Thank you, and good morning, everyone. As usual, I'm here with Palmer, our CFO. We're delighted with our third quarter performance. Growth further accelerated in the quarter to 43%, from 38% in the first half. This was due to positive contributions from all drivers of growth. Most critically, net new business accelerated to 9%, or 7% on a like basis with 2019, compared to a historical 3%.

Pricing stepped up and volumes continued to recover strongly. Pleasingly, all sectors and regions are now above 2019 levels, including B&I, which was 97% in the quarter and above 100% on a run rate basis. As we expected, new business and a change in mix in B&I is now offsetting any hybrid office risk. In addition, we continued to see a very strong new business pipeline, and it's clear that the complex market conditions and high levels of inflation are contributing to this.

Margins improved by 40 basis points in the quarter to 6.2%, and we're confirming our full-year guidance of margin above 6%. We now expect Q4 margin to moderate slightly to around 6.7% to 6.8%, as we mobilise double-digit new business.

Taking advantage of the growth opportunities is our number one priority, and whilst the investments and mobilisation costs may slow our margin recovery in the short term, it's driving more profits to the bottom line and is better for the long-term health of the business.

Let's move now to Q&A.

**Q&A Session**

**Jamie Rollo - Morgan Stanley**

Morning, everyone. Three questions, really on margins, please. First of all, just in terms of that moderating margin momentum, perhaps, Dominic or Palmer, if you could break it down between the impact of [mobilisation] costs on the net new wins versus the underlying cost inflation. Secondly, if you could quantify that cost inflation, please, in the main buckets and talk perhaps specifically about the supply chain on the food side and what it means for GPO purchasing?

Then finally, I think you said 6.7% to 6.8% in Q4. What's the implication for fiscal '23 margins then, and when do you think you might get back to 2019 margins? Thanks.

**Dominic Blakemore**
Morning, and thanks, Jamie. Let me just take margin and overview, and then maybe hand over to Palmer for some detailed colour on your three points. I think first of all, if you take a step back, just to remember the journey we’ve been on from 4.5% in 2021 to now over 6% in 2022, so we've made significant progress in the recovery, and will again make significant progress in 2023 on a full-year basis.

We see no structural impediment to restoring 2019 margin, either from COVID or inflation, but in the short term, the recovery may slow from the impact of the exceptional growth that we’re seeing on reporting today, and also if inflation is sustained at these higher levels for longer. Again, important to remember both market conditions and inflation are creating the great growth opportunities that we talked about and will bias to growth in the short term.

**Palmer Brown**

Sure. In terms of impacts on the margin between the new business and inflation, it's some and then some. When you look at it, certainly, the inflation is helping to contribute to the new business, just as Dominic mentioned, but inflation at the high levels does have a drag, which we need time to offset between mitigation and pricing. So there is a drag effect to that, and as you know, the drag effect in new business, both from mobilisation, which is expensed when incurred, as well as lower margins that progress over the lifecycle of a contract.

So as growth is increasing, you will have this bit of margin drag that's there. In terms of the rates, labour inflation has remained fairly consistent at 6% to 7% between Q2 and Q3. Food inflation has accelerated. It's now about 10% overall. That's really blended across the entirety of our portfolio. Some pockets, the US, the UK, Europe, would be a bit more, LATAM would be in there as well, a bit more than perhaps APAC and some others.

As it impacts on our business, and specifically, Jamie, you mentioned the GPO aspect of it, similar to our new business wins within core Compass, it actually helps us on the third-party business side of things, as well. So certainly these same challenges that are prevalent for our clients - potential clients who are self-operators are the same for other potential clients on the GPO side. However, I'll say that there's still supply chain disruption that is happening, so within the US, for instance, substitution rates are still in the 7% to 8% range. That's never been more than 2% historically.

That is impacting really the value proposition that we're able to immediately deliver right now, not only to ourselves but the third parties. That's helping us to get products - certainly our size and our scale and our growth, but we're not fully optimised at the moment. Then looking into '23, Dominic referenced it a second ago. The reality is, with growth rates this high and inflation this high, it's going to be difficult to progress the margin much from where we're exiting the year. That's not to say that it won't progress over time, and certainly if either of those two moderates a bit, you should expect to see more margin progression from us.

