Compass Group PLC
Investor Day

Richard Cousins

Chief Executive Officer

Good afternoon everybody and thank you for joining us. We do appreciate your team - your time. Just by way of clarification, I'd like to make it clear I am not standing for leadership of the Conservative Party; I am not standing for leadership of the Labour Party, but I am considering my position over the managership of the England football team.

The objectives of this seminar are to give you a greater insight into the Group and its strategy, highlight the exciting growth opportunities we see, and perhaps most importantly, give you a chance to meet some of our senior managers from across the world.

We have a busy afternoon planned for you. I'll kick off by reviewing our strategy, then we'll have presentations on North America as a whole as well as deep dives into healthcare and sports and leisure. After a 20-minute break we'll come back to cover Latin America, Asia Pacific, Europe in general and the UK in particular. There will then be a second break after which Johnny will go over our financial performance, I'll make some closing remarks and we'll have time for a Q&A panel at the end. Finally, we'll have a drinks reception and dinner to give you an opportunity to meet the management team informally.

I'd like to begin by looking at Compass's evolution over the last 10 years. Phases are a little contrived but I think it helps to tell the story. Phase one from 2006 through 2008 was about fixing the basics. There was a lot to do but progress was pleasing.

Phase two from 2008 to 2010 focused on managing the global financial crisis and subsequent recovery. In truth there was still plenty of low-hanging fruit to be collected, but the success we enjoyed during those years also illustrates the robustness of our business model.

Good operational progress was made during phase three, but with hindsight I'm a little disappointed with this period as we were perhaps overly focused on support services and on exploring large acquisition opportunities.

Phase four therefore was important. By returning £1 billion to shareholders we signalled a much more cautious approach to M&A and started to invest more significantly behind organic growth. We also addressed the double dip that was the European economy and embarked upon a significant and successful restructuring programme.

Which brings us to today. Compass is in a really good place. We're focused on food and take a pragmatic approach to support services. We're excited about the growth opportunities and are beginning to put more resource behind innovation in our core food business. I feel really positive about what Compass can achieve in the coming years. Phase five can run and run.

During the last 20 years the company has grown significantly and the shape has changed. North America, the Group's key growth engine, now accounts for over 50% of revenues, and you'll hear from Gary about the fine business he and his team have built over the last 20 odd years. Modesty prevents him from saying so but I will. I think it's a truly great business in the US, a truly great business, and the performance there has been excellent. And I believe that with the great team we have there, prospects for the future look really positive. Having half of our Group in the attractive US market is a marvellous bedrock.

The growth of the rest of the world has also been significant over the last 10 years. Mark and Alfredo will tell you about how we're restructuring our businesses and the opportunities for growth in the medium to long term.

And finally, let's not forget about Europe. Progress over the last few years has been pleasing and it's great to be back in growth again. Dominic will talk about the exciting plans he has for Europe and how we hope to drive performance in the medium term.

The organisation has evolved and grown but the basics have not changed. We need to offer our clients and consumers great food and service, but also at low cost, and innovation is increasingly important. Operating on client premises presents continued opportunities to drive efficiencies in terms of food and labour costs. Finally, clients want a customised proposition that meets their specific needs.

Interestingly, the three types of contracts - in very simple terms that's cost plus, fixed price and P&L - continue to offer the Group balance and a natural internal hedge. As ever in this industry, it's all about execution.

Over the last 10 years through our five phases our compound annual growth rate has been 5%. This was driven by consistently strong growth in North America. The crisis in Europe was offset by the boom years in the rest of the world, and now the recovery in Europe is offsetting the challenges in our commodity related businesses. This is the advantage of having a diversified geographical profile.

During the same period we have made good progress in terms of margins, which we believe should continue to move modestly forward. Today you will hear from the different parts of the business why we believe this performance should be sustainable going forward.

What about the future? Well our strategy is clear and unchanged. Food remains our core competence and we take a cautious and incremental approach to support services, and we will do bolt-on M&A only if there are attractive targets. We concentrate on delivering the highest quality and innovation while relentlessly driving to be the lowest cost most efficient provider.

The addressable food service market is estimated to be around £200 billion, and with 80% still in the hands of small regional players or in-house, we still think there is a great structural opportunity to grow.

Over the last 10 years we have developed some significant competitive advantages. We've been rewarded for our decentralised approach. We sectorise and increasingly sub-sectorise our business to segment the market, get close to the client, to create a bespoke offer. Our scale gives us a cost advantage in terms of food procurement and overheads.

This is executed by the best team in the industry - not the best looking I have to tell you but the best team in the industry, which has a strong performance culture that is focused on delivery. We continue to manage our talent and develop a bench and we've made a few regional moves to facilitate the sharing of best practice. But let's be clear: ours is a competitive industry and we must not be complacent.

Our clients and consumers are sophisticated, increasingly so, and are increasingly demanding more innovation. Given our decentralised model, we have always had some innovation within the business, but recently we have allocated more resource behind it to improve the shape and increase its importance.

This started with our leadership conference in October of last year where we identified innovation as a key area of focus for us. Today you will hear several examples of the many initiatives we have around the Group. They're not individually huge, but in aggregate they show how we are bringing more excitement to our clients and consumers and improving our operations. It's still early days but I'm very positive.

In summary, we have made good progress in the last 10 years and feel really positive about the future. We have a clear strategy focused on food which has a large market and a significant structural growth opportunity. Our competitive advantages are significant and we are accelerating innovation and the sharing of best practice across the Group, and we have an experienced team focused on delivery.

Over the last 10 years we have created significant shareholder value and we will continue to do so going forward. And on that note, I'd like to hand over to Gary Green to talk to you about our excellent North American business. Thank you.

Gary Green

Chief Operating Officer North America

[Video playing]

I'm the good-looking one of the team by the way. This is about as good as it gets. I love that video but it doesn't exactly espouse one of our core values which is stay humble. Andy, you're in charge of videos, we need to remember that. I can see a few shocked faces out there because I think everybody expected some John Wayne still guy with an American accent to be running the North American division, and you've got Gary Green from Birmingham in the UK. So I apologise, but I'm a chartered accountant and I've been at Compass for 30 years now and I was with Compass from day one in North America. So hopefully that gives me some credibility, even in this part of the world as a Brummie.

But let's start. So here's the agenda for the day, and this is the North American part of the session, and I'm going to talk about where we are today and how we built the growth culture. Adrian Meredith, our CFO here, is going to talk about how we intend to sustain the growth model, and then you're going to hear from Bobby Kutteh, Andy

Lansing, two of our sector CEOs, who are going to take you through their specific businesses in detail.

You're going to hear me talk a lot today about stability and industry experience, and I think we just worked out that between the four of us we've got 115 years of experience in the industry. I think that's good. In addition we have two of the members of our senior team, Palmer Brown, Gary Snyder, and they're in the audience and I'd encourage you to meet with them as well.

You'll see from Andy and Bobby - and I love these guys - they're just passionate about their business and they absolutely run it as though it is their own business. And in effect it is. We like to talk about Compass North America as just a family of great companies.

So where are we today? Don't say London. Well, we're the market leader by quite a way. We're over 50% bigger than our closest competitor, and certainly in North America that brings with it scale and density and the ability to service our customers and clients. In 2003 we were number three. So it's been quite a ride and I think one we feel as though we can continue.

I'll let you read the stats but needless to say we serve a lot of clients, a lot of customers, and we employ a lot of people. I want to say I think this is right, that we probably employ more people in North America than any other British company.

These are some of our great client partners, 96 out of the Fortune 100, and some of the most prestigious universities, hospitals, and some fantastic sports and leisure clients. We do the Oscars, the Grammies, the Indy 500, the US Open tennis, the Kentucky Derby, just to name a few.

So I'm now going to talk a bit about history and so you can get a sense of how we built the company, and most importantly I think is how we built it to last. We entered the US through the acquisition of Canteen in June 1994. It was a $1 billion company generating around a 3% margin. It's based in Spartanburg, South Carolina, and I think if any of you have been there you'll know it's a long way from London where I was based at the time. But today, through a strategy of quality acquisitions and organic growth, we're a $15 billion company with an operating margin north of 8%.

And I want to emphasise here that we judge our performance on organic growth, not acquisitions. Organic growth to us is always the measure of are you doing the right thing for the client. And we truly believe that.

I think, as you can see, Canteen when we bought it, actually it was basically a B&I business, and today we have a great sector balance across the key market segments. More importantly, look at the current breakdown there. The next slide compares it to the marketplace on the next slide. I love this slide and I think more than any other it gives us great hope for the future. It's a massive market and we're perfectly aligned to it.

This slide gives you a bit more detail of the opportunity in the main market segments, and I think the great thing is that the less penetrated healthcare and education marketplaces, even the established self-op clients are really starting to appreciate the benefits of outsourcing, and there's some really big self-ops still out there. We're very fortunate to have the biggest healthcare and the biggest education clients that have contracted out to date and that's been a great proof source.

Even in the more penetrated B&I and sports and leisure sectors, we still see significant growth.

So what is our strategy to get where we are today? I think it can be bored down to these five major points, and we've been true to these for the last 20 years. Firstly and most importantly, we wanted to grow our way to success, not just through acquisition but through sales and retention, organic growth. As I said before, if we're not growing organically, we're not providing what the clients want. We actually take net growth personally.

Sectorisation and subsectorisation, breaking the organisation down into smaller specialised units, all with sector CEOs who totally understand the client's specific needs, but all supported with the financial and the scale benefits of Compass Group.

Quality of our offer and continued innovation. We have to be industry leaders in this area; it's so important. I think scale and leverage again in a continent the size of North America this is just a major competitive advantage. I can't emphasise enough what MAP has done for the discipline, and it certainly has come through in our results. Total kudos for Richard for that; it really has improved.

And the final people point. I'm going to cover that later but I think before I do that I just want to go into more detail on points one and two.

So we had to get proof sources in the sectors we wanted to be in; it's essential if we were to accelerate the organic growth agenda. The first acquisition we did was Canteen. In reality it was a great vending company trying to do food. We needed to buy a quality food company, which we did with Flik. We bought across our Eurest and our Chartwell sector brands from Group and we supplemented them with Daka, PFM and Restaurant Associates in the B&I sector.

Levy took us into the sports and leisure arena and Morrison and Crothall into the healthcare sector. SHRM Beaver made us the number one in Canada. So you can see we had a reason for all these. Bon Appetit was a total game changer for us, just in terms of our commitment to CSR and the sustainable food programme. They've always led the industry in this area.

So by 2002 we had scale and density in our identified sectors and I think organic growth was the name of the game. I've actually put two of our most significant organic wins on that slide, Ascension Health, which is a $400 million healthcare account, and Texas A&M, which is a $300 million education account.

Finally Culinart. It's probably the first acquisition we've done of any size for quite a while now and quite frankly their strength and management and the quality of their clients was just too good not to have as part of the family.

Now this slide shows how we approached acquisitions, and we were very fortunate in the early years to have been able to buy companies that had major national footprints in sectors like healthcare and education, and that had great management teams. It would be very hard for anyone to replicate the strategy today, simply because the companies with that kind of national footprint just don't exist.

I think we were always more concerned about buying great management teams with greater leadership that could actually grow the business. We've shied away from doing acquisitions that just brought us volume but didn't help us grow, and typically we've kept the names of those companies, we've kept the people, and I think, as important, we've kept the culture. It's been a totally client-facing strategy. So front of house every one of the clients feels special; they'll all get attention from the relevant CEOs and they deal with the same people they always have done. It's back of house where we make the synergies: accounting, HR, purchasing, IT.

Look at this slide. It's a great slide. It just shows you how some of the acquisitions have grown. It's really been as simple as buying great management teams and giving them the support and resources of a global company to help them grow faster, much faster.

As I showed you earlier, by 2002 we really felt as though we'd done the major acquisitions necessary to give us the scale and the density in the major markets, and since then we've been very focused on organic growth. But in reality it's always been the driving DNA of our culture. Everyone, whatever discipline, is expected to support the sales and retention effort. If you lose a piece of business, you better have sleepless nights about it, because if we do lose a piece of business we have to look ourselves in the mirror, because with the exception of some Government low bid contracts, if you lose it's always about service or relationships. No excuses.

When we first bought Canteen it was actually winning $70 million - yeah winning $70 million but it was losing $120 million. Today we're selling over $1 billion worth of new business and we've got a retention rate of 97%. That's probably the stat that we're most proud of, as again it shows we're giving the clients what they want.

I think it also makes the selling process - it's a lot easier as no prospective clients want to do business with a company that struggles to keep its existing clients.

A major part of our organic success can be attributed to sectorisation, and that's how we go to market with our different brands. I think the man from Mars would actually ask how on earth can we manage this, but in fact it's a lot easier than it looks. That's because every sector and every subsector knows what sand box they play in.

If you take the education sector as a good example, every one of our businesses has a CEO and the first Chartwells brand there concentrates on K12, what I think you, we would call primary or secondary education; Bon Appetit does private higher education; the next Chartwells brand does state higher education; Flik does independent schools and SSC is our educational support services sector.

It's very rare that we ever have two sectors bid on the same account. I think the great thing is the clients actually get significantly more specialised resource than is available anywhere else in the marketplace and I think this is what differentiates us more than anything.

So this is the how did we get here slide I showed you before but I've actually added in why we've been successful, as in reality it's one and the same. I've gone into detail already about our growth and our sectorisation focus; Adrian will expand on points three and four in more detail shortly. I just want to finish with a few comments about the fifth point, people. I'm sure everyone who presents to you guys tells you how great their people are. I'm going to do the same but that said, I think these are events, as Richard said earlier, that's going to give you a chance to meet these people and judge for yourselves. I think when you meet our CEOs and you realise how much experience they have, how customer-focused they are, you'll really start to understand why we've been successful, and as important, why we expect the success to continue.

Finally, like every internal presentation we ever do, we always end up with the same two words: no complacency. Now we never underestimate the fact we've got very good established competitors and there's going to be new ones that appear on the horizon.

