



27 March 2014

Compass Group PLC
Trading Update

This statement updates investors on the Group's progress in the current year, ahead of the announcement on 14 May 2014 of its results for the half year to 31 March 2014.

Group

Compass has had a good start to the year. Organic revenue growth for the first half is expected to be just over 4%, with an increase in the operating profit margin of around 10 basis points. Organic revenue in the first half has been driven by continued high levels of new business, stable retention rates and positive like for like revenue growth. Organic revenue growth of just over 4% includes a benefit of approximately 0.4% from the timing of Easter, which will reverse in the second half. The underlying trends in our three regions have been consistent throughout the first two quarters with strong growth in North America and the Fast Growing & Emerging region and signs of stabilisation in Europe & Japan.

The ongoing focus on embedding our Management and Performance (MAP) programme deeper into the organisation has enabled us to deliver further operating efficiencies and achieve good leverage of our overhead base. We are using these efficiencies to invest in the exciting growth opportunities in the business and to underpin operating profit margin expansion, which in the first half of the year is expected to be around 10 basis points. Underlying free cash flow is expected to remain strong.

North America

Trading is positive in North America. In the first half of the year we have again seen high levels of new business, particularly in the Healthcare & Seniors and Education sectors and good organic growth in Business & Industry. Excellent retention rates and positive like for like revenue growth underpin this strong performance. On a comparable working days basis, we expect organic revenue growth for the first half to be around 6%. The operating profit margin is expected to make further steady progress, increasing by around 10 basis points compared to the same period last year.

Europe & Japan

Economic conditions in Europe & Japan continue to stabilise. The increased focus on MAP 1 (client sales and marketing) is starting to deliver and we have seen good levels of new business, in particular in UK & Ireland, France, Spain and the Nordic region. We are also seeing a solid improvement in underlying retention as we roll out best practice across the region. As expected, the reported retention rate continues to be impacted by the planned exit of certain uneconomic contracts. Like for like volume remains negative, a reflection of the economic conditions in some countries.

Overall, we have seen a modest improvement in organic revenue performance in the first half of this year compared to the second half of 2013. On a comparable working days basis, organic revenue is expected to have declined by just under 2.5%. Good progress on cost reduction and operational efficiency (MAP 3, 4 and 5) is enabling us to improve the operating profit margin, which in the first half is expected to increase by approximately 30 basis points.

Fast Growing & Emerging

The slowdown in the Australian mining sector has developed in line with our expectations and whilst organic revenue continues to grow, it is at a lower rate than during 2013. In the Emerging Markets, despite economic challenges in some countries, organic revenue growth remains double digit. This growth is being driven by strong levels of new business as the structural shift to outsourcing accelerates. We have seen particularly good performances in Brazil and other parts of Latin America, Turkey, India and China. Overall, on a comparable working days basis, we expect organic revenue growth in the first half in the Fast Growing and Emerging region to be around 9%.

We have made further good progress in driving operating efficiencies. However, the investments made, in particular in embedding the new regional management structure in the second half of 2013 will continue to flow through into the first half of this year and hence the operating profit margin is anticipated to decline by around 50 basis points in the first half. We expect the impact of this to reverse in the second half of this year.

Financial position

Since 30 September 2013, we have committed c. £75 million to infill acquisitions. The Group announced a further £500 million share buyback at its final results in November 2013, which commenced in January 2014. As at 26 March 2014, 10 million shares have been purchased for cancellation for a total of £95 million.

Currency

Trading results from our overseas operations are converted at the average exchange rates for the year. In the first half of 2014, sterling has continued to strengthen against many of the Group's key currencies (including the US and Canadian dollars, Euro, Yen, Australian dollar and Brazilian real). For the half year, we expect a negative currency impact of approximately 5.5%, or £486 million, on revenue and 5.7%, or £37 million, on underlying profit. If the current spot rates were to continue through the second half of 2014 we would expect a negative currency impact of 5.9%, or £1,029 million, on 2013 full year reported revenues and 6.2%, or £78 million, on 2013 full year underlying profit. The impact of currency movements is translation only.

Change of Auditor

We also announce today that following a competitive tender process, as referred to in the 2013 Annual Report and Accounts, Compass has appointed KPMG LLP as auditor of Compass Group PLC. As a consequence Deloitte LLP has tendered its resignation. Deloitte has been a professional, constructive and trusted advisor to the Company for a number of years and the Directors would like to thank them for their services and look forward to working with them in the future on a range of non-audit services.

Following the resignation, the Company has appointed KPMG LLP in accordance with the Companies Act 2006. Shareholders will be invited to approve KPMG LLP's re-appointment at the Annual General Meeting to be held on 5 February 2015.

Summary & outlook

Compass has had a good start to the year and our expectations for the full year remain positive and unchanged, notwithstanding the translation impact of ongoing movements in foreign currencies. The pipeline of new contracts is encouraging and our focus on efficiencies gives us confidence in another year of delivery. In the longer term, we remain excited about the significant structural growth opportunities in both food and support services globally 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.