Good morning, and thank you for dialling in. You've seen today's results and heard our presentation. We're really pleased with what was achieved in 2021 and just as excited by the prospects for 2022. In particular, reinstating the dividend was a key staging post in our confidence in recovery. But what I think is most important is that in my 10 years in the business, I've never seen more opportunity and we've never been stronger or better placed in such an exciting market.

What do I mean by that? The pipeline is exceptional. We reported record wins in all regions. We're converting more first-time outsourcing than ever. We're seeing very strong recoveries and positive momentum in our sectors. We've got the digital and climate offers to win with a balance sheet to exploit all of these opportunities, and we're the partner of choice for businesses wishing to sell or scale. That all points us to fully restoring our pre-COVID size and shape and growing faster than ever before.

As we know, there are short-term challenges, but we have the experience, scale and means to deal with them. When I step back to take a longer-term view, these are tailwinds that will ultimately create more growth opportunity.

I truly believe the actions we've taken over the past 18 months have set us up for a period of strong performance in the years ahead. I am joined by Palmer Brown, our new permanent CFO this morning. Now let's open the call to questions. Thank you.

Bilal Aziz, UBS

Good morning, everyone. Thank you for taking my questions. Two from my side, please. Firstly, on the rate of new business wins, you've clearly grown that 15% this year. What do you think the sustainable win rate is going forward now? One of your competitors was suggesting some normalisation of that first-time outsourcing trend, but Dominic [I felt] that you were perhaps a bit more optimistic on the presentation.
Number 2, on the revenue guidance, I appreciate the uncertainty. The low end still implies a small potential improvement. Can you flesh out your expectation by vertical, and any comments on what you may have seen in October/November to get an idea of the pace of the improvement going forward. Thank you.

**Dominic Blakemore**

Thanks, Bilal. I'll take the second question first and then ask Palmer to speak to the rate of new business wins. In terms of that revenue guidance of 20% to 25%, that broadly means achieving 90% to 95% of 2019 revenues on a full-year basis with an expectation of exiting at or around 100% level by the fourth quarter.

In terms of what we're seeing by sector, let me start with the stronger sectors first. It's probably worth illustrating what we're seeing in terms of volume trend but also in terms of what we're seeing in first-time outsourcing trend, and that might go some way to answering your first question too.

If we start with the more defensive sectors, our healthcare sector has performed consistently above 2019 levels. I think it's worth pointing out a couple of things though. Let's remember that our retail business, which is around 10% of that portfolio, is still some way from recovery, so we would expect to see that come back in due course.

Separately, it's very clear that there are waiting lists for clinical treatments all around the world, and as we talk to our clients in that sector today, we do expect longer hours, additional days and potentially more shifts. Therefore, over time, and particularly once we're through the tricky next few months, we would expect to see higher volumes in that sector.

Finally, we've continued to win new business strongly, particularly in the senior living space. In the beginnings of the new financial year, we've seen the biggest single first-time outsourcing within the senior living space. Often when we see these things happen, like we did with Ascension and Texas A&M respectively in the healthcare and education spaces, they tend to put more pressure on the opening up of first-time outsourcing. So, we're really pleased with that.

If we move next to defence, offshore, remote, again consistently performed above 2019 levels. We've continued to take share in that sector through the pandemic. Looking forward, a couple of points. Again, the retail levels on site are not back where they were. We would expect those to continue to recover.

Secondly, we do expect there to be significant demand for oil, gas and commodities as we witness global economic recovery. So, we are expecting to see higher volumes within that sector, again over time.

Lastly, there continues to be opportunities for new contract wins. As we see the emergence of hydro, wind farms and so forth, there are new subsectors and opportunity opening up within that market.

Thinking now about the three sectors that were a little bit more impacted, start with education. We've seen a very strong recovery in education. Again, that may slow a little as we go through the next few months in the northern hemisphere winter, but broadly we've seen a strong return.

We've got less concerns today about virtual learning, particularly within the higher-ed space. It's very clear that both academics and students are keen on the campus
experience, and in particular we're seeing where students have returned, they are spending more, participating more and more social than ever.

Those are all positives in that sector, and of course again learnings of the pandemic have been around the provision of food in the lower-ed space and nutritional quality, and so lots of opportunity we believe for investment from government there. In the higher-ed space, we see institutions are looking to work their assets more, and therefore we expect roles to be strong.

