadiums and arenas
- Restaurant heritage; retail mindset
- Good opportunities in sports and other sectors







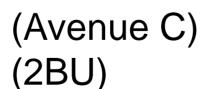






### Vending & office coffee service

- Market leader with \$1.2bn annual revenue
- National coverage with nearly 100 branches, plus franchise network
- Rapid growth in office coffee service
- Good opportunities to grow with all sectors
- Recent innovations
  - Cashless systems
  - Healthy choices







#### Canteen®



#### Support services

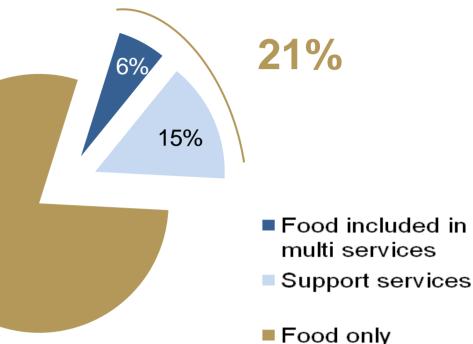
- Acquired 2001, 20% CAGR, now \$1.8bn
- Core Healthcare support services
- Extended into Education & B&I
- Stand-alone or multi service offer
- Disciplined expansion into new services

#### A strong platform to grow





#### NA 2012 revenue: \$12bn









### Some potential headwinds but further efficiencies

## MAD 3

#### Further SKU rationalization

- Leverage 3<sup>rd</sup> party volumes
- Webtrition (menu engineering / recipe database)

MAD 4

- "Other costs" (e.g. uniforms & apparel)
- Emerging technology (i.e. scan & swipe checkout)
- Labour management systems (i.e. biometrics)

MAD 5

- Constant focus
- Leverage overhead as business expands







### Summary

- Leader in a growing market
  - Leading offers/brands/clients across the sectors
- Vibrant outsourcing trend
- Excellent sales and retention
- Further opportunities to leverage scale
- Experienced and motivated team
  - At all levels of the business

#### An exciting future ahead

Note: Compass Group management estimates

















# North America Sales & Retention

### Amy Knepp Executive VP Strategic Alliance Group



#### The science of selling Compass Group

- 150+ person, professionally-trained, experienced sales force
- Sector-focused
- Proposal Development Center
- Extensive annual training & personal development
- Compensation aligned to emphasize ROI and cash flow



#### The science of selling Compass Group

- Managing the Sales force
  - Territory management
  - Database management: right client, right time
- Managing the Process
  - Research
    - WITY
    - Buyers Grid
  - Proposal development
    - ALWAYS involve operations and finance
  - Dream fulfillment: delivering the promise



Why is retention important?

# Retention of your business is critical to the overall health and is reflective of the overall health of our organization





### Strategic Alliance Group (SAG)

- Dedicated resource started in 1995
- Very selective hiring criteria
- Team members have operational experience
- Territory management
- Use the Sales Funnel process
- Pre-emptive & proactive





#### The process for clients and operators

- SAG White Paper discussions with operations
- Value Improvement Process Interviews (VIPIs)
- Strategic 'gap analysis' & action plan development
- Proforma development
- Proposal development
- Presentation





#### Key success factors

- Right people
  - Operational trust
    - Follow the Process
      - Belief in the virtuous circle





#### How will your clients answer?

- Have we solved the problem(s) we were hired to solve?
- Have we proactively brought innovation?
- Do we have the *right relationships*?
- Do we have your *loyalty*?
- Will you give an *unqualified referral*?

If our contract was up today, would you renew?





#### Strategic Alliance Group

# It's a culture!





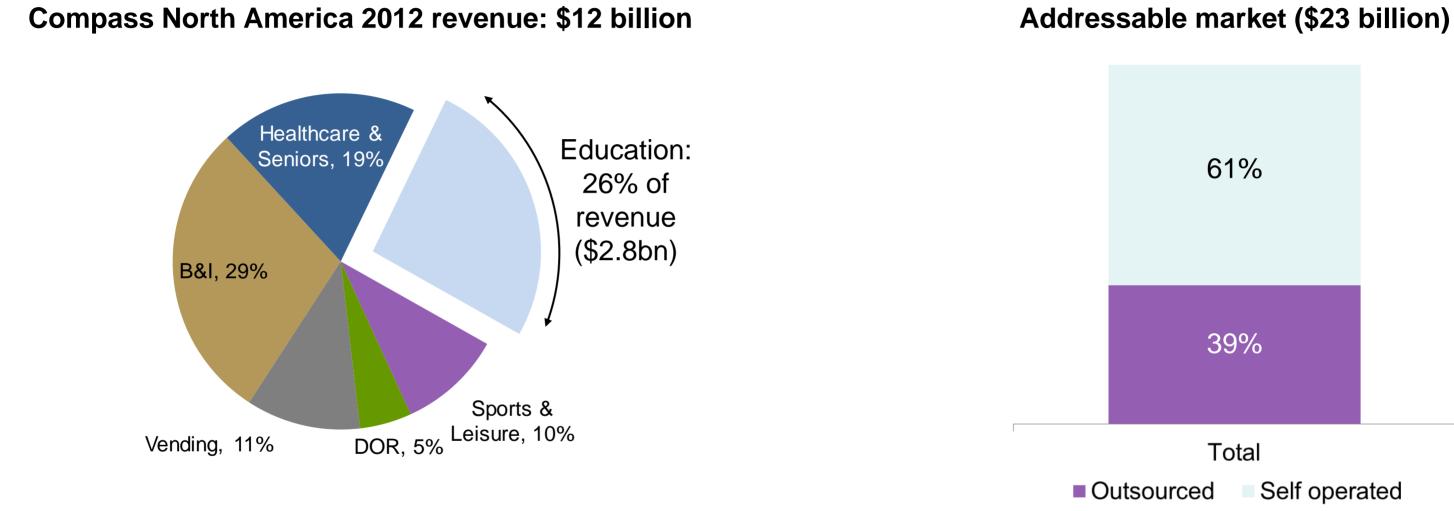


# U.S. Higher Education

#### Steve Sweeney CEO, Chartwells



### Compass and the addressable U.S. education market



Significant business; strong position

#### Large addressable market; <40% outsourced



## Compass' education business

### K-12

- Large market; low outsourcing penetration
- Chartwells serves over 550 school districts
- Health & wellness: "Nutrition that tastes good"
- Multi-year approach
- Breakfast in the class room
- Parents as partners







### **Higher Education**

- Large market; trend to outsourcing
- Serving 230 universities
- Customized approach
- Wellness Convenience Indulgence
- Technology as a tool Generation C
- High per student spend

UNIVERSITY OF MIAMI

### Great opportunities across the sector





Massachusetts Institute of Technology

## Focus on the higher education market

- Huge potential market; over \$4 billion self operated
- >4,400 possible locations...
- Representing 21 million students
- Large campuses; student populations >20,000
- Clear trend to outsourcing

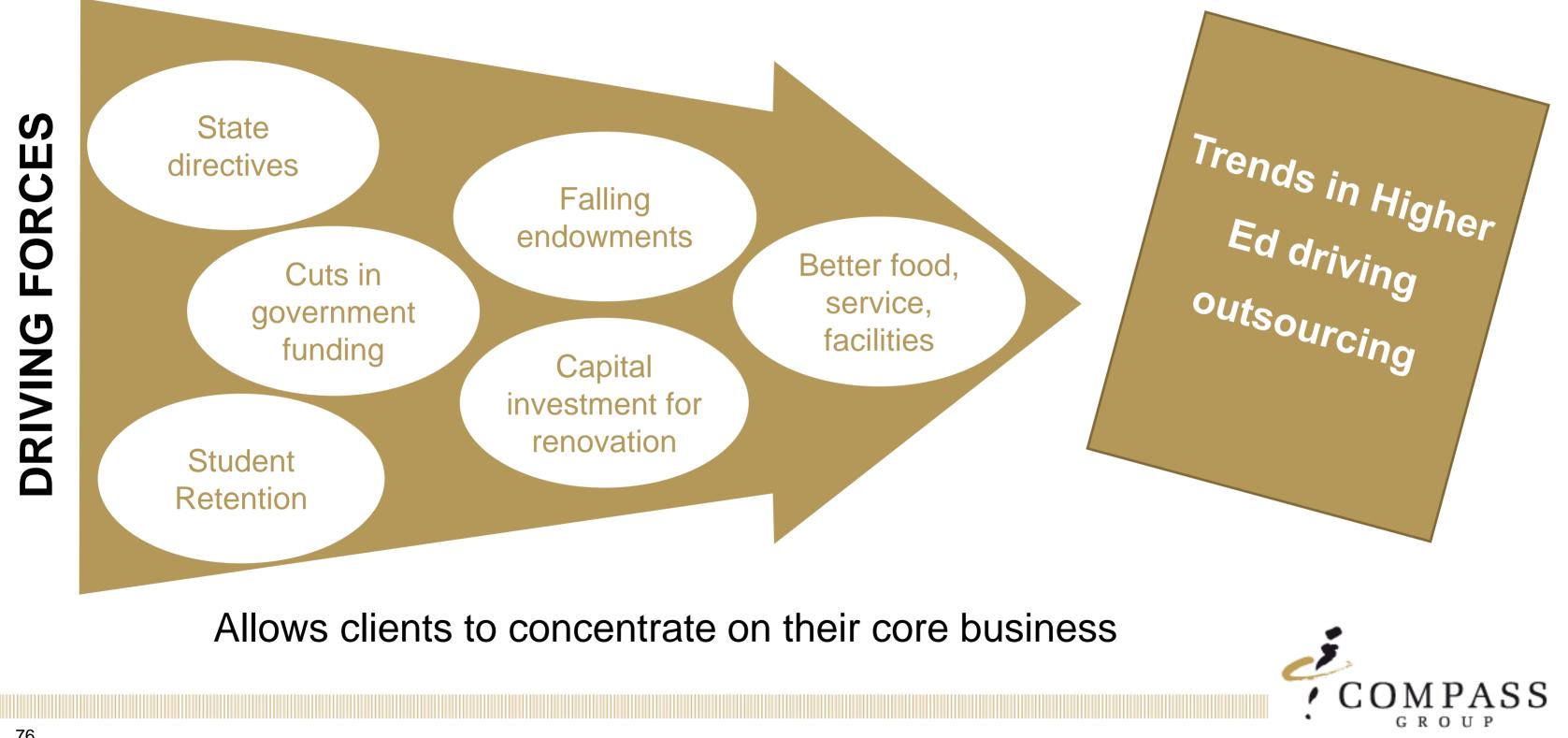


## U.S. higher education: Top self-op campuses (\$1bn)

CAMPUS	REVENUE	CAMPUS	REVENUE
Pennsylvania State University	\$106M	Purdue University	\$46M
Michigan State University	62	University of Illinois Urbana-Champaign	43
Rutgers University	60	Brigham Young University	42
University of Massachusetts Amherst	60	Miami University Ohio	42
Harvard University	52	Ohio State University	42
Syracuse University	52	Virginia Tech	41
University of Connecticut	51	Cornell University	40
UC Berkeley	50	UCLA	38
University of Maryland College Park	50	Yale University	37
University of Notre Dame	49	University of Georgia	35



## U.S. higher education market trends



## Chartwells self-op conversions

















## Texas A&M University

- Opened in 1876
- 6th largest public university with 50,000 students
- 804 campus buildings covering 8 sq. miles
- 42 dining concepts
- 30,000 meals served per day
- 1500 Compass employees on site
- Range of support services



## Texas A&M: The bid process - WITY

- Learning the campus culture
- On-campus interviews the WITY process
- Mapping the campus
- Determining 'best value' proposition Quality Service Price
- Assemble management team local and national
- Ask Listen Deliver



## Mobilisation and lessons learned

- Quick turn around
- Mutual support Chartwells & SSC
- On boarding It's personal
- Webtrition STAFF Foodbuy
- Communication Press conference
- Our product Our services



## In conclusion

- The outsourcing option is compelling
- The pipeline is robust
  - Schools, Higher Education, support services
- We have the resources sales operations
- Ability to meet client requirements: food, support services or bundled
- Reputation references





