Operator: Good morning ladies and gentlemen. Welcome to the Compass Group Quarter One Trading Update Call. Throughout the call, all participants will be in a listen-only mode and afterwards there will be a question and answer session. Just to remind you, this conference call is being recorded and your personal data will be held in the United States. If you do not consent to the call being recorded or your personal data being transferred to the United States, please hang up now. Today I'm very pleased to present Richard Cousins, Chief Executive. Please begin.

Richard Cousins: Thank you very much. Good morning ladies and gentlemen and thanks for dialling in. With me this morning I have our Group Finance Director, Johnny Thomson. I'll start by giving you a brief overview of trading for our first quarter for 2016 and then say a few words on the outlook before opening the call to questions.

Compass has had a strong first quarter with organic revenue growth of 5.9%. Our focus on organic growth continues to drive good levels of new business and high-retention rates. Like-for-like revenue has increased, driven by modest pricing and some volume improvement. We continue to drive operating efficiencies around the business, which we are partly reinvesting in the growth opportunities to see – that we see across the Group. The previously-announced restructuring programme is progressing well and is on track to deliver the expected savings.

Let me now talk about each of the three regions. This is the first time we're reporting under the new regions and we hope to release – and we will – and we hope the release with the five-year historic data issued two weeks ago was helpful. Starting with North America where performance continues to be excellent. Organic revenue growth was 7.9% driven by strong growth in technology within Business & Industry, new wins in Healthcare & Senior Living, and a good performance in our Sports & Leisure business. Europe grew by 3.6% driven by a continuation of the trends seen in the last 12 months. New business wins have been strong, particularly in the UK and the Mediterranean countries. Retention is good and like-for-like volumes have stabilised. Our new Rest of the World region was up by 3.6% with robust growth in Spanish-speaking Latin America, partly offset by the expected weaknesses in our commodity-related business and challenging environment in some emerging markets.

To conclude we've had a really good first quarter and our outlook for 2016 remains positive. Growth in North America is strong, Europe is improving nicely and we are managing the challenges in the Rest of the World region. We continue to focus on driving efficiencies throughout the business and our margin expectations are unchanged. In the longer term, we remain excited about the significant structural growth opportunities globally and the potential for further revenue and margin growth.

Thank you very much and now I'll hand back to Trina.

Operator: Thank you. Ladies and gentlemen, if you wish to ask an audio question, please press 01 on your telephone keypad. If you wish to cancel your question, you may do so by pressing 02. There will be a brief pause whilst questions are being registered.

And the first question comes from the line of Jamie Rollo from Morgan Stanley. Please go ahead, your line is now open.

Jamie Rollo: Thanks, yes, morning everyone. Two questions if I may? Could you please comment on what underlying margins is in Q1 ex-restructuring costs? And whether, given the sales figure was a bit better than you were expecting in November, we should expect some margin growth in the full year, post restructuring costs?

And the other one, just on the balance sheet, your buyback run rate slowed a bit in the first four months. I'm wondering what that means for M&A and whether you've got any interest in a particular Australian company that's run into some trouble recently? Thank you.

Richard Cousins: Okay. So we'll do those in reverse order. I'll talk about the balance sheet and then Johnny on margins. I mean, our policy with regard to our balance sheet remains unchanged, as hopefully you're all familiar, is to manage to a net debt to EBITDA of 1.5. We'll – usual priorities for cash, CAPEX 1, MAP 2, M&A 3 and then 4[?] any spare cash we'll give back. So as you say we have bought back a little less – bit less stock. We think M&A could be lumpy. We're not interested in big stuff, but we will do a few small-to-medium sized deals. I suspect our spend at 2016 will be a little bit higher than 2015, which really reflects what you've noticed.

In terms of the Australian company, I don't know which one you mean, Jamie.

Jamie Rollo: Spotless.

Richard Cousins: No, you fell for it. Well, we'll see. I doubt it. Margins, Johnny?

Johnny Thomson: Yes. Thanks, Jamie. Our margin expectations for the year remain unchanged and flat. We, of course, are continuing with the restructuring programme that we announced last year, and you should expect a further 20-25 million of restructuring this year. While our restructuring charge last year was all in the second half of the year, this year, of course, it'll be predominantly in the first half of the year and therefore we should expect a slight margin decline for the first half and recovering the headline margin for the second half.

Jamie Rollo: And excluding that in Q1, margins were still flat, were they?

Johnny Thomson: Well, we don't generally comment on margins in Q1, I would just say that we're on track to deliver for the full year around our underlying flat margin, yes.

Jamie Rollo: Okay. Thank you very much.

Operator: And the next question comes from the line of James Ainley from Citi. Please go ahead, your line is now open.