In sports and leisure, you've seen a very strong fourth quarter recovery, up to 90%-odd to 2019, but at the moment you've got to remember not everywhere is yet open. Conference centres aren't open. We're not yet seeing international artists touring globally, and therefore there are lesser events still at the moment. So, we do expect all of those to recover.

Again, as events go indoors, it may slow a touch over the coming months, but we expect it to be strong beyond the spring and summer of next year. What we're also witnessing in that sector is strong per capita spend. So, whilst participation is probably 10% down, we're seeing anywhere between 20% and 30% higher levels of spend, which is more than compensating.

Finally in B&I, you have to remember we need to split that sector into manufacturing and offices. In the manufacturing part of our business, which is half of that 40% of our portfolio, we had continued to see people going into the workplace for obvious reasons, and because of the strict COVID protocols that operate, we have seen people participating strongly and the need for our services is as great as ever.

Slightly different picture in the office space, and we've talked about that today. A slower return, particularly in large urban areas, probably around 50% on the average around our world. Lower in some countries, higher in others. We're obviously in a different pattern of days, which we've talked about, but again we're seeing individuals spend longer in the office, higher participation, higher spend rates, clients willing to offer free food programmes as an attraction to the return to office, and working with us on providing compelling offers to bring them back in.

We do believe that once we get beyond the spring, we would expect to see a degree more normalisation in that sector. Maybe a bit trickier through the winter months, as I think we'll all be cautious. But as I talk to a few CEOs and our clients, clearly the mood has moved from, we can work virtually, to, we want to work on a hybrid basis, to, we're now concerned about our culture, our productivity, the training of our colleagues and all-round wellbeing. There's definitely a keenness to get back to more presence than there is today. So, I'm optimistic about what that could look like once we get through these winter months.

I should say as well, both within sports and leisure and B&I, whilst highly outsourced sectors, we are still seeing first-time opportunities because of all these pressures we've described.

I think momentum is positive. You've seen today us talk about 20% of our 2019 volumes still potentially to come back as well as that net new business opportunity, which is what gives us the optimism. Over to Palmer for the net new win rates.
**Palmer Brown**

This part of the question hits to one of the themes and one of the things we're most excited about in the business now and then looking ahead. Dominic talked about the opportunity for the recovery in the base business, but one of the other things that is quite exciting when it comes to the growth trajectory is the new business opportunity.

When you look at the billion pounds of net new business that we mobilised in the year, that's on an annualised basis, the £2.1 billion of new business wins, the record retention rate that we established, that all has us feeling quite excited. But I think when you drill down a bit, it speaks to the ongoing opportunity - 50% of those new business wins came from first-time outsourcing.

We think that the market dynamics are ripe for that to continue. When you think about the macroeconomic challenges, the things that make things quite difficult for our operators on a daily basis - things like supply chain disruption, labour shortages, inflation - those are things that can be a catalyst for outsourcing.

Even if you look at those items and you think they may be temporary, there are other challenging complexities that are coming line that are catalysts as well. When you look at increased regulation, change in consumer sentiment, heightened expectations when it comes to digital and technology, those are the kinds of things that play to our favour and have us feeling quite comfortable about how we feel about things going forward.

I think when you look at it, the pipeline is quite strong at the moment. We have strongest pipelines ever in North America, the UK and Europe. North America pipeline is about £5 billion in total and about £3 billion on a weighted basis, that's with a probability greater than 50%. Europe is about £3 billion total and £700 million on a weighted basis.

We've had a great start to the year. We won two contracts in excess of £100 million apiece that have yet to be reported. So, I think when you look at last year, the new business wins and the momentum in this year combined with the opportunity in the marketplace, it has us feeling quite good about what lies ahead.

Exactly where that lands in terms of a normalised number, I think it's a bit too early to tell. But I think it's quite reasonable to expect it will be north of where we've been historically.

