



29 July 2015

Third Quarter Update

This statement updates investors on the Group's performance since 31 March 2015.

Group

Compass continues to have a good year, with organic revenue growth of 5.5% for the nine months to 30 June 2015. Our focus on growth is driving strong levels of new business wins and retention remains good across all regions. Organic revenue growth in the third quarter was 5.1% reflecting strong net new business in North America, an acceleration of growth in our Europe & Japan region, and a more subdued environment in both Fast Growing & Emerging and Offshore & Remote.

Our ongoing commitment to generating efficiencies in the business continues to be supported by our management and performance (MAP) programme. We are using these efficiencies to invest in the exciting growth opportunities around the Group and are taking cost actions to offset the impact of challenging market conditions in certain countries. Overall margins have improved by around 5 basis points in the quarter and around 10 basis points for the nine months to 30 June 2015.

North America

Performance in the region continues to be excellent with organic revenue growth of 7.8% for the nine months to 30 June 2015, and 7.0% in the third quarter. Strong growth across most sectors was partly offset by weaker volumes in our business with oil & gas clients.

We continued to see steady progress in the margin with an increase of around 5 basis points in the third quarter and for the nine months to 30 June 2015.

Europe & Japan

The trends seen in the first half of the year accelerated in the third quarter. Organic revenue growth was 1.2% for the nine months to 30 June 2015, and 1.8% in the third quarter driven by improving performances in several countries, particularly the UK and Spain.

We continued to deliver efficiencies, which allowed us to invest further in sales and retention and improve margins by 10 basis points in the third quarter and for the nine months to 30 June 2015.

Fast Growing & Emerging

Organic revenue grew by 7.4% in the nine month period to 30 June 2015 and by 6.8% in the third quarter. Revenue growth in emerging markets was around 12% in the third quarter, with strong rates of net new business somewhat offset by weaker volumes in Brazil and Turkey.

The operating margin declined by 10 basis points in the quarter and for the nine months to 30 June 2015. Our ongoing efficiency programme and a continued reduction of our cost base, partly offset the impact of volume and margin pressures in our oil & gas and mining client base - particularly in Australia - and soft volumes in some emerging markets.

Currency

Trading results from our overseas operations are translated at the average exchange rates for the period. If current spot rates continue for the remainder of the year, foreign exchange translation is expected to negatively impact the 2014 reported revenue by £154 million and 2014 underlying operating profit by £6 million. The impact of currency movements on revenue and profit is translation only.

Financial Position

There has been no material change to our financial position in the period. The £500 million share buyback programme announced in November 2013 is almost complete with around £475 million spent as at 28 July 2015.

Summary & Outlook

Compass had a good third quarter and we maintain our positive revenue expectations for the full year. The North American business continues to perform very well and accelerating growth in Europe & Japan has offset a slowdown in Fast Growing & Emerging.

We are delivering good levels of operating efficiencies, which have enabled us to invest in the growth opportunities we see and improve the operating margin for the nine months to 30 June 2015. In addition to our ongoing restructuring activities which partly help us deliver yearly efficiencies, we are proactively reducing the cost base in our Offshore & Remote business globally and in some emerging markets. This incremental restructuring plan will cost around £20-£25 million per year in 2015 and 2016, and will be included in operating profit. With our continued focus on costs and efficiencies, we expect the 2015 full year operating margin for the Group to be flat after these additional restructuring costs. In 2016, the savings, together with margin improvement in the rest of the Group, is expected to offset the impact of lower volumes and pricing pressures in our Fast Growing & Emerging region.

Looking to the longer term, we remain excited about the significant structural market opportunity globally and the potential for further revenue growth, margin improvement and continued returns to shareholders.

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Note to Editors

- a) Compass Group PLC is one of the world's leading foodservice and support services companies which generated annual revenues of £17 billion in the year to 30 September 2014. It operates in over 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.