2015 Half-Year Results

COMPASS GROUP

Richard Cousins

Group Chief Executive

Good morning and thank you for joining us. Today we have the usual agenda and, of course, there will be plenty of time for questions and answers at the end.

Before Dominic takes you through the financial detail I'd like to begin by making a few comments on the business highlights.

I'm delighted to report that Compass has delivered another strong set of results. Organic revenue was up 5.7% reflecting our increased focus and investment in growth.

We've delivered a further 10 basis points of margin expansion as we've continued to drive efficiencies throughout the business.

Importantly, earnings per share were up by 12% and we're proposing to increase the dividend by roughly the same amount.

And on that positive note I'll hand over to Dominic for the finances.

Dominic Blakemore

Group Finance Director

Thanks, Richard, and good morning. First, let's take a look at revenue. Organic growth for the half year was 5.7%. Although sterling has weakened, against the US dollar, this has been more than offset by its strength against many of the Group's other key currencies giving rise to a 0.6% negative impact from currency translation.

Overall reported revenue increased by 4.7%.

We've again delivered an excellent performance in North America with organic growth of 8.2%. This has been driven by good levels of new business wins and unusually high retention rates. There has been some like-for-like volume improvements in parts of the US business.

We're pleased to see Europe and Japan return to grow delivering nearly 1% organically. This encouraging performance reflects the investments we've made in our sales and retention process in recent years.

Like-for-like volumes, while recovering, remain negative.

Strong growth in our emerging markets of around 14% is driven by new business and the ongoing structural shift to outsourcing.

We are, however, seeing more weakness in our defence offshore and remote sector, soft like-for-like volumes in a number markets and the expected decline in Australia. So, as a whole, the super-region delivered organic growth of 7.7%

Reported operating profit at GBP688m reflects good organic growth. The negative roll from the KIMCO disposal made in the second half of 2014 is offset by a few small in-fill deals in North America, in line with our strategy. So, no net impact from M&A.

For the half year the overall impact of currency translation was broadly neutral. However, currencies are volatile. At Friday's closing rates when the books were prepared, FX translation for the full year would have been a small benefit. At today's rates, it's a small negative impact and, of course, this will move again. Full details of our major currency sensitivities are given in the supplementary slides and please remember, this is only a translational impact.

Taking a look at operating profit and margin on a constant currency basis, North America has made further good progress with 8.2% profit growth. With significant investments in top line growth, in part, offsetting ongoing operational efficiencies, we've delivered 5 basis points of margin progression.

In Europe and Japan we continue to balance reinvestment for further organic growth with good progress in operational efficiencies delivering margin progression of 10 basis points.

Operating profit growth was 3.8% in fast growing and emerging and we've made further progress in driving operating efficiencies and reinvesting as appropriate to support the growth agenda. However, the weakness in like-for-like volumes in some emerging markets and pressures in our offshore and remote business resulted in a margin decline of 10 basis points. Richard will talk a little bit more about this later.

Overall, we've delivered a 6.5% increase in constant currency operating profit and moved the margin forward by a further 10 basis points to 7.5%.

Let's now look at the income statement. Focusing on the underlying columns, the net finance cost has increased by GBP12m to GBP51m. This reflects the additional debt required to finance the GBP1b return of cash last summer. For the full year we expect the cost to increase to around GBP110m. This equates to an effective interest rate around 3.5% on gross debt.

The underlying tax rate at 25% remains unchanged from last year and we expect the P&L rate to continue to average out at around this level in the short to medium-term.

So, overall, we've delivered an underlying basic earnings per share of 28.4p.

If we now look at the progression in our underlying earnings on a constant currency basis you can see the 7% increase in operating profit converts through to a 12% increase in constant currency earnings per share. This reflects 4-percentage point benefit from the GBP1b return of cash last year.

We've delivered another good free cash flow performance. CapEx continues to track at the 2.6% of revenue level, in line with our expectations.

Working capital reflects the normal half-year seasonality and some investment in emerging markets which have a less efficient working capital profit. For the full year we expect working capital to be slightly negative.

The underlying cash tax rate is 20%, reflecting the fact that fewer tax payments are made in the first half. We expect the full year cash tax rate to be in the low to mid-20s. We continue to make good progress in generating free cash flow and remain positive about the future.

Now let's take a look at the balance sheet. Opening net debt was GBP2.4b. We spent GBP58m on M&A and GBP295m on dividends. We've now completed just over GP340m of the current GBP500m share buyback programme and we expect to complete the remainder during 2015. So, closing net debt was GBP2.7b, equivalent to a net debt to EBITDA ratio a little over 1.5 times.