**Jamie Rollo, Morgan Stanley**

Good morning, everyone. Thanks for taking my questions. Three please, but I think the first you may have just answered. On the £2.1 billion of new business wins, I'm probably reading too much into it, but versus the H1 £1.1 billion annualised which was 20% higher - and I think on the May call you were talking about maybe 200 basis points of faster net gains and it's 100 now - is there a slowdown in the pace of signings in H2? It doesn't sound like it from your comments just then but keen for any commentary there and also whether you're still seeing discipline amongst your main competitors on the tendering process.

Secondly, it would be great if you could give us some steer on the cadence of margins in the year. How much stronger will H2 be than H1? How much of the slowdown in H1 is cost inflation versus mobilisation of [inaudible] into those buckets.
Finally on cash returns, anything to stop you instigating a share buyback this year?
Thank you

**Dominic Blakemore**
I'm going to hand all three of those over to Palmer.

**Palmer Brown**
Jamie, on your first one, I think you are probably reading a little too much into it. When you look at the sales aspect, it can be lumpy at times. I just referred to a couple of new deals. Had they closed in P12 as opposed to the beginning of the year, you wouldn't ask the question at all. It doesn't speak to any overall trend you're seeing in the marketplace.

In terms of cadence of margins in the year, we talked a little bit about the challenges that are happening on an operational basis. When you look at things like the supply chain disruption, the labour shortage, inflation, those are things that we're not sure how long they're going to be around. They might be around for a while, and I think we've got to be prepared to deal with it for a while. The good thing is, we've got the business model and the track record to do just that.

But I think there are a couple of things that will have an impact on the margins specifically. One is the heightened mobilisations that are occurring, the reopening of the base business coupled with the mobilisation of the new business wins. As you know, the margin trajectory of contracts increases over the lifecycle of the contracts that come online at dilutive margins. We absorb the mobilisation costs as they occur. That's having a weighting, because that has not yet normalised yet with the heightened activity that's happening.

The other thing is there's simply the lag of pricing. We've got the business model to deal with inflation. We've shown the ability to digest it whether it's on the mitigation side of things or pricing. But pricing has a lag. We saw a pickup in pricing in the second half of last year, and we're going through lots of pricing activity at the moment, and it's something that will continue.

The combination of the two points to a heightened margin in the second half. We expect the first quarter, mostly likely the first half, to be flat-ish with our exit rate of Q4. We will expect that to accelerate to around 7% by the end of the year and then progressing onward toward our historical levels thereafter.

With respect to returns to shareholders, you'll recognise the capital allocation framework from before. Over the last 10 years pre-COVID, we returned a little over £8 billion to shareholders. We fully anticipate that commencing again, and we think the reinstatement of the ordinary dividend is the first step of that.

**Dominic Blakemore**
Jamie, if I might add to a point of detail, you talked a point of higher net new. It's slightly above that just on the annualised benefit of the net new we mobilised last year. With the record new business ARO as well, I think that range is probably 1 to 2 points.
James Ainley, Citi
Morning, everybody. Some related questions on the margin outlook, please. When you blend together the labour and food cost inflation that you're seeing, what does that imply in terms of an overall cost, because as your costs increase you need to offset?

As we then roll forward, I know you're guiding on absolute level of EBIT margin, but how should we think about the drop-through on the revenue rebuild as it continues to ramp up?

The final piece is on labour cost inflation. One of your competitors mentioned that they thought they saw some easing in labour cost pressures in North America in recent weeks. Is that something you've seen too?

Dominic Blakemore
Thank you, James. I'll hand those questions over to Palmer. Just one comment to make. Of course, in the guidance we've given today we have reflected our view of both cost inflation, our pricing and the drop-through on that volume recovery. All of those factors have been taken into account, but a little more colour from Palmer.

Palmer Brown
Your first one and your third one are very similar when it comes to margin and the inflation pressures. We're currently seeing labour inflation around 5%, food inflation around 4%. That's what we're experiencing. We think the external market is about 1 point to 1.5 point higher than that.

Usually, we're a bit better in terms of mitigating on the food side of things, but the supply chain disruption is playing a role in that. For instance, our substitution levels in terms of products are running around 10% at the moment. Historically, they've never been above 2%. That certainly has an impact to our savings and what we're able to do on the mitigation front.

