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26 July 2018

Third Quarter Trading Update

This statement updates investors on the Group's performance since 31 March 2018.

Group

Compass continues to trade well and our full year expectations are unchanged. In the third quarter organic revenue grew by 5.7% (up 5.1% excluding the impact of Easter). Growth was driven by strong net new business in North America, an acceleration in Europe and good progress in Rest of World. For the nine months to 30 June 2018 organic revenue growth was 5.1%.

We continue to generate efficiencies through our management and performance (MAP) programme and the operating margin in the third quarter improved as planned. Whilst the margin for the nine months to 30 June 2018 was slightly lower than the margin for the same period last year, we remain on track to deliver modest margin progression for the full year.

North America

The region continues to perform strongly, with organic revenue growth of 7.0% (up 6.6% excluding Easter) in the third quarter and 7.2% in the nine months to 30 June 2018. We are seeing particularly good growth in our Business & Industry, Vending, and Healthcare businesses, partly offset by the impact of the timing of Sports & Leisure events. We have had some good wins in Education which will mobilize in Q4. Margins in the nine months to 30 June 2018 remained stable.

Europe

Organic revenue grew by 3.2% (up 2.0% excluding Easter) in the third quarter, and grew by 1.4% in the nine months to 30 June 2018. The acceleration in revenue was driven by strong rates of net new business in the UK. The benefits from the cost actions taken to offset above average inflation in the UK are starting to come through with an improving run rate. However, these were offset by a more challenging volume and cost environment in the UK. As a result, margins in the nine months to 30 June 2018 were down by around 70 basis points.

Rest of World

Organic revenue grew by 3.1% (up 2.7% excluding Easter) in the third quarter, and grew by 3.3% in the nine months to 30 June 2018. The increased operational focus on productivity and pricing that followed our 2015/16 restructuring programme - combined with improved overhead leverage in growing markets - is driving better than expected efficiencies. As a result, margins for the nine months to 30 June 2018 increased by around 60 basis points.

Currency

Trading results from our overseas operations are translated at the average exchange rates for the period. If current spot rates continue for the remainder of the year, foreign exchange translation is expected to reduce 2017 reported revenue and underlying operating profit by around £984 million and £77 million respectively.

Acquisitions

The Group invested £27m in acquisitions in the third quarter mainly in small infill vending businesses in North America. The total invested in acquisitions in the 9 months to 30 June 2018 is £355m.

Financial Position

There has been no material change in our financial position in the nine months to 30 June 2018. We continue to expect our financial year end net debt to EBITDA ratio to be around 1.5x. Going forward, we will continue to maintain a strong investment grade rating by targeting net debt to EBITDA of around 1.5x.

Outlook

Compass continues to have a good year. Revenue growth in North America is strong, Europe is accelerating as expected and Rest of World is progressing well. Better than planned margin improvement in Rest of World, is offsetting a more difficult volume and cost environment in Europe. As a result, our full year expectations are unchanged, with organic growth above the middle of our 4-6% range, and modest margin progression. Looking to the longer term, we continue to be excited about the significant structural market opportunity globally and the potential for further revenue growth, margin improvement and continued returns to shareholders.

Compass will hold a conference call for investors and analysts today 8:30a.m. (UK time).

Participant dial in number:

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US Toll Number: +1 323 701 0225
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Replay dial in number (available until 2 August):

UK Toll Number: +44 (0) 207 660 0134
UK Toll-Free Number: +44 (0) 808 101 1153
US Toll Number: +1 719 457 0820
US Toll-Free Number: +1 888 203 1112

Pin number: 6798852

You will be asked for your Name and Company Name and transferred into the waiting area until the call begins.

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Note to Editors

- a) Compass Group PLC is the world's leading food service company, which generated annual revenues of £22.6 billion in the year to 30 September 2017. It operates in around 50 countries, employs over 550,000 people and serves over 5.5 billion meals a year. The Company specialises in providing food and a range of support services across the core sectors of Business & Industry, Healthcare & Seniors, Education, Sports & Leisure and Defence, Offshore & Remote, with an established brand portfolio.
- b) Organic revenue growth, a term used throughout the announcement, is calculated by adjusting for acquisitions (excluding current period acquisitions and including a full period in respect of prior period acquisitions), disposals (excluded from both periods) and exchange rate movements (translating the prior period at current period exchange rates).

- c) Forward looking statements

Certain information included in this announcement is forward-looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward-looking statements. Forward-looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of expected future revenues, financing plans, expected expenditures and divestments, risks associated with changes in economic conditions, the strength of the foodservice and support services markets in the jurisdictions in which the Group operates, fluctuations in food and other product costs and prices and changes in exchange and interest rates. Forward-looking statements can be identified by the use of forward-looking terminology, including terms such as "believes", "estimates", "anticipates", "expects", "forecasts", "intends", "plans", "projects", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. All forward-looking statements in this announcement are based upon information known to the Company on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward-looking statements, which speak only at their respective dates. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

- d) A copy of this release, together with all other recent announcements and presentations can be found on Compass Group's website at www.compass-group.com.