Compass Group 2025 Full Year Results

Presentation

Dominic Blakemore

Group Chief Executive Officer

Good morning and welcome to our full year results. 2025 was another great year for Compass. We delivered strong organic growth and margin progress, with profit up nearly 12%. Cash conversion was also very good, as we generated $2 billion of free cash flow for the first time. Net new business, the cornerstone of our growth, was 4.5%, underpinned by strong new business wins and client retention of over 96%. This was the fourth consecutive year we've delivered net new growth within our 4% to 5% target range.

This performance, together with the significant market opportunity, reinforces confidence in the sustainability of our growth algorithm and our ability to deliver long-term compounding shareholder returns. I'll talk more about this later, but before I do, first over to Petros to give you more details on the financials.

Petros Parras

Group Chief Financial Officer

Thanks Dominic. Good morning, everyone. We've made good progress across all our key metrics as we delivered profit growth ahead of revenue growth. Importantly, free cash flow was also strong, growing faster than profit. Let's start by looking at revenue growth. Net new business continues to be in the middle of our 4% to 5% target range, with pricing and volume growth consistent with the first half of the year.

With our disposal programme now complete, acquisitions are contributing to growth. Operating profit increased nearly 12% to over $3.3 billion. Interest was $315 million, reflecting higher debt due to acquisitions. For fiscal year '26 we expect an interest charge of around $350 million, reflecting the purchase of Vermaat, subject to regulatory approval.

As anticipated, our effective tax rate was 25.5% and this is expected to be the rate in 2026. Importantly, earnings per share were up by just over 11% in constant currency.

Turning to cash, CapEx was 3.3% of revenue. Consistent with our guidance, we expect CapEx to be around 3.5% of revenue this year.

Working capital improved in the second half, in line with our normal seasonal profile, and was broadly neutral for the year. We expect a similar profile in 2026. As a result of our strong cash management, free cash flow conversion improved to 88%.

Turning to the regions. In North America, organic revenue increased by over 9%. Operating profit was up nearly 11% reflecting margin progress. In International, organic revenue growth was nearly 8%. Operating margin was up 20 basis points to 6.1% as the region benefited from overhead leverage, resulting in strong profit growth of nearly 13%.

Group organic revenue growth was nearly 9%, with the fourth quarter particularly strong as we benefited from increased catering and hospitality events across certain sectors. Excluding these one-off factors, our underlying Q4 growth was around 8%. We expect this to moderate further in 2026, reflecting a lower inflation. Group margin increased to 7.3% in the second half of 2025, with our unit margin now fully recovered.

Looking forward, we're confident of further margin progress whilst balancing growth and investment. We see opportunities to improve margin in both regions, and to leverage Group overhead. We expect to continue to make incremental gains in North America as we continue to improve productivity across our MAP framework and better utilising tech and data.

In International, as you're aware, we've invested in sales and retention to drive higher net new business growth. We expect faster margin progress in this region as we leverage these investments and benefit from M&A synergies. Dominic will talk about this later.

Turning to the balance sheet, net debt to EBITDA was 1.4 times. As you're aware, last year we acquired high quality businesses, including Dupont and 4Service, to capitalise on attractive growth opportunities through further sub-sectorisation. This year we expect to complete Vermaat, along with other bolt-on deals. As a result, leverage is likely to be above our target range in 2026, peaking at the half year.

However, our capital allocation model remains unchanged, and we expect to deleverage in 2027 as the business grows, and we deliver the M&A synergies. With our disposal programme now complete, M&A is contributing to profit. Including Vermaat, we expect acquisitions to add around 2% to profit growth in 2026.

Now turning to FY26 guidance. We expect operating profit growth of around 10%, on a constant currency basis, driven by organic revenue growth around 7%, around 2% profit growth from M&A, and ongoing margin improvement. Now, back to Dominic.