We have clear priorities for how we use our cash flows. We'll continue to invest in CapEx to support organic growth where we see good returns. We remain committed to growing the dividend in line with earnings and we use discipline when investing in M&A. After making these investments we'll maintain an efficient balance sheet to return to shareholders.

We'll continue to maintain strong investment grade credit ratings, which we believe gives us the right financial flexibility to both maintain a competitive advantage and to create shareholder value. We believe this is broadly equivalent to a net debt to EBITDA ratio of around 1.5 times. We'll, therefore, no longer set an annual buyback target, but continue to return cash to shareholders through share buybacks or other means while maintaining a net debt to EBITDA ratio of around 1.5 times.

So, to conclude, as you can see from this slide, we delivered a strong financial performance across the board and with that I will hand back to Richard.

Richard Cousins

Group Chief Executive

Thanks, Dominic. Over the next 20 minutes or so I'll cover our strategy, our performance for the half, and the significant opportunities for growth we see across the Group.

Our strategy is clear and unchanged. Food is our core competence and we take an incremental approach to support services. The contract food service market is estimated to be more than GBP200b a year and there is a large structural opportunity for growth given that over 80% is still operated by either in-house providers or small regional players. We use our scale to purchase more efficiently and leverage our cost base.

Our sectorised approach allows us to focus on client types and to innovate, while our global reach enables us to spread best practice.

And, finally, we use our increasingly aligned culture and excellent people to drive performance.

We've been rewarded for our increased focus on organic growth. New business was 8.5% driven by strong performances in all regions. We have 5.5% of lost business and like-for-like revenue growth of 2.7%, reflecting modest price increases and slightly improving volumes. As a result, organic revenue growth was an exciting 5.7%.

Let's now look at each of the regions in turn.

The Group's core growth engine is North America where we've had another excellent half. Organic revenue growth was 8.2% driven by strong new business and unusually high retention. Like-for-like volumes picked up a little due to some improvement in consumer confidence partly offset by weakness in the oil and financial services sectors. While 8.2% may not be a sustainable growth rate, I remain really excited by the prospects for the North American business.

Let's focus on the far right-hand column and explode it by our traditional five sectors. As you can see, every sector has great growth potential. In business and industry, there is the dominance of the regional players, whilst in healthcare and education there are still a large first time outsourcing opportunity.

In North America today we now have over 20 sub-sectors and we use our portfolio of B2B brands to tailor our offering to different market segments. For example, in business and industry we have premium concepts like Bon Appetit and Restaurant Associates and value propositions like Eurest and Canteen.

In healthcare, we have different sub-sectors for food and support services and for hospitals and senior living.

And in education, we have separated universities from state and private schools.

Sectorisation has been one of the reasons for our success in North America. It encourages the necessary specialisation, ownership and client focus while at the same time allowing us to benefit from scale in terms of purchasing and fixed costs.

We're beginning to incorporate more innovation into our strategy and here are a few examples. Office coffee is a good growth opportunity. Consumers want a better and more customised product and employers want to be able to offer their employees an attractive proposition at a sensible cost. We like it because it uses little capital, requires no on-site labour and is network based, so we can leverage our existing vending business. Although it is relatively small with sales of around $200m, office coffee is growing more than 20% per year.

We're increasing our investment in digital to improve our performances in MAPs 1 and 2. Examples include social media to engage with consumers in higher education. We're increasing the speed of service with kiosks and mobile payments. In addition, we're using data analytics to gain greater consumer insights.

Moving on to Europe and Japan, which I'm delighted to report has returned to growth. Revenue grew by nearly 1% as our investments in sales and retention starts to bear fruit and while volumes are still negative, they are stabilising.

Margins improved 10 basis points in the first half. We drove significant efficiencies in purchasing and labour which were partly reinvested to support the top line.

As well as some economic improvement, investing in sales and retention has been key to turning around Europe and Japan. We have upskilled the team and given them more and better training. New business wins have increased by 2 percentage points since 2012 and now all the large countries in the region have a dedicated Retention Director. Our progress to date is really encouraging, but there is still a lot more to do.

We've been able to put new intensity behind MAP 3, that's the cost of food, through the WAVE programme. It's a bottom up approach to rationalise the number of SKUs. We're taking a structured approach in country and at the regional level, starting with the higher spend items like meats and dairy. Savings will come through in two phases. Initially, there are benefits from the removal of uneconomic low volume products and then there will be savings from re-tendering a more attractive product portfolio.