But the reality is that it will be slow as long as those two elements are as high as they are. Again, they have a direct correlation with each other. We think the best indicator of the health of the business is profit, and that's what you're seeing some nice strength of, across the board.

**Jamie Rollo - Morgan Stanley**

Thanks, just to push you a little bit, if we try and maybe quantify the mobilisation versus the cost inflation, or at least compare the two in terms of quantum, is it - I'm guessing it's much
more the inflation side of it than the mobilisation side of it, but if you could help us a bit more on that, please.

**Palmer Brown**

Yes, it's not something we want to necessarily get into quantifying specifically, and in all fairness, it's quite difficult to do because in a relationship between the two, but it's certainly some and some. Inflation at these levels is certainly weighing a bit.

**Jamie Rollo - Morgan Stanley**

Thank you very much.

**Harry Martin - Bernstein**

Hi. Good morning, everyone. I'll ask three questions, as well, if that's okay. The first one really is what was the main driver of the improvement in new business wins, getting that so much better than the guidance that you gave at Q2? Where were the real surprises for you? The second one is really on the momentum and price inflation and how that's contributing to the revenue uplift. Where are we today compared to the 5% in H1, where do you expect that to be in Q4, and then can we extrapolate that at least into H1 next year, regardless of what the macro does?

Then the final question, on my maths, I think if you give credit for around 5.5% net new as a percentage of 2019, add in 6% pricing, you can reach the 35% organic growth guidance with volume versus 2019 still down 15%, which is what you suggested you were running out of H1. Is that the way you're thinking about it internally, still a lot of volume recovery potentially to come back next year, or whereabouts do you think we are on that volume recovery? Thank you.

**Dominic Blakemore**

Thanks, Harry. Let me take the first question, then ask Palmer to take the question on price and the quarter 4 run rates. I think in terms of the new business wins, look, we saw record levels of new business wins that we reported at the full year last year and at the half year. We're perhaps seeing those mobilise more quickly and with higher initial volumes than we anticipated, which I think is a theme also of the volume recovery, and Palmer will come on to talk to where we are today with volumes versus '19, compared to the half year.

So I think that higher volume contribution from the initial mobilisation phase has been positive. The new business wins are across the piece. They're across all sectors. They're also strongly B&I, which has helped us with the recovery in volume of B&I, and they're strong across the regions as well. So it's a very positive outlook, and yeah, we're now running a couple of points stronger than we were at the half.

**Palmer Brown**

A bit more within that, if you're getting into the net new aspect of it, Harry, the retention piece is a big driver as well. So it's not only the new business side, but the retention, which in fairness, is probably a bigger contributor, if you're looking at it on a net new. That has been improving pretty much across the board. We've seen a step change of that over the last 12 to 18 months
within Europe, which we're excited about, and we think there's further opportunity both on the new business and on the retention side.

In terms of pricing, we're a little bit above the 5% pricing level that we discussed at the half year. Frankly, it needs to be at that level, and then some, dealing with inflation at the rates we are. Keep in mind, too, though, it's not just the pricing strategy, if you will. We've got to mitigate. It actually starts with mitigation, and if we're not mitigating for our clients, even on the cost-plus contracts - if we're not mitigating for our clients, we're not doing our job, and they're going to ask us where's the value proposition.

It's a combination between the two, and then in fairness, with inflation at these levels, it's a bit of operational leverage that's being used as well. So they're all contributing to how we're dealing with inflation at the moment. When you look at the revenue guidance going forward, first of all, at Q3, we're about at 109% of 2019 revenues overall, and as you heard from Dominic at the beginning, we're now above 100% in all regions, and on a run rate basis, in all sectors, so B&I was 97% in the quarter and now 100% as you look ahead.

When you do the math, just like you've done, Harry, to get to the 35% on the dot, it actually equates to 109% of 2019 revenue as well. What we have in the quarter is a step change both in B&I, which we think can be recurring, but certainly in the sports and leisure, and we've got the benefit of some scheduling, some timing aspects, which are one-offs that will not be repeated in the quarter. So we've got that element that's there.