So hopefully I've given you a good appreciation of how we got here and how it would be very difficult for anyone to actually try and replicate the strategy today. So Adrian is going to give you a short presentation - that's nothing to do with his height - about how and why we feel the strategy is sustainable. Adrian's our CFO. I was at one time so I can be very confident in saying he's the greatest CFO we've ever had in North America. Thank you. Adrian, come on.

Adrian Meredith

Chief Financial Officer North America

Wow. Thank you Gary. Good afternoon everybody. Wow. I may as well quit while I'm ahead with that compliment, rare compliment from my fantastic leader. Good afternoon. It's great to be here. I'm also originally - not originally from Charlotte, North Carolina. I'm originally from Wales and obviously I'm very excited about Wales being in the quarter finals of the European Championship. I was strongly advised by Sandra not to mention England's result so I won't, Dominic.

I've been in Compass for 27 years. Interestingly - this is a completely irrelevant fact - I joined Compass the same year as the world's greatest footballer - and I'm sure you'll all agree he's the world's greatest footballer - Gareth Bale was born. I spent the last 17 years - that's my last irrelevant fact hopefully by the way - I spent the last 17 years in the US and since 2010 I've been the North American CFO. I love living and working in the US; it's my home now and at Compass I'm very fortunate to be surrounded by fantastic people. Obviously I have a fantastic boss - that's my last plug for Gary - and more about the fantastic people later.

So for the next 15 minutes or so I'm going to address the question of how we sustain the growth model. First of all, we are really excited about the continuing growth prospects for our business. We're making investments for the long-term health of the business, and hopefully you'll get a sense of this through the presentation. We have an incredible sales and retention culture and we feel good that we can sustain it. We will stay true to our sectorised approach and increasingly exploit the subsectorised opportunities that we see in our business.

We will not compromise on quality and we have to be at the forefront of innovation. I think it's fair to say that we've been a food and culinary innovation leader for some time, but now we have to be a technology innovation leader as well.

We will always be obsessed with driving efficiencies, and last but not least, we are a people business. We will continue to attract and develop exceptional people.

So I'll expand on all of these, but first let's take a look at some recent history. So over the last five years we've done pretty well we think. We've delivered 7.8% average organic revenue growth and 8.5% average organic profit growth. This means on average more than $900 million a year added to the top line and $80 million added to the bottom line. For context, this is like adding a major Compass country like

Germany every year. It just underlines the scale of our business and the resources that we can bring to play.

We are very focused on margin and we've made good progress growing it to 8.12% at the end of last year, and significantly, we love the balanced delivery across our main market segments. All segments have been growing nicely and are expected to continue to grow.

So again this slide further illustrates our great sector balance. The top 10 client chart shows that in 2000 we were still essentially a B&I business. We now have a much more resilient and balanced model with a truly multisector business and diversified client base. A couple of interesting facts - I think they're interesting; the average size of our top 10 clients in 2000 was $24 million; today it's $167 million. And a $20 million client would have been in the top three in 2000; today it would be 107 on the list, which again underlines the scale of our business.

In terms of the sustainability and risk profile of our business, it's really important that no one client represents more than 3% of revenues.

So this is our growth model. You've already seen it from Richard and I'm sure you've seen it in numerous presentations, but I'm going to use this model to quickly walk you through the key aspects of our continuing growth strategy.

First and foremost, we will remain obsessed with retention and we are very proud of the 97% average for the last five years. As Gary illustrated, the structural market opportunity is significant, and if you look at this slide, the five-year source of new business stats validates the opportunities to continue winning business from first time outsourcing and from small and regional competitors.

And of course, as you heard from Gary, we love sectorisation and increasingly subsectorisation. It's been an important growth driver and we don't see that changing, whatever the man from Mars says - just to make sure you were paying attention to Gary's presentation. In fact, we envision further subsectorisation development to exploit some exciting market opportunities.

So this slide illustrates our subsector performance in the first half of this year, and with the obvious exception of our DOR business, every subsector is growing. We have 11 growing by more than 10%, four in B&I, three in healthcare, two in education and two in sports and leisure, which again underlines the fantastic balance we have in our business.

And it's probably worth clarifying what we are doing with subsectorisation. It's not a reporting gimmick: our subsector strategy has been developed with the following key themes in mind. It allows us to sharpen our offer for our clients and customers. We focus on areas where we see high growth potential. Each subsector typically has specialist sales and operators, and we're excited by the fact that increasingly our emerging leaders are heading up our subsectors. That bodes well for the future health of our business. We encourage those leaders to be entrepreneurial and treat the business as if it was their own, and the model might require a bit more overhead but we are being well rewarded for the investment.

So let's take a look now at MAP 2, consumer sales and marketing. We will never lose sight of the importance of pricing, especially as we are seeing a pick-up in wage inflation. We are being more ambitious in our approach to driving innovation and targeting investments to support this. To that end, we are very excited about the direction we are taking with digital hospitality and data analytics. Increasing client and consumer demand for healthy options is a positive trend for us and on site food service in general, and we are partnering with some very innovative companies to help meet these demands.

So let's go into a bit more detail about our approach to innovation. Our customers and clients are looking for innovation, for example to improve speed of service or to reduce costs. Our goal is to foster a culture of continuous innovation, encourage ideas from the business and our clients, work with innovative partners and spread best practice quickly.

Andy Lansing will share some brilliant Levy innovation best practices, including data analytics, where Levy - Andy wrote this by the way - Levy is effectively blazing the trail and developing the model for the rest of Compass to follow.

Also with Bon Appetit we've been incredibly fortunate to own arguably the most innovative food service company in North America. Through their history they've been a disruptor and a change maker, and the fact that they are headquartered in the heart of Silicon Valley and work with some of the most demanding and innovative clients on the planet, inspires all of us to keep raising our game.

So our innovation priorities are pretty clear and they are the core tenets of our Envision 2020 strategy. It's about making it easier for our clients and consumers, making it easier for our unit managers and being extra diligent when it comes to protecting client and consumer data.

We utilise innovation to help drive growth. It's an important part of our strategy to win and retain business and increasingly important in our like-for-like growth strategy. And it's not just about cool technology. We are equally excited about culinary innovation, design innovation, small store formats and so much more. Take small store formats as an example: we have a terrific self-service small store or micromarket called Avenue C. It's got fantastic traction in the business and is a great illustration of our ability to take something that works and scale it quickly.

We also see innovation helping to deliver further efficiencies, and I've highlighted some of these on this slide. And it's worth noting that we have made some significant IT infrastructure investments and we intend to capitalise on these, as well as to continue enhancing our solutions in key areas such as point of sale, supply chain, menu management, labour scheduling and recruiting.

As I mentioned earlier, we will always be obsessed with driving efficiencies. We have fantastic benefits of scale: our Foodbuy purchasing scale of $20 billion, $6 billion for Compass and $14 billion for non-Compass is a great illustration of this and gives us, we think, a structural cost advantage.

We have invested in world class purchasing systems, and this is a key reason why we attract such strong third party demand. We are working very hard with labour productivity and job design initiatives to help combat wage pressures, and we have a good record of addressing wage pressures with the Affordable Care Act and some other things that we've had to deal with. We need to reduce the administrative burden on our unit management and allow them to spend more time on clients and customers, so simplification is a big feature of our strategy.

And talking of simplification, let's take a look, a very quick look, at how we've managed above unit overhead costs. As you can see, we have demonstrated consistent delivery and operating leverage in this area, and we expect this to continue.

At the heart of our growth model are our 230,000 plus associates. As Gary and I have mentioned a few times, we have fantastic people in North America. They have amazing can-do attitudes. There is no better illustration of this than the way our teams come together from all disciplines to mobilise more than $1 billion of new business every year. They are simply brilliant.

To meet this growth, and because of normal employee turnover - this is a scary number but we do it - we will hire 85,000 people this year. What's really cool as we focus more on innovation and simplifying the lives of our unit management is that more than 50,000 of these will have been hired through our new online recruiting solution, My Opportunities, an impressive debut for the system.

In terms of succession planning, we intend to continue to grow our talent base and keep building this business to last. And as Gary said, finally, we will not get complacent. We do not take our results for granted. The no complacency focus is cultural; we just don't allow it. We respect our competition; we respect what's going on in the market.

Talking of great talent and building a great business, I have the distinct pleasure of handing you over to Bobby Kutteh. Bobby is a fantastic business partner and one of our great business leaders. Thank you for your time. Go Wales.

Bobby Kutteh

CEO, Healthcare US

Thank you. We actually like each other. That's a good thing. We have a high respect and high degree of affection for one another. That's why I love working at this company. I'm a North Carolinian so I can - I grew up in North Carolina and I do head up the healthcare division in North America. I joined Compass through an acquisition in 2001.

Our healthcare business is a $4.2 billion business sector in Compass Group. Our services are provided under four distinct brands: Morrison Healthcare, which accounts for approximately 52% of our business, provides food service to acute care hospitals; Morrison Community Living, which accounts for 10% of our business, provides food and support services to senior living communities; Crothall Healthcare, which accounts for 30% of the business, provides support services such as cleaning, cosmetic maintenance and laundry services to acute cares hospitals; and finally, Touchpoint Support Services, a brand created and dedicated to one of our largest customers, Ascension Health, provides food and support services to that system.

Collectively the healthcare sector serves one billion meals per year, cleans 1.1 billion square feet per day and has in excess of 70,000 associates in over 2500 healthcare institutions in the United States and Canada.

Most importantly, and just to accentuate what Gary said, we enjoy the highest retention rate in the industry at an average rate of 98.3%.

Compass Group entered the healthcare market in North America through its acquisitions of Morrison and Crothall, both in 2001. At the time the healthcare business accounted for $990 million in revenue. Compass has brought several significant benefits to our healthcare business. First, its purchasing platform and clout has provided substantial savings to the business that help drive our bottom line and lower our cost to clients. Moreover it's promoted our ability to more effectively manage our menus and purchasing to maximise efficiencies and consistencies in our service delivery.

Second, Compass's perennial high levels of free cash flow has provided our business with the quality to utilise capital to enhance our offerings. It's also enabled the business to complete several infill acquisitions that brought our business management depth and greater skill in several of our services.

Demonstrating such scale became important when we were awarded the contract with Ascension Health in 2001 - 2011, excuse me, at the time one of the largest contracts ever awarded to Compass, and it resulted in the creation of the dedicated Touchpoint healthcare brand.

Finally, Compass has supported the business through its robust people-focused programmes, safety, training, and talent acquisition and development. With over 70,000 employees, such programmes are critical in executing our strategy.

Through the abovementioned items and much hard work, we've experienced strong growth, and our 11% compounded annual growth rate since 2001 leads the industry. However, as we've expanded our growth rate has been aligned with the North American average of 7%.

Our healthcare sector operates in a $48.7 billion industry in the United States and Canada. This includes both acute care hospitals and senior living facilities for the services we provide. As you can see, both the food and support service markets are highly underpenetrated with self-op comprising of 56% and 74% of the respective markets. Self-op is truly our largest competitor in this space. Thus our biggest opportunities occur when we're able to demonstrate our value and the virtues of outsourcing.

We'll discuss shortly the drivers for outsourcing and the growth of the market, but one of the emerging dynamics we're witnessing is the consolidation of healthcare entities and the emerging system-wide deals where decisions are made on behalf of multiple healthcare facilities.

This has resulted in more and more very large deals, often involving multiple services. What we're most proud of is through it all we enjoy the number one market share of all outsource services in the markets we serve. We believe clients value our size and scale, which is evident in our overall growth rates.

I'd like to drill down a bit further into support services. Yes, Richard has expressed that food is our core, and I've heard it a number of times, but we truly have a great support services business in North America. The business has grown substantially since 2001. We've added new services over the years and have become industry leaders in a number of them.

It's a truly complex business, one that requires a great deal of blocking and tackling and attention to detail. It requires a resume of expertise in areas such as combatting hospital acquired infections, driving patient satisfaction scores, and adhering to regulations required by such authorities as Joint Commission, the Department of Health and other regulatory bodies. These prerequisites limit the number of service providers in our markets and makes the potential of our healthcare business so attractive.

Perhaps more importantly, our ability to cross-sell these services with our food offering makes for a compelling case for hospital administrators. It allows us to respond to the emerging trend in healthcare whereby hospitals are creating more and more joint opportunities for food and support services in awarding new contracts.

Consider that five years ago the number of joint food and support service opportunities were only about 5%. Today it's 30% for all requests for proposals.

So why do hospitals outsource? In our experience there's several reasons. One of the biggest reasons is outsourcing allows hospitals the opportunity to focus on their core competency, clinical care, by leaving the non-clinical requirements to running a hospital to the subject matter experts.

Cost savings is another big reason. Outsourcing allows hospitals to leverage the know-how and best practices to the outsourcing partner, to provide services more efficiently and effectively. The search for better outcomes in areas like patient experience and satisfaction is a primary reason for outsourcing.

And finally, outsourcing shifts the burden of providing these services to the outsourcing partner. While it sounds rather basic and routine, providing food to patients and cleaning hospitals is a very complex business. Hospitals are regulated for their environment of care by accreditation commissions and special expertise is required in areas such as dietary compliance and infection control. Hospitals truly need outsourcing partners who are experts in these areas.

Significantly, such requirements create barriers to entry into this industry and it's the primary reason why there's so few competitors in our space. Hospitals only turn to partners who have the experience and scale to take on such services.

So why do hospitals outsource to Compass? First and most importantly, we're operationally specialised. Unlike our competition, we have dedicated teams of professionals overseeing each of the services we provide. For instance, unlike our competitors, we don't have a food director overseeing cleaning if both services are offered at the same customer location, or a cleaning director overseeing other support services or food. We maintain dedicated subject matter experts all through the chain of command.

While intuitively this may seem more costly, we ultimately believe it results in better outcomes and better customer retention, and the better operational performance more than compensates for the duplication of functions.