Dominic Blakemore

Group Chief Executive Officer

Thanks Petros. As you've seen, the business continues to perform well and is in great shape. We're often asked what's the secret to our success and continued market outperformance? There are two key factors. First, we have a unique sectorised business model which is decentralised, with many of our brands still led by the original founder-owner entrepreneurs. This model, which was strengthened through M&A over many decades, is incredibly difficult to replicate.

Second, we combine the advantages of this localised approach with the benefits of scale, particularly in food procurement and technology. In short, we combine the best of both worlds. We operate in a hugely attractive market with a significant runway for growth, which is continuing to expand. We are investing organically and in M&A to provide us with additional capabilities to accelerate sub-sectorisation.

For food services alone our addressable market is worth around $360 billion, of which we have less than 15% market share. In addition, we see further growth opportunities in targeted, high value support services, where we estimate the market could be worth at least $800 billion. It's worth remembering we're already one of the world's leading support services businesses, generating more than $6 billion of revenue.

The Business & Industry segment of the food services market is worth around $130 billion on its own. You may think, as the most outsourced sector, it would have one of the lowest growth rates. In fact, the opposite is true. This year, B&I is our best performing sector, with organic revenue up 11%, and the highest net new business growth.

We continue to invest in this hugely innovative and dynamic sector, increasing our addressable market, by entering new sub-sectors or through flexible offers such as vending. Our experience in B&I bodes really well for the rest of the Group. Our volumes are benefitting from increased participation in our restaurants as we deliver an even more attractive food proposition. The advantages of our business model mean we can provide a high-quality offer at a superior value compared to the high street.

As a reminder, we typically don't pay many of the expenses that retailers do as we operate on client premises. We also leverage our procurement scale and have more menu flexibility, allowing us to change ingredients more easily to help mitigate inflation. Our clients also recognise the importance of food and often subsidise our offer. They are hosting more events on-site and increasingly use food as a cultural glue and a key enabler for networking and team collaboration.

Acquisitions enhance our capabilities and accelerate sub-sectorisation. Targets are usually sourced locally and have been known to us for several years. We look for exceptional businesses with entrepreneurial teams and attractive returns. The businesses we acquire benefit from continued autonomy under our decentralised model. We provide them with access to Foodbuy as well as global best practice sharing. Having completed many acquisitions over the years, we have an established a proven track record of successful M&A.

In vending and micro markets, we've been operating a roll out strategy of many small bolt-on deals in North America. Together with strong organic growth, Canteen has now grown revenues to over $4 billion. These acquisitions are hugely value accretive to Compass, with returns typically above our cost of capital from year one.

We are also investing in GPOs and recently acquired Regency Purchasing in the UK. As well as scale, we've benefited from their technology and systems, helping build out sectorisation. Regency volumes have doubled since we bought the business, with double-digit ROCE in year 2. Most recently we acquired 4Service in the Nordics, accelerating access to the multi-tenant building subsector, in particular.

Integration is ahead of schedule, delivering high single digit growth, with financials ahead of our investment case. We also have recently agreed to acquire Vermaat, subject to regulatory approval, a truly exceptional premium food services provider, with a market leading presence in the Netherlands. Vermaat will further improve our ability to deliver tailored on-site concepts and innovative retail solutions, as well as providing us with outstanding talent. Once approved, we expect Vermaat to be margin and EPS accretive to Compass in the first full year of ownership.

As Petros said earlier, over recent years, we have invested in technology and data to support our sales processes, procurement functions, and to drive operational efficiencies. We think of it as benefiting both growth and margin, as well as automating some daily tasks for our colleagues. For example, we're optimising every stage of the sales funnel by using improved processes and data. We now have more visibility of future gross new wins by more accurately tracking the size of the pipeline, our probability and win rates.

We've increased the use of automation tools for bid writing, to improve their quality and to reduce preparation time. Tech and data are also transforming the client and consumer experience. We have a strong competitive advantage in this space having invested in digital for many years, with around 1,600 people now working in this area alone. With hubs in the US, UK, France and India we share innovations and best practice across our businesses, leveraging our breadth and our scale.