Are we seeing a bit of easing on the labour inflation side of things? Perhaps. I think it's a bit early. We've still got a lot of open positions in North America. We've hired about 240,000 employees globally since the trough of the pandemic, 140,000 in North America. We've got about 35,000 open positions at the moment, and we're doing all kinds of things to try to fill those positions. It's probably a bit early to tell. We certainly think it will subside over time, but exactly what time period remains to be seen.

In terms of the margin progression and the drop-through, that really depends on the shape of the recovery. The base business coming back online will certainly have a higher drop-through than the new business that's mobilising. You've heard us talk about the significant opportunities we see on both fronts. That will continue not only for this year but a bit beyond this year as well. It's going to really depend on that mix. Regardless, as those volumes return, you will see the margin progression. That's one of the other reasons why we think the margin progress will be second half weighted.

Vicki Stern, Barclays
Morning. Firstly, thinking about the incremental returns on the new business, you mentioned on the pre-recorded call that you're expecting a roughly similar level of
CapEx despite this higher growth rate. Can you help that understand that and why? Is it because it's more coming from first-time outsourcing, or is it about specific regions or segments that that's falling in?

Secondly, you also mentioned this higher participation rates in B&I coming from a few factors. How sustainable do you think that is? Is some of it about companies trying to get people back into the office with a bit of incentive but that could fade in the future - and generally, where that all leaves you versus the 3% to 4% potential structural headwind you'd called out for B&I or for the Group from B&I in the future?

Finally, on Europe, really encouraging to see a good portion of the wins are coming from Europe. Historically, that's been a slightly more challenging region for you. If you can remind us, what are the reasons why that's been more of a challenge for you? Do you think you're turning a corner in Europe now?

**Dominic Blakemore**

Thank you, Vicki. I'll have a go at the first one and then the second, then ask Palmer to give a fresh perspective on Europe, which I think could be helpful.

First of all in terms of returns on new business, we've said today that our CapEx to net sale ratio is broadly the same as it's been. Of course, in absolute numbers that's lower off a suppressed top-line and for higher new business. It's quite positive. We expect some of the CapEx to come into this financial year as we open that record new business.

Broadly, the mix in being more first-time has a slightly lower CapEx requirement and is more about driving efficiency and quality in the early years of a first-generation contract. That opportunity in first-time outsourcing is particularly positive for us. Perhaps also the weighting would be towards the healthcare and senior living space as well, is helpful.

It's probably worth pointing out finally that one of the interesting opportunities around how we invest in our clients is to do that through the life of contracts through digital-type deployment, through the unattended micro markets, which will become an investment that we can get returns on through the life of a contract but is attractive to our clients and is a different way rather than deploying the CapEx upfront.

At the moment, we'll sit around that 3.5% level even with the higher growth levels. What's really important is that the mood - you'll have heard from us today - is it's an exciting market. We should always bias for growth. We believe we can generate the returns on it. It would be exciting to see higher sustainable levels of growth, and our ability to fund CapEx and use CapEx is one of those tools.

On the B&I recovery, inevitably there will be some short-term measures that are taken. Maybe some of that will be free food programmes, but what we're also hearing is a number of our clients are keen to sustain those programmes over time, particularly from a wellbeing standpoint. I think there is a change going on there.

Again, perhaps higher participation and higher spend will be there for a while, but it will certainly help compensate until the volumes come back as I expect them to do from the clients that we are talking to. Net, I think there's a broad change in behaviour, which will be positive for us within the sector.

What does that mean vis-à-vis the 3% to 4%? I think we stand by that now. We steered a little bit less risk on the higher-ed side, maybe a fraction more here on B&I but I think
only time will tell. But I don’t think it's significantly different, and we think there's loads of opportunity, particularly when we talk about digital and sustainability and our ability to bring offers to clients that they can't do themselves and that others are struggling to build the differentiation around.

**Palmer Brown**

When it comes to Europe, it's one of the things we're quite excited about, the positive movement that we've seen and the momentum going into this year and what we think can carry forward.

The biggest thing I've probably seen in Europe is an expansion of the growth mentality. That's something that has existed in parts of our business globally, most notably North America, but has not been consistent overall. It's one of the opportunities we see in the rest of the business.

I think you're starting to see that take shape in Europe. What I'm really talking about there is a growth mentality throughout the entirety of the organisation. It's not just the sales team working in isolation to try to win new business. It's sales, ops, it's all the departments, it's everyone working together in tandem with that growth mentality. Once that exists, you really start to see the momentum going forward.