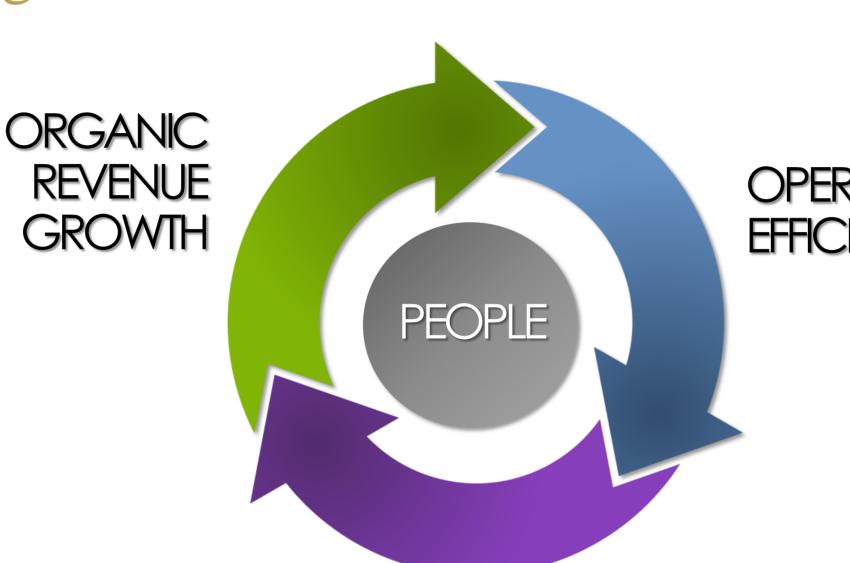
# Final Thoughts

## Gary Green CEO, North America



## NO COMPLACENCY!

### **COMPETITIVE ADVANTAGE**



## Final Thoughts

### OPERATING EFFICIENCIES

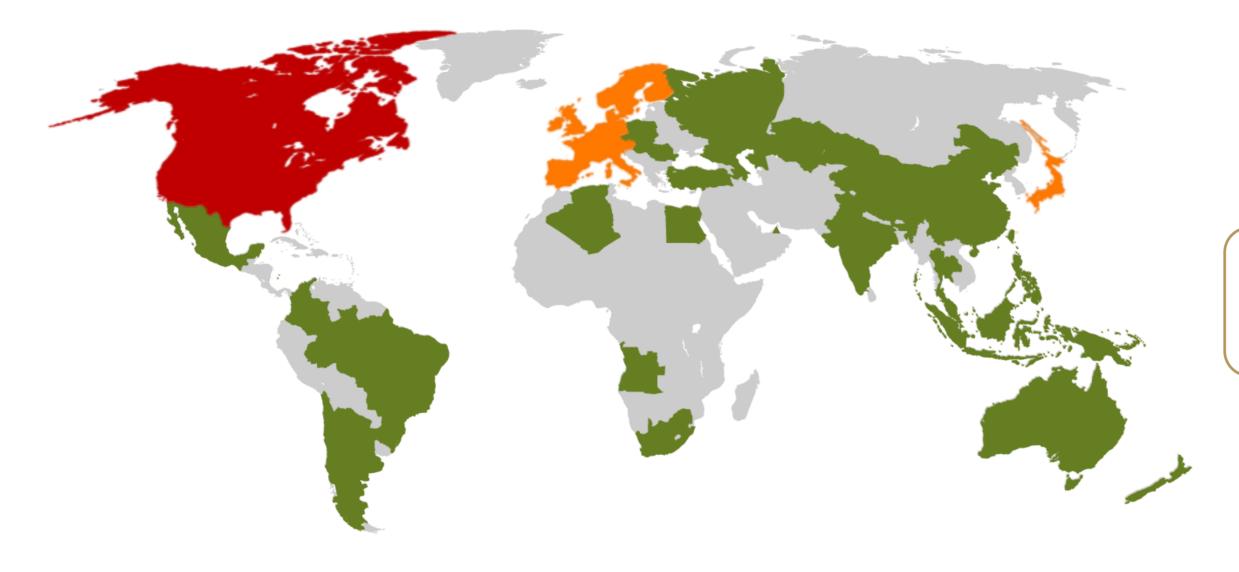


Europe & Japan Strategy

## **Andrew Martin** Group COO, Europe & Japan



## Introduction to Europe & Japan



### **Revenue 2012**

### North America £ 7,517m

**Europe & Japan** £ 6,243m

Fast Growing £ 3,145m



## Overview of the Compass region

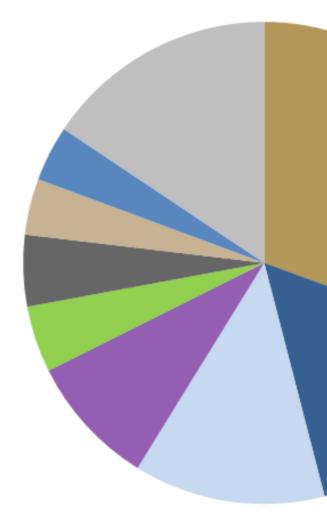
- 35% of Group revenue, 23 countries
- Economically/demographically more mature
- Short term economic challenges
- Good medium term opportunities





## We have a well-diversified business geographically...

- 70% of revenue in E&J from top 5 countries:
  - UK
  - France
  - Japan
  - Germany
  - Spain
- Exited 10 countries including:
  - Greece
  - Cyprus
  - Croatia



- ■UK ■France
  - Japan
  - ■Germany
  - Spain
  - ∎ltaly
  - Norway
  - Netherlands
  - ■Other





Business & Industry	Education	Healthcare & Seniors	Sports & Leisure
56%	12%	15%	11%

### Defence, Offshore & Remote

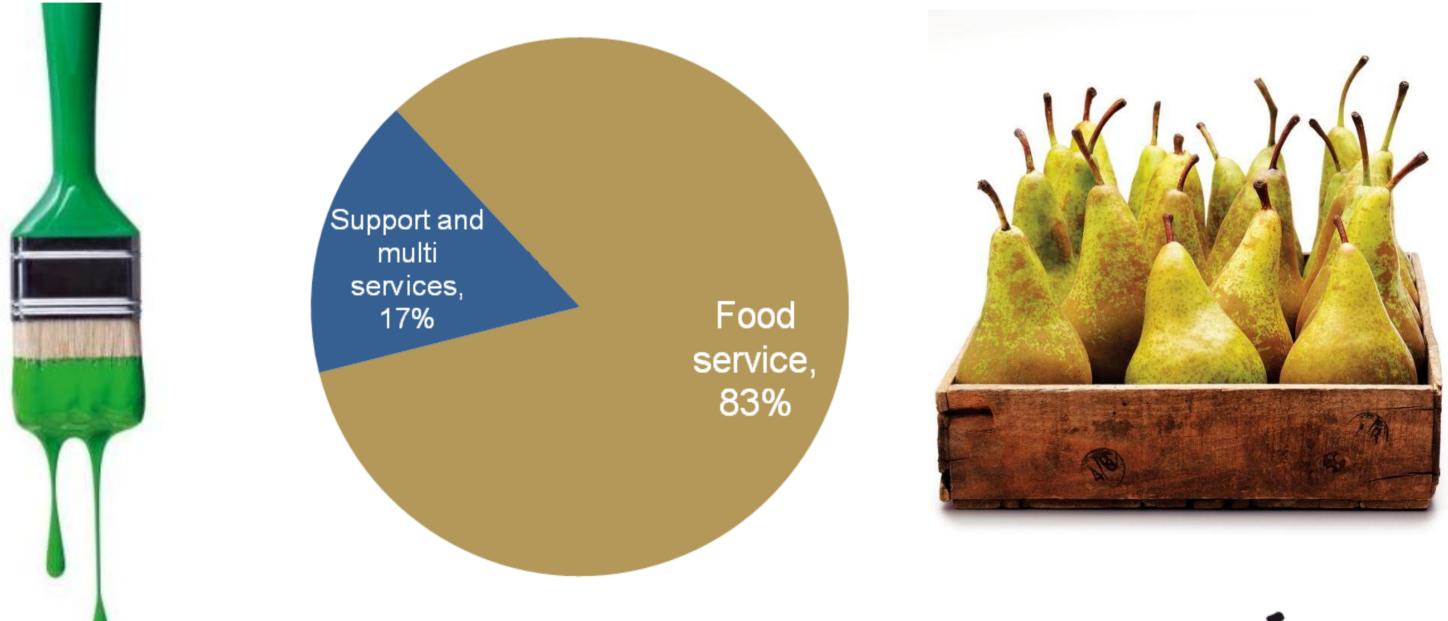








## We can deliver food and support services





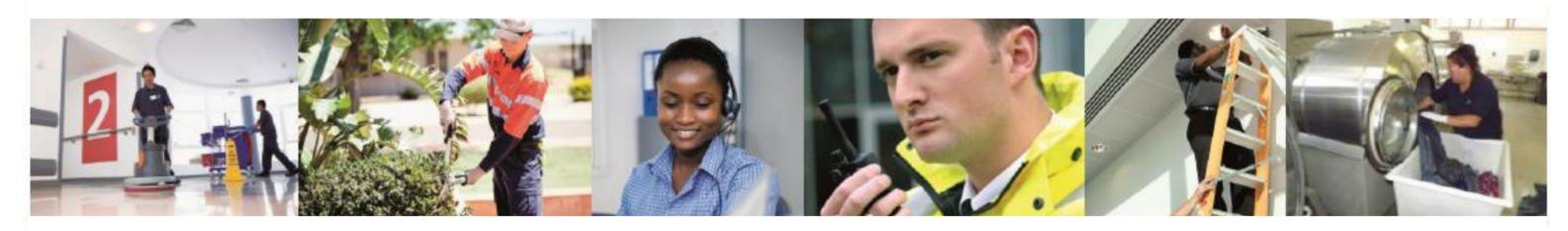
## Food is our core offer

Sector	Compass brands	Exam
Business & Industry	Restaurant Associates	YAJ
Healthcare & Seniors	medirest	Cambrid
Education	Chartwells	W
Sports & Leisure	Levy Restaurants	ALL AND ALL AN
Defence, Offshore & Remote	ESS Support Services Worldwide	



## Responding in support services

- Bundling in B&I mainly northern Europe multi nationals
- Trend in UK Healthcare, elsewhere less obvious
- Capability where needed through M&A / organic growth and / or partnerships



Cleaning

Landscaping

**Reception** 

Security



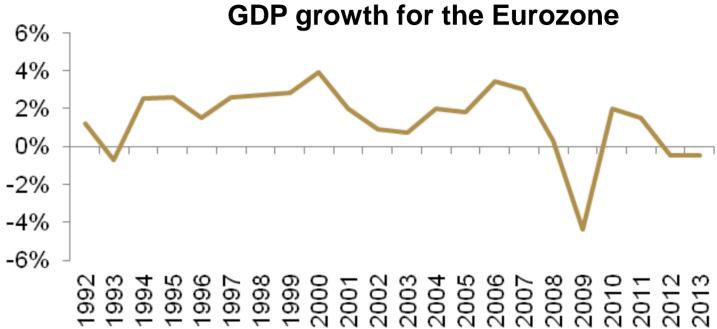
Light maintenance

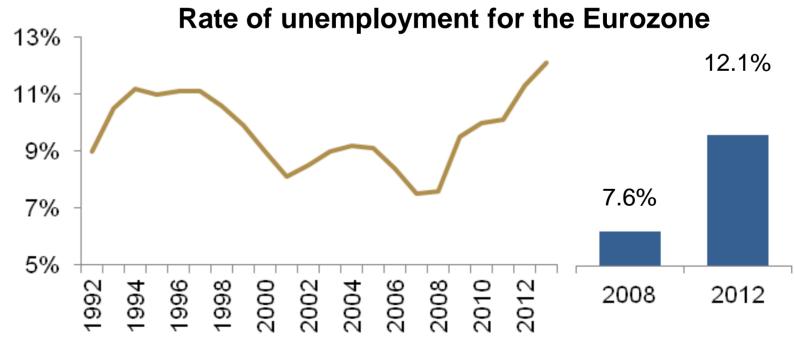
Laundry



## **Economic conditions - Material decline**

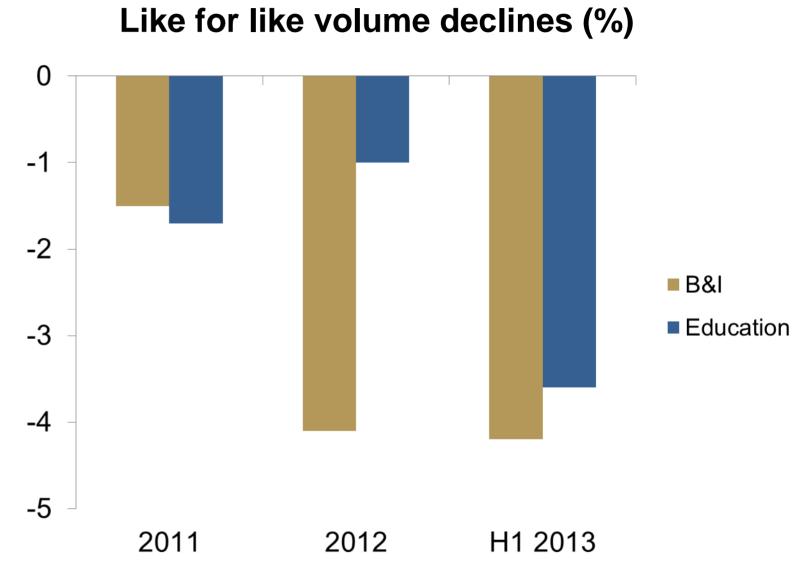
- Declining GDP & downward revisions to forecasts
  - OECD forecasts for 2013 -0.6%
- Post 2008/9 short recovery
- Unemployment still rising
- Outlook uncertain





## Like for like volumes hit

- Increasingly negative trends; 3 year decline 5.5%
- All sectors impacted
- Decline 2013 c.3%
- Mitigation significant labour cost reduction





## Varied picture across region

### **Northern and Eastern Europe**

Good new business wins Mixed LFL volume

### Western Europe & Japan

Good new business in some countries Pressure on LFL volume incl. France

### **Southern Europe**

Strong new business in Spain Strongly negative LFL volume

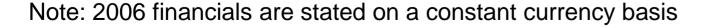


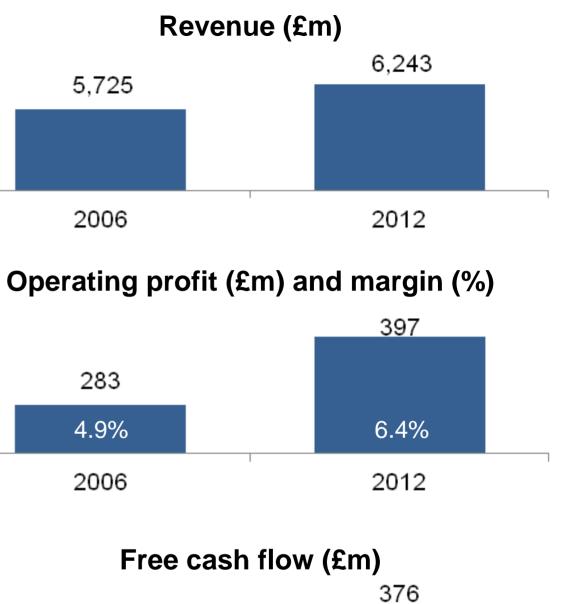


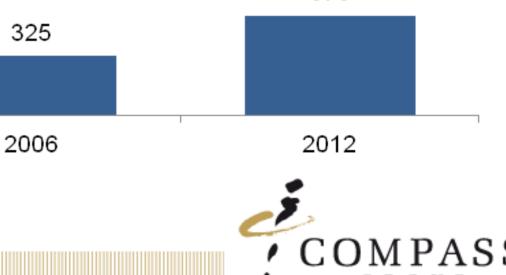


## Financial performance

- Revenue affected by economic conditions
- Operating margin up 150 bps
- Cash generation significantly improved
- Still lots to go for!