We are using AI to improve our customer proposition, using proprietary analytical tools to optimise our product mix and pricing. This helps us to better match our offer to changing customer demand, as well benchmarking pricing in our sites with the local high street. Finally, when it comes to our frontline colleagues, we're increasingly using AI to automate day to day tasks such as recruitment. In the US, we have streamlined our hiring process and reduced the number of recruiters. In Japan we've implemented an AI chatbot for our frontline colleagues which answers any queries they may have in seconds, delivering impressive productivity gains.

In summary, 2025 has been another strong year for Compass as we continue to deliver on our growth algorithm. We expect to sustain this performance in the long term, delivering high single digit profit growth; with the building blocks being mid to high single digit organic revenue growth, ongoing margin progress, and contributions from bolt-on M&A, now that our disposal programme is complete. For 2026, profit growth is expected to be even higher, at around 10%, as we benefit from the Vermaat acquisition.

Now, over to Q&A. the operator will share instructions on how to ask questions. Please remember that you must be connected by phone to ask a question. Operator, over to you.

Q&A Session

Jamie Rollo – Morgan Stanley

Thanks. Good morning, everyone. Three questions, please. First of all, could you talk a bit about what drove that very strong fourth quarter for organic sales, about 9%, I think you said 1% was from one-offs, maybe talk a bit about what those were. I think we saw a similar thing a year ago and even the year before that, the sort of one-off benefits, they keep happening. But also, the 7% guidance looks quite conservative even in the context of an underlying plus 8% exit rate. So, how should we think about the cadence of organic sales through the year?

Secondly, again, it's a question on the guidance but on the margin side so 1% profit growth from underlying margins about 7 basis points, again, looks a little bit conservative, I think from that alone adds about 5 basis points to the Group because it's double digit margin, so could you talk about the upside to margins and also, how should we think about that 200 basis points gap between North America and International closing, if at all?

Finally, you've given us lots of the AI benefits to the business and your clients on slide 24, could you talk a bit about how you might mitigate against the impact of job losses driven by AI on office meal demand in general, please. Thank you.

Dominic Blakemore

Good morning, Jamie, and thank you for your questions. Let me handover to Petros for the first two questions on run rate and margin guidance and then I'll pick up on the AI point.

Petros Parras

Good morning, Jamie. We feel like for underlying rate is about 8%, as you said. We had particularly strong volumes in B&I, education, and sports and leisure, and we're pleased with. Some of this, we believe it's a one time in nature and practically we have taken this in our guidance for '26. If you think about what has changed, as we move to '26 versus '25, it's to do with inflation. We're seeing inflation slowing down, a fraction faster than what we thought last year, end of the last year.

Spor rate and inflation about 4% blended, we believe it's going to be close to 3%. We mitigate part of this for our clients. So, when you consider our guidance for next year, it assumes a lower rate of inflation within the 7%, it assumes for the 5% corridor in fifth consecutive year of delivering our strategy, and a net positive contribution for volume.

When it goes to margin, I think, you give us too much credit of being able to forecast 7 basis points or 10 basis points on a going forward basis. I think our approach there is profit has to grow faster than revenue, call it the 10 basis points on average. What is interesting is our unit profit margin has exceeded what used to be pre-COVID which gives us sound financials within the units in operations who benefited from overhead leverage.

We expect to make consistent margin progression going forward. We do not see a ceiling to it. You will continue to see International business to grow faster with some Group overhead leverage and some marginal gains in North America. I will take a pause and I'll pass to Dominic.

Dominic Blakemore

Very good. Thank you, Petros. Jamie, when it comes to AI, I think in summary we see it as a net positive for the business. As you rightly say, we shared some examples today of where we're deploying data and AI within the business. Most specifically, around our growth processes where we think we can get better outcomes on the pipeline build, the preparation for meetings, and the conversion into growth. So, we're very, very excited about what we're seeing there.