You're starting to see that take shape in Europe. We're starting to have a bit different mentality when it comes to the type of people that we want in certain roles, the types of training that we want to utilise. You're starting to see that take root in some of the results already. You've seen where we've had net new business in Europe. It's 2.5 times what it was in FY19. You've heard me talk about the impressive pipeline that exists right now, and there's every reason to think that can continue going forward. So, we're quite positive on Europe.

**Richard Clarke, Bernstein**

Good morning. Thanks for taking my questions. Three if I may, but first one, throughout this pandemic you've normally given quite specific guidance into the next quarter, which you haven't given this time. I'm wondering whether there's any specific commentary you'd give on Q1. Could margins be down from Q4? Or do you think you'll keep them around the high 5s level?

Second question, it looks like you're a little bit more positive on support services. You've always done those in DOR and healthcare, but it seems like you're getting a little bit more excited about education. Maybe you can talk about that opportunity. Are you seeing some higher-margin opportunities to do support services in education? What do those look like?

I think Palmer, you said that you've won two contracts in FY22 already that are over $100 million in revenue. If I look at your slide 27, it looks like you won no contracts in 2021 that were of that kind of size. Can you maybe talk to, are you beginning to see some bigger contracts eat away, or am I misreading that slide or your commentary? Are these new wins getting bigger?

**Dominic Blakemore**

I'll ask Palmer to answer questions 1 and 3 and then I'll come back on support services.
**Palmer Brown**

Richard, on the margin profile, we are trying to get away from the quarterly margin progression. I think it was appropriate over the pandemic, but at this point where we are in the business we can look more towards a traditional view. That's what you're seeing.

You've heard me say earlier here on the call that we would expect Q1 and probably the first half to be flat-ish with the exit rate of Q4. Don't necessarily think that will be lower, but we wouldn’t expect much margin progression in that first half and much more second-half weighted.

In terms of the new business wins, those two contracts are over £100 million not dollars to start with. But you are right when it says that it is bigger than anything we won last year. I would not read too much into that. Again, it's lumpy. Sales can be lumpy. The biggest thing is to look at the longer-term trends over time and the underlying growth profile, the strength of the pipeline, things like that. That's probably the better indicators.

**Dominic Blakemore**

Richard, on the support services, we've always said where we've got a point of differentiation and where it's embedded in our model then we are very minded toward support services. You heard in the presentation today I talked about high single-digit growth throughout the pandemic at accretive margins. The support service business has been good for us through the pandemic.

We'd particularly favour it in healthcare and DOR. Healthcare, we always talked about the pricing power and the importance of hygiene in that environment, and that doesn’t change. In DOR, it's always been about the challenge is mobilising labour into these locations. That's a point of differentiation for us.

What's happening in education is we're now seeing the importance of hygiene services within that space. We've got a terrific business in the US we acquired a decade ago, which has grown very attractively throughout that period of time. So, we may be minded to it again where we believe it's critical and integral to the model and we have a great opportunity to cross-sell.

At the moment, we wouldn’t see that in the other sectors. We're very focused in targeting on where we think we have that point of differentiation. If it can be growth-accretive and at the right margins, then we should absolutely pursue it.

**Kean Marden, Jefferies**

Morning, all. I've got three. Starting with some of the big pipeline statistics that you provided earlier on, Palmer, would that suggest if we compare the TCV, the weighted and the unweighted numbers, and win rate in the UK of about 25% to 30% assumed but the US about 60%, within that is therefore the US one distorted by some of the recent wins I think you referenced that may not have moved out of the bid pipeline into the order book yet? More generally, is your win rate higher in the States? Are you seeing the competitive field narrow a little bit and therefore your win rate percentage may be drifting up?
Secondly, how have you treated the bad debt provisions this year? In common with lots of other companies, you increased provisions a lot in the last fiscal year. Have any of them made their back to the P&L in the final quarter of this year?

Thirdly, I can see that you put some initiatives in place in the UK, big data collection and interrogation. We think more broadly about that. How does that play out and what economic benefits does that deliver over the next year or two? If there's any particular territory that happens to be best in class or front of the line with those initiatives, which ones should we be following? Thank you.