## Decisive action taken

### **Restructure Southern Europe**

- Exit poor performing contracts
- Non-core businesses disposed
- **Debtors** reviewed
- Office space consolidated

### **Increased cost efficiency**

- improved
- Labour costs reduced headcount, increased flexibility
- reductions

### Food cost reduced / quality traceability

### Continued Above Unit Overhead cost



## Case study: Reducing duplication







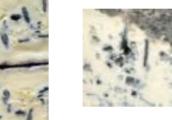




















### **Product rationalisation – UK example**

- Blue cheese varieties 145 to 15
- Improved control / traceability
- Economies of scale
- Across entire UK product base:

ARO benefit £20m

### Many opportunities in other countries



## Cost of labour framework

### **Flexibility**

Work patterns : Day? Week? Month?

### Planning

How many hours? From whom? Doing what? When? How? "...deliver the right service quality at the lowest net cost..."



### Who to pay? How many hours? What cost?



## Progress made

### **Announced September 2012**

- (3)% LFL volume declines expected
- Potential FY £60m profit impact
- Immediate & intense labour cost reduction
- Significant savings expected
- Increased contract flexibility
- £295m exceptional charge

### **Delivered H1 2013**

- (2.5)% LFL decline actual
- Actual H1 c.£25m profit impact
- Action plans ahead of schedule
- £30m savings H1
- Southern Europe good progress

Mitigating tough economic backdrop



## Looking forward

### **Drive Cost Efficiency**

- Reduced fixed labour costs
- Greater labour flexibility
- Simplified & lower cost processes
- Lean organisational structure

### **Top Line – Sharp Focus**

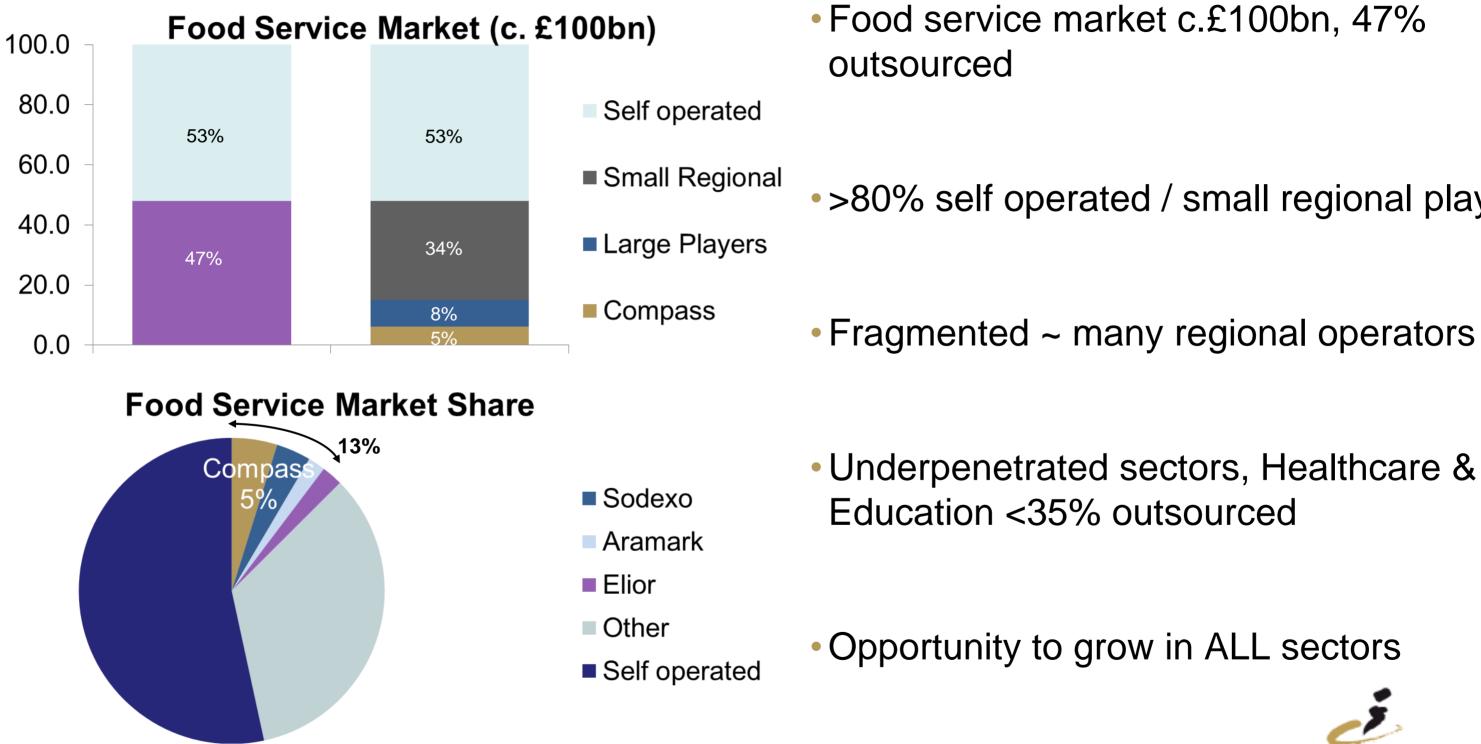
- Sales & training ongoing investment
- Retention best practices roll out
- Food offer continuous innovation
- Support services selective expansion

### Greater productivity

### Competitiveness



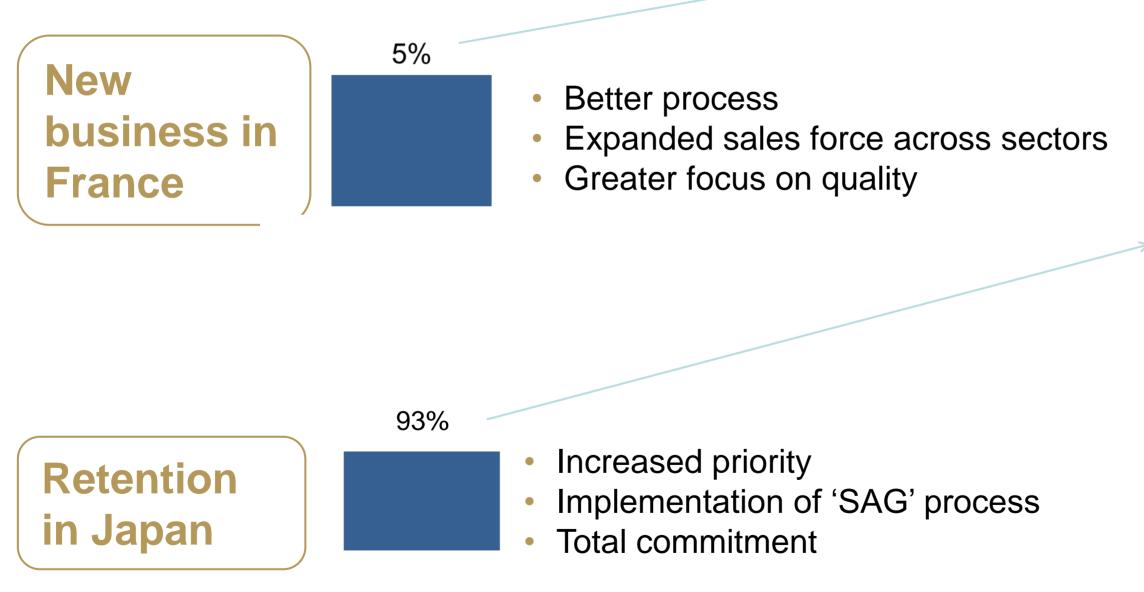
## Driving the top line



### >80% self operated / small regional players



## Case studies: New business & retention





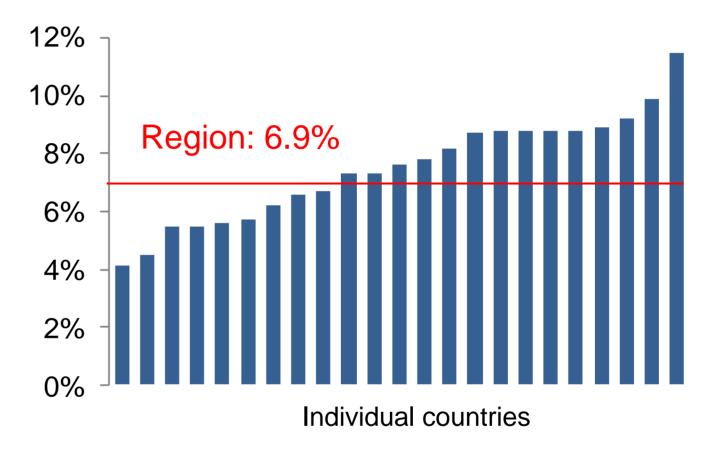






## Further efficiencies

- Range of margins: 4% to 11%
- Further efficiencies in under performing countries
- Steady progress in others
- MAP framework ongoing intensity



### H1 2013 margin by country



## Good medium term opportunities

- Focus on quality / sustainable new business
- Improve retention
- When economy stabilises flat LFL volumes?



Revenue

- Continue to drive efficiencies
- Lower and more flexible cost base

Target: organic revenue growth & steady margin improvement





# Compass Group Spain

## **Alfredo Ruiz Plaza Managing Director Iberia**





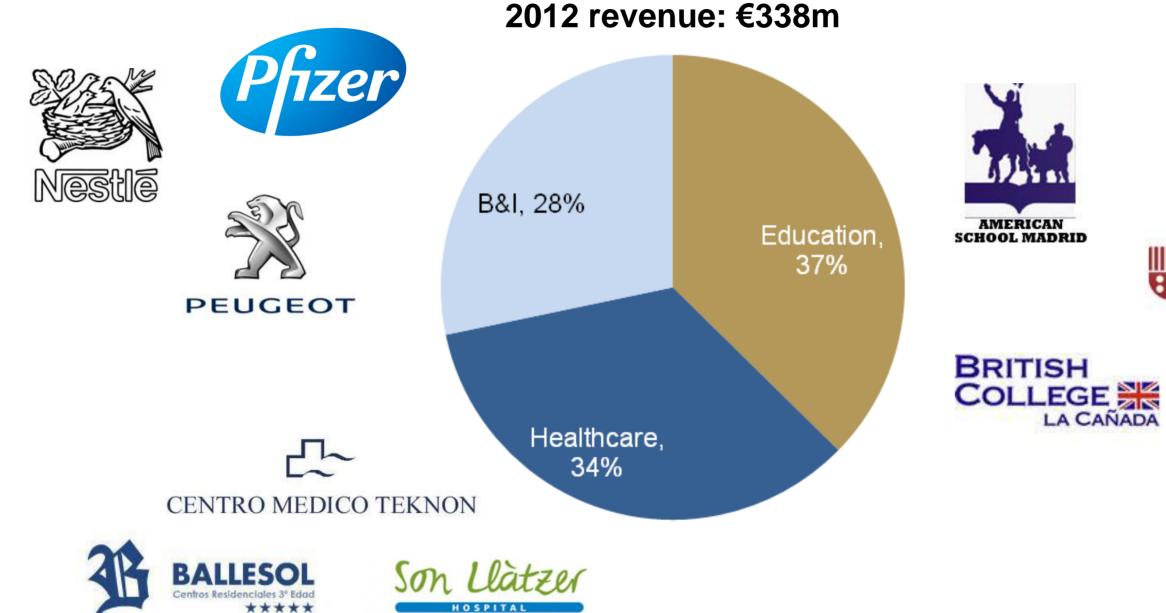
## Compass has a presence in key areas of Spain...



Region	% revenue
Catalunya	30
Madrid	20
Basque Country	10
Valencia	8
Canary Islands	5
Mallorca	5
Primary regions	78
Rest of Spain	22



## And a balanced business across sectors

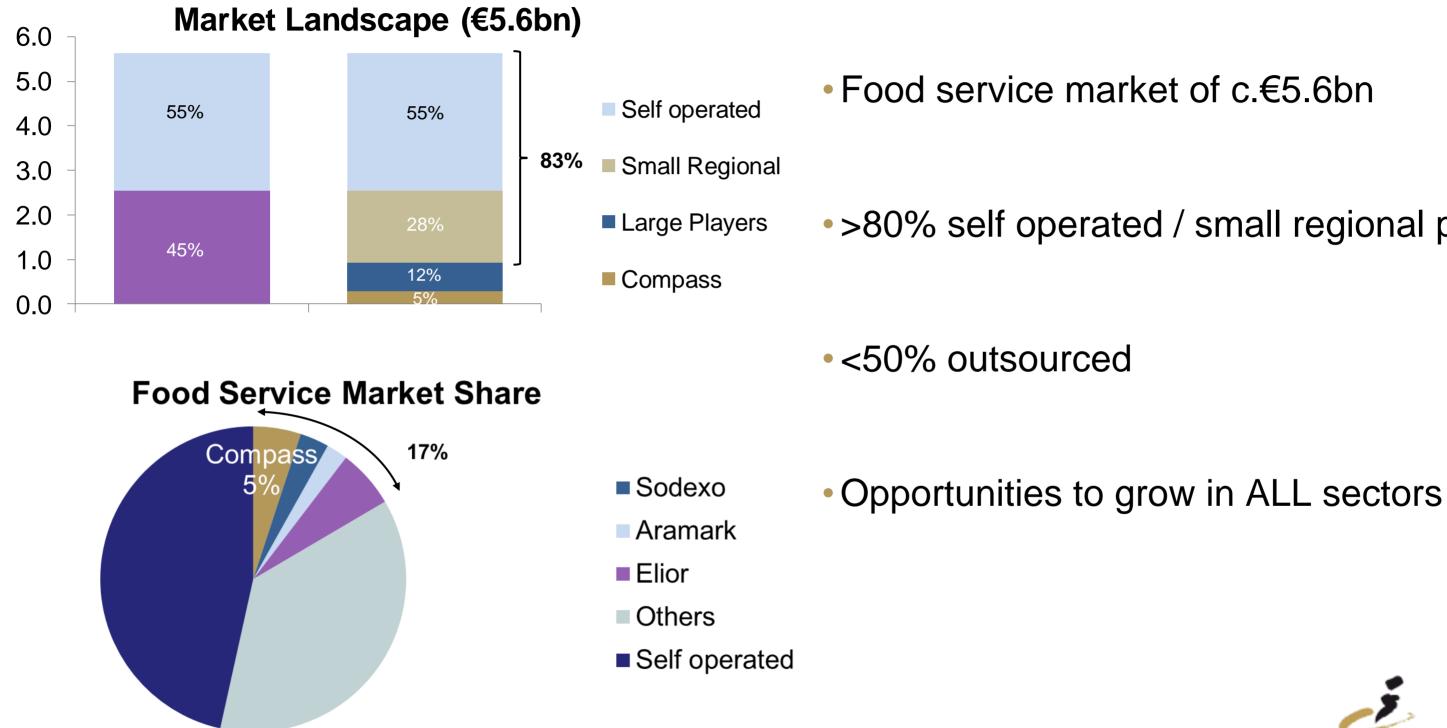


Note: additional 1% of revenue generated from Sports & Leisure





## We have a strong position in an attractive market



Note: market data figures based on Compass Group management estimates

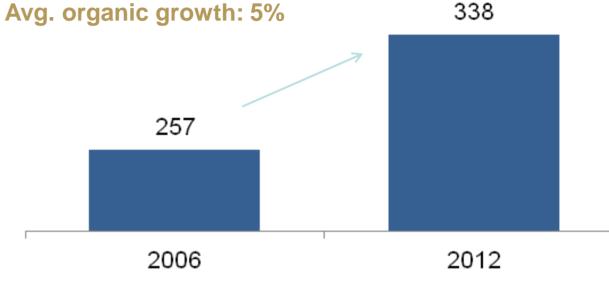


### >80% self operated / small regional players



## Good financial performance since 2006

- Solid growth in new business and improving retention
- ...but pressure on LFL for last 3 years
- Significant margin improvement
- Focus across all areas of MAP

