Operator: Good morning, ladies and gentlemen and welcome to the Compass Group PLC first quarter Trading Update call, hosted by Dominic Blakemore, Chief Executive Office and Karen Witts, Chief Financial Officer. You will have the opportunity to ask questions, following the prepared remarks by management. I would now like to hand the call over to Dominic Blakemore. Sir, you may begin.

Dominic Blakemore: Thank you. Good morning, ladies and gentlemen and thank you for dialing in. As usual, I’m joined by Karen Witts, our CFO. I’m sure you’ve read this morning's statement and before opening the call to questions, I’d like to say a few words on our performance and outlook.

We’ve had an encouraging start to the year. We continue to perform well and to deliver industry-leading growth and margins, whilst at the same time we continue to invest in the business to drive long-term, sustainable, profitable growth. The cost action program we announced in November is progressing as planned and delivering the savings to offset the anticipated volume declines in our European business. For the full year, our guidance is unchanged. We expect to deliver organic growth around the midpoint of our 4–6% range, with stable margins.

Now, looking at our regions, our strong momentum in North America has continued. The business delivered 7.5% organic growth in quarter one. This was thanks in particular to good growth in B&I, Healthcare and Education. Our European performance was in line with our expectations. Organic growth was flat, due to the anticipated softness in B&I volumes and a less favorable Sports & Leisure calendar. If we normalize for the Sports & Leisure effect, our
underlying growth is just above 1%. We also saw a good performance in Turkey, in Central Europe.

The impact from the strikes in France wasn't material, reducing organic growth in Europe in the first quarter by around 20 bps. Our businesses in Rest of World grew 4.7%, with good performances in Australia and LATAM.

I'm pleased to announce that the acquisition of Fazer Food Services was completed at the end of January. This results in the payment of initial consideration of approximately €420 million. We're excited that Fazer colleagues are joining our business and I'd like to take this opportunity to publicly welcome them to the Compass family.

We also made some small bolt-on acquisitions in the quarter, for a consideration of £40 million, further strengthening our position as the global leader in food services.

So, in summary, Compass continues to perform strongly, with the excellent growth in North America and improving Rest of World more than offsetting the expected difficult volume environments in our European B&I business. We continue to be excited about the significant structural market opportunity globally and the potential for further revenue and profit growth, combined with further returns to shareholders over time. Thank you and now we're very happy to take any questions.

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. A voice prompt on the phone line will indicate when your line is open. Again, that's star one to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal for questions.
We will now take our first question from Jamie Rollo from Morgan Stanley. Please go ahead.

Jamie Rollo: Thanks, morning everyone. Three questions, please. First, it would be very helpful to get the split of the 5.3% between like-for-likes and net contract gains, just broadly, given the sort of slow-down we saw in net contract gains in H2 last year.

Secondly, clearly it's a very good performance overall versus the competitors that have reported so far in Q1. I'm just wondering, is there any sort of change in the competitive environment you have seen, particularly in US healthcare and education? There's some sort of, you know, weak spots called out by a couple of your bigger peers there.

And then, finally, it'd be helpful to get a bit more color in Europe, maybe breaking out the main geographies and perhaps some of the verticals. Thank you.

Dominic Blakemore: Morning Jamie and thank you for the – thank you for the questions. If I'll take the first two, I'll pass the third to Karen, on Europe.

First of all, with regards to the 5.3%, at a quarter we don't give the split in any more detail but what I would say is the trends of both new and like-for-like continue in the first quarter, as we saw in 2019. And the one thing I would say is that you just have to remember that our new business was flattered in 2018 and the first half of 2019 by the very strong – sorry, forgive me – the very strong last year growth, so I think that such a slow down in new in the second half of last year can largely be attributed to that.

Secondly, in terms of comparison to competitors, I think we're seeing no real change either by market or sector, so conditions remain very much the same. And then, on the third question, on Europe, just handing over to Karen.
Karen Witts:  Okay, morning Jamie.  Well, we don't really break down into the individual countries, or sectors but just to sort of reiterate what Dominic has said about, you know, the overall group, what we're seeing is really the trends that we said we would see from the year-end.  So, from a sector perspective, at the end of last year, we called out the volume weakness in the B&I sector and that's what we're continuing to see, in the way that we described at the end of the year.  From a country-by-country perspective, you know, we've got Turkey doing well, the Nordics doing well, Central and Eastern Europe and then, as we had pointed out, that softness related to B&I which is primarily around the sort of France, Germany and the UK.

Jamie Rollo:  Okay, thanks.

Operator:  We will now take our next question, from Vicki Stern, from Barclays.  Please go ahead.