Second is our management stability. As discussed earlier, these are very complex services and we offer the regulatory and clinical expertise organisations need to execute. Our average middle management team has 18 years of tenure with the company. We attract great people, train them in our programmes and treat them exceptionally well. This results in stability which supports our service levels and results.

Third, we're a full service provider of food and support services for healthcare customers. We also offer certain services our competitors don't. For example, we recently won a large contract for food and cleaning by offering a laundry and linen solution that our competitors could not. As mentioned previously, we deliver our services through our sectorised approach.

Fourth, our patient experience investment is also a significant differentiator. We make multimillion dollar annual investments in our patient experience programme. As such, we've continued to outpace the competition and lead the industry in patient satisfaction scores for the services we provide.

And finally, our use of analytics and technology are assisting us in providing cutting edge solutions for our customers. From the use of mobile apps to cashless café experiences to analysing productivity benchmarks, analytics and technology are playing an ever increasing role in our programmes.

We've accomplished a great deal over the past 14 years. As we turn our attention to the future we can point to several drivers that we believe will allow us to perform at a high level. One of the fundamental strategies is to try to cross-sell our services as much as possible. We generally sell one of our services, we perform well operationally, we build trust and ultimately understand the specific culture of our client, which in many cases leads to additional services without a competitive bid.

For example, we recently won a $15 million food contract because of our performance in cleaning without a competitive bid. This cross-selling has had a significant impact on our results and we expect to continue to lever this approach in the future.

I spoke earlier of the impact of technology on our services. This type of innovation, particularly in the hospital retail café space, should allow us to drive like-for-like growth each year. The Affordable Care Act has resulted in many hospitals outsourcing new services as they literally turn over every rock to find efficiencies and cost savings. It's resulted in centralised decisions being made for entire hospital system members to leverage outsourcing economics.

The ageing population in North America and the so-called greying of America when an entire generation of baby boomers enter retirement age will lead to a greater number and type of healthcare facilities and volumes of patients in the years ahead. And the evolution of consumerism: patients now have information such as satisfaction scores, hospital star ratings and other information to allow them to choose which hospital to seek care. It will require experts such as outsourcing partners to attract patients.

These are just some of the drivers we believe will fuel our growth in the years ahead. The consumerism of healthcare is exploding in the United States. Today people can choose where they want to go and they have information readily available to assess the skill and capabilities of the doctor, the kindness of the staff and the quality of the food and the cleanliness of the facility. The measurement of healthcare is quickly becoming akin to how restaurants and products are reviewed and ranked.

It has expanded from simply ranking and reviewing doctors to fully ranking individual hospitals and their services. Patients now have access to information such as star ratings which rate a number of critical items that lead to patient's decisions on where to seek care. As a result patients are becoming savvier and there's a critical element of marketing to a broader range of customers that needs to be inherent in a hospital's arsenal to attract and retain patients.

Finally, the ability to serve a patient from cradle to grave can lead to a lifetime of loyalty from a patient thus driving a hospital strategy for expansion and more specialised and technical treatment. It's not all about the top line for us, with the help of our MAP framework we continue to explore ways to maximise efficiencies in our cost base.

For example, in MAP 3 we work closely with Foodbuy to drive better pricing and consistency for food and support service supplies. We also share best practises with other Compass sectors to drive food innovation, pricing strategies, and retention. In MAP 4 through the use of analytics we are developing stronger and tighter benchmarks to assist in optimal staffing levels and the development of safety metrics to reduce incidences in the workplace.

This is becoming increasingly important and critical in light of the emerging wage and benefit pressures. With MAP 5 we're constantly working to streamline higher level oversight of hospital system customers to help bring a consistency of approach and one point of contact and to be as efficient as possible.

In summary, when reflecting on our business over the years it's truly been a case study in value creation. We operate in an expanding industry that's highly under penetrated, there are significant barriers to entry, we have the highest retention rate in the industry, we enjoy significant differentiators, and we do have great people who have long tenure and expertise.

We've enjoyed strong growth and we are well positioned by adhering to our discipline strategy for years for future success. Thank you very much, I'd now like to introduce Andy Lansing, a friend and I think one of the greatest transformational leaders in the Company.

Andy Lansing

CEO

Thank you Bobby, good afternoon, I'm Andy Lansing, I'm CEO of Levy Restaurants, the North American Sports & Leisure Group, or Sports & Leisure, I'm about 50:50 in terms of how I pronounce that. Levy Restaurants has been part of the Compass family for 15 years and I've been in the industry for 28 years. I'm really happy to be here today to share with you the story of Levy Restaurants and how a couple of accidents helped us grow into a significant player in our industry.

Levy is based in Chicago where it had its accidental beginnings. Two brothers Larry and Mark Levy who had careers in the real estate and insurance business had this crazy that they'd like to invest in a restaurant. So they found a delicatessen that was being put together and they made a small passive of investment in it.

The restaurant opened and it was a complete disaster. They were about to lose all of their money and they did what many of us would do they called their mother in St. Louis. Eadie Levy moved from St. Louis to Chicago and with Larry and Mark took over the business. She brought her old family recipes and became the everyday presence in the restaurant. They turned it around and it became a smashing success.

The Levy's had so much fun and did so well that soon they opened an Italian restaurant, a French bistro, and several other restaurants. So, what began as an accidental entry into the restaurant business was about to be followed by yet another accident which thrust us into the sports and entertainment world.

The Chicago White Sox were building the first luxury suites in Chicago and they had an idea. They thought that if they could have a restaurateur, cater the food in the suites, that they could sell the suites more easily. Their view at the time was that the concessionaires, the folks who were doing the hot dogs and beer wouldn't be able to provide a higher end experience.

They wanted us to bring our food and hospitality teams from our various Chicago restaurants to the suites. We said, no, at least 10 times telling them that we're restaurateurs, we're not caterers, we're not institutional food service providers. They kept asking us and finally we said, yes, for all the wrong reasons. We thought that we could get good tickets to the games and that someday they might even be in the World Series.

So while we struggled to figure out how to do this logistically it was very successful right out of the gates. The reason for this was really clear and simple. People's expectations when they ate in a ball park were very low. They weren't used to restaurant quality food and hospitality. Others soon took notice both inside and outside of Chicago and asked us if we would partner with them in their various sports and entertainment locations and the growth from that time has been exceptional.

So from a couple of accidents and a single delicatessen in Chicago we've grown to over 200 locations in 110 cities with more than 30,000 team members. So I'm often asked what is it about Levy that makes it so special, what is it about your people? There's something very different going on with you guys. Well I think there are several things that make us different but to me it's about our soul, it's about our culture.

First and foremost, we are restaurateurs, we are not institutional food service providers, we are not caterers, nor are we concessionaires. Our DNA is different having grown up in the restaurant business. To us, every single thing that the guest tastes, touches, smells, sees, or hears is not just important, it's essential to us. The common thread that I think most people notice throughout our Company is our passion. We absolutely, truly, and genuinely love what we do and only surround ourselves with similarly passionate people, it's everything to us.

We're also very different than anyone in our industry because of our scope. Quite honestly, nobody in the world has the scope that we do. From high end award winning restaurants on one end of the spectrum to the most iconic events in the world like the Kentucky Derby, the Grammy Awards, the Indy 500, the US Open on the other end, we truly are in a league of our own.

We're also very different because of our never ending mind set for innovation, we never stop, it's the oxygen that fuels us. To us innovation is not simply about the next wow food and presentation, it's so much more. Many times it's the less glamorous side such as line busting or evolving the way people order food and receive their food and drinks. We're also obsessed with innovation because throughout our history our competitors like to keep an eye on what we're doing and shall I say borrow our ideas.

While we should be flattered, we're not, it simply motivates us to keep innovating. Finally, our people are simply the best in the business and we love growing them from within but we also think it's very important to bring in good talent outside of the Company. Our people are nice, passionate, hardworking leaders with a commitment to being world class but they also must perform brilliantly. People in our industry want to work for Levy and so many of them once they join us say that they've found their home.

Back in 2000 we were deciding what we wanted to be when we grew up. Did we want to buy other companies, did we want to sell ours, did we want to go public? We've been approached by a number of our competitors, all of whom who express an interest in acquiring us. We met with several of them but none of them felt right. They all told us how things were going to look post-acquisition, how we would be folded into their company, lose our identity, combine everything.

Then we met with Gary and his Compass team. Their approach was refreshing. I'll never forget, Gary asked me, what's important to you, how would you like the future to look? We love what you and your team are doing and we don't want to mess it up, we just want to put some rocket fuel behind what you're doing so well. It was music to our ears and the really exciting part of the story that began in 2000 and truly continues to this day is the exchange between what Compass brings to us and what we bring to Compass.

It would be impossible to list all of the things that Compass brings to us, the Sectorisation, Foodbuy, and superb back office support are among the most important ones. Compass, I think, is enriched by our restaurateur mind-set, our E15 advanced analytics approach, and our people and training best practises. Compass has made us so much better as a Company. What I like to say is that we're driving the same Levy car as we always have but we now have an enormous engine under our hood that takes us to places that we never imagined.

As you might guess, we're pretty proud of this slide. We've come a long way from that delicatessen. Our 15 year compounded annual growth rate since we met Compass in 2000 is 14% and margins have increased significantly during that time. Most of the growth has been organic but we've also made some excellent strategic infill acquisitions.

There have been so many factors contributing to this growth story but to me the key ones again are first, our restaurateur background and expertise. Second, finding that magical sweet spot between being consumer focused and being smart business people. It would be really easy to tip the scale towards the consumer with no regard for costs and conversely it would be pretty easy to be solely cost focused without any regard for our guests or our partners. We think we've found a sensible balance.

Third, our diverse portfolio and our sub-sectorisation strategy and finally our amazing people and our investment in training and development programmes, I know I sound like a broken record but it really is all about the people and I can't say that enough.

This is how we size up our position of the market and view our position in it. Retention is a major focus for us. We simply cannot grow unless we retain what we have. We're very proud of our 99% retention rate last fiscal year. Our continuous improvement and innovation allows us to evolve as a Company and with our partners so we feel the opportunity for growth is still very significant.

We've been successful at being the awarded the business for new facilities that are being constructed, an example of these would include the new T-Mobile Arena which opened several weeks ago in Las Vegas, as well as the new Mercedes Benz Stadium under construction in Atlanta that will be home to the National Football League's Atlanta Falcons.

We also certainly see opportunities to win new accounts from the major large national players as these contracts come up for renewal. Last but not least, regional players and self-ops certainly offer opportunities for organic growth or M&A. Both are attractive to us because we can leverage scale to drive returns.

After seeing how successful sectorisation has been at unlocking growth at the Compass level we've gone down our own path of sub-sectorisation and our own version of what I call coordination de-centralisation. We've done this through acquisitions of best in class companies like Professional Sports Catering in minor league baseball, and Prom Catering and golf tournaments, as well as by re-shuffling our other sub-sectors so that they have their own leadership and strategic growth plans.

It's key to us that we keep the strong cultures and the owner mentality and the entrepreneurial spirit of the companies that we've acquired. These companies are getting the best of both worlds which has proven to be a very successful strategy. We learned from the sectorisation masters.

About three years ago, I kept saying that we need to move from an anecdotal-based organisation to an empirical-based one. Many people would look at me and say, can you just give us an example of what you're trying to say? I'd say, okay, no matter where I am in our Company, if we have a new concept that we've opened in a stadium or an arena, a Mexican concept, a new burger concept, an Asian concept, I would ask our folks, how is it doing?

No matter where I was in the country, no matter the sport, the answer was always the same, it's doing pretty well. I'd ask them to tell me more and they'd say, well we're selling 340 on average per game. I'd respond, is that good, is it bad, what's it done to our per caps, what's it done to our productivity per employee? These wonderful operators would all look at me with the same blank stare. It really wasn't their fault. They grew up as we all did in a strong Right Brain company. We were entrepreneurs, we operated by gut.

What I realised was that if we needed to continue to grow we had to develop a Left Brain to complement our already strong Right Brain. Then when I heard the words data and analytics I thought that's it, that's what I've been trying to say. So we founded E15 as a standalone subsidiary company and hired a superb CEO to build a very robust team of data scientists, economists, cognitive behavioural specialist and more, to provide advanced analytics, guess insights, and emerging technology consulting to our Levy partners.

To say that this has been a success would be an understatement. Our partners have responded so positively to this additional resource that we're bringing to them. That's because they're all going through the same data and analytics discussions in their own core businesses so we're speaking their language. We really feel that this has been a success in winning and retaining business as it truly does cut across all five elements of MAP.

One example of the impact E15 can have is a smart pricing initiative that we undertook for our major league baseball partners. Pricing of course is the easiest way to drive revenue and therefore it was the first area that E15 tackled. The optimal price of products means different things to our different partners. E15 works closely with them to define their strategies and those strategies may be a street model pricing for certain partners to variable pricing for others.

The strategy for us was about how to drive more fan engagement and participation with pricing and this meant, of course, that the results of our pricing study had not been just about increasing prices, which would have been easy, but in some cases decreasing prices. So as a result of our E15 work in the 2015 baseball season where attendance was flat, the game length was shorter, we drover per caps up by double digits and did so by increasing consumption, not just by increasing prices.

Building upon the success that we've had with our E15 Left Brain we recently launched our Right Brain experience design agency, Curiology. Now in addition to strong operators, who in our view shouldn't moonlight as innovators, we're bringing to our partners whole brain thinking through additional expert resources. So what exactly is Curiology? It's an experience design agency with a team of industry experts. Experience design goes way beyond simply the food and beverage portion of the guests' interaction at one of our locations.

It truly does incorporate what we refer to as the driveway-to-driveway cycle. It can relate to anything and everything from how a guest arrives at a stadium or an arena, how they seek out food and beverage options, how they work their way through lines, how they consume their food and beverage, and how they end their experience with us. It can also relate to internal issues, such as how many times our team members have to touch a single piece of paper. We asked ourselves, how can we bring processes and costs out of the system and make things better for our team members, our partners, and our guests?