James Ainley: Yes, thank you very much. So I have two questions, please, both related. I mean, given what we've seen in the oil industry and in countries like Brazil, are you still happy that you've done enough in terms of the restructuring and the DOR businesses?

And then following on from that, could you talk specifically about Brazil? I noticed you referenced Spanish-speaking Latin America, but perhaps you could talk a bit more about what you're seeing in Brazil? Thank you.

Richard Cousins: Firstly, I've got to say, what a miserable pair of questions. You both could have said, 'Well done, gentlemen, great set of Q1 numbers,' but we'll move on. Oil and Brazil, yeah, it's $30-odd a barrel and – or whatever the price of iron ore is. It's tough, Brazil, I was there last week. Perhaps I'll ask Johnny – clearly he's been living there for many years – in a minute, to comment, but I think Brazil is entering its third year of recession, so it's not easy.

I'm quite confident we're managing the situation well. I think we got ahead of the curve with our restructuring programme in the DOR world and the emerging markets, so I'm really pleased with that. Johnny, a bit of colour on Brazil?

Johnny Thomson: Yes, well, I mean, as we all know, things in Brazil have been tough for a couple of years now. From our business perspective, what we've seen is volume declines, of course, and an increase in inflation. We've been working hard, obviously, to restructure our cost base, and also working with our clients, where possible, to adjust pricing, if that's required. We feel as if we're managing it well and we expect that difficulty to continue in the short term, but what I would say is that in the medium term, we're still positive about Brazil and the structural opportunities that Brazil presents itself, once they come out of that recession.

Richard Cousins: I had coffee last week with the CEO of one of the major Brazilian banks, and basically he said exactly what Johnny just did: it is going to be tough in the short term, but I think we remain bullish about Brazil in the medium-to-longer term.

James Ainley: Okay. Thank you very much, and congratulations on the first quarter.

Richard Cousins: Thank you very much.

Operator: And the next question comes from the line of Tim Barrett from Nomura. Please go ahead, your line is now open.

Tim Barrett: Morning everyone, a question about North America actually, which obviously is strong. You've been guiding to or expecting a normalisation in retention for some time. Has that come through yet?

And I think you cited one-offs in the fourth quarter of last year, have they come through, so is the underlying performance getting better?

Richard Cousins: It's difficult to pretend that it's not very strong. I still expect the full year to ease down a fraction, I think it would be unreasonable to expect 7.9% to continue. Interestingly, in terms of US retention, it was very, very strong last year, H1, and merely strong in H2. This year, based on one quarter, it is unusually high again. So you do get a little bit of lumpiness, you know, if you retain three or four key contracts, then you get rewarded for it, and conversely, if you lose one or two, then you get – the thing about the US is they've got such scale, many of their contracts are many, many tens of millions of dollars, in the way that we really don't get in many other parts of the world. So I have to say, trends in North America at the moment, in terms of win rate and retention, are both excellent.

Tim Barrett: Okay. Thanks very much.

Operator: And the next question comes from the line of Nick Edelman from Goldman Sachs. Please go ahead, your line is now open.

Nick Edelman: Thanks very much. Morning everyone. I've got three questions, please. Firstly, just on pipeline, I think you normally make some comments on how the pipeline looks at this stage.

Secondly, is one offshore and remote sites. Are there any closures through the year and any sort of major contracts coming to an end that might impact the trajectory?

And then thirdly on Europe, in terms of the new wins that you've spoken about, is that share gains or do you think it's more opportunity in the market? Are you receiving more RFPs or are you just winning more of them? Thank you.

Richard Cousins: Okay, the pipeline, on average, is very strong. Now, obviously in 50 countries there's a few exceptions to that. Pipeline in Australia is somewhat weaker. China is slowed in terms of new win-rates and so on. But globally, particularly in Western Europe and most importantly in North America, UK within that, very good, the pipeline looks excellent; really strong.

DOR closures; it's really now implicit within the rate and we do expect that trend to continue for, who knows, a year or two. The most significant example, once again, is Australia and we are facing a number of construction sites which tend to employ many, many hundreds of people when they get converted to production, the workforce generally, is cut very sharply. That is going to accelerate in our second half and into 2017. So we do think the trend in Australia will be tough, but it's within our model.

And in terms of Europe, the win-rate is really quite encouraging. I think we're being rewarded for the fact that we took out a lot of cost two or three years ago. I think we're more competitive. We've reinvested some of those cost savings in sales and retention. Our teams are enlarged. The win-rates are inching up across the continent. Perhaps the best example would be the UK. Now is that share or is that new outsourcing? Very difficult to say. Although, I have to be honest, within the UK I think there is a little more outsourcing in education and, to a degree, healthcare, which is encouraging.

Nick Edelman: Thanks. Sorry, just to follow up on the middle – the second question, therefore does that mean that you'd expect sort of other things constant to see a bit of a slowing in the rest of the world growth rate, just as you see some of those construction site closures coming through during the year.