The UK is a great example of how we are forging a new growth culture in Europe. Performance has improved significantly with revenue up by mid-single digits due to strong net new business. Margins are improving and there are still opportunities for product rationalisation and better labour utilisation.

Recently, we bought Acquire. It's a medium-sized food purchasing business which will allow us to replicate our extremely successful US procurement model Foodbuy.

In the fast growing and emerging region we delivered strong growth in the half with organic revenue up by 7.7%. Despite a mixed economic backdrop, growth in emerging markets accelerated nicely to 14% with strong levels of new business offsetting the slowdown in Australia.

Operating margins declined slightly in the half. Productivity gains were offset by reinvestment in MAP 1 initiatives and the impact of weak like-for-like volumes in some emerging markets.

Let's look at each of the sub-regions in turn, beginning with CAMEAT, as we call it.

Turkey had a strong half with an excellent win rate. However, over recent months, like-for-like volumes have come under pressure and the inflationary environment has worsened.

In the Middle East we have had good growth across all sectors except for offshore remote which has inevitably seen some weakness.

Our business in South Africa continues to have strong new business wins, especially in healthcare where we are seeing an increased trend to first time outsourcing.

Performance in Asia Pac continues to reflect the slowdown in Australian commodities. However, we are taking swift and decisive action to restructure our operations and grow in other sectors besides DOR and we have already had some success in both B&I and education.

The rest of the region enjoyed good revenue growth. The trend to outsourcing continues driven by an increased focus on health, safety, and governance with excellent growth in India where we have won food service contracts with Ceat Tyres and additional support services contracts with the Reliance Group.

In China, we have won some nice new business with Dulwich College, an international school in Beijing, and extended our existing relationship with Tencent.

I've just come back from a Latin American tour and was pleased with progress, although there is a mixed economic backdrop. Net new business in Brazil continues to very strong, but like-for-like volumes are weakening. We're actively managing the cost base and as the market leader with an increasingly competitive model, we are well placed to strengthen our position further.

In the rest of LATAM we saw good growth, particularly in Chile, Argentina and more recently, Colombia.

The uncertain macroeconomic environment in the emerging markets and weak commodity prices presents both challenges and opportunities. Negative like-for-like volumes, clients looking for cost savings, and increasing inflation rates are putting pressure on margins. To help offset this we have reduced headcount in Australia, Brazil, and our Turkish food business by 10%. However, the long-term potential for this super-region is significant and I am confident we can manage the business tightly to consolidate our position as the low cost provider and exploit the structural opportunity to grow the business.

I'd like to stand back for a moment now and tell you what excites me about the Compass Group. This chart gives you a sense of how we think we're doing across each of the MAP areas. In North America, we are excellent in MAP 1. The economy is reasonable, so we have two ticks, as you can see, in the MAP 2 box and we still see opportunities to become more efficient.

Now, had I been doing this chart three years ago for Europe and Japan, I'd probably be giving a series of single ticks and a negative one if that is possible for MAP 2. As you can see, we've improved.

In fast growing and emerging the picture is mixed, but there is still significant potential across the patch.

Our business model remains clear and unchanged. The top of our agenda is growth and we continue to put more focus and resources behind both MAPS 1 and 2, driving new business and retention and consumer sales.

Our obsession with cost - that's MAPs 3, 4, and 5, food, labour, and overheads - is never-ending. There is still considerable opportunity to improve margins.

We invest as required to support growth and create value for our shareholders by delivering a balanced package of EPS growth, a strong and progressive dividend, and return of surplus capital where that's appropriate either via share buybacks or other means. It's a proven and sustainable model.

And so to summarise. It's been an excellent first half with strong organic revenue growth and margin progression. Our business in North America is in great shape. Europe has returned to growth and we saw an acceleration in the emerging markets.

We continue to return cash to shareholders and we remain focused on strong growth with discipline.

Thank you for your time and attention. We're now going to take questions in the normal way. Please put your hand up and say which organisation you represent and I would be grateful if you could do one question at a time. I'm sure Jamie will ask three or four. Okay, who is going to go first?

Question and Answer Session

Tim Ramskill - Credit Suisse

Good morning. Richard, just that slide you talked to a moment ago with the series of ticks in the various regions, just focusing on the cyclical aspect, the like-for-like volumes, is it fairly reasonable to conclude that the picture today has a different shape to a year ago but overall you're seeing no more or less cyclical benefit or tailwind in the business?