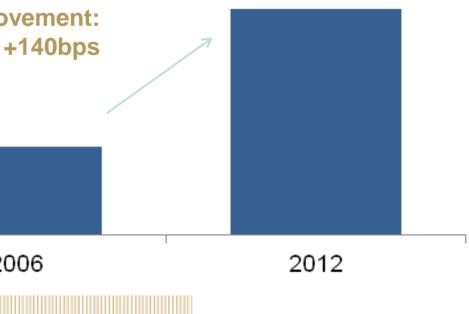


Margin improvement:

2006



#### **Operating Profit & Margin Improvement**



### Economic backdrop

Declining GDP since 2008; expected to continue through 2013

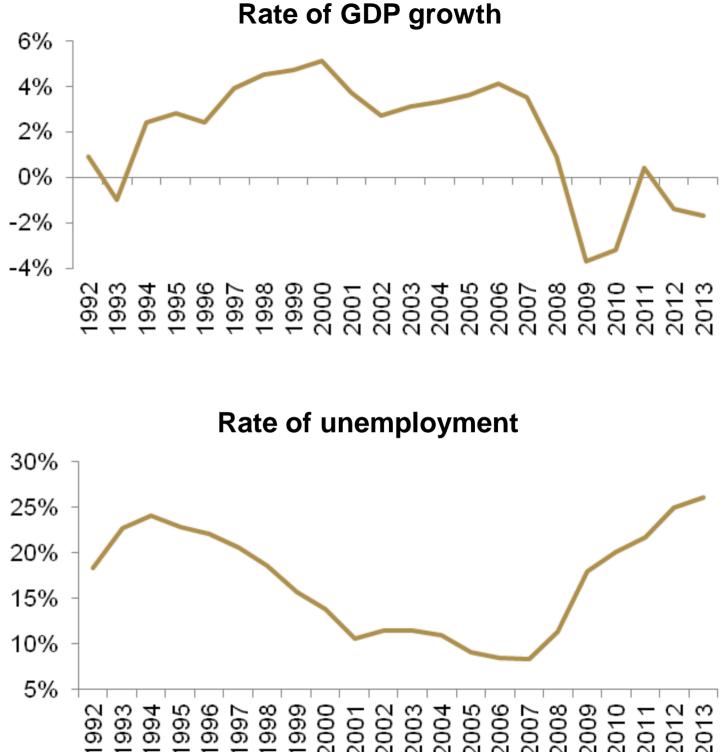
Downgrades to economic forecasts 

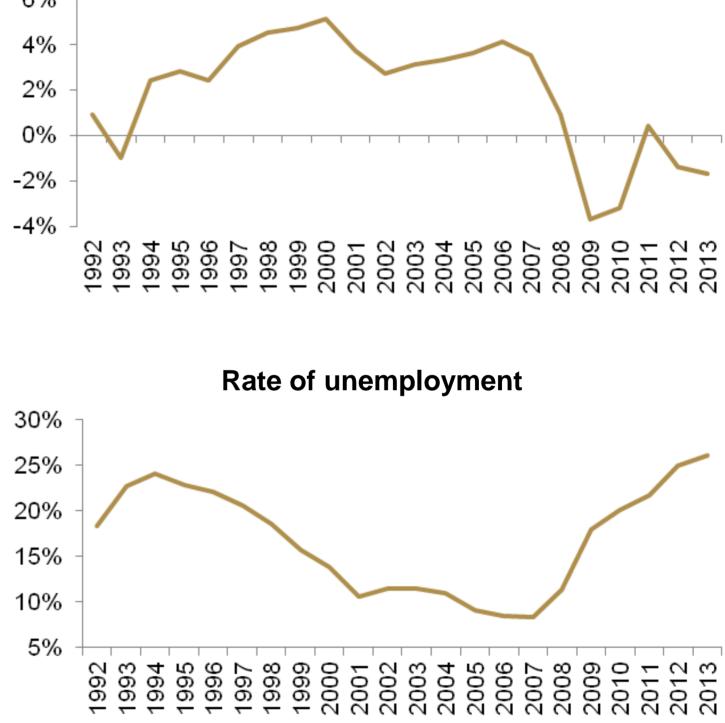
Large government deficit 

Unemployment rate now 27% 

Source: Ministerio De Economia Y Hacienda & ANFAC











## Impact of the economy on Compass

Sector	Issue	Impact on
B&I	<ul> <li>Headcount reductions</li> <li>Lower subsidies</li> <li>Reduced client &amp; consumer spend</li> </ul>	<ul> <li>Smaller of</li> <li>Pressure</li> <li>budgets</li> </ul>
Education	<ul> <li>Changing school hours</li> <li>Lower levels of funding</li> </ul>	<ul> <li>Lower de meals</li> <li>More page</li> </ul>
Healthcare	<ul> <li>Reduced government funding</li> <li>Hospital / ward closures</li> </ul>	<ul> <li>Lower oc patients a</li> <li>Fewer vis</li> </ul>

Significant declines in like for like volumes

### Compass

### consumer population e on client & consumer

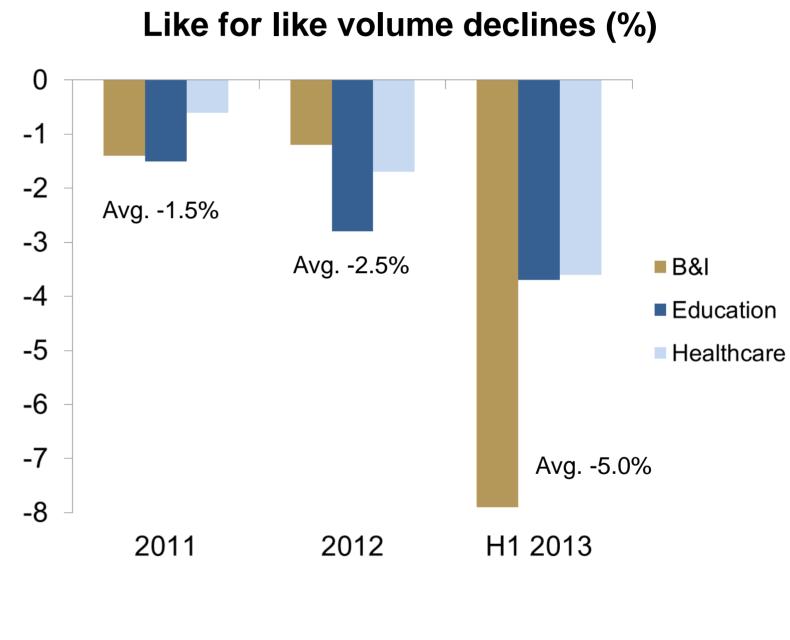
### emand for school

### cked lunches

ccupancy rates/fewer and staff to feed isitors/lower spend

### Like for like volume trends

- Increasingly negative trends; 3 year decline of nearly 10%
- Impact across all sectors
- €25m impact on revenue since 2011
- Mitigated by significant reduction in labour cost





### Decisive action taken

M-p 3

- 40% reduction in number of products
- 70% of volume now delivered through one logistics partner

MAP 4

- Reduced headcount
- Changed contract structure to enable greater flexibility



#### Downsized & relocated head office; closed regional offices

### Standardised back office processes



## Actions also focused on driving the top line

- Increasingly selective on new business
- Reviewed contract portfolio
  - Fixed / exited poor performing contracts
  - More selective of counterparties
- Re-focused top line
  - Strengthened sales force
  - Invested in retention
- Strengthened working capital controls
  - Focus on cash and debtors

**M-p 1 M-p 2** 

M-p1







As a result, we've delivered good quality, sustainable new business

- Acceleration in trend to outsourcing
- Refocused sales force, better training
- More selective
- Delivering gross new business of c.10%
- Quality, sustainable contracts











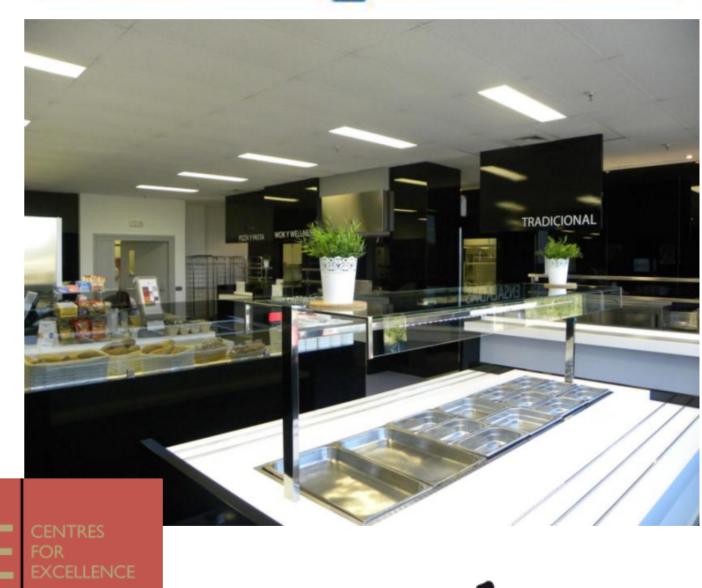






### Case study: New business win

- 2012 new business: contract length 7 years
- Annual revenue £520k
- Our game plan:
  - Redefinition of the offer: variety in menus / new on-site manager / investment
  - Best practice on B&I







## Case study: Improving underlying retention

- Client since 1981; extended in 2012 for another 10 years
- Biggest B&I account in Spain with an expansion plan to double their Madrid Campus
- Annual revenue £4.6m
- Our game plan:
  - Proactive culinary solutions to handle new students' diversity: 60% of MBA students are foreign
  - Eurest Chair of Excellence in Services







The objective of **the Eurest Chair of Excellence in Services** is to advance the development and dissemination of knowledge on how organizations can achieve excellence in service delivery, why should they achieve it, and how they can be innovative in this way.



### Good growth opportunities

- Good market opportunity
  - B&I: consolidate position, adjust consumer offers
  - Healthcare: well positioned for new public / private contracts
  - Higher Education: strong platform to grow
- When economy stabilises, strategy should deliver organic revenue growth and steady margin progression



### We are well placed for the short & medium term

- Short term economic outlook difficult, but we're taking action to manage it
- Exciting market opportunities
- Investing to drive top line
- Further scope to drive efficiencies
- Restructured cost base will give us a competitive edge

Cautiously optimistic





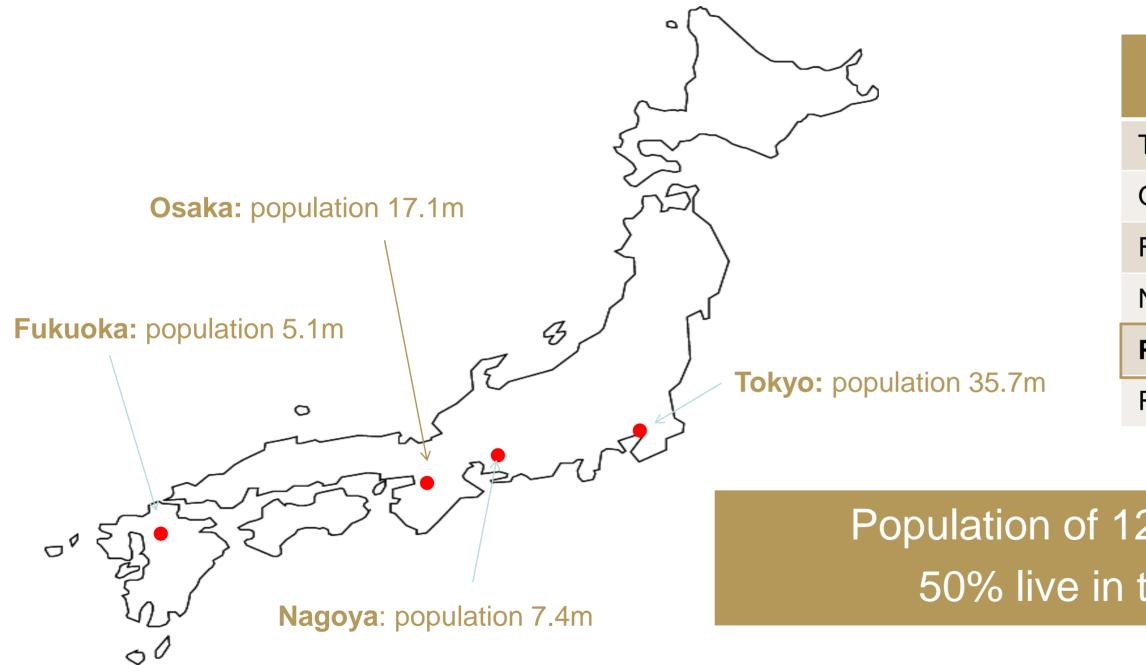


# Compass Group Japan: Seiyo Food

## Takeshi Kohjima Managing Director



## Compass has a presence in all the major cities...





Region	% revenue	
Tokyo	46	
Osaka	8	
Fukuoka	6	
Nagoya	2	
Primary regions	62	
Rest of Japan	38	