Richard Cousins: Yes. Yes, I would. So we were 3.6% in Q1. I think that will ease down through the rest of the year.

Nick Edelman: Okay, thanks very much.

Operator: And the next question comes from the line of Vicki Stern from Barclays. Please go ahead, your line is now open.

Vicki Stern: Morning. Yeah, just a couple of questions on volumes really. So firstly in North America, what have you seen in the quarter, in terms of volumes, and just your outlook there, I guess, particularly obviously because you're going to be touched by further oil and gas cuts?

And then for Europe you talk about like-for-like stabilisation. Just a little bit of colour, please, for the key countries on volumes.

Richard Cousins: Yeah, sure. So in terms of – sorry, your first question was specifically on North America, was it, on volumes?

Vicki Stern: Yeah, North America.

Richard Cousins: Yeah, yeah. A mixed picture, but overall slightly positive. I think we need to be balanced and say the North American economy is fine, but not booming. So some parts of B&I remain tough and manufacturing is not easy. Technology remains strong. I think we've done a much better performance in our vending operations so we've got nice volumes growth there. Education and healthcare tends to be fairly steady, but overall North America will be a slight positive. Oil and gas, I ought to say, is material within North America, and that of course is sharply down.

In Euroland it's a mixed bag. The UK would be slightly positive. France is still very tough in terms of volumes. Obviously we had a couple of months of terrorism, but I think if you take a longer-term view, the volumes in France reflected their economy, remain difficult. Germany pretty solid, partly, I think, because the economy isn't partly – we've put a lot of effort there into MAP to retailing and so on. Mediterranean has moved from strongly negative, two or three years ago, towards neutral.

So overall a mixed bag, but certainly better than it was two or three years ago.

Vicki Stern: Okay, that's great. Thanks.

Operator: And the next question comes from the line of Tim Ramskill from Credit Suisse. Please go ahead, your line is now open.

Tim Ramskill: Thank you. Good morning. Two questions please. The first is just on Europe, Richard. To what extent have your efforts on retention started to bear fruit and where do you feel you are in the kind of ramp up phase of trying to replicate the success in North America?

And then the second question: in terms of North America, you know, you reference in the statement obviously the strength in technology, maybe you could just sort of take a step back and share with us how your mix of business in North America has evolved within B&I over the course over the sort of last five to ten years?

Richard Cousins: Yeah, okay, so firstly Europe. I think we've made excellent strides in retention. We were not doing a good enough job three years ago. We've invested in both people and process, copying the North America process. I don't have the exact numbers down, but I would guess over the last three or four years, we've gone from the very low 90s in Europe to about 94, something like that. So it's very much implicit within our top line, so that the 3.6% total organic growth for Europe in Q1 clearly includes a material element due to economic stabilisation, but also much better retention. So I think we're three-quarters of the way through that journey.

In terms of North America, you mentioned technology. I think our colleagues, largely on the West Coast, but across the country, have done a great job in North America indeed. I visited Google's offices in San Paolo last week and had a conference call with our senior client back in San Francisco. He's delighted with our progress with that organisation globally, but in the US I think the way we've targeted technology in general, and Silicon Valley in particular, has been excellent. Volumes continue to be strong.

Tim Ramskill: Okay. Can I just follow up on that? In the past we've kind of debated your exposure to, sort of, growth in employment trends in North America and you've referenced in the past difficulties in financial services, etc. Do you think you're now better exposed, I suppose, in terms of the evolution of your biggest business mix to economic activity in the States?

Richard Cousins: I think we're probably slightly better balanced than we were. Perhaps five years ago we were a little overweight for Financial Services. It's still an important sector for us, but I think the fact that we've grown so well in technology and the fact that we've still got solid growth in manufacturing, never mind all the other sectors; healthcare, education and so on. I think they – the great beauty of our North American business is its balance. So I think our optimism in the future is partly due to that.

Tim Ramskill: Great. Thank you.

Operator: And the next question comes from the line of Wyn Ellis from Numis Securities. Please go ahead your line is now open.

Wyn Ellis: Hi, good morning Richard. First of all, I'd like to say well done on a fantastic set of Q1 numbers.

Richard Cousins: What a gentleman.

Wyn Ellis: Thank you. And a couple of quick questions. First of all, you've mentioned like-for-like revenues increasing in the US, can you break that down between pricing and volume improvement for us?

And secondly on M&A: you say maybe we'll get a bit of an uptake this year, probably in sort of small to medium size. What sort of companies are you looking for? Are you looking for something that adds geographic capability or broaden your capability across services or, you know, what's the target?