And then while we're talking about that, going back quite some years, you talked about a 25% drop-through on like-for-like volumes. Does that kind of broad maths still work, do you think?

Richard Cousins

Yes, I think the drop-through would be fair. I think it's important to look at this by region, however, to get a balanced picture. So, in North America I think the economy is reasonable, but I think we were reminded with the calendar Q1 data that North America is not booming. The US is not booming and our volumes, our like-for-like volumes, are fine, but we're not expecting a strong cyclical uptick in the remaining part of this year.

In terms of Europe and Japan, clearly, the situation is not as bad as it was two or three years ago. We all understand that. But some countries, and I guess France would be the most significant, is really tough, really tough.

The fast growing and emerging markets is a mixed picture and I am very bullish about MAP 1 in the emerging markets. But in terms of MAP 2, the same store like-for-like volumes, on average, it's getting a bit tougher.

Jamie Rollo - Morgan Stanley

Just on the margins in fast growing and emerging, I think originally you hoped the H1 margin drop would reverse in the second half. Is the scale of the volume drop just so big in some of the remote sites that the headcount reduction you've made isn't big enough, or are there some sort of super-normal margins in some of those offshore sites that's causing that margin drop? Thank you. And what's the outlook for margins next year perhaps?

Richard Cousins

I'll ask Dominic to add to that in a moment. It's a combination of that. But, we mustn't forget about the inflationary pressures, particularly in places like Brazil and Turkey. I mean their currency weakness, they've imported quite significant inflation which is quite tough for us to manage.

Dominic, do you want to add some colour to that?

Dominic Blakemore

Yes, sure. I mean a combination of the volume drop-through in oil and gas in particular as well as the continuation of the situation in the commodity sector in Australia is difficult and we're seeing, as Richard said, high cost inflation in particular in Turkey and Brazil. So, those are presenting quite difficult headwinds for us.

We've got major cost saving programmes in place. So, as we've said already this morning, reduced our headcount by nearly 10% in all three of those countries to address that. We think that's going to generate significant savings and we're already working on the WAVE 2 cost saving programmes for all of those markets. But net/net we were down 10 basis points in the first half and we probably expect something similar now in the second. We had expected to trend back to flat. So, we think it will continue to be difficult for the full year.

That said, as we've said would, we continue to expect good margin progression in both North America and Europe and Japan on a full year basis.

Jamie Rollo

Should we expect the margin to recover next year, or is it too early to say now?

Dominic Blakemore

I think it's probably a little too early to say. We'll continue to take the necessary actions.

Simon Larkin - Bank of America Merrill Lynch

Good morning. Could we talk a little bit about where you are in sort of US cost pressures? Of course, we've come off the back of Obamacare. That's probably going to phase out I think this year. Minimum wage stuff is still knocking around and that's probably going to be around with you for a little bit longer. Can you just give us a sense and flavour of just how much of a sort of a pressure that's put on your ability to drive margin in that business over the last year or two so we can get a sense of as you come out of that over the next 12 to 24 months where the natural run rate for margins should be given the organic growth rates you are delivering in that business?

Richard Cousins

I kind of feel as if it is business as usual in the US. You're right, Obamacare was quite challenging. I think we did a good job to manage it. The minimum wage pressures I expect won't go away. It could be with us for some years and our job is to do the right thing and manage that process well.

In terms of food inflation, it feels like around about par, perhaps fractionally below par, in the US. So, I think you should assume the situation we've discussed is normal. There will always be challenges. Our job is to manage them. I think we're doing a good job. Keep driving efficiencies and sensible pricing to compensate for those inflationary pressures and our North American margin, we are targeting to go one way and that's quietly up. You should not expect rapid margin expansion in North America, but you should expect it to inch forward.

James Ainley - Citigroup

Thanks. I just wondered if you would give us a bit more colour on net new business around Europe. It looks like it is up about 1% overall. I guess your comments on the UK were more optimistic than that, so perhaps could you give us a colour on Continental Europe and Japan and whether you're seeing perhaps any improvements in decision-making or any forward indicators which would make us somewhat more optimistic?

Richard Cousins

Yes, I think that's a very interesting question. I think the first point will be to say we're being rewarded for our cost reduction programme. We are more competitive and that does matter. I mean our clients want great food, great service, some innovation and so on and so on, but they also want us to be very low cost. So, I think we're being rewarded for that.

Secondly, as I said in the presentation, I think we are also being rewarded for our investment in additional resources in both winning new business and retaining it.

So, by and large, the trends are quite encouraging across Europe, UK you mentioned, and indeed, Japan we're having another good year.