We're also very targeted around purchasing and the value we can derive from our purchasing processes and the efficiencies we can introduce for our frontline teams to enable them to dedicate more of their time to their consumer and their clients.

When it comes more specifically to the question you raised around net employment numbers, I mean, first of all, just a reminder, B&I is our fastest growing sector as a Group and also both within North America and International. Over 50% of that growth is coming from first time outsourcing which is very exciting and as you heard Petros say, we had strong volumes in Q4 within B&I. So, we think our B&I sector is in rude health right now.

When it comes to AI, look, we're seeing new clients emerge, particularly on the west coast where we've got a number of smaller start-ups which we are serving through our commissaries and SME type offer. We're seeing some of those scale into significant clients and we're excited by that. When we talk to our clients in the technology sector, they're very focused on talent retention and attraction, particularly as they seek to get the right capabilities to be best placed with AI. I think we have a very important role to play there in them helping address that.

Then latterly, we're seeing new subsectors emerge like data centres. So, with regards to data centres, there's an opportunity for remote feeding through the construction phase and then once in operation, there's an opportunity for us to provide on-site services, either in the form of restaurants and cafeterias or micro markets. Of course, there's a whole range of different FM services that we're well placed to provide to them in an environment where those services are very highly valued.

So, right now, we are seeing it as an opportunity both in terms of what it's bringing to our business and the opportunity that it's providing within our clients' estate.

Jamie Rollo – Morgan Stanley

Thank you, both very much.

Kate Xiao – Bank of America

Thank you very much for taking my questions. My first question is also on AI. Thanks for explaining all of the benefits. Any way you could help us quantify the positive impact on the business either on the revenue enhancement side or cost savings, any examples or quantification you could give there would be really helpful.

Then my second question is on your secured new business, $3.8 billion, that's up 11% year on year which is very encouraging. Could you elaborate a little bit on this number? I think the definition is the new business wins over the past 12 months, so would some of the business already be in the FY25 revenue number or is it mostly the pipeline for FY26 growth? Thank you.

Dominic Blakemore

Thank you, Kate, and welcome. I think this is your first call with us. When it comes to quantifying AI, we don't think we're in a place to do that right now. Like many things we see, we see puts and takes that drive volumes and new business opportunity. At the moment, on the volumes and new business side, as you heard me say, we think it's a net positive.

Then with regard to the savings that we're generating within the business, I think what we're seeing most of all is an opportunity for greater effectiveness and the ability to redeploy our people's time on more value creating opportunities. We're certainly seeing that within sales, and what would I say, maybe we're generating 15%-to-20%-time efficiency which can be redirected into more value creating preparation for meetings and bid preparation, for example. So that's really how we're thinking about it. It's how do we redeploy effort and time into the bigger opportunities.

Then specifically on the new business ARO, yes, $3.8 billion. We're super pleased. We need to continue to grow that relentlessly, year in, year out. Our pipelines look very attractive. More importantly, almost than the gross new business wins, our pipelines are growing at the rate we need to see them grow. You've seen us speak today to the increase in the market that has come by way of some of the acquisitions we've made which opens the total addressable market up for us. So, we've now got a market which is over $360 billion. That's what's really exciting.

The more we can target sectors and subsectors of opportunity where our operating model is best placed to win, then the more sustainable we believe the growth is. As you heard Petros say, we're super excited that this is four years now reported within 4% to 5%. We're well placed to see another year of growth within the 4% to 5%. Our objective is to continue to build our TAM and our processes deploying AI such that we can sustain those growth rates and those retention rates over the long term and deliver within the growth algorithm that we've shared with you.

As you rightly say, some of that business will have deployed in FY25 and will be rolling into '26 on an annualised basis. Some of it will be yet to deploy in '26 and the odd contract would have been one which will deploy in future years, as we've also witnessed in the past where we've got some business that comes online. So, the correlation between new business won and the in the year benefit within our 4% to 5% range is rolling.