It's hard to say what the recovery will be. We saw a big acceleration of that base volume recovery occur in Q3. At the half year, we were right. We thought we had about 15% of base volumes yet to recover. We think that number is somewhere around 8% now, so a nice pickup there in Q3, which really accelerated and brought forward some of that recovery we expected to occur into ’23, is actually happening a bit earlier than expected. So that's the way we see the revenue taking place for the rest of the year.

**Harry Martin - Bernstein**

Thanks, and just to clarify on that, would you expect Q4 to be a little bit better than 109% or quite similar?

**Palmer Brown**

That's what we're showing right now as our forecast and our guidance. I think the wildcard is just as you mentioned, on the base volume recovery, to see what that does.

**Harry Martin - Bernstein**

Great. Thank you very much.

**Vicki Stern - Barclays**

Yes, morning. Just firstly on the signings and retention piece, I think at the first half stage, you were running at an exit rate based on signings and retention then of around 6%. Now the retention just got a chunk better, and you've mentioned, Dominic, that the pipeline looks very good. So just really your views now on the sustainability of that higher run rate on both signings and on retention, as we try to frame the right view on the future net new business growth for the Company.
Secondly, just on competition, what are you seeing around you, and I'm particularly interested in the smaller operators? Any incremental signs of share gains, disruption amongst those operators, and would that trigger any potential desire to do more M&A? I think last time you spoke you were a little bit more cautious on overloading the teams with a lot more M&A in coming months.

Then just finally on CapEx, are you seeing the same trend there on the CapEx side, that even though you're seeing this fast net new, you're not actually seeing that come along with a higher than 3.5% CapEx to sales ratio? Thanks.

**Dominic Blakemore**

Thanks, Vicki, and good morning. Again, I'll take the first question, pass the next two over to Palmer on competition and CapEx. Really, just on our outlook on net new, if you recall, we said as a consequence of COVID, now as a consequence of inflation, we are seeing a significant first-time outsourcing opportunity. The share of first-time outsourcing in the pie of new signings is increasing significantly. We're very, very focussed on how we sustain that.

We also obviously talk to some of the more technical challenges now, which is accelerating first time outsourcing. They persist and increase around data, allergens and so forth. So we do feel that the marketplace is exciting. It does feel that at these levels of inflation, smaller players have less levers to pull than we do, and therefore it's also creating opportunity for share. So it is an attractive marketplace. I think we have to remind ourselves that the levels of net new we're reporting now of close to 7% are twice as big and some than our historical run rates. So it's a very, very significant acceleration that we're seeing.

Again, when we came into this, we thought if we could improve the structural net new growth rates of the business by 1 to 2 points from that 3 to 4 to 5, then all things being equal and normalised pricing, that could look like a 6% to 8% growth rate. I think right now, clearly, we're outperforming that. Our ambition and our strategy is to do everything we can to sustain it, but the acceleration we talked about of 1 to 2 points on a sustainable basis would be a very attractive step change for our business model. Of course, that's being achieved with record retention. That's also been judicious use of CapEx, and I think very, very good relationships through COVID and beyond.

We need to ensure that we are sustaining that as well, because that's the first lever to pull in an improved net new performance. Look, we're absolutely delighted with where we are. We should never underestimate that scale of our performance against relative history - I think a little bit of that's starting before COVID. A lot of it is also down to self-help in terms of the quality and discipline around sales and retention, processes and execution, particularly outside North America. So we're optimistic about what we can achieve, but we would also be cautious about sustaining at these levels for the medium term.

**Palmer Brown**

On the competition front as it's weaving into new business wins and potential M&A, Dominic mentioned it there a second ago, we're seeing a slight uptick in share gains from competition. In fairness, it's not near the uptick that we're seeing from first-time outsourcing. That's been the biggest driver within the new business side of things. We're seeing a slight uptick from the share gains on the smaller players. That's not to say that it's not impacting the smaller players.
The way we look at things is challenges and complexities in the market we think ultimately play to our favour, and as we discuss internally, if the operating environment is challenging for us, it's going to be every bit as challenging and then some for others, and frankly brutal for the self-ops.