We've also created a remarkable innovations lab where our agency can work with our partners and team members to ideate, to create, and to prototype. What's really exciting to us is to have E15 feed the data and analytics into Curiology which then works with our operators and partners to create and implement solutions based on solid information, rather than by just our gut feel. Finally, as you can imagine, we loop back the results to E15 to measure success.

One example of a successful implementation of Curiology's work is at the United Centre in Chicago, home of the Chicago Bulls and the Chicago Blackhawks hockey team. Working with our partners, Curiology undertook and end-to-end re-invention of the food and hospitality experience based upon the insights of E15. This resulted in us bringing in 20 new local partners and concepts to accomplish several things, from trying to get fans to arrive earlier to eat and drink, as well as to redistribute the population throughout the building.

It was a great success for all of us and our partners on all fronts. We increased our per caps, in an already strong per cap building, we drove a significant amount of the population to arrive earlier, and we had over 250 million immediate impressions of the new Chicago's Plate Food story at the United Centre. We were thrilled to be voted by the Chicago Tribune as the best unexpected dining experience in the city of Chicago.

To wrap all this up, we believe that we're well placed for continued success. Our passion for food and our background as restaurateurs is unique. We have a diverse portfolio of offerings to compete in a very dynamic industry which is being helped by sub-sectorisation. E15 and Curiology give us a balanced whole brain capability, and last but definitely not least, we have the best people in the industry.

I appreciate the opportunity to share with you the Levy story and why I am so passionate about the future and so excited about what's to come. Before we go for the break we'd like to show you three videos which will help bring to life the exhibits that you'll shortly see downstairs. Thank you.

[Video playing]

Alfredo Ruiz Plaza

Regional Managing Director

Good afternoon everybody. My name is Alfredo Ruiz Plaza, it sounds difficult but it's my name okay. So I am Spanish and I'm in charge of Latin American business, I am the Managing Director for Latin America. I joined Compass seven years ago and my prior job was to help the South of Europe and believe me that was not an easy job to do. Three years ago, in the last investor seminar, I had the opportunity and the privilege to present to you about Spain, which all of you know, we were in difficult times.

So for us it was clear from day one what to do, to take radical actions to accommodate our cost to the volume and we can say now -- and Dominic will go into detail -- Spain and Iberia is well placed for the future. So let me in the next 20 minutes to chat with our beautiful Latin America and to explain all the actions that we are taking there.

As I mentioned before, like we have in Spain, we live in difficult times and we are dealing with challenges. But I have to say that I am very proud that my predecessor, Johnny Thomson, [a short time ago] immediately from day one to adapt our cost base to the new reality and thank you for that. All the actions that we have taken and that we will explain to you in the next 20 minutes we believe we are well placed to capture the opportunities that the market provides to us.

Let me go into detail now. We have a sizeable business in Latin America. Our revenue is £1.1billion, we want to be bigger. We have good operations and market leader position in Brazil, Argentina, Chile, Mexico, and Columbia. There is no secret, Brazil is our largest country and in real terms the revenue from Brazil for us is around 60% of the region, the other geographies [booked] for 45%.

We believe we have a good between sectors. There is no question, B&I is our backbone and will be in the future. Offshore and remote 25% of our revenue, half of that in Chile, we have a sizeable operation in Chile in Offshore and Remote. Despite that we are living in difficult times, in the Offshore and Remote business, is and will be important for us in Latin America and I want to make that clear. We have a small but growing presence in healthcare and private education.

[Inaudible] slides, as Gary explained, we are very proud to provide service to great names, to provide superior service, excellent food, and our people are doing a great job. You have global [tax] like Google, IBM, [XYZ], but also we have regional tax, Bradesco, [Vale], Antofagasta, we are proud about the mix of global deals and regional deals.

Let me talk about an important slide, what are our priorities in Latin America? There is no secret, from day one as I mentioned before, we were clear we have to take and we did and we are taking radical actions to accommodate our cost base to the volume decline and to offset any impact in the margin. But this is not enough. We are working to build a more efficient company, a more leaner organisation, so we had to reduce the food costs, we did and we are working on that.

We had to standardise the process and I will explain later on with the use of our MAP 5 through standardisation and selective IT investment. I do not want to forget the growth. We want growth in Latin America, so to keep the momentum, to gain -- to cut new deals is important for us. That's why we have more sales people in the street, and I will explain later on more, and we are focused to grow. All of that we believe will provide us a competitive edge to grab the opportunities that the market provides to us. I will mention later on specifically about sales team and retention.

We have been talking about us, we share with you our priorities, let's talk about the market now. In our view, the private market, I repeat private market in Latin America is £11 billion market value, highly fragmented in all the geographies and the outsource ratio is low, 49% below 50%. What that means for us, significant structural opportunities to grow in both ways. Clients that as Gary explained start to see the benefit of the outsource process and simultaneously to grab market share for other small and regional players.

We have mentioned our B&I but we want to share with you that we see the opportunity to grow all across the sectors. Definitely B&I is the largest opportunity but we see opportunities to grow again in healthcare, private education, and DOR and we are working on all of that. We talk about the market, we talk about us in general, let's be specific about geographies.

Brazil -- we have a sizeable operation there, we are the market leader with 12% but we see a tremendous opportunity to grow. B&I is the backbone of our business, two third of our revenue there. Healthcare and education growing and we have a presence in the Offshore and Remote. I mentioned before one of our clients before. There is no secret, the macroeconomic is not helping us and we are prudent about that so we had to do the homework.

As I mentioned before we did [some time ago] and we are doing now radical action to compensate the fall in the volume. Some numbers because we are a numerical company so we produce our numbers. We have reduced our workforce more than 13% in Brazil, that's an example of all the bold actions that we are taking to accommodate to the volume decline. But inflation is important in Brazil, it's double digit, so to mitigate that we have a strong and disciplined pricing practise.

Pricing is very important for us and you will see some examples later on. To stay focused on working capital and cash conversion is non-negotiable. As I mentioned before, in addition to all the actions that we are taking in costs we are focused on growth. We are focused to gain new contracts, we are focused to have new wins and to improve our retention rates.

[Inaudible] I will go to the other part of the geographies, what we call the Spanish speaking countries. We have a sizeable operation in all of them. If we analyse the sectors we have a balanced view, B&I and Offshore and Remote are equally sizeable and we like that. Let's be clear, as we anticipate from day one that the commodity industry is going to suffer we were radical in the way we eliminate costs and we still do it. That's why we want to keep our competitive edge in what we call DOR activity.

Looking to the future, as I mentioned before, B&I is our backbone and will be and we see opportunity for growth. How to deliver new contracts, to grow, to fix the retention, to keep all of that? One example about pricing, Argentina is a high inflation country, more than 35%, well our team -- I have to say one of the best team in Compass in terms of pricing management -- developed a system framework as part of the MAP package that we review quarterly basis the pricing to our clients.

That gives an opportunity to mitigate all inflationary [environment]. This is one example of all the good practise that we apply in Latin America coming from another part of the world because we are Compass. So any good practise that you are seeing today we try to understand we try to apply in Latin America.

Let me be specific about the cost actions. We talk about the MAP 3 food costs, this is not only to try to simplify the supply chain, we did, reducing the number of sku's units. We identified from day one that we have to have the best buyers. In difficult times best buyer, best procurement team, deliver results and we did that. In labour costs I mentioned before about Brazil, we are doing the same in the other geographies just to accommodate our costs to the volume to the demand flow. But more than that we are changing the way we do the contract, become much more flexible, to adapt almost like a [inaudible] to the demand.

Finally, about MAP 5 overheads. It is no secret, we are Compass. Always we try to find out a way to reduce our MAP 5. We did that, standardisation, selective IT investment. But let me say something, as I mentioned before, we won and we did more sales in the street so we re-invest some of this money to put more sales people in the street, to strengthen our retention team.

As I mentioned before, we have done a job to try to accommodate our cost base but never will we consider mission completed. In the way we work, in the way you know we work, all times we are looking for ways to reduce our costs. That is the way to be competitive, never is enough, this is one of the sentences that we use as a team when we work together.

Let me talk about growth for a minute because again we do not see a contradiction to be bold on cost, to be radical on costs and to focus on growth. We reviewed the contract portfolio, some of the contracts were not profitable so we have to say goodbye. The proper [manning], the professional way, pricing I mentioned before, there is no question.

Specialise the sales force, we used to have generalists -- I think Gary mentioned before -- now we have specialists. Our sales force is by sector, frankly they are really expert when we talk to the clients. They know what it's all about and we are proud about our people. In the retention area SAG, the Strategic Alliance Group practise is all in all the countries, fully applicable and delivering results.

Other things that we are doing in Latin America just to grow in line with our best practise in the Compass constellation -- first of all intelligent and a smart use of CapEx, focus on cash, all of that to help us to gain good contracts, to grow profitably, and to enlarge our footprint in the market place, that's all about what we are doing. Working focused on growth, focused in the way we grow, and to have the sales team people in the market.

A few examples about how we cut deals with clients. We will start with the first one from Argentina. We are very proud about that. Well it's a £3 million business annual basis, it's not so bad by the way. We cut a deal which we consider one of the top brass hospital in Argentina, the British hospital. How did we do that -- we built confidence. For more than two years we were working with the client to show our best practise that have been expressed before, how we can help them on health and safety. Guess what -- we cut a deal, that is one example of that.

If we move now to the B&I arena, Brazil, another good account, another sizeable account £1.8 billion I tell you it's not so bad. How we built confidence, we show all the cases that we're doing, health and safety, nutrition, all our good practise and the clients give the confidence and we are very proud about that.

Finally, because we talked about good examples of new business, let me talk one minute about retention. Our education programme and our education practise around the world it [inaudible] believe me it's quite reliable and we apply in Brazil in this case. [Inaudible] to them we extend the contract, the clients see how we moved education but to another dimension and we are [inaudible]. These are only three examples in a very short time that how we are focused on costs as I mentioned before but simultaneously we want to grow through new wins and through retention.

So if you want me to summarise, to recap, first of all the economic environment is not in our favour. We knew that, we take radical actions and we continue doing that. We believe that our restructured cost base will provide a competitive edge and further opportunities for efficiency. We never stop on that and simultaneously let me say that we are very excited about the opportunities and we want to be well placed to grab these opportunities and to grow our market share and our size in Latin America.

Thank you for your time, thank you for your attention and now I pass to Mark.

Mark Van Dyck

Regional Managing Director

Good afternoon, I'm Mark Van Dyck and I am Regional Managing Director for Asia Pacific. Today I'm going to cover Asia Pacific, a region that has both great diversity and also that has great potential.

First of all, a few words on my background. I've operated at managing director level for the last 20 years with a background in consumer products and service businesses. This includes 16 years at the Coca-Cola Company where I was Managing Director for the Australian business and then a Director for the Asia Group. I was also the Managing Director for Compass Group Australia for the last three years.

Our Asia Pacific business comprises nine countries over a vast geographic area with a population of over 3.1billion which is just under half of the total world population. The region's growth potential is really significant. Compass has revenues of £1.8 billion and we manage the business at the country level because given the diversity of the markets we do not believe that a one size fits all strategy will work.

Therefore, we have divided Asia Pacific into two sub regions, developed markets which account for 90% of the revenue currently and comprise Australia, New Zealand, and Japan, then emerging Asia, which accounts for 10% of sales currently, and includes the two developing economies of India and China, along with the predominantly urban businesses of Hong Kong and Singapore and then the principally Offshore and Remote businesses in Indonesia, Thailand and Malaysia.

While the fundamentals of the Compass business model are absolutely in play in each country we do tailor the strategy to fit the different market opportunities. Countries in the developed sub-region have a common set of characteristics. In these markets the priorities are sales and retention excellence, strategic expansion of services and contract extension, an optimal supply chain, labour efficiency, and lean operation processes.

The second sub-region in Asia Pacific is emerging Asia. The characteristics of these markets means that our priorities are about sensibly building scale with integrity in contracts, improving our retention, developing an efficient and competitive supply chain, and labour management and capability build of both the unit and the above unit level.

On the subject of management, the managing directors for China and India and our chief operating office for Japan are all here in the audience today, I really encourage you to meet them later on.

This chart shows the financials of the two sub-regions. A £1.8 billion business compared to a £200 million one. However, given the significant growth opportunities in emerging Asia we do fully expect this split will change in the coming years. While the margins in the developed sector are good, those in emerging Asia reflect the level of investment that we have made in the Compass growth engines of the future, namely, India and China.

The opportunity for margin progression is significant as we really scale and leverage overheads and focus on other MAP 3 and MAP 4 efficiencies. We estimate Asia Pacific's total food service market to be around £50 billion and there is significant potential for growth in the region in both developed markets and emerging Asia.

There's an opportunity for greater outsourcing. Relative to peer markets like the UK and the US outsourcing is still under penetrated particularly in emerging Asia so there's great upside there. We also currently only have 4% of the market in developed Asia and 2% in emerging. In addition, there are structural factors that will drive the growth in outsourcing in the region.

This includes the quest for productivity in both the public and the private sectors along with the growing drive for compliance in local and multinational companies particularly in China and in India. In both countries the strength of our supply chain and health and safety standards gives us a strong competitive advantage versus the local competitors. This is especially true in China where there have been a number of recent supply chain scares.

Finally, there's an opportunity to earn share for the large number of small and regional players. In addition to the global trend to outsourcing, Compass Asia Pacific has significant room for growth in most core sectors. This chart gives you the overview of our growth across the sectors from 2011 to 2015. As you can see from the chart, our business was very dependent upon Australian Offshore and Remote and B&I and Sports & Leisure in Japan but this is becoming much more balanced.

The chart not only demonstrates the development of the region and the progress already made but more importantly shows the significant white space available for future growth. There is also still significant opportunity to drive the top line through MAP 1 and MAP 2. We are growing with our global clients like Google and we're developing strong regional relationships with the integrators like Jones Lang Lasalle.