Vicki Stern:  Morning, just firstly, your comps are going to progressively ease across the next few quarters and I guess you'll also get a little bit of help from the leap year, just in Q2.  Just, is there anything coming up in the calendar, or any other reasons, like coronavirus or anything else, why you'd expect, at this stage, you can't at least hold similar levels of organic growth as we go out through the rest of the year?

Secondly, on margins, so I guess both the Fazer deal and the disposals – just – disposals are slightly dilutive to margins this year.  So are you still confident you can mitigate both of those and achieve flat and if so, aside from the European restructuring program, can you just remind us of the other key areas of cost improvements that are helping you to support margins?

And then, just finally, back on Europe, obviously you gave that helpful kind of anecdotal commentary back in November about some of your key clients, some of the restructuring programs that they were seeing at that time.  Any other sort of anecdotal commentary as we think about what the outlook might be for volumes in Europe?  Thanks.
Dominic Blakemore: Yeah, I'll take the first and third questions and then pass the margin, on M&A, over to Karen. Firstly, just in terms of whether comps ease and leap year, I mean, first, I think it's fair to say, look, it's a very encouraging start to the year but it is only a quarter. You know, as we know, there's lots of things going on with the strikes we've seen in Chile and Paris and the potential impact of the coronavirus but in the round, we don't see those particularly having a material impact. We're holding guidance today, but it's been an encouraging start, so we're pleased with where we are.

And one of the things I would just call out is specifically on the European performance. Again, as I said in the – as I spoke up front, if we normalize for that sports and leisure calendar, we think the growth in Europe was closer to 1%, so towards the higher end of our guidance on an underlying basis.

On the third point, on Europe and what we're seeing, I mean it's very, very much in line with what we told you at the end of last year. The volume trends in the first quarter are similar to those that we saw in quarter four. The impacts are within the sectors and sub-sectors of B&I that we anticipated. We feel confident, at this point, that what we're seeing is very much in line with our expectations, that the restructuring actions that we're taking are allowing us to offset the profits impact and we're very, very focused on where our opportunity is for future growth within the region.

Karen Witts: Yeah, I think a combination of Dominic and Vicki have picked up most of that. Yes, Vicki, as we said, Fazer slightly dilutes the margins in the first instance, but we've taken that into consideration into our full-year guidance, just as we've taken into consideration any weakness in B&I volumes. That's what the cost actions are there to offset.
And then, just in terms of, you know, what else have we got that might be supporting margins, well, you know, we invest in what we call our three little Ps. So we're doing work on purchasing, productivity and price.

Vicki Stern: Okay, thanks very much.

Operator: We will now take our next question from James Ainley from Citi. Please go ahead.

James Ainley: Thank you, three questions from me as well please. The first one is: can you just comment more broadly on some of these geopolitical headwinds? I'm thinking sort of fires in Australia, coronavirus and so on and what, if any, impacts you're seeing on business on the ground in those locations?

Secondly, what food cost headwinds have you been seeing from, again, some of the more recent developments, like African swine flu and again, the Austrian – Australian bush fires. And then, third, the like-for-like volume environment was very strong last year but particularly in North America. Has that continued into the current year?

Dominic Blakemore: Again, let me take the first and third and then I'll pass the second on to Karen.

Thank you, James.

With regard to the geopolitical headwinds, if I just sort of take each in turn, we've obviously – we have a reasonably small business in Chile, and we've seen the demonstrations there. Those have now subsided and – at least for the time being – and all of the impact we've dealt with, within the quarter. The strikes in Paris is again within our quarterly guidance and within the 20bps of impact on Europe that I talked to you today. And again, at least for the time being, that appears to have subsided. We've seen little impact from the bushfires, fortunately, on the business, as of now, so the bigger issue is obviously the impact of coronavirus.
And I think it's fair to say, first and foremost, our number one priority in any situation like this is with the health and safety of our employees and our consumers. So we're working very, very hard right now, with a dedicated steering group that are managing the situation on a daily basis.

I think it's really important, also, to size it for you. So our China and Hong Kong business in combination is less than half a point of group revenues, so it is a very, very small part of our global portfolio. So, for now, any impact we anticipate would be immaterial and has no impact on our guidance for the full year. However, again, we do remain cautious in the event that we see a secondary impact in other markets at a point in the future, so we're very careful around that.

But in the round, we don't see any of those, as we see them today, having an impact on our guidance, which remains unchanged for the full year.

With regards to the like-for-like volumes in North America, yes, we saw a good performance last year and we continue to see that in the first quarter.

Karen Witts: And then, on the – your question about food cost headwinds, while I think at this stage it would be too early to predict what the impact of any of these, you know, geopolitical-related issues might be but we are used to dealing with food cost inflation and indeed, we have been dealing with the impact of the Asian swine flu for some time now and that's actually one of the reasons why we have these productivity initiatives in place.

James Ainley: Okay, very good. Thank you.