We've done 0.9% total revenue growth in Europe and Japan in H1. We would expect to do slightly better than that in H2 and better again in 2016 because as we look at the pipeline, it's quite encouraging.

James Ainley

Is that coming from public or private sector?

Richard Cousins

Both. If you take the UK, the UK is a more balanced business, so we've got nice very successful operations in education where we're doing particularly well, in healthcare, sports and leisure, as well as the traditional B&I.

Continental Europe tends to be more B&I focused. Spain would have nice positions in senior living and education, but, it's mainly B&I.

Vicki Stern - Barclays

Thanks. Good morning. Just a question about the acquisition of Acquire in the UK. Are there any intentions to do something similar in Continental Europe? Are there indeed any actual businesses you can buy to develop the sort of Foodbuy concept and how meaningful could that be?

Dominic Blakemore

I think we're clearly leveraging our success and experience of North America with the Acquire acquisition in the UK. I think what's key to the Acquire acquisition is it provides both the systems capability to measure our purchasing requirements at the lowest SKU level and also, it gives us the scale of procurement from the volumes that they're already buying on behalf of third parties. So, that consolidation of volumes of Acquire and ourselves becomes quite powerful. It's certainly a model we'd like to replicate in other markets. We are tracking opportunities and I think we'll do things at the right time.

Tim Barrett - Nomura International

Morning. I had a question about the retention ratio and the medium-term outlook for that. You mentioned a couple of times that the Americas is unusually high. But, as that normalises, will other areas get better, meaning that you still progress in Group terms?

Richard Cousins

Yes. I mean we're stressing that the US has been exceptionally good because we don't think 8.2% total revenue is sustainable in H2 or next year. It's a great number, but it's not sustainable. That's partly underpinned by a 98% retention rate which is much better than par and our expectation is that it will fall a couple of points as we go forward to return North America to more normal levels of growth.

In terms of Europe and Japan, we are pleased with progress. We have put a lot of focus behind it. We've taken the US sag process and shoved it quite aggressively into Europe and I think we've been rewarded for that. So, the European retention rate, which was quite poor two or three years ago, is inching up nicely. I think we're up to about 93.5%. I would hope in a couple of years we could get to 95% in Europe.

The fast growing and emerging is a very complex calculation and within it, we punish ourselves for white losses as we call them whereby a mine or an oil rig or something closes. So, the data there is complicated, but, it remains an obsession within the organisation.

Jarrod Castle - UBS

Just one in terms of looking at the brands per sector in the US, I guess slide 21. Can you give some colour in terms of how those brands have evolved over the years and also, some colour in terms of whether or not you would want to grow organically any new brands? I mean, is there scope to add some new brands within the different industry segments, or indeed, acquire brands? Thanks.

Richard Cousins

Yes, I think it's worth stressing these are B2B brands. These are not high street brands. They've joined Compass in every single case I think by acquisition. We don't tend to do them from the greenfield. But it just shows how one needs to be careful with one's first instincts. When I joined Compass nine years ago I looked at the US business and thought this is easy. I'll just crunch the whole thing together, scrap all these brands and away we go. I could not have been more wrong. What we've created, what colleagues have created in North America I think is terrific whereby they've maintained that ownership, entrepreneurial spirit symbolised through the brands. Of course, we've got such scale that we can afford to do that. We couldn't afford to do that in a small business, but in North America it works remarkably well now whereby we've got many of our sectors are over $1b and have got scale in their own right specialise in a sector or a sub-sector symbolised by the brand but with all the economies of purchasing, IT, finance, and so on in the back office. So, I think it's a terrific model which works very well.

Will we add brands? That's not the short-term expectation. I think we're doing just great and we've got a great pipeline of organic growth.

Jeffrey Harwood - Stifle Nicolaus

Just in terms of the leverage ratio, the target was increased last year. As the company continues to grow in size, do you think 1.5 times could at some point start to look a touch low?

Richard Cousins

We're comfortable with 1.5. As you rightly say, when we announced the GBP1b capital return 12 months we increased our ratios from 1 to 1.2, which is what we were saying 18 months ago to the new 1.5.

I think today's announcement actually is quite important. One or two people said to me out there, oh, dear, you've not announced a number today for your buyback. A bit disappointing, is it? And we believe on the contrary that this is a new long-term commitment by Compass to manage its balance sheet sensibly and to return any spare cash to shareholders on a permanent basis, whether that's by buyback or by other means. So, we hope this is adding new transparency and is a long-term commitment to how we want to run our business.