Everyone is feeling it. They'll probably feel it perhaps a bit more as we look ahead, but it's playing out to some degree in the share gains and probably more so within their current operations.

On the M&A side of things, you're right, Vicki, it's something we want to do. We've always been disciplined, but we think we need to be especially disciplined in this environment. Our operators have full loads on their plate now. We don't want to distract them. It needs to be a fairly compelling proposition for us to take M&A.

That said, we did do some small infills. In the quarter, we did about $65 million or so of new deals. Most of those were within the US, but we're looking at M&A opportunities in every region right now. It does need to be a pretty compelling proposition. We would need to look at what their book of business looks like, their sector split, their contract structures, really what brings us - how does it help us grow forwards.

We think of M&A as certainly core to our overall strategy, but we do need to be disciplined, especially in this environment. Then, Vicki, your last question on CapEx, we're still seeing the same algorithm of the 3.5% of revenues right now. That's not to say that we wouldn't potentially invest more to continue these high levels of growth, but that's not what we're experiencing at the moment. We're still seeing a continuation of our same algorithm and expect that to be somewhere around the 3.5% for the year.

**Vicki Stern - Barclays**

Thank you. Just one follow up back on the retention. Your retention rate, the exit rate, is well above 96%. I think Compass always used to talk about 96% as a sensible feeling for where retention could get to, but yeah, so how sustainable is retention at these high levels from here? Thanks.

**Dominic Blakemore**

Vicki, in North America, we've sustained retention above 96% for some time and continue to improve. This business is all about marginal gains. I think as we start to get to new thresholds, we'll set ourselves new targets. The biggest single shift in retention right now is our European and UK businesses. So if we can sustain retention at those levels, then there's every reason why we can expect to sustain retention at these higher levels and continue to push on from there. We'll be all about the marginal gains as we go forward from here.

**Vicki Stern - Barclays**

Great. Thanks very much.

**Jaafar Mestari - BNP Paribas**

Hi. Morning, everyone. I've got a couple, if that's okay. Firstly, on medium-term guidance, you've updated full year '22 guidance and started giving some directions on full year '23, so you obviously have working assumptions for higher inflation.
You were talking about full year '24 revenues, it could be 120% or 125% of '19. That was a while ago, with more inflation and more new business, if you run an updated scenario there.

Then, separately, on US education specifically, you made some comments on generic competition and retention trends, but that's a market that seems interesting. I think we're nearing the trend of the renewal season there, so just curious how it's played out for you. Are you coming out with good stickiness of your own university contracts? Have you been able to win some from competitors and on the more long-term university first-time outsourcing, have you seen some of these big prices [come from housing] this year?

**Dominic Blakemore**

Thank you, Jaafar. If I take the medium-term guidance points and then Palmer will talk to US Education. Just on the medium term, I think the first thing to say is it's clearly very, very difficult for us to look into current circumstances and form a view as to what medium-term growth trends could look like. Clearly, pricing in particular will play into that very significantly, as will the net new performance, and as we look at '23, what we do know is that there is a momentum that we've got in the second half of '22, which will run into '23, so we still expect to see very healthy levels of growth next year, as we have the annualisation of the volume recovery, the strong pricing and the strong net new trends that we are experiencing today.

What does that mean, broadly? I think we could be at our full year '24 ambition in full year '23. As we look beyond that, I think we need to understand what the inflation and pricing environment looks like. But as I said earlier, the structural base case for us would be a one to two point improvement in net new, and then continuing to be successful with pricing if inflation moderates. I'm sure it will be above the historical levels that we experienced for quite some time yet for a while, so in aggregate, that would suggest when volumes are stabilised, I think medium-term growth rates that are ahead of what we enjoyed pre-COVID.