Dominic Blakemore

Thanks, Kean. I'll take the last one and then hand the other two to Palmer. With regard to data, we've talked about before our E15 business in the US, which was established to effectively data-mine on-client accounts, particularly within the sports and leisure sector, to create the opportunity to drive dynamic pricing, promotions and therefore refocus on what we can do as a partner to our clients on per capita spend.

The benefit is weighted to them. We benefit too. It becomes a unique point of opportunity. We're looking to do that in other parts of our world where we have the right clients and opportunities, and the UK is one where we're focusing on that along with significant investment in the digital opportunity.

On the first two, over to Palmer.

Palmer Brown

I think the best way to look at the win rate is historically we have been a good bit better in North America than we have elsewhere, but one of the things we're seeing is that improving in both the UK, Europe and in rest of world. I think it's a good bit of self-help that's happening, a lot of the good training that's taking place, hiring the right people, a bit more of a growth mentality that's there.

We are seeing some improvements in that win rate. I'll say on the flipside, I don’t want to see a win rate that's way too high, because that implies that maybe we're not going after enough. So, I do think there's a right balance to play that's there, but certainly you're seeing improvements in the overall mentality and the quality of what we're doing in the UK and Europe.

I think your question on the bad debt provision, Kean, is really given to an overall quality of profits piece. The bad debt provision, we did establish some provisions at the beginning of the pandemic, which we thought were appropriate for the time. We have not seen that downside take place on the client side. That did have some movements over this past year, but there were some things on the other side as well. So, when you look at an overall quality of profits perspective, it's almost an exact wash for the entire year. I do think you can look at, our underlying operating margin is reflective of the trading as a business.

Stuart Gordon, Berenberg

Good morning. A couple of things that are linked. You've spoken historically about the flight to quality particularly from smaller players. Is that still happening? Could you go into a bit of detail on the mix of the gross wins that you saw this year?
Off the back of that, because of this flight to quality you also saw quite a lot of M&A opportunities. If there was nothing significant during 2021, how is the landscape for that looking just now? Thanks.

**Dominic Blakemore**

I'll take the first one on flight to [trust] and let Palmer pick up on M&A. On the flight to trust, it is still happening. We probably see that more in the first-time outsourcing. It's about self-operated clients who simply struggle with the operational complexities that are facing them at the moment, whether it's hygiene, the variability of volume or the difficulty in sourcing labour. It's all of those challenges we've talked about, which we believe is the driver in that shift.

If you look at our mix with first-time outsourcing going to 30% to 50% on a number which has grown, our share gains from other remain broadly in line with the historic levels. Included within that, we're still seeing some of the factors that I described. But I think this is about unlocking that first-time outsourcing opportunity. Then M&A, Palmer.

**Palmer Brown**

With respect to M&A, it is something that we're still looking at very keenly. If you look back to the two years pre-COVID, we spent about £1 billion on M&A in those two years. We certainly have the wherewithal to do a good bit of M&A and we have the inclination to do it as well. It's just a matter of finding the right deals.

We've looked at a number of things that we passed on. We've done some smaller deals. We're looking at a number of things at the moment. But it's something that we do see as part of our overall strategy. We will be selective and disciplined, just like you've seen from us historically.

**Jaafar Mestari, BNP Paribas**

Morning, everyone. I've got three questions, if that's okay. Firstly, on the new business signing, how much of this £2.1 billion that you've signed in 2021 would you say has already been opened in 2021 as part of the 7.2%, how much would be truly left to roll out?

Related to that, could you give us some colour on the top 10 new wins in North America just very roughly by sector? Is it broad-based or are you seeing some of the big [inaudible] starting to move? I'm thinking for example about self-operated university campuses. Some of those you've seen going out there since 2013. We know that Aramark has won the first ever contract with Purdue University, for example. Are they going towards outsourcing?

Lastly, you seemed to be talking, if I piece together your comments about the Q4 FY21 exit rates, on the revenue side it would be at or around 100% of pre-COVID revenue and on the margin side it would be around 7%. Do you still think there has been structural cost improvements in the business that could allow you to deliver 7% margins with revenue below pre-COVID levels? Or is the picture now that you pretty much need 100% to get to 7%?
**Dominic Blakemore**

Thank you, Jaafar. On the top 10 new business wins, broadly a third of those would have been in the healthcare and senior living space, a couple within education and a couple each in sports and leisure and B&I. Most positively, it's broad-based across all of the sectors. Healthcare is a great sector for us, and we've done particularly well there.

