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25 July 2019

Third Quarter Trading Update

This statement updates investors on the Group's performance from 1 April to 30 June 2019.

Group

Compass continues to perform well, driven by the strong performance in North America. As a result, we now expect to deliver full year organic revenue growth at the top of our 4-6% range. Commensurate with this stronger growth, the Group margin is now expected to be flat compared to the prior year*.

Organic revenue growth was 6.3% in the third quarter (up 6.7% excluding the impact of Easter), principally driven by strong revenue growth in North America with improving performance in Rest of World. For the nine months to 30 June 2019 organic revenue grew 6.5%.

We remain focussed on delivering efficiencies through our management and performance framework (MAP). The margin for the nine months to 30 June 2019 was in line with the margin for the same period last year.

North America

Our North American business reported organic revenue growth of 8.5% in the third quarter (8.7% excluding Easter) and 8.1% in the nine months to 30 June 2019. We continued to see good levels of new business wins across all sectors as well as significant benefits from a favourable Sports & Leisure calendar. The margin in the nine months to 30 June 2019 was maintained.

Europe

Organic revenue in the third quarter was up 1.9% (2.9% excluding Easter) and 4.3% in the nine months to 30 June 2019. The deceleration in revenue growth in the third quarter principally reflects the expected lapping of new business from the significant UK defence contracts which mobilised in H2 2018. We have continued to see weakening volumes in the UK, France and Germany reflecting the more uncertain macro environment and, as a result, the margin for the nine months to 30 June 2019 was down by a similar amount to that reported in H1.

Rest of World

Our Rest of World region delivered organic revenue growth of 3.2% (up 3.6% excluding Easter) in the third quarter. In the nine months to 30 June 2019 organic revenue grew 3.2%. The margin for the nine months to 30 June 2019 showed some good progression over the comparable period last year as we are beginning to see some benefits from pricing and productivity initiatives.

Acquisitions

The Group invested around £100 million in the third quarter on bolt-on acquisitions mainly in Europe. The total invested in acquisitions in the nine months to 30 June 2019 was £470 million.

On 11 June Compass announced it had agreed to acquire Fazer Food Services for an enterprise value of approximately €475 million. The proposed acquisition requires EU Commission competition approval, a process which may take several months.

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 increase 2018 reported revenue and underlying operating profit by around £570 million and £48 million respectively.

Financial Position

There has been no material change in our financial position in the nine months to 30 June 2019. We continue to maintain a strong investment grade rating and target net debt to EBITDA of around 1.5x.

Outlook

Compass continues to perform strongly. Revenue growth in North America is excellent and Rest of World is improving. Better than anticipated margin improvement in Rest of World and the mix effect of North American growth is offsetting the more difficult volume environment in Europe.

We now expect full year organic growth at the top of our 4-6% range and therefore the margin is expected to be in line with the prior year*. We remain mindful of the macro uncertainty in parts of Europe and its impact on the business.

We continue to be excited about the significant structural market opportunity globally and the potential for further revenue, margin and profit growth combined with further returns to shareholders over time.

* FY2018 Restated for IFRS15: 7.4%

Compass will hold a conference call for investors and analysts today 8:30a.m. (UK time). 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 £23.2 billion in the year to 30 September 2018. It operates in around 45 countries, employs and engages around 600,000 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.