We continue to improve our retention using the Strategic Alliance Group or SAG model and we are expanding the range of services that we provide. For example, we are building on the success of the Rapport, front of house reception brand in the UK and have rolled the first stage of our Guest Services Solution out to a key regional client.

A great example of progress in MAP 2 is Hong Kong where over 90% of our revenue is now from P&L contracts. We're taking great retail concepts from other parts of the Group, for example, the micro-market concepts -- Avenue C in the US, 24 as it's known in the UK, -- and are looking to roll them out initially in our B&I clients in Hong Kong and Singapore.

We've also embarked upon a refresher programme across the region to drive volume growth and retention and of course the profit benefit that derives from that. This programme which has proved highly successful in the US and Europe aims to improve the performance of units by enhancing the total consumer experience. This particular slide shows a successful refresher project at a school in Hong Kong.

At the same time we're working tirelessly on margin expansion in all countries. There are continued efficiency opportunities in MAP 3 and MAP 4 and we're now at a level of scale where we can really get greater leverage from our overhead structure, both in country and in region. Innovation is just as important in driving efficiencies as it is in driving the top line.

In China, for example, we've developed the magic cooker, a cooking technology which enables high quality meals to be cooked in bulk using pre-prepared ingredients, with less cooking time, lower skilled labour, thus resulting in labour and utility costs while meeting the Chinese consumer concern about food safety and delivering a really quality meal.

We have many examples of cashier-less payment kiosks across the region and online meal ordering Apps, all of which reduce labour costs whilst at the same time enhancing the consumer experience.

Let me now cover some of the region's most important markets in a little bit more detail. I'll start with Australia which accounts for half of Asia Pacific's revenue. We're leaders in Offshore and Remote and it makes up over 70% of our business. We have a rapidly growing urban business now. With 9000 employees operating over 600 sites across seven business sectors and leverage nine different operating brands. 55% of the Australian market is currently outsources.

The level of outsourcing also varies quite significantly by sector. This means there are structural growth opportunities in terms of first time outsourcing or earning share from other players in all five sectors but particularly healthcare. Our performance of the past several years has benefited greatly clearly from the resources boom. We won accommodation management for every single LNG construction project in the country and delivered a compound annual growth rate of over 12% between 2007 and 2013.

The downturn in commodity prices and the result of new normal coincided with the inevitable tapering of construction business as most of these projects now convert to production over the next two years. So since 2014 we have taken decisive action to reset the business to reflect the new market conditions and reposition ourselves for future growth.

We realigned our cost base for a cross discipline efficiency programme known as Agility which is now in its third year. It has become very much a key part of our DNA and the way that we do business and importantly by the end of 2016 will have delivered over £55 million of cost savings. We also innovated our service offer to adapt to the new reality in Offshore and Remote and introduced ESS 2.0 and Village Life based upon an understanding of the needs of both clients but also the consumer i.e. the fly-in, fly-out worker or FIFO worker as they're known.

This programme creates more of a home away from home experience for FIFO workers and is delivering great satisfaction scores which nicely counterbalance the impact of clients seeking to reduce the offer level on site. The business now has a cost base in line with the market and it's appropriate for its size.

We now have the ability to drive accelerated growth in the high opportunity urban sectors of healthcare, education, and business and industry, whilst of course still defending our leadership in Offshore and Remote. Progress so far has been very encouraging. We renewed the great majority of our Offshore and Remote clients and also our defence contract which runs for a potential nine year term.

We've also grown our retail business by 25% in the last 12 months. This is one way in which we're offsetting the profit resets in Offshore and Remote. Importantly, we've won contracts in key focus sectors such as Lady Cilento Children's Hospital - that's in Brisbane -- Canberra University Hospital, both of those are in healthcare. Private schools including Riverview in New South Wales and St. Peters in South Australia and we further consolidated our leadership in Aged care. We've also won some new contracts in Business & Industry like Mars and Novartis to mention but a few.

So let me now move next door to New Zealand which has become a really interesting market for us. It has 80% of revenues -- £80 million sorry of revenues and has reached key scale in the last couple of years with the win of two transformational public sector contracts, the New Zealand Defence contract and New Zealand Health. Once these two contracts come fully on stream within the next year, 60% of our business in New Zealand will be under long term contract.

We're the market leaders in food service and we're well represented across other sectors of Senior Living, B&I, Education and Sports & Leisure, all with headroom for growth.

I'm going to move now to Japan where we've seen steady revenue growth over the last five years. We have revenues of £575 million, we're the number three player overall and have a nicely balanced business across the key sectors. In the sectors where we're outside the top three there is great scaling potential. The food service market is £32 billion and is about 55% outsourced. We see opportunities for growth for first time outsourcing as well as significant share gains.

The market is really fragmented with 20 leading providers accounting for just over 20% of the market. In addition, retiring baby boomers with the highest life expectancy in the world creates a large and growing healthcare and senior's market which still has a relatively high proportion of self-operation.

There is, however, a downside to having an ageing population. We're finding it increasingly difficult to access quality flexible labour and we're focused on early intervention to mitigate this by upgrading our recruitment processes, restructuring our labour agreements to increase flexibility and lower costs as well as improving our labour usage.

Japan is now also seeing some inflation. For example, this year fresh food has increased by 6%. As with labour, we are responding quickly and have a current focus on supply chain and procurement efficiencies, leveraging best practise from our other Compass markets.

I'll move on to China where we have revenues of £60 million. We employ over 4000 people operating 210 sites. The food service market is about £5 billion and we expect that the structural trend to outsourcing will continue. Over the last five years we've enjoyed a compound annual growth rate of 14%. We've increased our retention from 80% to 90% and both the scale and tenure of our new business has doubled. We've been selective in the sectors in which we want to play, choosing B&I and education to ensure we build sustainable businesses with revenue and profit growth potential.

The potential for the development of the private healthcare sector is also really exciting as the new policy to encourage greater foreign investment is implemented by the government in China. We've also built a good MAP 2 retail capability, particularly in leveraging the DeliMarche brand and this success has extended to Hong Kong. Another example of MAP 2 innovation is the use of WeChat to order meals on your smart phone.

B&I is 70% of our business and we have both a premium and a blue collar offer. We focused particularly on technology and pharmaceuticals and have a key account strategy where we operate across multiple sites but always focusing on the four Tier 1 markets. Some client examples are Alibaba, Tencent, Baidu, and Novartis. We also have a really high representation of global clients including Google, Apple, and Microsoft.

We have also built a really strong education business. We are the number one player in the international schools' sector and are currently expanding successfully in the fast growing local private school sector, building on the desire of Chinese parents for their children to have the same premium offer as the international schools.

We're now moving into a second phase in our business in China. We've obviously gained scale but are having to react to the current slowdown in economic growth in the country. So we're focusing more aggressively on MAP 3 where we have centralised much of our supply chain for a number of distribution centres which gives us greater control and procurement leverage. We're targeting opportunities for efficiencies in MAP 4 and in MAP 5.

Now last but not least, incredible India, the world's largest democracy. In India we have revenues of £50 million and over 16,000 employees operating in over 450 sites. We built the business through a series of small acquisitions between 2009 and 2011 and have had double digit organic growth since. Although we have a strong support services business, food is our priority and we have adopted a strategy focused on B&I and healthcare.

In B&I we're growing with premium clients and also global key accounts including Intel, HSBC, Tata, Google, Microsoft, Reliance and Ford. In healthcare we're focused on private hospitals. We now have a great business and we've taken the necessary steps to really professionalise it and drive progress across the key elements of the MAP framework. And we've also upskilled our sales team to enable us to take market share in a very fragmented market, where more than 70% is managed by very small players. Here again we've also successfully implemented the SAG retention process and have developed strong retail concepts and really focused on the consumer proposition to drive spend from the emerging middle class. We have at the same time worked tirelessly to build the unit margin to Group averages and we've the same focus as in China on leveraging efficiencies in MAP 3 and MAP 4. In summary, I think we are in a great position to take advantage of the trend to outsourcing and the growth opportunities that India offers.

So in conclusion, we have strong and scalable positions in developed markets and are taking the necessary steps to ensure continued progression in these countries. In emerging Asia we have built strong foundations for further growth and will continue to carefully pick our sector plays as we expand and grow. Compass Asia Pacific is well positioned for the future.

Thank you very much, I'd now like to hand over to Dominic Blakemore.

Dominic Blakemore

Chief Operating Officer for Europe

Thank you very much, Mark. Good afternoon and welcome. I'm delighted to be here today in my new role as Chief Operating Officer for Europe, which I’ve now been doing for just over six months. I'm joined by a few members of my senior team. First, Dennis Hogan, our UK Managing Director, who will be familiar to many of you and who will be presenting shortly. I'm also joined by two newer members of my European senior leadership team, Gaétan De L'Hermite, our French Managing Director and Fernando Pascual de Bañul, our MD of Iberia. Both were appointed to their roles in the second half of 2015 and will be available to meet with you during the rest of the day.

Over the next 20 minutes, I will give you an overview of our European region, outline our future strategy, and look at how we will execute that strategy across the key areas of our business. I'll then close with a brief summary, before handing over to Dennis who will consider the UK in more detail.

The Food Services market in Europe is large and presents us with a significant potential for growth, from both first time outsourcing and market share gains. In addition, after the difficult years of the Eurozone crisis, the economies in the region are now more stable and whilst the drive for efficiencies by our clients remains, we see a steadier market place.

Over the past few years our performance has improved significantly. We took decisive action in 2012 in response to the Eurozone crisis and as a result of the restructuring, we grew our margins by nearly a percentage point between 2012 and 2015. Recognising the need to return Europe to growth, we invested in sales and retention teams, in training and we invested in CapEx. As a result, from a decline of nearly 3% in 2013 we are growing at over 3% in 2016.

We've also made significant progress improving the margins of our poorer performing countries and raising the average for the region. In 2013, at our last investor seminar, Europe's margin was 6.9%. This has now increased to 7.2%. We still have further room for improvement and our lower margin countries are now our smaller markets where we have less scale or we don't hold leadership positions in our core sectors.

We still have a handful of markets that are in revenue decline, a few that are growing beneath our first half growth rate, and we are reliant on a few larger ones like the UK, which are growing well above the average.

So there's a great market opportunity in the region. The economies of our key markets are more stable - although this may change following last week's referendum - and we have performed better on both margin and growth. So what can we now do to further improve our margins and embed more consistent and disciplined sales growth? My key observation of the past six months, having visited almost all of our businesses, is that having run the region as 23 independently managed countries, we are sub-scale in certain geographies and sectors. This contributes to a lower margin outcome, inconsistent management, poor execution and less reliable growth.

To improve, we need a tailored offer in our core food service sectors that resonates with our clients and consumers depending on their sector, their own local culture, their culinary preferences and the emerging consumer trends. At the same time, we need to further leverage our European cost base, improving our margin whilst allowing investment in growth and into this tailored offer. We will do this by putting in place a new European business model, by implementing common information systems, looking again at M&A and building a collaborative European leadership team.

First, the business model. We will now manage our 23 countries in nine business units. This will create greater purchasing and logistics scale, allowing us to realise new synergies. We will share back office support across countries and we will have leaner, more focussed leadership teams managing to a consistent standard across more client sites.

Secondly, we have today a multitude of operating systems. Over time we will implement a common European information system. This will allow us to aggregate purchasing and logistics volumes across countries and implement common back office processes. In turn this will allow us to deploy best practice more consistently and more quickly. We see M&A having an important role to play. We are focused on infill acquisition opportunities in food services, where we can add scale to drive purchasing and back office synergies, whilst adding strong management and good brands.

And finally, we are working really hard to build the right leadership team, balancing local market and Compass experience with the ability to better collaborate across countries with more consistent processes and better sharing of best practices. So as we look forward, we see a great opportunity to further improve our European performance by being highly targeted on the market opportunity, delivering a tailored client solution whilst better leveraging our cost base.

Let's now look at how this will be implemented in practice across our businesses. As you can see, once we get beyond our large markets of the UK, France and Germany, our tail of 20 countries representing 38% of regional sales is highly fragmented. So we are in the process of consolidating into nine business units. Each business unit leader reports to me and is either managing a large national business or a group of smaller countries.

Our business units are based around common cultures, languages or neighbouring geographies. Each individual country importantly will still have a country head managing operations and client relations. However, functions like finance, purchasing and health and safety will have one head for each business unit. This will allow us to lower costs and generate economies of scale and ensure a more consistent execution of key strategic initiatives.

Let’s now look at our geographies in more detail. The UK is our biggest and most well balanced business across all five sectors with really exciting opportunities for growth. We'll target growth in food services and in all sectors we have great brands, leading market positions, great managers, scale and a positive market place. Dennis will talk more about this in a few minutes.

Our Continental European business is anchored in business and industry with a good presence in both healthcare and education. Given the advantages of market leadership, scale and expertise within a sector, as well as positive outsourcing trends, in Continental Europe we will be very targeted maintaining our focus on food services in these three core sectors and only where we have a market advantage.

So we have capability, strong sectorisation and scale in B&I across Europe and in healthcare and education in certain of the key countries and there is a significant structural growth opportunity across the continent in these three sectors, but again we will concentrate on the ones where we have real competitive advantages.

As well as being highly focussed on the market opportunities, we must also continue to improve our execution capabilities. Improving new business wins and retention has been key in returning Europe to growth. We've invested in sales and retention, both in terms of heads and in training and we are being rewarded for our investment. We are using CapEx as a smart tool to improve retention and CapEx used in that way tends to have the highest returns. We must continue to focus on the core disciplines of the sales and retention processes in our prioritised market sectors, but we must also improve the quality of our offer to meet rapidly changing client and consumer trends.

Making our offer more dynamic has been a hugely important factor in the turnaround in the UK and we will continue to do more of this across the rest of Europe. First and foremost, as you've heard earlier, we sectorise and where appropriate and where we have scale we sub-sectorise. That enables us to segment the market and really develop our expertise. Then we take a tailored approach and customise the offer to meet our client needs and finally, we use partnerships such as Costa, Starbucks and Marks and Spencer to help bring some of the excitement of the high street into our venues.