I think it goes to the story of, we were delighted with the big wins that we've had previously. That's given us the reference sites and reference accounts to accelerate the first-time outsourcing. I think we're seeing that again.

I'll take the Q4 volume and margin point. Broadly, we know in this business we could get to a margin outcome faster if we thought it was necessary. We don’t want to do that. We want to continue to build this business back to the best it can possibly be.

You've heard Palmer say today, whilst at 90% volume, 80% of that is like for like, so there's a lot of new and pricing which comes with different margin attributes. We're really pleased with the 7%. We see the ability to get back to pre-COVID margin beyond that with significant progress again in the following year.

We've learned a lot. It's all about how we deploy those additional efficiencies. Right now, we're in a period of incredible re-opening and incredible mobilisation, which comes with a cost. We want to do that flawlessly to reward our clients, with whom the goodwill has been absolutely outstanding throughout the pandemic. It's absolutely critical we don’t let any of our clients down through this phase, and we know that we can grow the margins up over time beyond that.

It's a balance. We would be super excited to exploit this growth opportunity and then enjoy the margin thereafter.

**Palmer Brown**

When it comes to the new business signings and the mobilisation, roughly 40% or so has been mobilised and captured in FY21, so that would be mobilisation and ITT within FY21. The remainder would be a roll into FY22 and perhaps a little beyond.

I do think it's worth pointing out that even though you've seen mobilisation, you may not have seen full population. That is a very important factor. You're certainly seeing that play out with some of the FY19, FY20 our new business wins. I think that's the case in FY21. That will continue to occur over time.

When you look at the base volume, that will return over a number of years. It won't be all this year. We'll extend it to FY23 certainly, but it is something to factor into the maths.

**Jaafar Mestari, BNP Paribas**

Did you say 40% has been mobilised?

**Palmer Brown**

That's correct.
**Joe Thomas, HSBC**

Good morning. A couple of questions, please. Firstly, you were talking about ESG and decarbonisation. I wondered what that's practically involving in terms of product sourcing, etc. and what the margin implications of that might be, whether it extends the recovery further out.

Also, back to the point on transaction values being higher. It sounds as though that's being driven by the free food that's being given out in offices at the moment. Is there anything aside from that? I'm wondering what sort of benefit technology brings in the long term.

Finally, if I may, what is the status now with respect to contract renegotiations, things that you previously had on temporary measures? Have they all been moved off those temporary measures now?

**Dominic Blakemore**

Thanks, Joe. Taking the points on transaction values, I don’t think we should read into it that this is about free food. It's about a number of factors. I think consumers are spending more. I think the fact that we are cashless creates less price sensitivity. I think there's a mood to enjoy the moment with colleagues or friends, whether it's in the office or the sports and leisure sector. I think there are a number of positives that are driving that uplift in transaction values.

On ESG and decarbonisation, we address this through a number of measures. Of course, we are consolidating the commitments of our suppliers who are also seeking to achieve their own net zero targets. That's highly beneficial. A lot of what we're doing is looking at menu choices and how we nudge consumers to different choices. Some of those mean less animal protein and potentially less cost as opposed to it being more costly sourcing. There may be an element of that at some point, as we look at regenerative agriculture in the longer term, but we also think there's an opportunity for premiumisation of an offer where it's a really critical requirement for our clients and their colleagues.

We know that a lot of colleagues want to work for companies with the right values, and this is a very visible show of values that we can help our clients with. If in the short term before supply chains address alternative means, that means a little bit of pricing. We think that is something that we can work with our clients on.

I'm not sure it has tremendous margin implications in the short term, but we're working through it all. As an example, when we catered COP, we had the lower-carbon menus with the carbon ratings. We're deploying that at 300 sites already in the UK, so it is scaling up at some pace and is a real point of interest for a lot of our customers.