### Population of 128 million people 50% live in these 4 cities



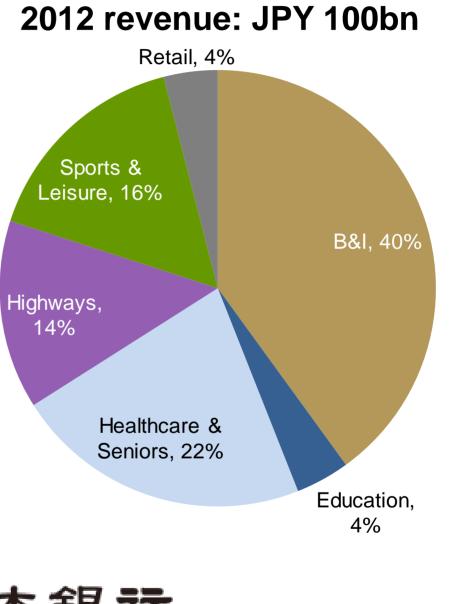
## And a balanced business across a range of sectors

- Predominantly Business & Industry
- Good exposure to growing Healthcare & Seniors market
- Some opportunities in Higher Education
- Solid businesses in Sports & Leisure and Highways



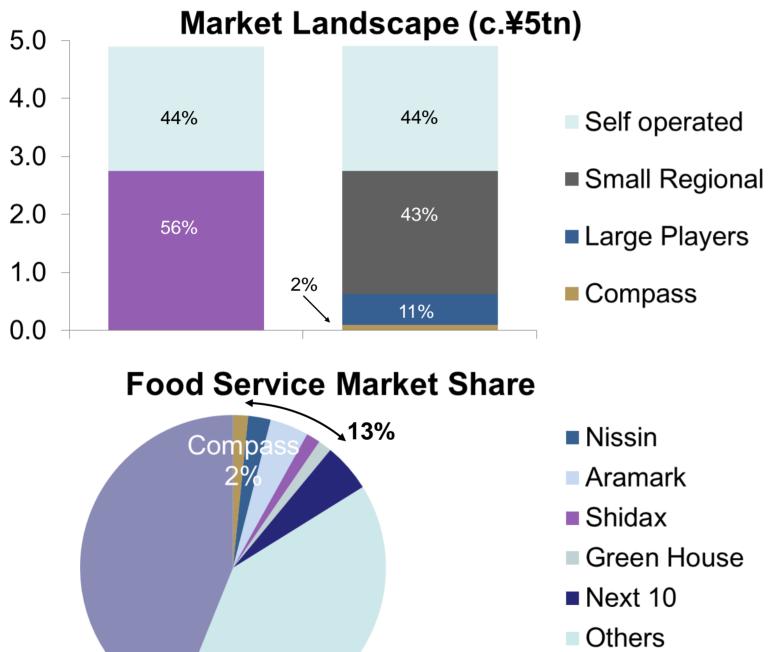








## We have a strong position in an attractive market



- Food service market of c.¥5tn, c.56% outsourced
- account for less than 20% of market

- Nissin
- Aramark
- Shidax
- Green House
- Next 10
- Others
- Self operated

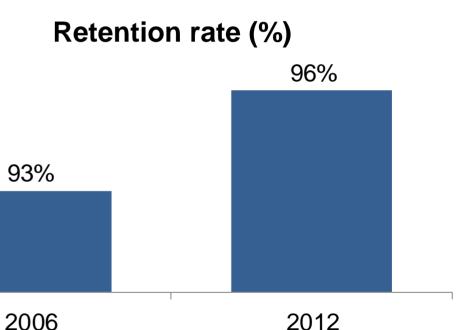
## Fragmented industry ~ the 15 largest players

### Good growth opportunities – ALL sectors



## Compass' development in Japan

- Exited high street restaurant business to focus on contract catering
- Strategic acquisitions
  - Chiyoda (B&I), Sun Food (B&I, Healthcare, Education), NKS (Healthcare)
- Significant increase in retention rate
- Margin more than doubled since 2006
- Excellent cash generation





### Focus on top line best practice

- Ongoing investment in the sales team
- Implementation of US retention model
- Increased focus on consumer proposition to drive spend



**M-p** 

125







### Case study: Retention & new business

- Started operating head office cafeteria in 2006
- Re-bid in January 2013, including innovative offers:
  - "My choice" (food offer by calories)
  - Café Liscio
- Successfully retained and expanded the contract; increased revenue by over 30%
- Currently operate 11 Sony sites with revenue of JPY 1.3 billion

## SONY







## Ongoing drive for efficiencies across MAP

- Focus on product rationalisation
  - External SKUs: 22,000
  - Approved suppliers:
  - Estimated saving:

7,400

reduced by 30% JPY 500m

- Efficiency in labour and utilities costs
  - Focus on using flexibility already available
- Reorganised business; continued reduction of above unit costs

### Good progress but still **lots** to do

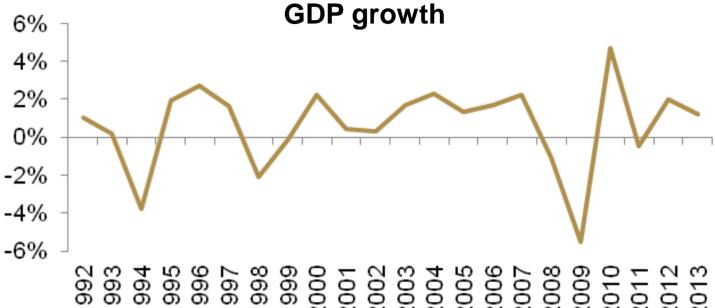


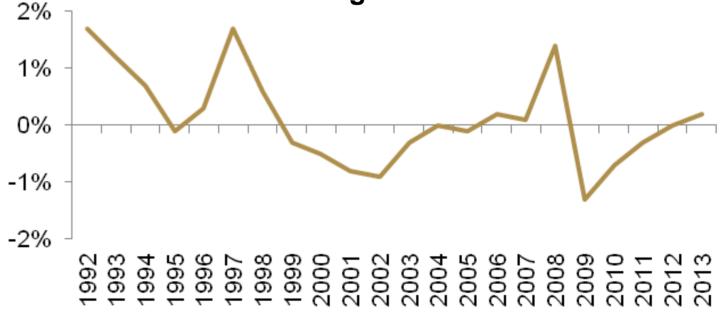




### Looking forward, flat macro environment likely to continue

- Little / no GDP growth
- Deflationary backdrop
- New government committed to revitalising economy
- 2% inflation target





#### **CPI growth**

2010

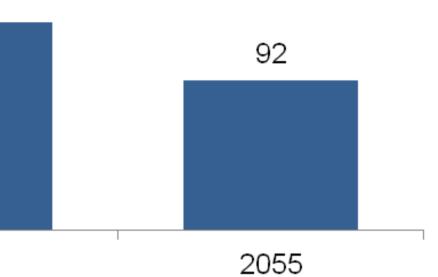
# But there are good opportunities from demographic trends

- Population declining
- But increasing rate of retirement among 'baby boomers'
- People aged over 65 will comprise more than 30% of the population by 2020
- Highest life expectancy in the world (82)
- Spending on Healthcare set to grow by c.4% p.a.

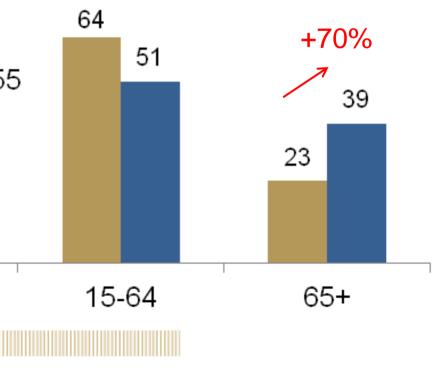


0-14

#### **Total population (millions)**



#### Distribution of population by age



## Particularly in Healthcare & Seniors

### Healthcare & Seniors market

- Estimated size: JPY 1.3 trillion
- Approx. 50% currently self operated
- Fragmented market
- 45% of outsourced market with small regional players

### **Compass' position**

- Top 6 player; strong growth
- organic growth

  - employees



### Compass is well positioned to maximise growth opportunity

Note: market data figures based on Compass Group management estimates

### Acquisition of NKS in 2012 to accelerate

#### Based in Tokyo (doubled our presence there) Operates around 200 units with over 1200



## We will maintain our focus on driving the top line

- Ongoing growth in B&I
- Healthcare & Seniors increasingly important
- Ongoing investment in sales and retention
- Market consolidation opportunities





Bank of **Japan Head** Office





#### **Metropolitan Police** headquarters



### As we move into the next phase of efficiencies

m

- Significant supplier rationalisation opportunities
- Improved logistics
- Better deals with wholesalers

**M**P

- Forecasting labour requirements, by day, for the week ahead
- Using existing flexibility in labour force





## Good future opportunities

- Strong market position, particularly in B&I and Healthcare
- Great potential for organic growth
- Opportunities for infill M&A
- Continue to generate efficiencies, which can
  - Benefit the bottom line; and
  - Help us to grow









# Fast Growing & Emerging Strategy

## **Richard Cousins Group Chief Executive**



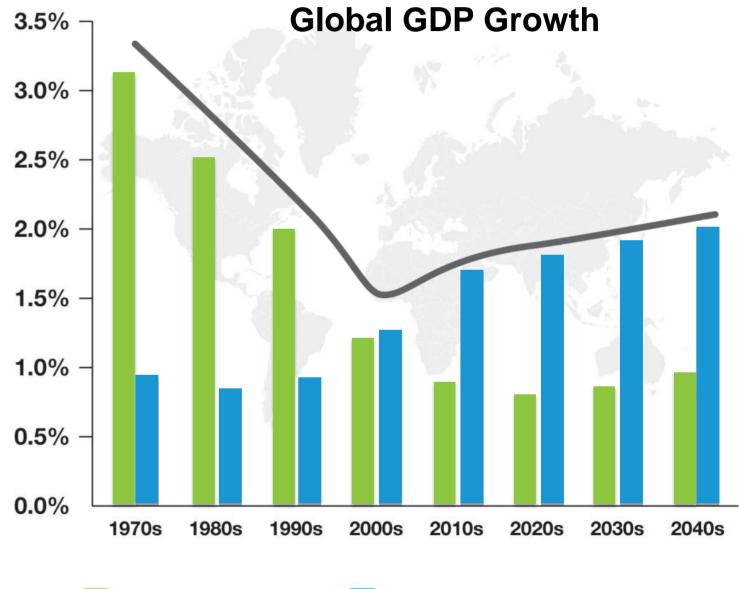




## Significance of fast growing & emerging economies

Over the coming decades, emerging economies will:

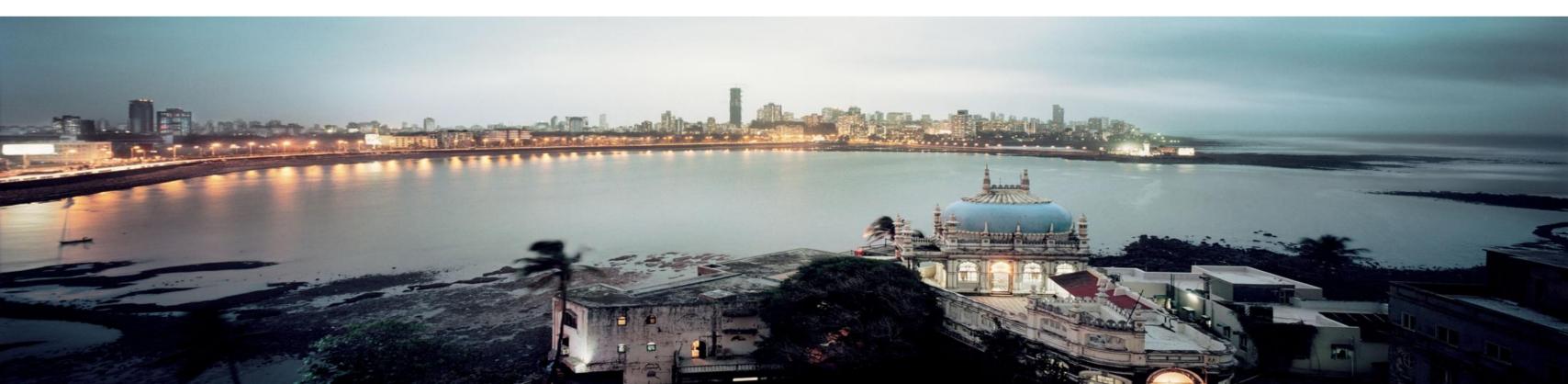
- Contribute majority of global growth
- See significant increases in working populations
- Generate greater income per capita and discretionary spend



Emerging Markets — Global

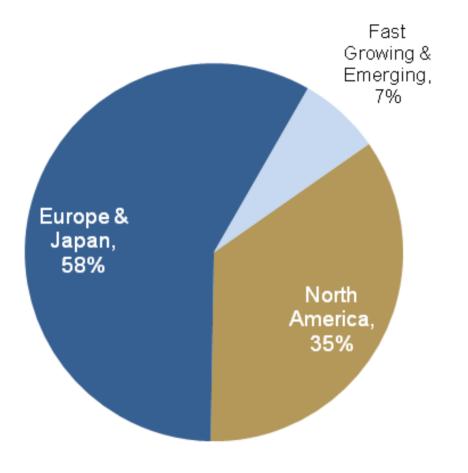


## Huge opportunity but discipline needed



### Growing significance to the Group

2002



Europe & Japan, 37%

### Revenue increased from £750m to £3.1bn



Fast Growing & Emerging, 19%

North America, 44%



### Streamlined focus within the region

### **Current countries**

Australia Brazil Turkey South Africa Chile UAE Mexico Kazakhstan New Zealand Colombia Argentina

