

Legal Entity Identifier (LEI):

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30 September 2020

### Pre-Close Trading Update

This statement updates investors on the Group's progress in the current financial year, ahead of the announcement on 24 November 2020 of our results for the year to 30 September 2020.

#### Group

The Group's organic revenue performance in the fourth quarter improved as clients in Education and Business & Industry began to return to schools and offices in our main markets.

	Organic revenue		
	Q3 2020	Q4 2020 <sup>1</sup>	FY 2020 <sup>1</sup>
North America	(45)%	c(38)%	c(19)%
Europe	(53)% <sup>2</sup>	c(39)%	c(25)%
Rest of World	(21)% <sup>3</sup>	c(18)%	c(9)%
<b>Group</b>	<b>(44)%</b>	<b>c(36)%</b>	<b>c(19)%</b>

The reopening of units and initial increase in volumes, combined with positive contract renegotiations and a relentless focus on efficiencies are expected to improve the Group's fourth quarter operating margin to breakeven, before any contract impairments. We are reviewing our contract portfolio<sup>4</sup> and at this preliminary stage we estimate, subject to audit, that we will have to impair around £100 million<sup>1,5</sup> of contract assets. Including estimated contract impairments, the fourth quarter underlying operating margin is expected to be around (3)%<sup>1</sup> (Q3 2020: (5.2)%<sup>6</sup>). The full year underlying operating profit margin is expected to be around 3%<sup>1,7</sup>.

	Q4 2020 <sup>1</sup>	FY 2020 <sup>1</sup>
Underlying operating margin pre-impairments	c0%	c3.5%
Estimated contract impairments	c(3)%	c(0.5)%
<b>Underlying operating margin after estimated impairments</b>	<b>c(3)%</b>	<b>c3%<sup>7</sup></b>

1 Expected figures based on unaudited positions.

2 Restated to include Middle East.

3 Restated to exclude Middle East.

4 As per IAS 36 – Impairment of assets and as per IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

5 Of the £100m charge, around half is in North America and the other half in Europe.

6 Excluding Q3 resizing costs of £42m.

7 Excluding full year resizing costs of around £130m.

Resizing costs in the fourth quarter were around £90 million<sup>1</sup>, bringing total FY2020 resizing costs to around £130 million<sup>1</sup>. These costs have been excluded from underlying operating profit to avoid distorting the progress in the underlying operating margin.

## **Regions**

Performance in North America improved as clients in Education began to re-open for the school year and Business & Industry slowly started to recover. Healthcare remained strong, whilst our Sports & Leisure business was still closed.

We have made some changes to our management structure in Europe. As of the fourth quarter, our Middle East business has been managed within our European business. Full restated numbers for Europe including the Middle East and Rest of World excluding the Middle East are included in the Appendix of this announcement.

In Europe - now including the Middle East - we saw continued good performance in Healthcare and a meaningful increase in clients reopening in both Business & Industry and Education across the region. Our Sports & Leisure sector remained mostly closed.

In Rest of World - now excluding the Middle East - we saw an improvement in Education in our Asia Pacific business, however we did not see a material change in reopening rate in the rest of the sectors around the region.

## **Tax**

As a result of the distortive impact of unrelieved foreign taxes and other non-tax-deductible expenses against a low profit base, we expect the 2020 full year tax rate to be a few percentage points higher than the HY 2020 rate of 24%.

## **Capital expenditure**

Capital expenditure was around £175 million<sup>1</sup> in the fourth quarter, mostly contractually committed spend but also included investments to support new business wins in North America. FY 2020 capital expenditure is expected to be around £720 million<sup>1</sup>.

## **Financial position**

Our liquidity remains strong and we expect our liquidity at 30 September 2020, to be around £5 billion<sup>1</sup> (£2.8 billion in undrawn credit facilities, £600 million available CCFF limit and around £1.6 billion in cash<sup>1</sup>). Our solid financial position is allowing us to continue to invest in the business through the crisis to strengthen our competitive advantages and support our long-term growth prospects.

## **Currency**

Trading results from our overseas operations are translated at the average exchange rates for the period. At current spot rates<sup>8</sup>, foreign exchange translation is expected to reduce 2019 reported revenue and underlying operating profit by around £355 million and £28 million respectively.

## **Summary**

We are pleased with our progress in the quarter and that the business is now at breakeven at a trading level. We continue to proactively manage the business, reducing our costs, rebuilding our

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<sup>8</sup> Closing rates as at 25 September 2020.

margins and investing to strengthen our competitive advantages. However, the pace at which our revenues and margins will recover remains unclear, especially given the possible increase in lockdown measures in the Northern Hemisphere through the winter months.

Despite the current challenges, when looking further ahead, we remain excited about the significant structural market opportunity globally, and the return to organic revenue growth, margin improvement and returns to shareholders over time.

We will provide a further update on trading at our full year results on 24 November 2020.

## **Enquiries**

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## APPENDIX

### Regional Restatement

We have made minor changes to our regional reporting structure. Our Europe region now includes the Middle East which is now excluded from Rest of World. Our North America region remains unchanged. To enable comparison with prior periods we are providing restated 3 year historical figures for the new regional structure. While these restatements affect regional results, they do not affect the Group's overall income statement, balance sheet, or cash flow.

Reported figures £'s million		Full Year					
		Europe			ROW		
		2020	2019	2018	2020	2019	2018
Revenue	Old		6,160	6,050		3,298	3,379
	Net restatement		231	206		(231)	(206)
	New		6,391	6,256		3,067	3,173
Organic revenue growth	Old		5.1%	3.0%		2.4%	1.4%
	New		5.2%	3.1%		2.0%	1.1%
Operating profit	Old		389	414		264	257
	Net restatement		32	23		(32)	(23)
	New		421	437		232	234
Margin	Old		6.3%	6.8%		8.0%	7.6%
	New		6.6%	7.0%		7.6%	7.4%
Cash flow	Old		380	420		269	187
	Net restatement		25	21		(25)	(21)
	New		405	441		244	166
ROCE	Old		10.0%	10.9%		31.8%	29.8%
	New		10.8%	11.6%		28.6%	27.7%

Reported figures in £'s million		Half Year					
		Europe			ROW		
		2020	2019	2018	2020	2019	2018
Revenue	Old	3,061	3,130	3,072	1,474	1,647	1,688
	Net restatement	124	114	100	(124)	(114)	(100)
	New	3,185	3,244	3,172	1,350	1,533	1,588
Organic revenue growth	Old	(4.3%)	6.4%	1.5%	3.1%	1.4%	1.7%
	New	(3.9%)	6.4%	1.6%	2.6%	1.0%	1.6%
Operating profit	Old	148	205	210	91	108	111
	Net restatement	17	14	12	(17)	(14)	(12)
	New	165	219	222	74	94	99
Margin	Old	4.8%	6.5%	6.8%	6.2%	6.6%	6.6%
	New	5.2%	6.8%	7.0%	5.5%	6.1%	6.2%
Cash flow	Old	77	170	192	66	120	76
	Net restatement	24	11	(0)	(24)	(11)	0
	New	101	181	192	42	109	76

## Note to Editors

- a) Compass Group PLC is the world's leading food service company, which generated annual revenues of £25.2 billion in the year to 30 September 2019. 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](http://www.compass-group.com).