Let's look at this in a little more detail. Our business is organised into the five core sectors you can see on the slide and we have global brands in each of these sectors. In the UK we use our global brands, however in business and industry we have also segmented into five subsectors. Eurest, which is our main offer in manufacturing and low-tech industries, Restaurant Associates, which is our premium offer aimed at clients in financial and professional services in the City and Canary Wharf. In-store, where we operate the cafes and restaurants within major retail stores. 24 provides cashierless and cashless retail solutions on smaller sites or where cost is key and Rapport is our front of house reception business. This sub-sectorisation allows us to provide a tailored solution to different client and different consumer needs, whilst leveraging the scale of the B&I sector.

But it doesn’t stop there. Besides sub-sectorising, we've got a dynamic approach to developing our food offer. For example, in Restaurant Associates we work with a series of high street partners to have permanent or pop-up offers. We work with celebrity chefs such as Jason Atherton and the Roux family and we have a range of different suppliers and concepts to ensure that our offer remains both fresh and appealing to our clients.

It's critical that we vary our offer with emerging trends to drive consumer satisfaction levels and innovation is at the heart of this. Our consumer offer is developed behind what we call Envision 2020, which is the cafeteria or restaurant environment of the future built around a dynamic and fast-changing food market concept, enabled by technology. Our B&I offer is built on four emerging trends of how our consumers are engaging with food in their lives.

First food itself, its quality, nutritional content, provenance and culinary innovation. The impact of food and beverages on health, hydration and diet all sit behind this pillar. Next is community and the need for our business to engage with our local stakeholders, our diners, suppliers and associates. The concept of ownership is behind the third pillar, or how we interact with our consumers, with personal accountability for health and safety as well as for commercial performance. And finally storytelling, or our ability to communicate in a connected social media world all the great stuff that we are doing. Each of our businesses have a framework behind this which identifies their priorities.

In addition, I've agreed with my business unit leaders three key priorities which span across Europe. First, beverages. There's a great opportunity to grow our retail sales by focusing on beverages, both hot and cold. In North America the percentage of occasions that a consumer in our business takes a beverage with a meal is around

50%. In Europe, this is around 20%. There's a huge opportunity of closing this gap. We're partnering with specialists in consumer retail and category captains like Coca-Cola and Nestlé to identify the right beverage offers, stands, pricing strategies and hot zone offers and you can see on the slide some of the great opportunities we have from better execution.

Turning to hot beverages, we have a strong internally generated coffee brand, Caffé Dallucci, which we are operating with great success in Germany in over 60 client sites. This can complement our existing collaborations with high street brands like Starbucks and Costa and so we're rolling this out with pace across Europe. Here you can see the newly opened Caffé Dallucci in Liberty Global's headquarters in London.

Secondly, to complement our focus on beverages, we have developed employee training materials that equip our associates to up-sell more effectively. This server to seller training is combined with our improved offer and importantly, a front-line employee incentive plan that rewards our employees for weekly uplifts in sales and profits.

And lastly, we are focussed on continuously improving the total consumer experience. Through our refresh programme we are renovating the look and feel of our main B&I brand, Eurest across Europe. This means updating all social media platforms that touch the consumer, ensuring brand standards are consistently applied to all restaurants and uniforms across the business and finally that we invest in the look and feel of the restaurant - the furniture, equipment and signage - to improve the whole experience. We are part way through this but all countries will run a continuous programme to refresh over the coming years and where we have implemented, we've seen a strong uplift in sales and participation.

In purchasing, we will continue to drive best practices across business units. In addition, each business unit's purchasing teams will manage greater volumes of products and will therefore be able to generate further efficiencies. We are replicating the US model by aggregating our volumes with non-competing third parties to improve overall quality and price. In the UK, we bought a company called Acquire, which manages third party food purchases for UK based food retail organisations. We've now integrated that with our own UK purchasing and rebranded it Foodbuy. Similarly, we've just announced the acquisition of a small purchasing company in the Netherlands, Xandrion, as we pursue a similar strategy elsewhere in the region.

We are increasingly managing certain categories of food across multiple European countries. Today we have around 10% of total European food volumes under the management of our regional purchasing team and we anticipate this could increase to 30% in the medium term. And finally, we believe that our business units will be able to reduce our over 20 third party logistics providers to a handful of strategic partners, improving both quality and the efficiency of our product delivery.

We've made significant improvements in labour costs in Europe. This was underpinned by the restructuring announced in 2012 which allowed us to right size our business post recession. However, we still face many labour cost headwinds and we are looking at different and more innovative ways to drive efficiencies and mitigate these costs.

In 2016 we have faced significant wage inflation in markets as diverse as the UK and Turkey. Through a combination of efficiency initiatives we have offset or mitigated the impact, before seeking sensible price increases in line with our contract arrangements. In more extreme situations, where we're unable to agree a reasonable combination of cost mitigation and pricing, we have and we will continue to exit contracts to protect our profitability and ensure that we are fairly rewarded. These are issues for the industry as a whole and may force clients who are self-operated to consider out-sourcing.

Our plans to leverage scale across the region are underpinned by the implementation of common information systems. These systems will be around 80% standard and 20% tailored to the local market needs. These will upgrade or replace existing systems at the normal point of churn and will allow us to leverage cost efficiencies. It will also enable us to standardise the other operating systems that support our business, such as in-unit manager systems, EPOS, time and attendance, menu management, purchasing and so on. The potential is very significant but it is a programme that will be managed carefully over time. Importantly it's also not expected to increase Europe’s CapEx requirements.

Acquisitions have been off the agenda. Now that the region has returned to growth, we have a renewed appetite for M&A. These will be small to medium-sized infills, targeting good food companies operating in our core sectors, which bring good managers, great brands and tailored client offers and of course we will benefit from further synergies in purchasing and overheads, but we will remain disciplined.

We need the right team to implement the changes we are making in Europe. As you can see, our business unit leaders represent the different cultures of the region and have significant experience with Compass. We also have some newer members of the team that bring great experience from outside the industry and we continue to work hard to build and develop capability at the next level in these teams.

So to conclude, we've made significant progress in Europe. However, there’s more we need to do to be able to deliver sustainable growth and margin progression. There's a significant opportunity in the core sectors where we have leadership, scale and capability. By managing our smaller countries in business units we will gain scale, be leaner, more focussed and have faster and more consistent execution. We will invest in IT infrastructure and technology to leverage scale and we have an appetite for targeted M&A and last but not least, we are building the right team of leaders for success.

Thank you very much for your time and I'd like to hand over to Dennis Hogan.

Dennis Hogan

Managing Director for UK & Ireland

As Dominic mentioned, I'm Dennis Hogan, I'm the Managing Director for our UK & Ireland business. I’ve been working with Compass now for 20 years, having spent the first 17 in the States and almost three years in my current role. Now earlier you heard that there's a guy from Birmingham, a Brummy, who's running our North American business, so you were probably a bit surprised by that. You might also be equally surprised that there's an American of course running our UK business. But I have to say, it's what's great about Compass in terms of giving people great opportunities, developing them, but also I think as a way to really leverage and share best practice.

Now over the next few minutes I'll be giving you a short overview of our UK business, before focussing on key opportunities and challenges within our MAP framework. What I'd really like you to take away from my presentation are the reasons behind our turnaround and secondly, why we believe our future growth is sustainable.

Now our revenues in the UK are just over £2 billion. One thing I think you'll notice right away is that we have a well-balanced and diverse business in terms of sectors. Business and industry is our largest sector, but we also have a strong presence in education, healthcare and sports and leisure markets, as well as our defence, remote and offshore. In the UK, like the US, we also have a series of sector brands to differentiate our offer when we go to market.

Now this slide looks at the foodservice market in the UK. We are the number 1 foodservice company by a significant margin. Having said that, we only occupy 8% of the total market. This gives us a significant opportunity to grow, as nearly 50% of the market has yet to be outsourced. The graph on the right looks at the market opportunity by sector. As you can see, while we have a strong presence in each sector there is still significant room for growth, as a huge piece of the market is not currently outsourced.

Let's take a look at just one example. We can see that within education 75% of the market, that's around £4.3 billion, are currently being delivered in-house. Now we know this represents a good potential source of growth as over time organisations and companies are likely to re-evaluate their operations and ultimately come to market.

So, as I mentioned previously, I've spent the last two and a half years in the UK as a Managing Director. I just thought it might be helpful if I could share some of the initial observations I made when I first joined the UK business. First of all, I recognised very quickly that we had a very strong foundation in place with a really talented team that, I don't know, maybe just lacked some confidence.

Also previously there had been some important investments, including a specialist retention team. However, I thought we still needed to ratchet up our intensity, in a similar manner as to what I'd seen in the States, to make sure that we secured our existing client base. I also felt that having come from the States and working in a successful growth culture, we needed to put sales and winning at the top of the agenda in everything we were doing. So we embarked on a journey, starting with adding more resources to our sales and sales support functions, but crucially we also needed to strengthen the alignment between sales, operations and finance. We had to develop a culture of trust so that when we went to market we knew the proposition was compelling, deliverable and financially sound.

We also increased the sophistication in the way in which we select our potential clients and ultimately, we started really celebrating the wins and successes. What I really learned from the experience was just how powerful winning is to building confidence within a team and the impact this has on creating a sustainable growth culture. As we move into looking at the numbers, I think you'll be able to see that we've made a real step change in winning and retaining business.

Now let's take a look at those numbers. As a business our financial performance has been very encouraging. We've been able to reverse a historical decline in revenue and over the last 18 months we have been able to deliver growth within the range of 5% to 6%.

If I break that growth down further by looking at our sector performance on this next slide, I think you'll see that each of our sectors have mirrored our overall business growth. In fact we've had top line improvement in every sector except our offshore and remote businesses, which make up less than 3% of our business. Having said that, within our wider defence business we see significant opportunities, as we have a very strong reputation and we are well positioned to take advantage of the government's focus on consolidating their approach to outsourcing.

We're also extremely encouraged that our B&I business is growing at a rate of 8%. One of the keys to our success has been segmenting the overall B&I market and I think you've heard that theme throughout the day. Similar to our US colleagues, we've taken a sub-sector approach and now have teams dedicated to serving local and smaller businesses as well as teams that focus on larger national opportunities. This enhanced degree of specialisation has allowed us to provide a more bespoke solution that better meets the needs of our clients.

Education is another sector that has seen significant growth and is currently increasing at a rate close to 10%. One of the drivers for this has been the movement of primary and secondary schools away from local authority funding to operating as academies or trusts.

In healthcare we've also utilised a sub-sector strategy by focussing separately on our healthcare retail business. We now operate well recognised high street brands - Dominic referenced some of them earlier - across more than 75 locations, primarily in front entrances and reception areas of our healthcare clients. This works really well because we're able to provide cost savings and investment to the client, to the trust, while also generating a healthy margin. Our skills and expertise as a retailer within the healthcare space is industry leading and has been extremely well received by our clients.

Finally, our sports and leisure business has also grown. Our year-on-year sales performance at the same events is up due to better execution, better delivery and better innovation.

Okay, back to the virtuous circle of growth. Now you may recall a similar version of this model from my US colleagues and my European colleagues, actually my Australian colleagues and Lat-Am colleagues. So we call it the virtuous circle of growth, as I said, and it's something we've introduced to our UK business and I believe fundamentally underpins our sustainable success. So for example, as our UK business has returned to growth, it's allowed us to strengthen our procurement opportunities and partnerships with our suppliers. Because our suppliers are seeing that we're growing, they're able to work with us to deliver greater innovation and improved deals.

In addition, we also have invested in operational efficiencies which have allowed us to reduce our cost base, in particular our in-unit labour. By reducing our labour costs we've been able to bid more aggressively and win, while still preserving our margin on these contracts. This again allows us to go back and further enhance our supplier relationships and explore additional labour efficiencies, thus completing the virtuous circle of growth.

Moving on, this next slide looks at our MAP 1 performance and very much focuses on what we’ve done to drive new business growth. As I mentioned previously, we really have put new business and winning at the top of our agenda. So how have we done that? Well first of all, we’ve significantly increased the number of individuals within our sales teams. We’ve added 40% more sellers and sales support.

Equally importantly, we’ve become more selective around the types of opportunities we pursue. For example, on average we now turn down about a quarter of the opportunities presented to us. Previously this had been closer to about 15%. Now this more stringent sales approach has allowed us to become more focussed and significantly increase our win rate. In simple terms, we have more sellers, chasing better opportunities, leading to more wins and overall growth.

As I’ve mentioned, we’ve invested in a team, in terms of retention, whose sole responsibility is to help us retain our existing contracts. Our retention over the last three years has improved significantly and is now approximately 95%, up from 90% in previous years. We’ve also become more proactive in looking to extend our contracts before they go to tender. So for example, within our sports and leisure business we've tripled the average remaining contract life of our portfolio, taking it from two years, all the way up to six years. Now one reason this is so important is that it means we're able to focus more effort on innovation, leading to enhanced margins, rather than constantly having to focus our efforts on retendering and retaining the contract.

On the MAP 2 consumer sales front, for us it’s all about bringing the quality and vibrancy of the high street to our customers. Dominic touched a bit on that earlier, but it’s vital that we keep a pulse on the latest consumer trends and insights and use these to provide great food to our customers. So for example, we run a rotation of pop-up offers - and some of you, I think, have experienced these - across our sites to incorporate the latest innovations in street food and we’ve partnered with a number of high street operators, artisan suppliers and specialist chefs who are renowned in their field, whether that’s authentic Persian cuisine or the latest in wellness offerings.

We’re also working successfully - and again you heard this from Dominic - in partnership with celebrity chefs such as Jason Atherton, with whom we partner with for our Michelin starred restaurant, City Social, and we also continue to work closely with the Roux family; Albert, Michel Junior and now his daughter, Emily.