China Algeria Indonesia Angola India Russia Thailand Qatar Singapore Egypt Azerbaijan

Bahrain Cameroon East Timor Kuwait Burundi Eritrea Liberia Cambodia Morocco Tunisia Polynesia Costa Rica Jordan

### Number of countries reduced to 22

### Exited since 2003

Oman Venezuela Israel Zambia Malawi Tanzania Swaziland Botswana Ghana Mali Peru Bangladesh Philippines Nigeria



### Strong financial performance

- Achieving scale in chosen markets
- Investing in management and processes
- Focus on sustainable, disciplined growth
- Profit quadrupled; margin increased 390bps

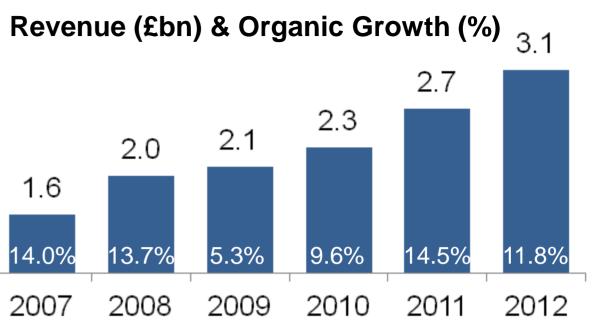
#### 2.0 1.6 1.5 14.0% 16.0% 13.7%

2006



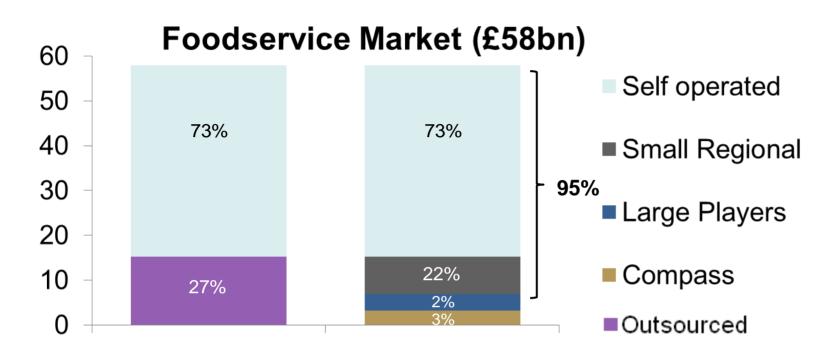


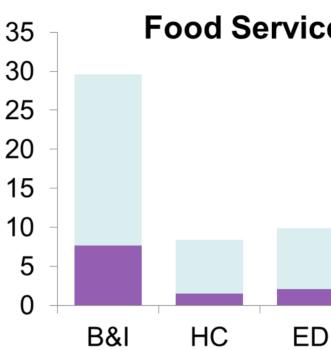


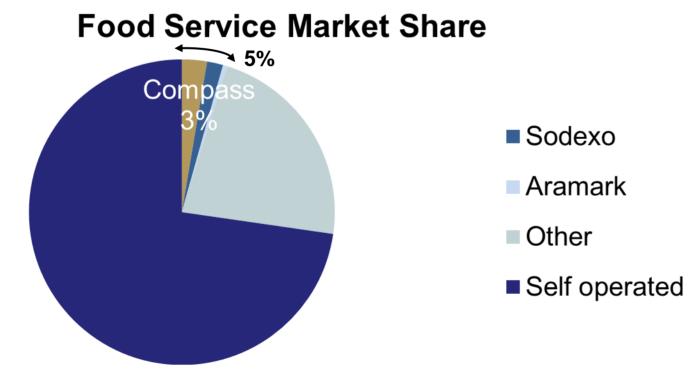




## Significant structural growth opportunity



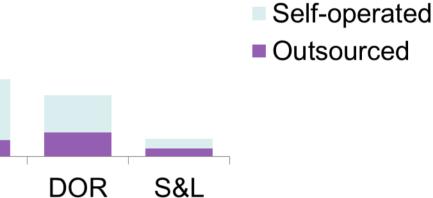




- Food service market c.£58bn
  - Only c.27% outsourced
- Underpenetrated sectors but developing
- Building scale across region
- Huge opportunity

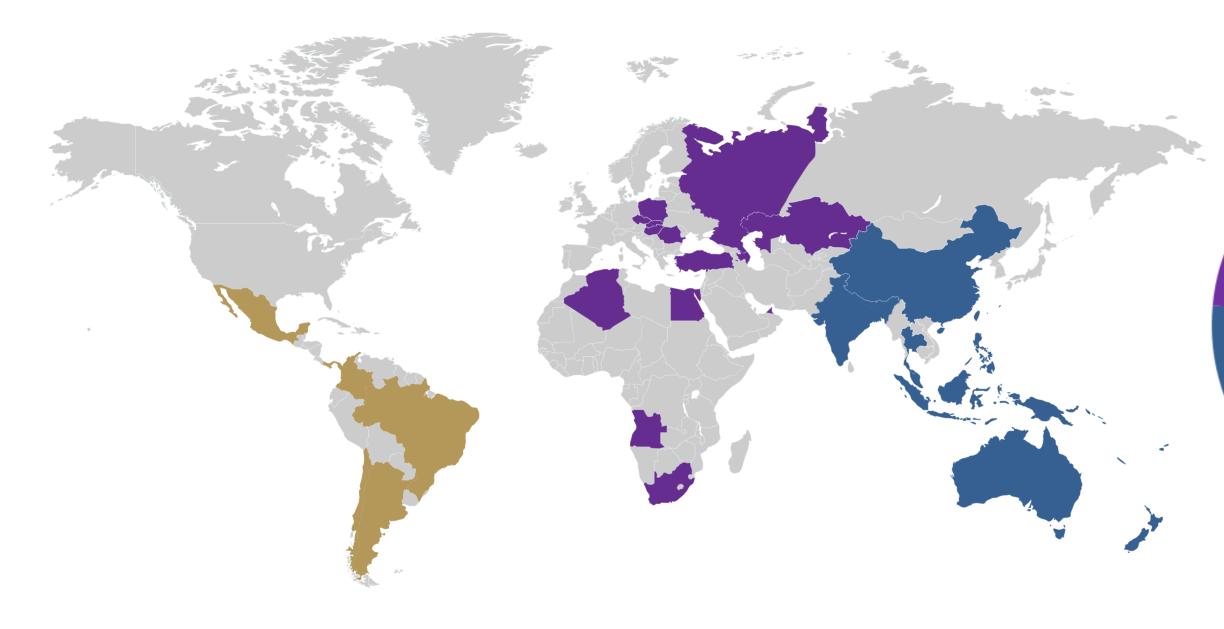
Note: market data figures based on Compass Group management estimates

#### **Food Service Market – by Sector**





### How we manage the region



#### 2012 Revenue By Sub-Region

Central Asia, Middle East & Africa, £0.7bn

Latin America, £1.1bn

Pacific & South / East Asia, £1.3bn



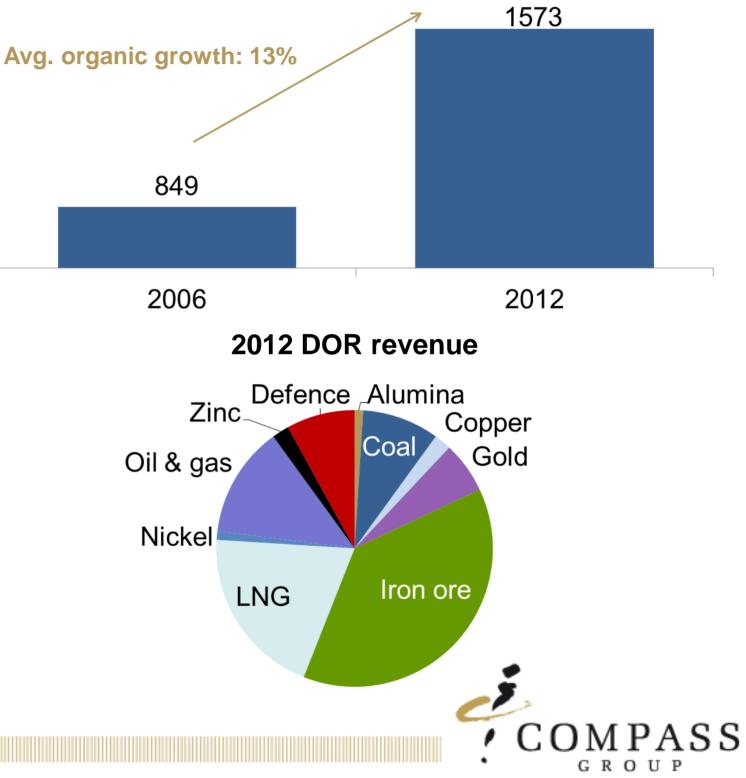
### **Overview of Australia & New Zealand**



GROUP

## Australia: Market leadership in Defence, Offshore & Remote

- Australia FY 2012 revenue £1bn; 6% of Group
- Mainly DOR but excellent balance
- Good profitability and strong management
- Healthy pipeline but coming off peak of growth



#### Australia revenue (AUD m)

### CASE STUDY: PORT HAVEN – PILBARA, WESTERN AUSTRALIA



# CASE STUDY: CURTIS ISLAND, QUEENSLAND





# Compass Group Turkey: Sofra Group

# Yaşar Büyükçetin Managing Director



# Turkey has a rapidly growing economy

- GDP of \$800bn, up from \$230bn in 2002
- Expected to be fastest growing OECD economy in 2011 - 2017
- Forecast to have 3rd highest growth rate globally by 2017, behind China & India
- Over \$100bn of foreign direct investment over last 9 years



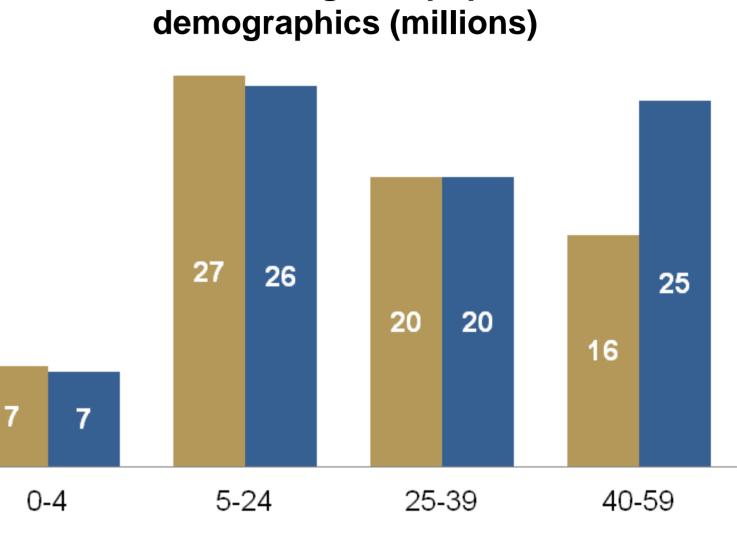


# And positive demographics

- Population of 76 million
- Estimated to grow to 100m by 2023
- Average age of 29
- Labour force: 28 million
- Student population: 25 million



148





Age

# **Forecast changes in population**

2010 2023



# Compass is present across the country



- HQ in Istanbul; 13 regional offices
- 19,000 employees in 2,000 units; 8<sup>th</sup> largest employer in Turkey
- Significant progress on HSE





# Wide ranging client base: Domestic & international clients











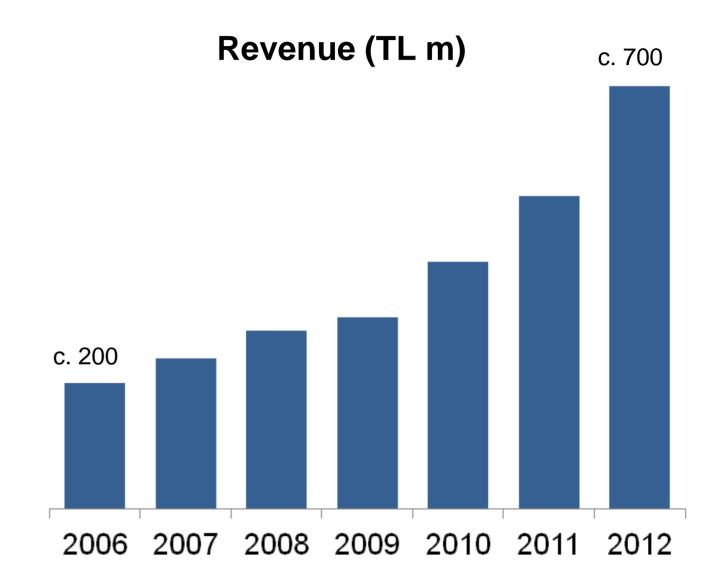
# We have delivered strong revenue and margin growth

- Revenue more than tripled
- Average annual organic growth of c.15%
- Some infill M&A

151

Margin improved by over 300 basis points 

# 



Note: above numbers on a pro forma basis, assuming 100% ownership of Sofra before 2011 Acquired Obasan in 2011





# Drivers of organic growth

- Strong new business
  - Improving retention

- Pricing reflects inflation
  - Positive like for like volume growth



# Looking forward - Food service market opportunity

- Private sector food service market of c.TL 8bn
- Currently 36% outsourced; growing rapidly
- Compass has a market leading position
- 90% of private sector market self operated or with small regional players
- Public sector 3x larger and less penetrated...a focus for the future

