



26 September 2013

**Compass Group PLC**  
**Trading Update**

This statement updates investors on the Group's progress in the current year to 30 September 2013. We will announce our full year results on Wednesday 27 November following our normal year end close process.

**Group**

Compass has delivered another good performance in the fourth quarter of the financial year and our expectations for the full year remain positive and unchanged. For the full year, organic revenue growth at constant currency is expected to be just over 4%. Including the contribution from acquisitions, revenue growth is expected to be towards 4.5%. The operating profit margin for the full year is expected to be over 7% for the first time, and 20 basis points higher than last year. Free cash flow conversion remains strong.

Organic revenue growth in the year has been driven by strong levels of new business wins, good retention rates and modest inflationary price increases. Overall for the year, like for like volumes are expected to be broadly flat in North America, negative in Europe & Japan and positive in Fast Growing & Emerging.

Through the application of our operating framework, MAP, we have generated further efficiencies in the year. These are helping to partially offset the difficult economic environment in Europe and allow for reinvestment to capture the significant growth opportunities around the world as well as underpinning further progress in the operating margin.

**North America**

Organic revenue growth throughout the year has been strong, with excellent levels of new business wins and consistently high retention. We have seen good performances across all sectors, with particularly strong growth in Healthcare and Education which have this year benefitted from the new Ascension Healthcare and Texas A&M contracts. Together these two new contracts have added over 2 percentage points to organic revenue in the year. Overall, for the full year we expect organic revenue growth to be around 7.5% and the operating margin to improve by 10 basis points.

**Europe & Japan**

Trading in the fourth quarter has continued in line with our expectations and the trends across the region are largely unchanged. Whilst we continue to see good levels of new business in some countries, including France, Spain and the Nordics, the retention rate has been impacted by the cumulative effect of our planned exit of certain uneconomic contracts and business closures. Challenging economic conditions continue to impact like for like volumes, in particular in Southern Europe. Overall, we expect organic revenue growth for the full year to decline by around 3%. The cost reduction plans announced in September 2012 have progressed well and are on track to deliver the planned savings in the year. In addition to this we have generated further efficiencies across MAP 3, 4 and 5. In combination this has

resulted in an expected 50 basis point improvement in the full year margin compared to last year.

### **Fast Growing & Emerging**

Organic revenue growth for the full year is expected to be around 10%, driven by both new business wins and like for like revenue growth. Whilst we have seen a modest slow down in some emerging markets, we continue to experience strong performances in Brazil, Turkey, India and China. Our Australian business has also performed well despite slower growth in the natural resources sector. We see many new business opportunities in the region and are committed to investing in management and infrastructure to support this. As part of this commitment we have rolled out a new regional management structure, the benefits of which are already being seen. The cost of this investment is in part being funded by efficiencies but in the short term it has had some impact on operating margin. For the full year, the margin is expected to decline by around 20 basis points compared to last year.

### **Financial position**

We have committed around £105 million on acquisitions in the financial year to date. During the year, the Group has continued with its £400 million share buyback programme. As at 25 September 2013, 35.5 million shares have been purchased for cancellation for £296.3 million, and the programme remains on track to complete within the calendar year. During the Group's close period between 1 October 2013 and 27 November 2013, the Company intends to continue its existing share buyback programme. The repurchases made during the period will be managed by an independent third party.

Other than the above, there has been no significant change in the strong financial position of the Group in the period since our Interim Management Statement on 24 July 2013.

### **Currency**

Trading results from our overseas operations are converted at the average exchange rates for the year. The impact of the movement of these currencies is translation only. Despite some strengthening of sterling against the key currencies (US dollar, Euro, Yen and FG&E currencies) towards the year end, overall for the 2013 financial year the translation impact is expected to be very limited.

### **Summary and Outlook**

Compass has had a good year, delivering solid organic revenue growth and a 20 basis points increase in the Group operating margin. Our expectations for the full year therefore remain positive and unchanged. North America and Fast Growing & Emerging, which together account for two thirds of Group revenue, have delivered strong organic revenue growth and the operating margin in North America is now expected to be over 8%. Looking ahead to next year, the pipeline of new contracts is encouraging and we expect to see further good performances in these regions. We anticipate economic conditions in Europe to remain challenging. However, the actions we are taking give us confidence that we will continue to be able to manage the profit impact of ongoing weakness in like for like revenue.

Looking forward, we remain very positive about the opportunities to grow the business and we are well placed to capitalise on the significant structural growth potential in both food and support services globally. We also expect to deliver further cost efficiencies which will help to support future growth and enable us to make further progress in the operating margin. As a result we remain confident in our ability to continue to create significant value for our 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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