**Palmer Brown**

In terms of US education, it's certainly a business that we continue to be excited about. We think it's done quite well, certainly over the last year, when you look at the base recovery of the new business wins, the strong retention. That's continuing, you're right, with the selling season. The traditional selling season is coming to an end, although we'll say we're seeing a bit more expansion of the selling season because of the various pressures that are there.

It's still very much pronounced within the spring, but that's expanded out to beyond that, just a bit. We're seeing gains on both the first-time outsourcing and share gains as well. Really, when you break it down, the K through 12, the public higher ed, the private higher ed, the independent schools and the support services aspects of it, they're all performing nicely. They're doing a bit differently than some of them have different contract structures. You look at the higher ed piece and the support services tends to have more fixed price components. Within that, K through 12 would be an element of that, as well.

Within the education business, retail and catering is still depressed a bit from historical levels, so we think it's still about 25% down on the volumes, the base volumes, versus historical levels. But you're right, all of those pressures that we're dealing with there, everyone else is facing and the self-ops there as well, so it's certainly helping to drive sources of revenue. We're excited
about that. As we look forward, there's still a massive structural growth opportunity in that environment, and with the macroeconomic pressures that everyone is increasingly keeping an eye on, education performs really well in downturns. It actually tends to grow a bit during downturns, so it has an insulation effect there, as well.

Jaafar Mestari - BNP Paribas

Thank you. Thank you very much for the colour.

Leo Carrington - Citi

Good morning. Could I ask a couple of follow ups on net new business, please? Firstly, in terms of helping our modelling, really of the ramp up of net new business, the net new business KPI, am I correct in saying that the mechanism behind your disclosure here means that it would be fair to assume that the current levels of net new business in absolute terms, say, continues for at least the next three quarters, as these - as the current contracts go through their first year?

Then, secondly, in terms of the volumes that you're seeing on mobilisation, are your new contracts tending to be near 100% of the expected total volumes, or should we allow for a little extra tailwind in their second year as footfall and volumes recover to what might be a normal level? Thank you.

Dominic Blakemore

Palmer?

Palmer Brown

With respect to the net new, as we look ahead, that 6.9%, 7% in the quarter, certainly it's higher than we actually expected. Look, we knew the forward-looking indicators were strong. When we looked at the new business business wins and the forward-looking retention, we knew those numbers were strong coming in, but to actually see the growth get that strong within the quarter surprised us a bit. I think it speaks to the strength of the opening and the ramp up that's occurred there. As we look ahead, we expect to still see that number be strong.

We think the 6.9% is pretty exceptional and probably should be treated as exceptional. When look at it, the 5.2% is a year-to-date figure, and that's probably something that's closer to what we would expect going forward. Also keep in mind the lapping effect, the comps that come into play as we go forward. So we had a big step-up in Q4 last year, 77% of 2019 revenues in Q3 of last year, up to 88% in Q4. So certainly all those factor in and contribute.

Then in terms of the ramping up of the volume on new business, you're right. There's a gradual ramp up. We've been the beneficiary of that over the course of this year, certainly, when you've had mobilisations occur this year but not fully optimised. That's getting back to at least closer to what we expected. There'll be a bit more to come.

You're right that it usually doesn't fully, fully optimise until the second year, Leo especially if you have the larger deals. So think of a large healthcare system, a large senior living system, something like that, where there's a ramp up that occurs over three, six, potentially more months. Obviously, you'll get a rolling effect of that.

Leo Carrington - Citi
Okay, thank you, Palmer.

Neil Tyler - Redburn

Yes, good morning, thank you. A couple left, please. Sticking with the topic of margins, actually, you've been clear that the inflation effect this year at least isn't just a mechanical percentage, but obviously there will be a profit drag. Would you anticipate being able to recover that absolute profit delta over the course of FY23, assuming of course that cost inflation itself normalises? Then longer term, the 6% growth algorithm that you've framed, does that still allow at that level of net new that's incorporated within that - does that still allow operating leverage to deliver perhaps 10, 20, 30 basis points of margin improvement. Or at 6%, do you effectively run up to the static margins as those components combine?