In terms of the ratio, we're absolutely comfortable with the ratio at this stage.

Tim Ramskill

On a similar topic. So, can you just share with us how you think about the disciplines around buybacks? So, the timing and what are you thinking about when deciding the proposition of the buyback to sort of initiate at any point in time? I don't think we've talked about this in the past.

Dominic Blakemore

No, sure. We obviously review the buyback on an ongoing basis with the Board. It's reviewed at every one of our Board meetings. We have an approach which is in place that we commit to and we buy back against. We're very comfortable with that right now. We think the buyback is an appropriate mechanism for us to return that capital.

The aim is to return, as we've said before, GBP500m by the end of 2015 and the pace of the buyback is set to achieve that.

Vicki Stern

Thanks. Just a question on the working capital outflow. So, you've commented on these investments in emerging markets and we'll probably have a small outflow for the full year. How should we think about going forward in future years?

Dominic Blakemore

Sure. Thanks, Vicki. So, specifically for this year we always have an outflow at the half year which is around GBP60m, GBP70m. So, the difference we've experienced at this half is around the emerging markets trends and clearly, emerging market working capital is positive and with growth there is an outflow of working capital which is different to our other two regions. So, it's less structurally attractive and with growth levels now at 14%, we've seen that working capital outflow in the first half.

We would expect the seasonal outflow to unwind by the end of the year and we'll therefore be left with a small net outflow in relation to the emerging market growth.

As we look forward, I think working capital will depend very much on where our sources of growth come from. So, it could be lumpy if we see high levels of growth through emerging markets. It could be flat to neutral if we see compensated by the other regions.

David Phillips - Redburn Partners

Good morning. I fully take your point about retention rates in the US being very good and that might imply that the overall US is going to be quite as high. But, in the past you've talked about volume growth coming back and it sounds like volume growth is still pretty reasonable. Is that by implication sort of call it volume growth in North America has kind of peaked out a little bit and is it a factor of the oil sector?

Richard Cousins

You're right, the oil sector particularly in Alaska, Alberta, to a degree off the East Coast, but more importantly in the Gulf of Mexico, they are dull.

In the traditional core business, I think we need to be measured over the like-for-like volumes in that it is fine, but many employers are cautious when it comes to taking on too many staff, particularly in financial services and a few other sectors. Conversely, it's pretty strong in the technology sector where we do very well. So, I think we just see it chugging along. It's going to be fine, but we're not factoring in a boom or anything of the sort.

Jamie Rollo

Just on the project work you referred to in North America, which I think is one-off, could you just explain what that is, please? I think it's in support services. Is it something that could actually recur in future if successful? Thank you.

Richard Cousins

It tends to be in higher education where we do some support services. I mean food clearly dominates that business and we just seem to have had a few of those operations over recent months. I don't think it's going to be a significant issue going forward.

Okay, yes, another question and then we'll invite any from the telephone lines in a minute.

Jarrod Castle

Just on digital, I guess slide 23, is there any more to be done I guess MAP 2 B2C in terms of loyalty or promotions through the digital media? Thanks.

Richard Cousins

Yes, I think it's a great question. Are we world class at that today? Absolutely not. Do we believe that as we mature over the next five years that provides an exciting opportunity? Yes we do. I don't quite know where it is going to take us and at what speed. I guess the focus mainly is in the US, but more so now in the UK and we're looking at in France. So, I guess it will be in the richer countries for the next few years. But in time, I think it will become a core part of our business model. We just need to go at the right pace.

James Ainley

A couple of years ago I think when you won the Texas A&M contract you talked a lot about the exciting pipeline from these big university systems. Where are we on that? I don't think we've seen any other big contracts along those lines.

Richard Cousins

Yes, it's interesting. We haven't won any of the mega ones, but we've won far more in the mid-sized ones which you could argue is a more interesting and more sustainable model. So, our growth trends in higher education are excellent, but it tends to be in the $5m, $10m, $15m range rather than in the $100m plus range which is what Texas A&M was. So, I think that's absolutely fine.

James Ainley

Are these still longer-term opportunities? Have they outsourced?

Richard Cousins

No. Still great opportunities. Higher ed remains a big opportunity for us in North America and, indeed, in some other countries as well. So, you should expect above trend growth I think for as far as we can sensibly see.

Any more questions from the floor? No. Is there anything from the telephone lines? I hope not because I can never understand a word they say. Anything from the telephone lines? No. Nothing from the floor? Thank you for your time. Have a good summer.

[End]