Richard Cousins: Okay. So I'll talk about like for like and then I'll hand over the M&A to Johnny. So in terms of North America, it would be roughly 2 percentage points on price and about 1 on volume, which is pretty consistent with what it's been for some years. 2% pricing would be slightly below our headline inflation. I mean, at the moment, typically, across much of the world, not all of it, we would have above average labour cost inflation, but below average food and they tend to net out. So price 2, volume 1, approximately. M&A Johnny?

Johnny Thomson: Yes. As I think we've said in the past, our approach to M&A has been incremental. We've looked at – principally for smaller bolt on acquisitions. Principally of course in the food space. And that might be focussed on geographical focus or even sectorial focus too, but obviously to generate the right returns. We didn't spend much last year, around 90 million. I think given where the pipeline is today, we'd probably expect to spend just a little bit more this year.

Wyn Ellis: Okay, thanks.

Operator: And the next question comes from the line of David Phillips from Redburn Partners. Please go ahead, your line is now open.

David Phillips: Good morning everyone. Question for Johnny: now that you've been in the role for a number of months, I just wonder is your feeling that debt costs swap arrangements are as good as you can get them or are there perhaps some savings opportunities as they go through the year in that area?

Johnny Thomson: Debt costs. Well I think, as you know, our objective in terms of leverage is to maintain a strong investment grade rating. I think we've recognised, in the past, that we could have a more efficient balance sheet, and we have moved our leverage from 0.7x to 1.5, around 1.5, as it is today. We recognise, with the new rating agency's calculations on leases, there is a little more space for us to move if we really wished. But I think, given the fact that we already moved up and given where the world is today, I think we're comfortable with our debt profile as it stands today.

David Phillips: I take your point on the profile. Is there anything you think you can maybe do on the marginal cost of debt or any, perhaps, refinancing on a 12-18-month year that you're considering?

Johnny Thomson: Well, our current cost of gross debt is around 3.5% and we constantly look at that. We are refinancing on an ongoing basis and we constantly look to improve that, but we think it's good as it stands.

David Phillips: Okay. Thank you.

Operator: And the next question comes from the line of Ian Rennardson from Jefferies International. Please go ahead, your line is now open.

Ian Rennardson: Thank you. Good morning everyone. Just a quick question on foreign exchange. I'm assuming your FX comments in the statement were struck before yesterday's big move in the cable rate. Could you just remind us please of the sensitivities pound/dollar?

Johnny Thomson: Yes. Sensitivities on our principal exchange rate, for every 1% movement in the US dollar, it has around about a £4 million impact on our EBIT, and for every 1% movement on the euro, it has around about a £1.5 million impact. So those are the sensitivities on the principal currency; I won't go through them all obviously.

Ian Rennardson: Yeah, yeah. Thank you. That's very helpful.

Operator: And as a reminder ladies and gentlemen, it is 01 on your telephone keypad in order to ask an audio question.

Richard Cousins: No more questions?

Operator: We have a question from Jaafar Mestari from JP Morgan. Please go ahead, your line is now open.

Jaafar Mestari: Hi, good morning everyone. Just two questions from me, please. Very quick one about North America: you were mentioning good sports and leisure, was there anything worth quantifying in the quarter or is that relatively small in the grand scheme of your performance so far?

And then secondly, in the UK, it's almost a year now since you've made the acquisition of Acquire Services. Where are you in the integration and how much of your volumes are jointly managed? What has been the feedback from suppliers? Have you recruited third parties, etc., please?

Richard Cousins: Okay. So sports and leisure in North America, I mean it is material, otherwise we wouldn't have mentioned it. Our sports and leisure business, if you add up all the various bits, is approaching $1.5 billion. It was quite strong. We did particularly well in the play-off season in basketball; just happened to have the right teams I guess, and that was particularly strong. I have to say, our sports and leisure business is in rude health and we expect it to have a good year.

In terms of Acquire which, for those of you who don't know, is a food purchasing business we purchased just over a year ago; very good progress. Fully integrated now within our UK purchasing operations, and in the UK we purchase about £600 million worth of food and Acquire, I think, is an additional £150, something like that in order of magnitude. So early days yet. I mean you will all be familiar with Foodbuy in the US, which we've owned for, I don't know, 15 years now and is an excellent operation. I think we have the opportunity in the UK, over a period of years, to replicate that.

Jaafar Mesteri: Any chance of this becoming a European opportunity or is that mostly in the UK?

Richard Cousins: I think it's not our priority today, but in the medium term, I think it's an option, yes.

Jaafar Mesteri: Alright. Thank you very much.

Operator: As there are no further questions registered, I hand the call back to you, sir.

Richard Cousins: Thank you very much. Thanks everyone for joining us. We look forward to seeing you on 11th May for our half-year results. Thank you for your time.

Operator: This now concludes our conference call. Thank you all very much for attending, you may now disconnect your lines.