



30 July 2014

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

This statement updates investors on the Group's progress in the period since 31 March 2014.

### **Group**

Compass has delivered another good performance in the third quarter of the year with North America and Fast Growing & Emerging markets seeing good levels of growth and conditions in Europe & Japan continuing to improve. Organic revenue growth for the Group in the quarter was 4.0% on a comparable working days basis<sup>1</sup> and 3.9% for the nine months to 30 June 2014.

We have continued to drive efficiencies across the business using our performance management framework, MAP. These efficiencies are in part being reinvested in exciting growth opportunities around the world and helping us to manage negative volumes in parts of Europe. They are also enabling us to deliver further improvement in the operating profit margin, which has increased by 10 basis points in the quarter and for the nine months to 30 June 2014. Free cash flow conversion remains strong.

### **North America**

We have delivered another strong performance in North America. Year on year organic revenue growth in the third quarter was 6.5% on a comparable working days basis<sup>1</sup>, and 6.4% for the nine months to 30 June 2014, reflecting high levels of new business and good retention rates across all sectors. Like for like volumes remained broadly flat.

We continue to see steady progress on the margin with around 10 basis points increase in the third quarter compared to the same period last year.

### **Europe & Japan**

The more positive trends seen in the first half have continued into the third quarter with organic revenue declining at the slower rate of 1.2% on a comparable working days basis<sup>1</sup>, 1.8% for the nine months to 30 June 2014. The contract exits related to the 2012 cost reduction programme were largely completed during the third quarter and volumes, although still negative overall, are showing signs of improving. The investments we have made in sales and retention teams are being reflected in an encouraging pipeline of new business.

In line with expectations, we have increased the operating profit margin by a further 10 basis points in the quarter and 20 basis points in the nine months to 30 June 2014.

### **Fast Growing & Emerging**

We continue to deliver good organic revenue growth in the Fast Growing & Emerging region. Double digit growth in the emerging markets has been moderated by an acceleration in the slowdown of the Australian offshore and remote sector, resulting in organic revenue growth of 6.5%<sup>1</sup> in the quarter and 8.4% for the nine months to 30 June 2014.

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<sup>1</sup> Excluding the impact of the timing of Easter and other working days, which account, in the third quarter, for 0.8% at Group level, 0.5% in North America, 1.0% in Europe & Japan and 0.5% in Fast Growing & Emerging.

As stated in our interim results in May, the benefit from the investments made in the region has started to flow through to the operating profit margin, which increased by 30 basis points in the third quarter.

### **Financial Position**

We have committed around £100 million to infill acquisitions in the financial year to date. We have also received US\$40 million (approximately £23 million) relating to the disposal of a small non-core support services business in North America.

During the period, the Group completed the £1 billion Return of Cash to shareholders announced in our interim results on 14 May 2014. As a result of the associated share capital consolidation, in which every 17 Existing Ordinary Shares of 10 pence were consolidated into 16 New Ordinary Shares of 10 5/8 pence, the total number of Ordinary Shares in issue as at 8 July 2014 was 1,681,091,168. As part of the funding for the Return of Cash, the Group issued a new £250 million bond due 2026 with a 3.85% coupon, and a new €500 million bond due 2023 with a 1.875% coupon. It also increased the commitment in its existing revolving credit facility to £1 billion while extending the maturity to June 2019.

The £500 million share buyback programme announced in November 2013 will resume following the completion of the Return of Cash on 29 July 2014. No shares were repurchased during the three months to 30 June 2014.

### **Currency**

Trading results from our overseas operations are converted at the average exchange rates for the year. In the third quarter of 2014, sterling has continued to strengthen against many of the Group's key currencies (including the US, Canadian and Australian dollars, the euro, yen, and Brazilian real). If the current spot rates were to continue through the fourth quarter of 2014, we would expect a negative currency impact of 7.3% or £92 million on the 2013 full year underlying operating profit, and a 6.9% or £1,204 million impact on the 2013 full year revenue. The impact of currency movements on revenue and profit is translation only.

### **Summary & Outlook**

Compass has had a good third quarter. We have delivered healthy levels of organic revenue growth and our ongoing focus on driving efficiencies has resulted in a further increase in the operating profit margin in all three regions.

As we look out to the fourth quarter, our overall expectations for the full year remain positive and unchanged, notwithstanding the translation of ongoing movements in foreign currencies. The pipeline of new contracts is encouraging and our continued focus on efficiencies gives us confidence in another period of delivery.

Looking to the longer term, we remain excited about the significant structural growth opportunities in our markets globally, Compass's strong position within these markets, and the potential for further revenue and margin growth.

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## Note to Editors

- a) Compass Group PLC is a world leading food and support services company, which generated annual revenues of £17.6 billion in the year to 30 September 2013. 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, Healthcare & Seniors, Education, Defence, Offshore & Remote, 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.

- e) 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).