Finally, we’re leveraging our digital solutions to drive consumer engagements. Many of our customers can access and use their smart phones to look over our daily menus, pre-order, pre-pay or even have their breakfast, lunch or dinner delivered to them. The net result being greater customer satisfaction and an increase in the all important customer participation rate.

Something I’m extremely excited about, which I think you also heard reference to, is our recent acquisition of a third party purchasing business called Acquire. This acquisition has given us a platform to replicate the successful US Foodbuy model by enabling us to offer our procurement services to third parties in hospitality, restaurant and lodging industries. The model works extremely well and we have now created our own Foodbuy business here in the UK. So we've rebranded it Foodbuy. Our clients can share in the benefits of our scale, while also accessing an ordering system which delivers enhanced controls and greater transparency.

For our business, this means we’re able to add an incremental £300 million to our existing £600 million purchasing spend and we anticipate this enhanced scale will further enable us to drive down our cost base. In addition to leveraging scale through Foodbuy, we’re also achieving MAP 3 efficiencies by standardising our offer where appropriate, while still providing tailored solutions where required.

In terms of our MAP 4/5 strategy around in terms of managing our labour, both in-unit and above-unit, we are facing some significant headwinds including the national living wage and the apprenticeship levy. While our ability to manage these costs is strongly supported through contractual agreements, it does put an emphasis on improving our labour productivity. As a result, we’re investing in tools to increase our efficiency around labour scheduling and time and attendance and we’re looking at further ways to ensure our sites are staffed appropriately.

Finally for MAP 5, we have funded the increased investment that we've made in sales and procurement through streamlining our organisational structure and removing above-unit layers. This has, interestingly enough, the additional benefit of bringing our operational leadership teams closer to the customer.

So in summary, the turnaround we have achieved was driven initially by an enhanced focus on sales and retention. We then used the resulting growth and momentum to reduce MAP 3 and MAP 4 costs, thus leading to further growth. Having built momentum and factoring in our - and when you factor in our leading market position and our investment around MAP 3, specifically with Foodbuy, I think we’re in a really strong place. By continuing to focus on sales and winning and of course controlling costs, I believe we are well on our way to embedding a sustainable growth business model. Thank you.

Now before we go to the break we’d like to show you a video about some of the things we're doing in the education sector here in the UK and a video on how we are using digital around the world. Thanks.

[Video playing]

Johnny Thompson

Group Finance Director

Okay, the last session of the day, the most exciting one, of course. Good afternoon to you all. Over the next 15 minutes I’d like to summarise what we’ve delivered over the past 10 years and set out how we see the future. On this summary slide I've presented the key financial performance metrics of the last 10 years. Let me now go through them in a bit more detail.

Our 10 year compound annual growth rate is 5% and with the exception of the global crisis in 2009 and 2010, we have delivered organic revenue growth of 4% to 6% per year, a range which I believe we can maintain going forward. So why do I believe this? Firstly, as you've heard today, the structural growth opportunity in outsourced food services around the world remains significant. Secondly, our geographic footprint. Our biggest and best business is North America, with a healthy consumer economy and propensity to outsource. The return to growth in Europe, our second largest region, is promising and the rest of the world's readjustment is having a modest impact in the short term, but will return to growth in the medium term.

And finally, competitive advantages, our scale, the way we go to market through sectors, sub-sectors and brands and our people and performance culture. Organic growth will continue to be the principal driver of shareholder value and so we are prepared to invest margin and CapEx, in a disciplined manner, to deliver this growth.

Our 10 year operating profit CAGR is 10%. From 2006 to 2011, margin progression was an important driver of operating profit growth. We exited non-core businesses as well as 50 underperforming and subscale countries and we aggressively took layers out of the MAP 5 overhead structure. In the past five years margin progression has been more modest. This was partly driven by restructuring in Europe and more recently, our offshore and remote and emerging markets businesses. This phase has also been characterised by incremental performance improvement across MAP 3 and 4 and finally, as I mentioned earlier, we have sought to reinvest some margin to drive our organic growth.

So how do we think about margins in the future? As you know, our margins are the result of competing forces. Some of the pressures are driven by external factors such as food and labour inflation and where necessary, restructuring costs. In the longer term, these challenges can be positive as they stimulate outsourcing and if we manage them well, give us a competitive advantage.

Other pressures are driven by our decision to invest in organic growth. We make investments in sales, retention, sectorisation, sub-sectorisation which in turn increases mobilisation costs as we go up the learning curve with our new clients. And in the short term there's a cost of retention as we share efficiencies with our clients in exchange for contract extensions. Margins grow with the continuing overhead leverage as we increase our scale. We still believe there are opportunities to develop our management of food procurement and labour productivity in MAP 3 and 4 respectively.

And finally, like-for-like pricing and volumes across MAP 1 and 2 are an important focus for us as they have considerable drop through to profit. We've taken the low hanging fruit on margin and the environment for improvement is more challenging. However, we believe there are still a wide range of levers to move margins forward modestly in the coming years.

Let's now look at free cash flow. Again, during 2006 to 2010 cash generation and conversion improved materially as we fixed the basics. We brought down CapEx and we also had some significant working capital inflows during this period. Since 2013, both CapEx and working capital have normalised. In 2014 we increased our leverage to fund the £1 billion capital return. The related higher interest costs have therefore reduced our cash conversion. Free cash flow generation and conversion are of course a key area of focus for us to ensure we can fund our capital allocation policy and as we look forward, we would expect our conversion to be around 55% to 60%.

Our priorities for our uses of cash are clear and unchanged. Let me now cover each of the items in this chart in a little more detail. CapEx is an excellent use of our cash as its drives strong organic growth with high returns on capital. About 80% of our

CapEx is client related, either for new business, retention or to drive like-for-like growth. This spend would be mostly for kitchen equipment and restaurant refurbishment. The remaining 20% is non-client related spend. Much of this is IT, as we continue to develop incrementally the right back of house systems, front of house capability and a strong and secure infrastructure.

Ten years ago we brought CapEx down as we sought to regain discipline. Over the past three and a half years, CapEx has averaged around 2.7% of revenue. We will continue to invest 2.5% to 3% to drive our organic growth.

A few comments on CapEx by region. In North America, CapEx as a percentage of revenue has been reasonably stable at around 3%. This investment continues to drive market leading growth with returns on capital of 28%. CapEx in the rest of world region has been pretty consistent at around 1.5%, except for 2010 and 2013, when we invested in a camp in our Australian offshore and remote business.

Investment is lower than in other regions, as in some geographies and the offshore and remote sector, our clients are culturally more accustomed to providing the investment themselves. Whilst returns on capital in the rest of world are good at 20%, we expect to maintain tight control of CapEx in the region during this tougher period.

The biggest change in CapEx has been in our level of spend in Europe. Following the crisis we reduced it to below 2% in 2012 and 2013. We have increased our spend in recent years to support Europe’s return to growth. With returns of 24%, it’s a good use of cash. We would expect CapEx in this region to remain around 2.5% in the future.

M&A is the other way we use our cash to support our long term growth ambitions. We like to buy companies that bring expertise in a certain sector or sub-sector, a good client portfolio and strong management. M&A in the last 10 years has been modest. It peaked in 2011 when we made several small to medium sized acquisitions in the same year, including the remaining 50% of our joint venture in Turkey and a few bolt-ons in Europe and North America.

M&A is lumpy and of course depends on finding the right opportunity at the right price. In the first half of 2016 we have already spent more than in the last three years. We expect to continue to target bolt-ons in North America and as you heard from Dominic, given we now have a little more confidence in Europe, we may consider more bolt-on opportunities in that region too, but only if they make strategic sense and meet our financial return criteria by exceeding the country adjusted WACC by the end of year 2.

The group return on capital employed improved dramatically from 2006 to 2010, reflecting the exit of non-core assets and geographies, more capital discipline and rapidly improving margins. Our ROCE, at just over 19%, is excellent. As we look ahead, while we aim to incrementally improve ROCE, we recognise that shareholder value will be driven as much by our ability to invest capital at similar returns.

And finally now the balance sheet. Over the past 10 years we have generated £9.5 billion of free cash flow pre-CapEx. We've reinvested nearly £5 billion in the business, £3.2 billion in CapEx and £1.7 billion in M&A and we've returned nearly £7 billion to shareholders, £3.3 billion through our dividend and £3.4 billion through additional capital returns. We maintain a strong investment grade credit rating by targeting a net debt to EBITDA ratio of 1.5x.

So to conclude, our business model remains clear and unchanged. Our priority is organic growth and we continue to put focus and resources behind both MAP 1 and 2, driving new business and retention and consumer sales. Our obsession with cost in MAP 3, 4 and 5 is never ending and there's still opportunity to improve our margins. We invest operating and capital expenditure with discipline to support our growth and we create value for our shareholders by delivering a balanced package of progressive dividends and capital returns. It's a proven and sustainable model.

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

Richard Cousins

Group Chief Executive

Thanks Johnny. There are three things I want you to take away from today's presentations. Firstly, our future growth prospects are exciting and we believe a top line performance of around 4% to 6% is sustainable. Secondly, we have a strong business model with real competitive advantages, but we will not be complacent. Thirdly and crucially, we have the best, most experienced management team.

And now I'd like to invite my colleagues to join me on the stage for the Q&A session. Gentlemen.

Question and Answer Session

Jamie Rollo - Morgan Stanley

Just really some questions on Europe, please. You talked about moving to a more regional management structure, optimising the systems, centralising purchasing with Foodbuy and the recent acquisition in the Netherlands. The chart you showed shows, I think, eight of the countries were below 6% margin there. Are there any sort of numbers you can give us to help get a feel for what the European margin upside could be and are there any sort of restructuring or other costs that aren't that in expectations that you might need to spend to get to that level? Thank you.

Dominic Blakemore

Thanks, Jamie. First of all, tackling both the restructuring costs and the CapEx cost to investments for the systems, we'll absorb both those restructuring costs and also the cost of investment within effectively the normal P&L parameters in CapEx investment levels that Johnny took you through.

In terms of the opportunity in margin, I think you also have to recognise there are a number of headwinds in the region as we look at some of the challenges particularly from wage inflation across the region. So, first and foremost, we need to be able to create the margin headroom to deal with those to be able to reinvest in the business, to be able to reinvest in clients. I think net of those, the plan that we've put forward should allow us to continue to push the European margin onwards and that would be in line with what we've seen hopefully over the last few years.

Jimmy [inaudible]

Just a question on the CapEx level at 2.5% to 3% against the depreciation charge.

Richard Cousins

Sorry, globally, or Europe?

Jimmy

Just globally. Just talking to Johnny's recent presentation. Is there a point at which the depreciation charge catches up that 2.7%, 2.8% and starts to present a sort of margin headwind, or you'll continue to invest ahead of that because you're driving growth and high returns?

Johnny Thomson

I understand, Jimmy, thanks, but I think as long as we continue to grow and we maintain a percentage level of investment, percentage of sales level of investment, I wouldn't expect that catch-up to happen. Obviously, the key point is that we continue to maintain discipline around the returns that we're getting on the capital. I think you can see from the maintenance of our return on capital it's slightly about 19 that that's happening and the fact that our net cash conversion, I didn't present today, but I presented at the half year, remains pretty stable at 90%. So, I think we still feel good that we can absorb the additional depreciation within the model.

Richard Cousins

I think CapEx is fascinating. One or two people in this room have rightly challenged us over the last two or three years by saying you're making such great returns shouldn't you double the CapEx or whatever. We think that's a really important discipline. We want to avoid that because many of our contracts we win with no CapEx. So you do need to maintain that tension. Whilst we're in the centre obviously of all the big contracts, or those that are hungry with CapEx, in the end the best people to optimise the allocation of CapEx are colleagues across the world. So we think it's an important discipline to keep it around about these levels as a percentage of sales.

Okay, next question, please.

Vicki Stern - Barclays Capital

Hi. A question for Bobby, just coming back on the comments around healthcare in the US. You talked about why hospitals choose to outsource. Why do they not outsource? Why does that not happen more quickly, particularly in light of some of the pressures on inflation?

Bobby Kutteh

Why do they not outsource?

Vicki Stern

Yes and could that change as well?

Bobby Kutteh

It's a great question. A lot of administrators are proud. They want to keep control for themselves. There is an ego associated with controlling the operation within the facility, so they have that mentality coming into it.

Richard Cousins

Economy, the argument is overwhelming.

Bobby Kutteh

Yes. There is a sense of community and a sense of togetherness within that selected region of the market.

Vicki Stern

Just related to that, can you see anything just sort of structurally across the Group changing that in terms of the pace of outsourcing in the coming years?

Richard Cousins

I don't think so. Sometimes we get frustrated that certain countries, certain sectors, certain subsectors don't outsource more. But if they did as much as they should, we couldn't cope anyway. Our growth rate would explode and then the implications for mobilisation, management control would be very difficult.

I actually think the kind of model we've ended up with is just right. I wouldn't want it to go to 8% or 10%. If you take our biggest business, Gary, if we were to suddenly explode to new levels, we couldn't cope, could we?

Gary Green

If you look at the Ascension contract, we had to mobilise 90 hospitals. Richard has got a great point. There is a limit as to how much you can actually mobilise. I think we're also very, very concerned that we deliver what we say because that's probably part of our secret is people will say we will deliver what we say, so to become stretched I think Richard is probably right there.

Richard Cousins

Okay, next question, please.

Jarrod Castle - UBS

Thanks. A number of the senior management have spoken about corporate governance and clearly you're doing tens of thousands of contracts. A) Have there been any kind of slipups and, b) can you kind of just give a bit more colour in terms of the process and the controls around that? Thanks.

Richard Cousins

Actually, I'm going to ask Palmer to comment. So Palmer is not on the stage, but he's our General Counsel for North America. It's a great question because we do treat corporate governance very seriously. We cannot look you in the eye and say there will never, never be a misdemeanour somewhere in the world, but we work incredibly hard to try and make sure that never happens, or almost never happens.

Palmer, do you want to give a bit of colour?