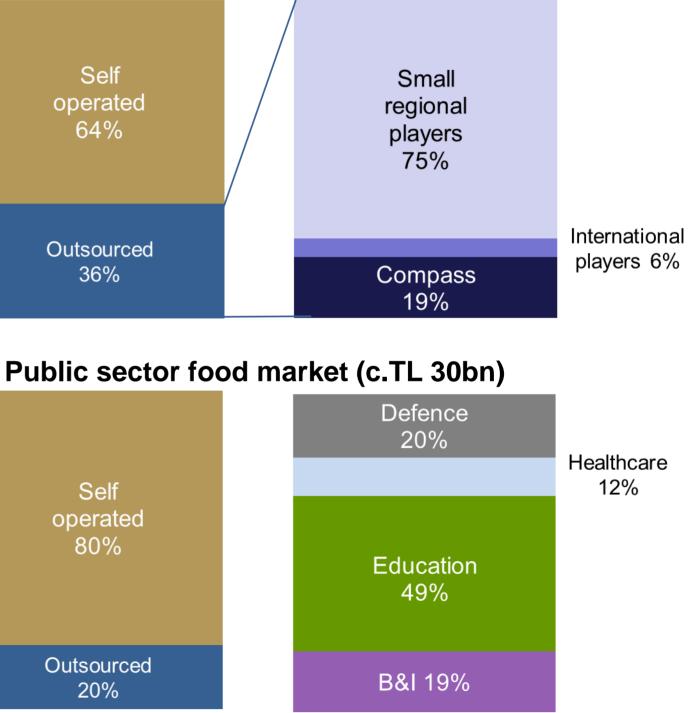
# Self operated 64% Outsourced 36%

Self operated 80%

Outsourced 20%

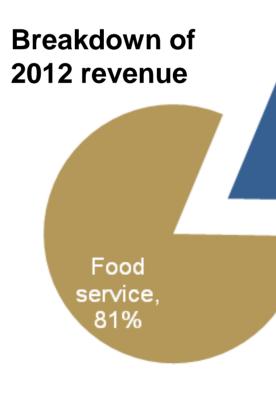


#### Private sector food market (c.TL 8bn)



Opportunity in support services

- Large support services market, 32% outsourced & growing
- Now 19% of Compass Turkey revenue
- Focus on cleaning and security
- Some demand from international companies for multi services
- Good opportunities to cross sell



# Private sector support services market (c.TL 12bn)

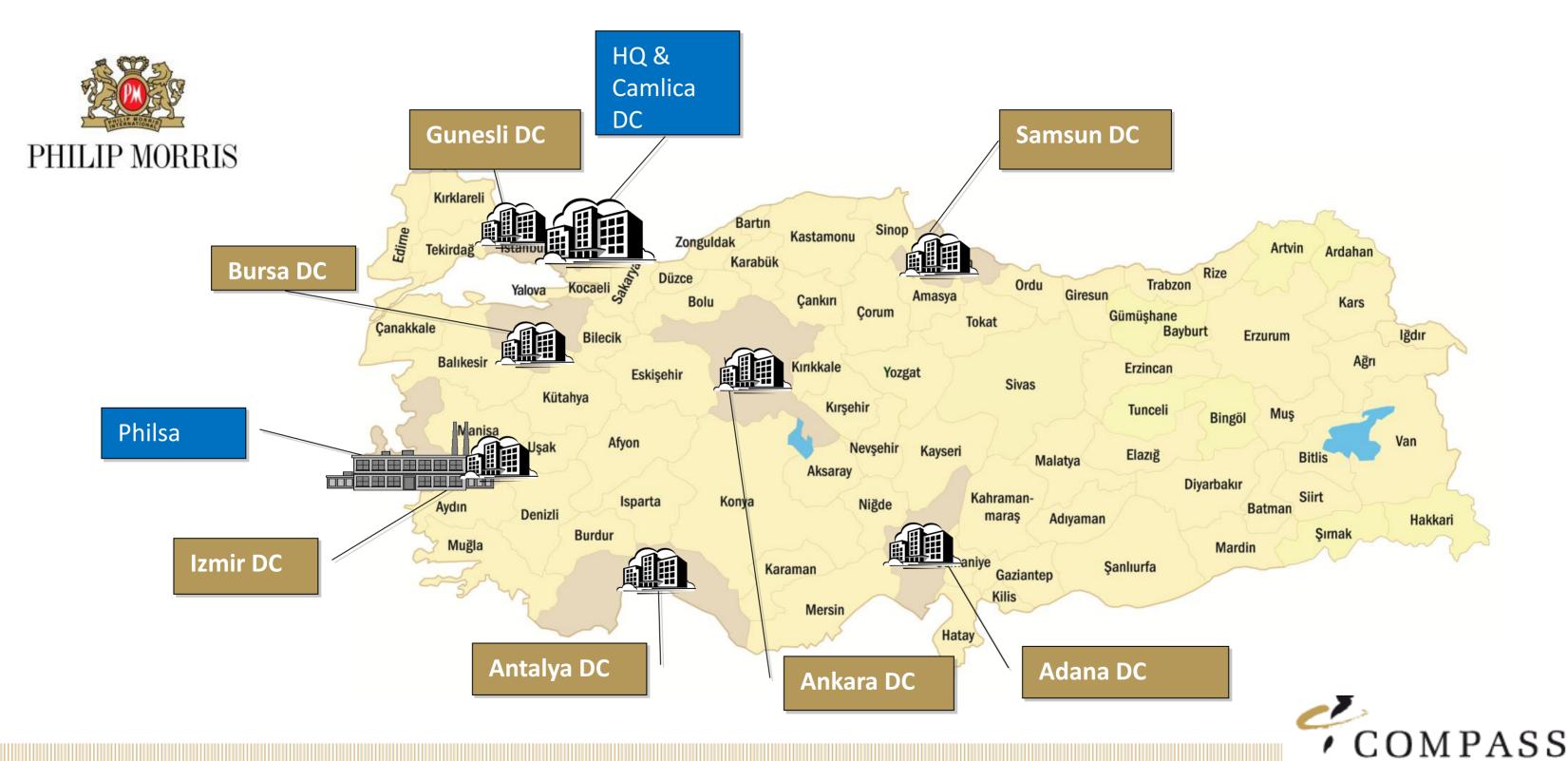


Outsourced, 32%

> Support and multi ser∨ice, 19%



# For example, Philip Morris



GROUP



#### **Overview**

- Multi services contract
  - 5 year contract and renewable
  - Annual turnover of €10m
  - 500 employees deployed

#### **Service Delivery**

- - Food service
  - Cleaning
  - Business & office services
  - Light Maintenance
  - Outdoor services

#### **Benefits to the Client**

- Single point of accountability for service delivery
- Lower cost v multiple providers
- Good economies of scale

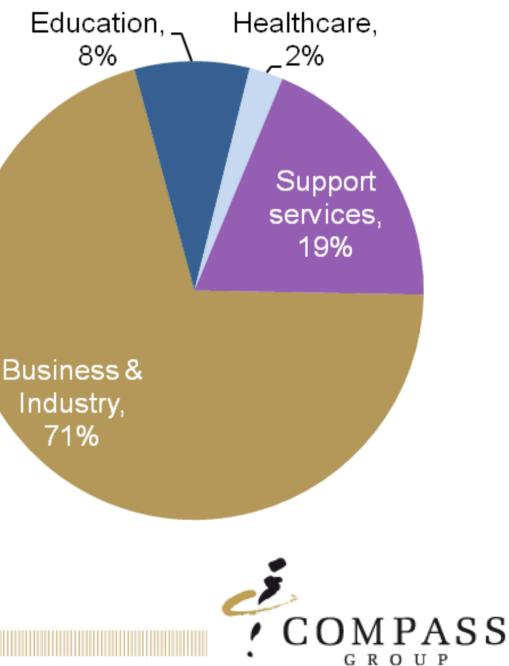
#### From 26 service providers to 1, covering



# There are opportunities to grow from a solid base in **Business & Industry**

- Opportunities in multiple sectors and services
- Large and fast growing country
- Established presence in B&I; still significant opportunities
- Education and Healthcare underpenetrated

#### **2012 Revenue by Sector**



# We will continue to drive further revenue growth and efficiencies

- Continuous focus on HSE and quality
- Good performance to date but more to go
- Positive economic backdrop
- Outstanding opportunities for organic growth, supplemented by infill M&A
- Potential for further efficiencies





# Compass Group Brazil: GRSA

# **Johnny Thomson Managing Director**





# Brazil: Positive fundamentals

- Very diversified economy
- Good demographics
- Improved public financial management
- World Cup / Olympics
- Significant economic growth



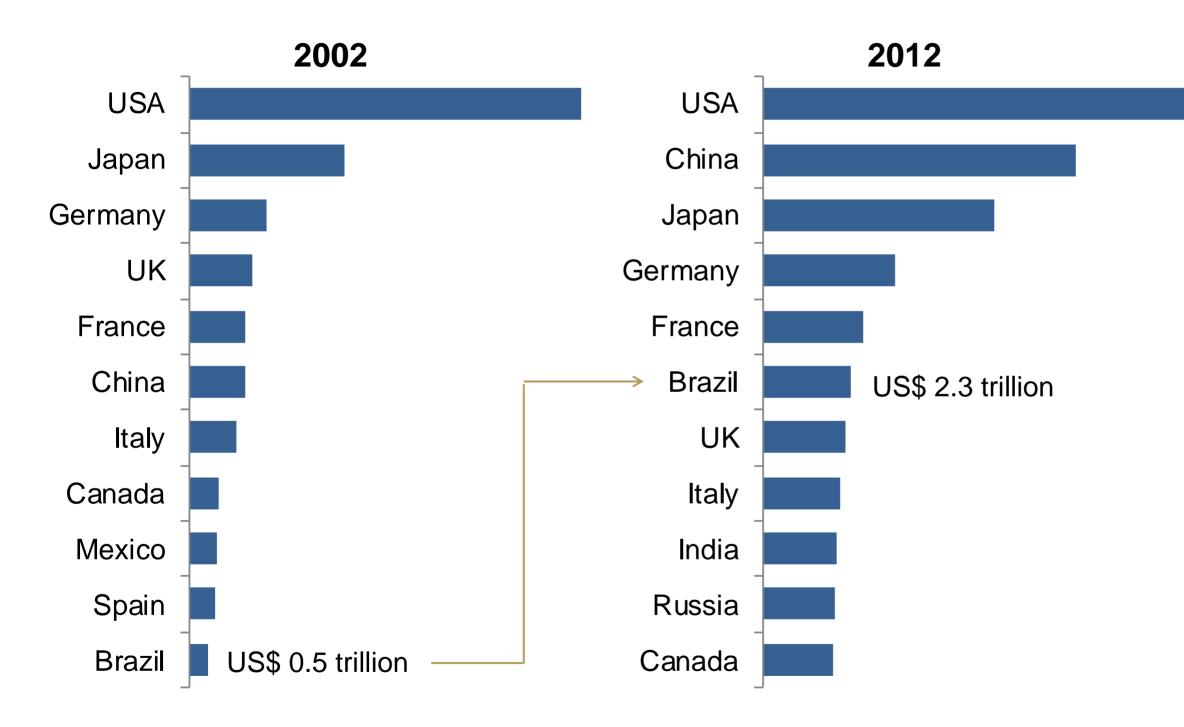






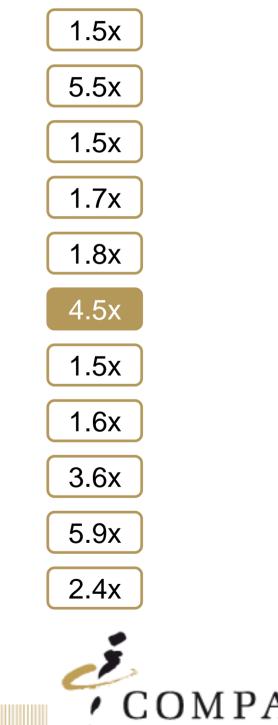


# Brazil's economy has experienced significant growth





#### Growth 2002-12



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# Compass has scale in Brazil

# **36 years**

Experience in Brazil. Market leader

22% Market share

# 2,000+ **Operating Units**



### 1.5 million Meals per day

# 45,000+

Tons of products consumed per month





EM SERVICOS DE SUPORTE

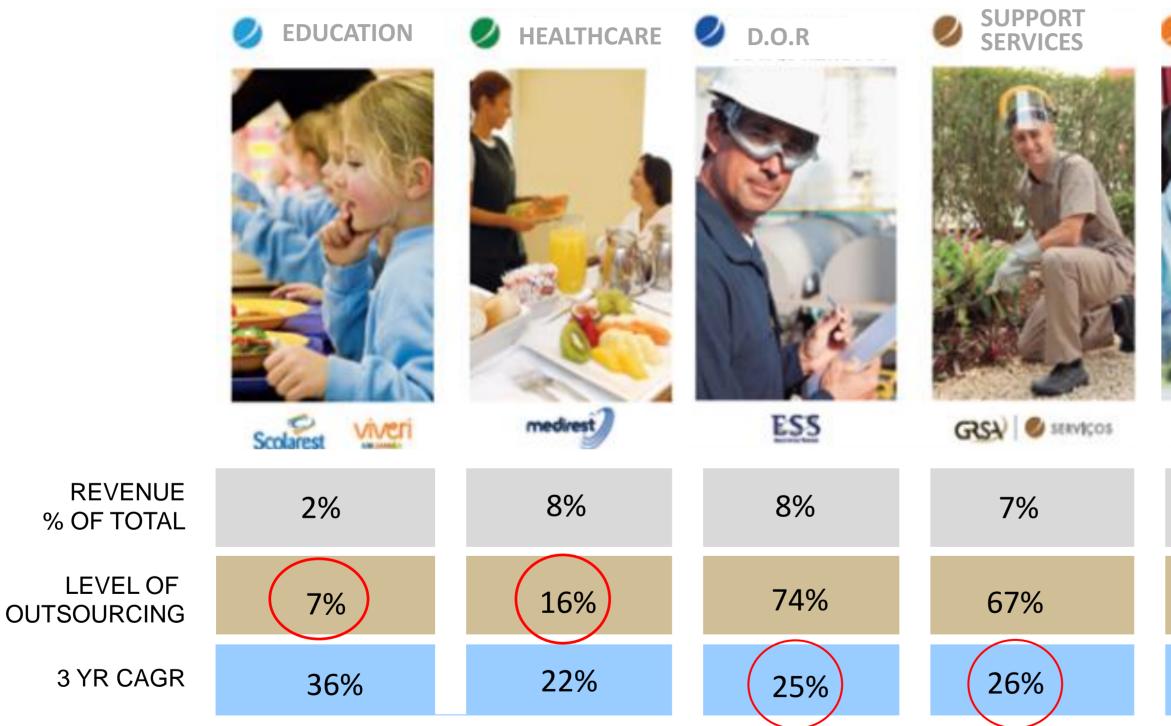
# **R\$ 2.2 bn** Revenue (2011/2012)