Operator: We will now take our next question from Jarrod Castle from UBS London. Please go ahead.
Jarrod Castle: Thanks, good morning, three as well. It seems like the restructuring program is going to plan. I just want to kind of check, you know, in terms of the timeline for its completion, are you still on track there, as well as the cost of completing the restructuring program?

Secondly, it seems like, in North America, B&I is doing well. Is that across all industry groups or are there some in particular which are doing well, compared to others?

And then, just lastly, M&A. You've done a little bit during the current quarter. How should we think about the pipeline for that, going forward? Thanks.

Dominic Blakemore: Okay, so I'll let Karen come back on the restructuring program when I've answered the other two questions there, Jarrod, if I may?

So, first of all, on North American B&I, I mean I think, you know, it's a similar trend to what we have seen over recent years. Our B&I success if broad-based. It's across the multiple of our B&I sector and sub-sector brands, as well as our canteen vending business. In terms of particular industry sectors that we're benefiting from, I don't think it would surprise you that we continue to see good growth in our tech business in particular.

With regard to M&A, we've done a few small deals in the first quarter, principally in North America. Right now there remains an attractive pipeline across the group and we will continue to pursue attractive food service opportunities where we see them. As we've always said, it's a lumpy pipeline, it's difficult to predict, so I think we just have to leave it at that. But we remain very focused on bolt-on opportunities and at the size and order that you would be used to.

Karen Witts: And the restructuring is going to plan. We started it last year, we'll be broadly finished, you know – it's certainly on track, both in terms of the time and indeed in the costs and it's something that I monitor on a very regular basis.
Jarrod Castle: Okay, thanks very much.

Operator: We will now take our next question, from Richard Clarke from Bernstein. Please go ahead.

Richard Clarke: Good morning, three questions if I may. Earlier this week we had Aramark calling out some weakness in university enrolments at this sort of level of employment. Is that something you're also seeing, some weakness in the volumes in universities?

And then just a couple of questions on labor. We've had the news that your Google employees are unionizing, that's about, I think, one-and-a-bit percent of your US workforce. Is that a wider trend and impact on cost inflation there? And equally, comes the new predictive scheduling legislation in the US, as well, sort of removing the equivalent of zero-hour contracts; is that having any impact on your business? You obviously kind of moved to a more flexible workforce recently, so is there anything you need to roll back on that?

Dominic Blakemore: Thank you, Richard. I mean, first of all, we're not seeing any weakness in the volumes in our Higher Ed sector. I presume the question was specifically directed to North America –

Richard Clarke: Yes.

Dominic Blakemore: – so that isn't something we recognize. It isn't something we recognize. And then secondly, with regard to the unionization of workers, we've been working on the particular situation that you referenced with our client, with the unions and with our employees for some time now. We've come to a successful outcome and as part of a cost-plus contract, something which is funded. So it's something which we're pleased with, the resolution.
With regard to any trend towards unionization, I think it's actually slightly the reverse, if you look at the trends over time. We see a slight reduction in the levels of unionization of our workforce across North America. So, again, it isn't something which we would recognize as a particular headwind.

And then, with regard to flexibility of labor, yes, there is changes to legislation, there are in many of our markets. I think it’s incumbent on us to try and find innovative solutions, you know, one of which is that we’re developing our own sort of internal employment agency, which gives us greater flexibility with temporary labor and in a manner which I think is very appealing to our employees. So, again, I think it’s about how do you find those innovative solutions?

Richard Clarke: Very clear, thank you very much.

Operator: And just as a reminder, to ask a question it is star one on your telephone keypads.

We’ll now take our next question, from Jaafar Mestari from Exane BNP Paribas. Please go ahead.

Jaafar Mestari: Hi, good morning. I've got just one question, please, in terms of your B&I volumes in Europe. Other than just the general macro environment, last year you made some client-specific comments. You mentioned large layoff plans at some of your large sites. I was just curious how you see those plans progressing at your clients and in other words, does the Q1 2020 performance reflect the totality of those planned layoffs, is it done, or do you expect to see those client layoffs increase in the next quarters?

Dominic Blakemore: Thank you Jaafar, I mean, as you would expect, we built our plans on the basis of the information that we had to hand. As we've said today, the volumes are trending in line with
our expectations, our restructuring is on track, so there are no surprises there and the guidance we've given to the full year would encompass our expectations on a full-year basis.

Jaafar Mestari: Alright, thank you.

Operator: And again, as a reminder, that is star one to ask a question over the phone lines. It appears there are no further questions, so I'd like to hand the call back to our host for any additional, or closing, remarks.

Dominic Blakemore: I'd just like to say thank you very much for dialing in today and thank you for your questions and we look forward to seeing you at the half-year results.

Operator: Ladies and gentlemen, this concludes today's call. Thank you for your participation, you may now disconnect.