Palmer Brown

I think we have a number of things in place, a number of controls, that help that. We have, first of all, a set of standardised contracts, terms that if we have any exceptions, if we vary from that in any way, we have to go through a set of approvals and there are certain people that have authority to approve those exceptions. So, for instance, if it's what we call buyback on an investment, the ability to terminate pricing, indemnification, what have you, there is only certain people who can approve accepting our normal terms. We know what works for us. We know the controls that we have in place. We know what we may need to put into place to make sure we are in compliance there.

So I think it's an overall framework that we have and frankly, we audit that. Each year we go through and we make sure that the files, the contract files, that do have exceptions have appropriate approvals that are in place. Our attorneys are well versed in running this process, so it's something that is tried and true and has worked fairly well.

Richard Cousins

Thank you, Palmer. Next question, please. Palmer, could you turn round? Thank.

James Ainley - Citigroup

I'd be interested in a perspective on the growth of the integrators in the industry around the world. What percentage of your business comes via that route and what are the margin implications?

Richard Cousins

That's a good question. We've escaped debating that a hundred times. I don't know the percentage. I'm going to guess 3%, 4%. Certainly less than 5%.

I think it works well. There are some situations where that's what the client wants. In the end, cliché, client is king and we are happy to work with the integrators. We have good relationships. They tend to be big contracts. They tend to be often, not always, multinational contracts and they can be below average margins anyway, so it's difficult to isolate one trend from another. But, actually, I think it works well. We're comfortable with it. We wouldn't want 25% of our business to be like that, but under 5% is absolutely fine.

Next one, please.

From the floor

Could you please share with us how the sales people are incentivised in the different region, please?

Richard Cousins

In different regions?

From the floor

Yes.

Richard Cousins

It's slightly different, but as is so often the case in Compass, what we've generally done is we've taken the US model and replicated it elsewhere. That seems to work again and again.

Adrian, do you want to comment on that?

Adrian Meredith

Yes. So fundamentally, even though we are a growth organisation, most of the sales incentive plans are based on the profit of the contracts not the revenue. So there are revenue targets for sales people that get to them levels of recognition, but fundamentally it's based on the actual, so the pro forma profitability, so the profitability that, for example, I or Palmer would sign off, or Gary on big deals. They get a portion based on what we say it's going to do as a contract and then they get the second half based on the actual performance of the contract. So even though we're a growth-focused organisation, fundamentally the sales commission is mostly based on profitability and the pro forma is signed by the operators, which is the key.

A key model for us is the sales and operator collaboration. So Bobby would sign the big deals. Andy would sign off the big deals in their businesses.

Richard Cousins

Very good. Next question, please.

Simon Larkin - BoA Merrill Lynch

Thanks very much. Can I ask a question around this whole topic of data analytics, in particular about who owns the data? Clearly, in North America you're more of a P&L business and therefore, presumably it's more clear-cut that maybe you have some sort of right or entitlement to that data maybe. In Europe you're much more a sort of fixed price contract business. Maybe it's with the clients. Where is the integrity of the data and actually, the second related question is more generally is this data analytics project that has begun in Levy Restaurants, how applicable is it to the rest of the Group if it becomes provenly successful?

Richard Cousins

That's a great question. I think we are very clear that when Andy started pushing this the US and sports and leisure was the right place to start. But it is slowly, and I stress slowly, moving internationally and perhaps more importantly, moving across other sectors. So, Andy, do you want to comment on that?

Andy Lansing

Sure. I had a conversation with [Koe] at the break about this very topic, Simon. The way that the analytics and the data process works and the only way it works is if our clients share their data with us and we share our data with them.

We can know all we want to know about how many hot dogs we sell in an arena, but unless we really know what the ticketing information is, what the seating is on a particular night, what sponsorship revenues that they have, it doesn't work effectively. So we actually push our data to the teams and they push their data to us and that's where it works really well.

Richard Cousins

I think it's fair to say that Gary and I were a pair of old farts - am I allowed to say that - and were sceptical and we were wrong. I think it's really working. It's really working. All right, I was an old fart. You weren't.

Gary Green

No, I'm with you. I wouldn't want to be in better company.

Richard Cousins

Despite the pink tie. Okay, next question, please.

Richard Clark - Bernstein

Good afternoon. A couple of questions, if I may. It's five years I think since the Ascension Health deal. You said you couldn't cope earlier if you had another sized deal of that type. Maybe you didn't say exactly that, but are those kind of deals still around? Are you still looking for that kind of sized deal, or is that bigger than you would like to do?

The second question is you talk a lot about sub-sectorisation, sectorisation. At what level are the M&A decisions made, or what level are they identified? That was the second question. Thanks.

Richard Cousins

Let's go in reverse order. So the M&A decisions are essentially local, but of course they have to come through the vetting process. We're not doing the big glamorous deals, so the centre is not really driving deals. The centre is responsible for the framework and we travel across the world and discuss that with local management who present to us the options and the wining and the dining that they're doing and so on. So that's very straightforward I think.

We wouldn't say we wouldn't want another mega contract, but I think you corrected yourself. I think we wouldn't want too many because it is hard work.

Gary, do you want to add a bit of colour to that?

Gary Green

Yes, I mean Bobby is the guy who does all the hard work. The great thing I think, as we mentioned, is just the can do attitude. If there is anybody out there that wants to get us another $400 million healthcare contract we’ll take it and we'll operate it and we'll open it.

We opened a $200 million contract last year. If all things go right, I think we're just about to have to open another $100 million contract. We've got teams that support this. Adrian has got a full on basically, just a project's team that supports all these openings, so we'd take it.

Richard Cousins

But I think what is worth stressing, when Johnny and I were in Charlotte with Gary and his team four, five weeks ago the, what do we call him, executive vice president of sales went through the pipeline. It's the best it has ever been and that's small and medium-sized contracts. The pipeline of really big contracts is not that big is it really. In a sense, I think that's very positive because that gives us confidence over the sustainability of the model.

Okay, next one, please.

From the floor

Just a couple of quick questions on Foodbuy. If I'm a third party contractor coming in to buy from you, am I getting equivalent sort of rates to you, or do you take a cut somewhere because it just seems that you're sort of outsourcing some of your scale advantage to third parties?

I suppose the second question is, is there anyone that you would disallow from being a party to Foodbuy?

Richard Cousins

Interesting. Adrian, go on.

Adrian Meredith

In terms of the Foodbuy model, we're not procuring food for anyone, right. It's probably the ultimate story of data analytics. People are buying into our systems and our deals and the data. That's what they're doing. We don't buy for them. We take data and we generate access to our deals. It's a very transparent model, so Foodbuy customers enjoy the same benefits as the Compass customers with the exception that we take a very small administration fee. Very small because the model for us is to give us structural cost benefit for the organisation as a whole and it works. It makes it sound like we don't do a lot of work to get these customers, but we do. But the real investment is in the systems. That's really where we're at.

Richard Cousins

Sorry, Gary, do you want to take the mic?

Gary Green

The benefit is that Compass, as Adrian says, gets the competitive advantage on the food cost. So we might do a very, very small fee to get someone with a lot of volume on because then we'll go and do a deal and Compass will get that benefit. Does that make sense?

Richard Cousins

Okay. Thank you. Next please.

Thomas Levin - Mizuho

Hi. A couple of questions if I may. Firstly, a lot of the discussion has been around a phenomenal performance that you've had continually driving shareholder value. What would you say are the major weaknesses of the business?

Then secondly, when you think about your ROIC and your leverage targets, to what extent could you be more flexible around ROIC and leverage to accelerate growth and to what extent have you debated that?

Richard Cousins

What was the first question, sorry?

Thomas Levin

The first one was kind of weaknesses.

Richard Cousins

Oh, weaknesses. Wow.

Thomas Levin

So, risks and worries.

Richard Cousins

Yes, that's a difficult one. I'm going to think about that whilst Johnny answers the other question.

Johnny Thomson

On how flexible can we be around ROIC in order to drive growth? Well, I think, as I said in my presentation, we think our return on capital is at a very good level. We obviously aim to maintain that if we can, but I think I also said to the extent that we find deals or we find perhaps an M&A deal etc. that we think is strategically the right thing to do, then I think we debate it and we would be prepared to do it in the recognition that that would be driving longer term shareholder value.

Richard Cousins

In terms of our weaknesses, I think we're incredibly self-critical. It's important that you are otherwise you get arrogant and cock it up, obviously.

I think we need to do better in the middle of the P&L. I think we're doing quite well in purchasing, but not very. I think we've made some progress in labour scheduling, but we need to do much better. We've probably done better in terms of the MAP 5, the overheads.

Then as you go to the top of the P&L, I think that's probably been the biggest chance in the sense that three, four years ago our win rate outside of North America was mediocre. Our retention rate outside of North America was mediocre. That's so much of our effort in recent years has gone there and we've had some success.

So I think the key to any business, but particularly one like this, is relatively simple. It's all about hard work and execution is you have to be permanently dissatisfied and indeed we were beating ourselves up this morning - we had an Executive Board this morning - on purchasing globally and saying yes, we've made progress nowhere near enough. That's what excites me about this business, there is still loads to go for.

David Phillips - Redburn Partners

Hi. Good afternoon. Could you give a number for the CAGR in support services that you achieved over a similar period to the very high double-digit ones you've achieved in food?

Richard Cousins

Do you mean in terms of overall margins?

David Phillips

CAGR and sales growth.

Richard Cousins

Oh, sales growth. It's remarkably similar, actually. Remarkably similar.

David Phillips

Even though it has not been mentioned as much today as previous meetings you've had, it's still very much part of the strategy and it's still in growth?

Richard Cousins

You would have heard it from Bobby because clearly it is a key part of US healthcare. You would have heard it from Mark because it is an important part of our offshore and remote model. So I think we were simplistic, if not lazy, with support services five, six years ago. We're now saying where it is a good thing we will invest, we will have expertise, we will have management and where it is not appropriate we won't.

David Phillips

Thanks.

Anna Barnfather - Panmure Gordon

Hello. I just wanted to ask about the potential of rolling out the Foodbuy model across Europe. Obviously you're a bit away from that, but the reorganisation and everything else. Is the problem lack of acquisition targets or is it a cultural issue that may delay it and when might we see it happen?

Richard Cousins

Obviously I will ask Dominic to comment in a moment.

We need to be honest and say this is going to be a slow journey. Europe is infinitely more complicated to do things like this than is North America, but we're interested.

You heard some caution from Johnny on IT. When you've done quite well for some years you can stand up and announce a huge IT project. We're not going to do that. We're going to do it incrementally step by step. Then the Foodbuy model in Europe, we see exactly the same philosophy. We like the strategy, but we're going to do it carefully step by step.

Dominic, a bit of colour?

Dominic Blakemore

I've not a huge amount to add. I think that's exactly right, we need to be slow and steady. We need to prove to ourselves that we can do it well where we've placed the bets so far. There are opportunities elsewhere in Europe. I think first and foremost we have to be on top of our own buying. There is no point us trying to buy four others or with others volumes if we don't have the capabilities and the qualities ourselves. So we've got to improve in a lot of the countries what we already do today and then I think we'll be slowly ready to roll it out.

I mean it has taken us over 10 years to build the Foodbuy model in North America. I anticipate it will take us that and some in Europe, but we're on the journey and we're doing the right things.

Richard Cousins

Okay, next please.

Jeffrey Harwood - Stifel Nicolaus

Two questions on Europe. First of all, can you say how significant the cost reductions are from the clustering process?

Secondly, in some of these smaller countries, if they can’t be bulked up, is it possible there could be some exits?

Dominic Blakemore

Taking the second question first, I think we have fully reviewed our country participation across Europe. I think we're happy with the markets that we are in and I am convinced that the move to the business units will give us the scale we need and the capability we need in some of the smaller countries where we were disadvantaged. That really is the purpose of what we're doing.

In terms of the cost and savings of the programme, it's going to be a multi-year programme. So we are making the initial changes around the management positions through the course of the rest of this year and into next year. We’ll be making changes on the back office as we go through the next couple of years. So it's a phased programme and it's really just sort of normal levels of restructuring costs that we will absorb.

Richard Cousins

In terms of its impact on the bottom line, it's the type of thing we need to do to keep the European margin moving quietly northwards. I wouldn't want you to add on another. Life is not that easy.

I'm conscious of the time. Is there anybody on the line? No. A couple more questions, please.

Matt [McGaw] - Westpac

I would just be interested to know what the risk implications you foresee from Brexit.

Richard Cousins

We practised that one and because we've practised it we're obviously going to ask an American to comment on it. Whilst Dennis rehearses the script, I would say that we don't know, do we. We're only cooks and we're what, five, six days into this nonsense. It's going to take months and years I think before we have any feel. Dennis.

Dennis Hogan

It's funny having an American answer this. I think it's early days, as Richard said, and it's definitely business as usual.

There is probably three areas where it might impact us. One would be with the devaluation of the pound and that could, over time, deliver some inflationary pressure. But as we've said many times, we're used to that. Living wage, it's part of business as usual, generally, so we'll see how that plays out. So that's one area.

A second area is just the movement of people from the EU. Interestingly enough, 90% of our workforce in the UK is British or rest of world, so 10% is the EU piece, so not material and we've got some great programmes around apprenticeships. We've got 1,500 young people on that, so we feel we've got other avenues to manage that.

Then lastly I think our ability to manage through the Brexit situation is really enhanced by the diversity of our business. You've seen it. We're in all sectors. We're well represented.

Look, our business in London with the banks is incredibly important to us, but it's only about 3% of our total turnover, so sometimes we get a little focused within London. But I think the broader business or public face in healthcare and so forth give us the diversity we need to manage it. So those are my preliminary thoughts.

Richard Cousins

Very good. Any other questions please and which case, for your brevity you will be rewarded with alcohol and food.

Can I just thank my colleagues from across the world for all their hard work and for Sandra, who is hiding at the back who has worked her socks off to put this on and of course I would really like to thank you for coming. I do hope you found it worthwhile.

Please do stay for a drink and dinner and we're delighted to see you. Thank you.

[End]