Then, a bit more specifically, going to the topic of new wins and in B&I, I'm just quite interested if you wouldn't mind describing a little bit the unit margin comparison of the new business wins there, because it strikes me that there's probably a difference in the cost structure in quite a lot of the new business that you're winning as you expand that market yourself. Thank you.

Dominic Blakemore

Thank you, Neil. I'll just take the growth versus margin point and then ask Palmer to deal with the profit drag and the unit margin on new business. On that first point, look, I think when we were in pre-COVID, old world, old money, we had a growth range of 4% to 6%, and we always said at the high end of that, we'd expect less or little margin progression, as we enjoy that higher level of growth. I think it's quite difficult right now for us to be precise.

There are a lot of moving parts in the margin equation. We've obviously got the operational leverage recovery as volumes come back. We've got the impact of cost inflation, the timing of pricing and when pricing recovers, the lag, and then we've got these exceptional levels of net new growth. All of those are going on simultaneously. In that context, we've made significant progress year over year and expect to make significant progress again. The path back to pre-COVID margin will take a wee while, but we expect all of those levers to be positive.

But if we were to continue to grow - let's say we talk about net new business of 5%, and that means that pricing being the same as pre-COVID, we're growing at 8%, we would expect that to put some pressure on the margin journey until that growth moderates. So I think there's a lot going on right now. I think the right thing to take away is we're very excited about the growth potential of the business. We think we can now grow at above historic levels, and pricing will also contribute to that.

We do believe that we'll recover pre-COVID margin. I think those are the two takeaways. The balance of how those play out over time, we'll have to go on that journey with you as we plan and forecast within the business.

Palmer Brown

In terms of the margins and the inflationary pressures being a profit drag, we actually probably look at it a little differently. If you look at margins from the headwind perspective, I certainly see what you're saying. But we see it has a drag on the margins, but it's contributing to the top-line growth, which ultimately we think has a net benefit to profit. So we think the best way to
judge performance in these environments, when inflation can be a tailwind and a headwind, is actually the improvement in the growth on profit. So that's the way we look at it.

In terms of the recovery aspect, which is I think the essence of what you're asking there, Dominic referenced it. We fully anticipate continued progression on the margin. We're not going to put a timetable on it. We're going to go for the growth opportunity that's there, but we'll get the operational leverage as it comes through, all things being equal.

In terms of the B&I, new business, just from a margin contribution, a unit margin contribution, we don't expect there to be a significant change out of the gate. We're seeing a bit more free food offers, a bit more commissary delivery in, a bit more micro-market and pantry type of offers there. Some of those are scale games, so if you think of the central kitchens, to the extent we can utilise our current infrastructure, whether they're units out of other units or centralised kitchens and utilise more scale, we should get a bit more margin drop through over time.

But we're not necessarily seeing any real margin impacts within B&I right now, and frankly, we expect to see pretty consistent and healthy margins at B&I as we go forward?

Neil Tyler - Redburn
That's very helpful. Thank you. Thank you both.

Estelle Weingrod - JP Morgan
Hi. Good morning. Just one question from my side. Just coming back to your organic growth momentum into next year, I understand there are a lot of moving parts, of course, in the current environment, but is there a scenario whereby we can be in mid-teens growth territory?

Dominic Blakemore
I think we need to - we'll come back to you at the end of the year. Right now, as you've seen, the growth in quarter four is going to be in the 20% plus range. We're going to enter next year with that momentum. We've got very strong net new. The pricing momentum will continue. So look, I think the prospects for growth in the first half are very strong. The second half is a little more unclear. We'll need to see how we continue to trend on net new, though. As you've heard us say today, we feel positive about both retention and the gross pipeline of new business opportunities.

I think we also need to see where pricing shakes out and where inflation shakes out as we start to lap the annual impacts, although again, we do expect it to continue to trend high. So I think all the ingredients are there for positive growth next year. I think putting a range on it right now is tough, but we exit this year with very strong momentum.

Estelle Weingrod
Okay, thank you very much.

Dominic Blakemore
Just to say thank you all for joining us today. We'd like to wish you a restful and enjoyable summer holidays and look forward to speaking to you later in the year. Thank you again.
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