## 36,000+ Employees

## 10 +**Support Services**



# Our sector presence / opportunity





### BUSINESS & INDUSTRY

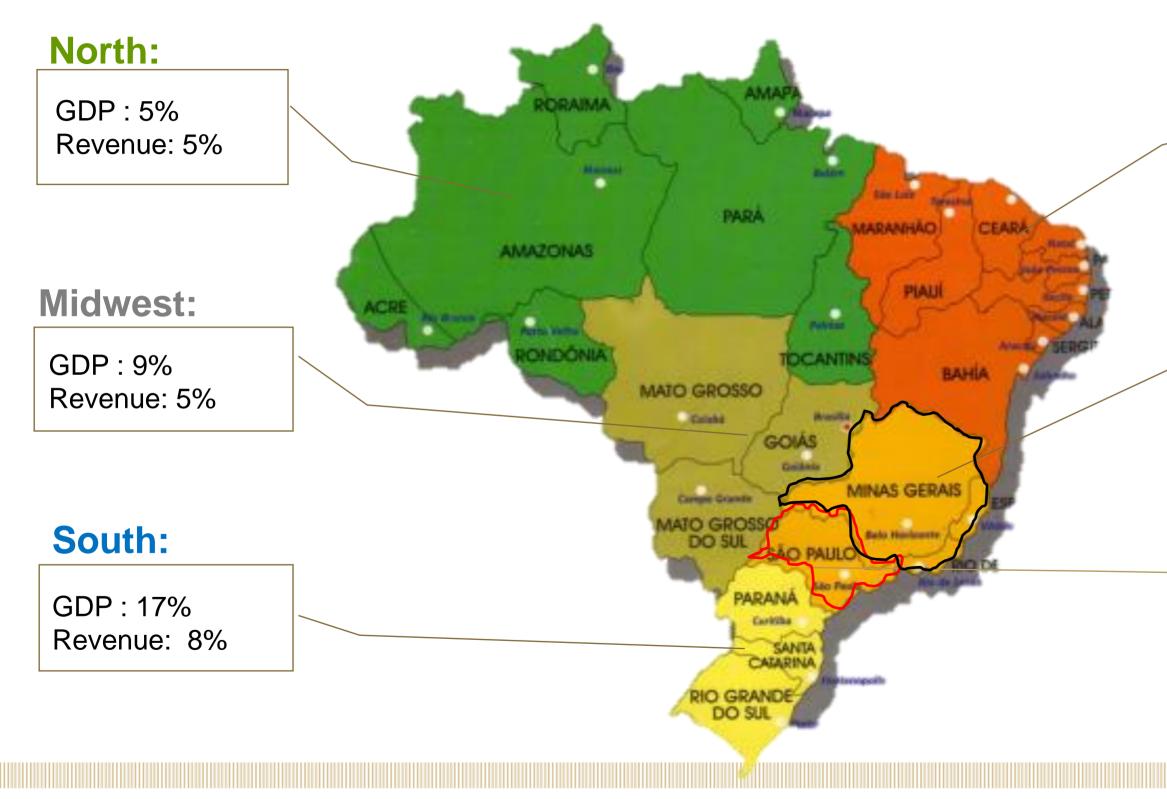


69%

82%



# Our geographic presence / opportunity



#### **North East:**

GDP : 13% Revenue: 10%

# South East (RJ/MG):

GDP: 21% Revenue: 21%

#### São Paulo

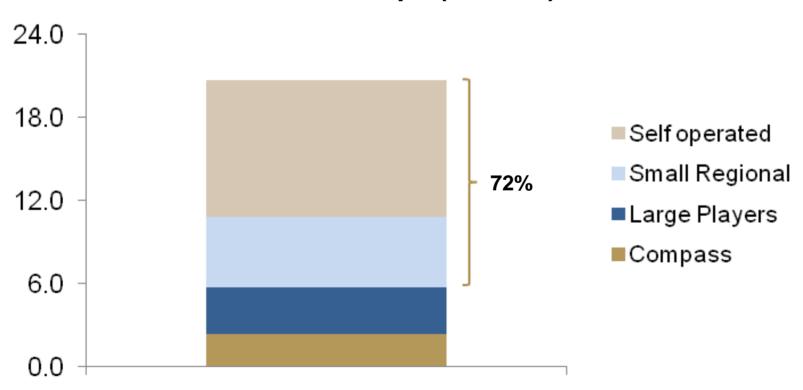
GDP: 34% Revenue: 52%

PASS

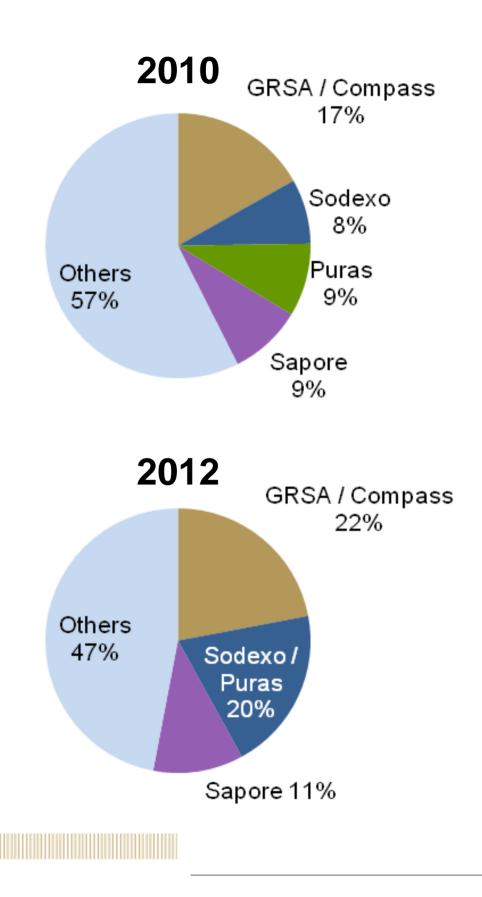
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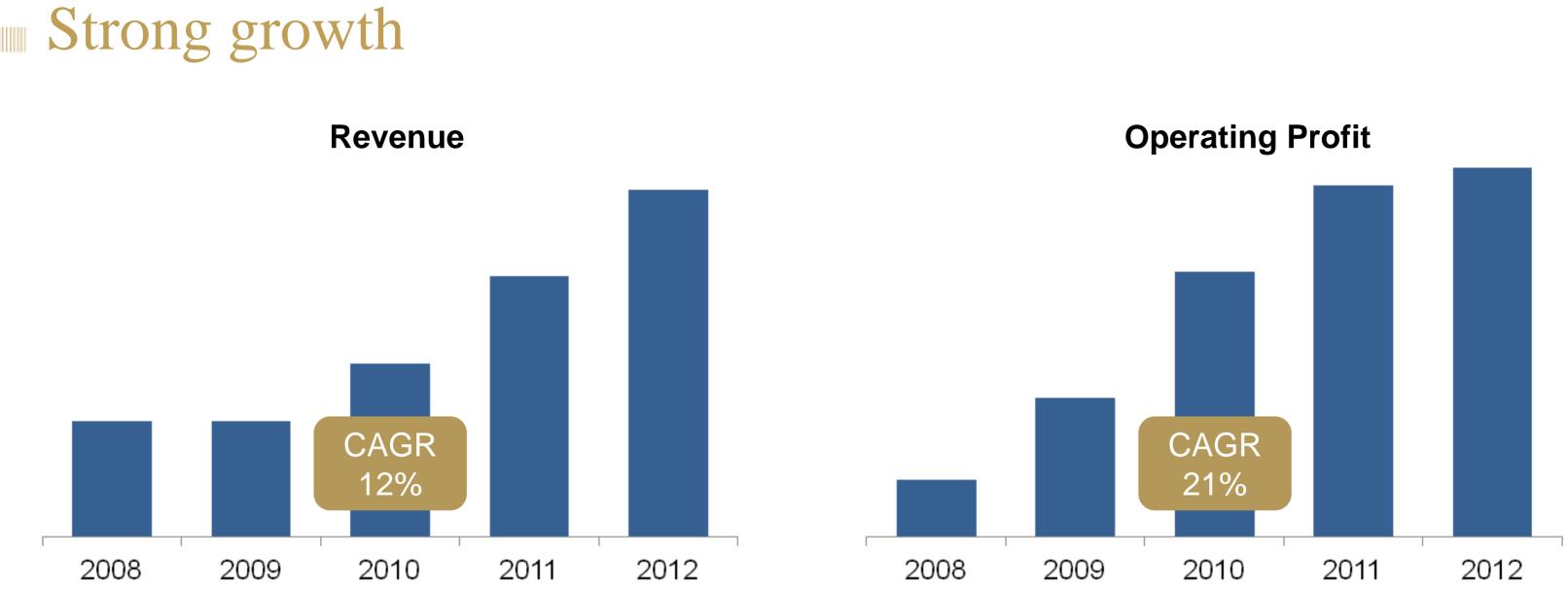
# Competitive landscape / opportunity

- Food service market of c.R\$21bn
- Outsourced food service market of c.R\$11bn
- Market leading position



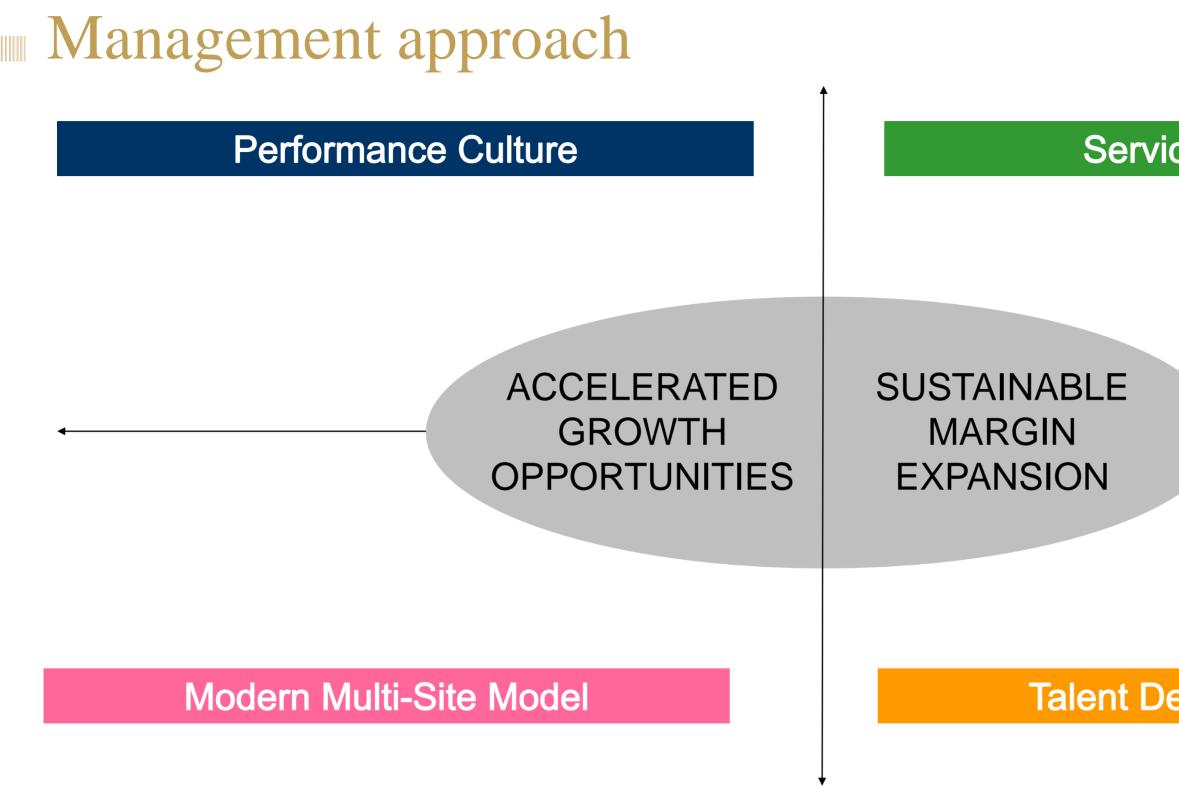
Market landscape (R\$21bn)





- Double digit revenue growth
- Margin expansion of 160 basis points





#### Service Culture

#### **Talent Development**



# Exciting structural growth opportunities



EDUCATION



### Healthcare / Education

- Trend to outsourcing
- Investment
- Professionalized segment management





- SUPPORT SERVICES

HEALTHCARE



**D.O.R.** 

#### DOR > 20%

- Offshore oil/gas discoveries
- Continued minerals resource explorations
- Infrastructure prospects





- **BUSINESS & INDUSTRY**

#### Organic consolidation Professionalising service process Cross-selling to foodservice clients



 Organic consolidation Regional opportunity MAP development



# Sustainable efficiencies to drive growth





# 

- Logistics platform
- Purchasing consolidation / maturity
- Menu management development



# MAD 4

- **Operational labour turnover**



# **MAP 5**

# Systems-driven labour productivity Leveraging overhead structure



# Case study - Healthcare

- Most respected hospital in Brazil
- Our services: Patient room service + Commercial restaurant + Employee restaurant
- Facts: 223 employees / R\$12m revenues
- Contract renewed to 2017
- Success Factors:
  - Consistent quality (98% satisfaction)
  - Innovation: Compass best practice
  - Senior management relationships

170











# Case study - Support services

- One of the largest Telecom operators in Brazil
- 35 sites in São Paulo and Rio de Janeiro
- Our services: Cleaning
- Facts: 400 employees / R\$17m revenues
- Contract initiated in October 2012
- Success Factors
  - Centralized Recruitment / Integration model
  - Investment in machinery
  - Senior management relationships







# Case study - Education

- Largest private school in Brazil (11,000 students)
- Our services: 7 Restaurants + 15 Canteens + Lunch kits
- Facts: 145 employees / R\$14m revenues
- Contract initiated in February 2013
- Success Factors:
  - Personalized attendance
  - Eat Learn Live concept
  - Senior management relationships













- Excellent growth to date
- Continuing to professionalise management
- Exciting structural growth opportunities remain



# COMPASSGROUP