**Palmer Brown**

With respect to the contract negotiation, don’t think of this as simple conversations that took place at the beginning of COVID and are yet to take place at another point in time, but rather about ongoing dialogue. That's the way that most of these work. It's an ongoing dialogue with the clients about the offers that they want to have, about their population levels and the like.
What you're seeing take place is that a number of these are shifting back and forth over time, but it will be a function of a number of variables. We fully expect that to continue over the course of the year. It's not like we have any definitive timeframe on when that will be complete, but these are ongoing conversations.

Neil Tyler, Redburn

Good morning. Two follow-up questions from me. Firstly, Dominic, going back to your point on free food and the offering there, can you explain whether that represents a meaningful proportion of the B&I revenues at the moment and whether there would be any meaningful margin implication of that proportion growing essentially where you're billing the customer as opposed to the consumer? That's the first question.

The other one is around M&A. Picking up on the comments you made earlier around the pipeline, is it the case that the pipeline of opportunity still exists but the prices have risen, the multiples have risen that's perhaps slowing down the level of activity there? Or is that not yet reflected in the way that you're viewing the opportunities there? Thank you.

Dominic Blakemore

Thanks, Neil. On the free food point, the example I would give is, within one of our B&I sectors around 40% of our clients are offering free food programmes. That would be, to dimensionalise it, 15% of our UK business. So, it is significant for that subsector. Obviously, behaviours are different in different sectors, but an interesting development in B&I.

Broadly, we work with our clients to ensure that we're getting a fair margin in line with our expectations and that it's not punitively costly for them. It's really important that it's fair on both sides and it's encouraging them to take this step, which we think is a great way of us building our position on site with all of the employees. Then Palmer on M&A

Palmer Brown

Just a little more on the free food margin impact. Those are going to mostly be calls for irreversible type of contracts that are there. Those clients would be on the same type of contract structures already pre-COVID. The implications on margin really aren’t significant. Ultimately, it's the client making that decision on what they want to spend. The key for us is that we need to operate that with a P&L mentality, so that we treat the client's dollars like our dollars.

With respect to M&A, we are seeing some valuations that are really consistent with what we saw pre-COVID. There's a bit of mental expectation in a lot of our owners' minds that the business ultimate value really hasn’t changed, even though the current trading has. So, when we get into conversations about how to structure deals, it comes down to the under-riding risk of the recovery and where that lies.

We're willing to take that on certain places where we want to share that a little bit more. We really aren’t seeing any significant changes in value. I'll tell you, it's not necessarily the value that's kept us from doing the deals. It's just a matter of the right deals that really work for us.
Tim Barrett, Numis

Morning, everyone. I have two things, please. One, we haven’t talked much about the retention rate. As you said, it’s a good level. Can you talk a bit about non-retained business and any constituents that might be a different post-COVID?

Secondly, I wanted to understand the dividend policy. Is the intention to go to 50% pay-out with one third/two third split as you had before? Thanks very much.

Dominic Blakemore

The answer on dividend is yes. On retention rate, Tim, we’re really pleased that it’s continued to improve. We’re already at very high levels. We’ve continued to nudge it on, and we would hope to continue to do so.

We use the pandemic as an opportunity to lock up a few contracts for longer. We always thought to term out the bigger contracts wherever we can. Hopefully, that will give us a bit of benefit as we look forward.

In terms of what we’ve not held on to, I don’t think the reasons have changed. We’re very pleased with the improving retention rate and really pleased as well that it’s across all three regions. That’s really important for us to recognise.

Tim Barrett, Numis

Is there anything to call out in terms of customers going out of business or retrenching?

Dominic Blakemore

No. Do you know, I think it’s been one of the positive surprises for us of how our client base has been able to withstand the pandemic. Clearly, we typically trade in B&I with resilient blue chips and they’ve been strong through this. That hasn’t been a feature, as it were.

Palmer Brown

I do think an interesting anomaly there is, within the retention rate it does pick up any what we call white losses. That would be businesses going out of business or being acquired by other businesses. We have seen a bit of that is happening. The good thing is with the scale that we have and our clientele, we’ve been net winners when it comes to that kind of thing.

It also would pick up remote side businesses that would run their natural life. All of those white losses would be picked up in the retention rate as well.

Dominic Blakemore

Thank you all for joining us today. Thanks for your questions. We’ll look forward to speaking to you in February.

[End]