But we're really pleased that we've delivered that 11% increase year on year which gives us very confidence that we can sustain the 4% to 5% as the business scales and the absolute numbers get bigger.

Kate Xiao – Bank of America

Thank you. That's very helpful.

Simon Lechipre - Jefferies

Yes, good morning. Three as well, if I may. First of all, on the $3.8 billion new business wins, I'm not sure you mentioned the mix of FTO within this number. I think, it was 48% by Q3 so keen to get an update on this. Secondly, on net new, just wondering if net new was also in the 4% to 5% range for the International region. Lastly, in the US, you mentioned some opportunities in data centres but more broadly, do you believe you could benefit from different investment plan going on like the infrastructure investments, CHIPS Act and so on. Just wondering if it's something relevant for you. Thank you.

Dominic Blakemore

Thank you, Simon. Yes, let me pick up on your third question then I'll hand the first two to Petros. Absolutely, we're super excited by investment in all new forms of technology and we see those as opportunities for us. So, I obviously referenced data centres but, yes, semiconductor manufacturer where it's been onshore, in particular, is presenting opportunities for us. We're seeing data centres all around the world as an area of opportunity for us.

Particularly, where we see the build of new energy technology, those present opportunities for us. So, there are – as we've always witnessed, there are new sectors and subsectors of business and industry that emerge at pace and scale and we believe that we've got a range of offers that can play into those which means we've always got what the client is looking for. What's really important is that we're spotting these trends, we're moving quickly, and we are building an offer that is compelling for the client in their needs. Petros?

Petros Parras

Good morning, Simon. On the $3.8 billion, Dom referenced, it's growing 11%, FTO around 45% which is very pleasing to see. If you go back to pre-COVID, it was about one third of our source of our new business, continues to be elevated which plays back to the complexities of the clients and our ability to serve and solve some of the challenges. I would say it's broad based and represents a fair share of our sectors.

As Dom referenced, particularly with B&I continue to have great momentum within this $3.8 billion. When it goes to net new International, let's take a step back here and if you look at from 2019, all the way back, International was nearly flat. We have four years of consistent good growth. We have four years of elevated net new for this part of the business. The most pleasing thing for us is retention.

You look at retention, we used to be in the low 90s. we are mid-90s, sustainably. We would like to do better as we forward in International business. We have opportunities. If you look in North American business retention, some of our International business, the more sectorised we become, the more GPOs we deploy the Compass toolkit, we should be in a position to drive marginal gains in International business. But we recognised consistent and good growth and we're working towards sustaining this good growth in International part of the business.

Dominic Blakemore

I would probably just add to that, if there's anything that pleases me most about the business, it's the performance of the International region. We've seen an acceleration in our net new and improvement in our retention. As Jamie pointed out earlier, there's a couple of points difference between the margins of North America and International. We see an opportunity to close that gap over time. We think the North America margin will continue to nudge forward.

We see an opportunity for the International margin to grow faster as we make margin accretive acquisitions, as we move towards GPOs in each of the individual International geographies, we see a good opportunity on margin there. There's still a delta in retention between North America and International. We think we can close that gap too as we deploy our processes and we're seeing consistent improvement.

What's most important though is the sustainability and consistency of that. We're starting to build a bit of a track record, as Petros said, over the last few years and we need to sustain that going forward and we're confident we can. Having said all of that, I'd also just like to remind us that the North America performance was extremely strong last year and we're incredibly proud of that. We think that we have every reason to believe that that's sustainable, too.

Jaafar Mestari – BNP Paribas

Good morning. I have three questions, if that's okay. Firstly, because you've provided this all in guidance which includes M&A and Vermaat, just a couple of questions on this. (1), what timing of the Vermaat consolidation have you assumed in the guidance? (2), how should we look at the $350 million net finance cost guidance in this context? Is it $300 million run rate until the Vermaat consolidation and then it's $350 million as you pay for it or does the financing that you have in place mean that it's $350 million regardless of the exact timing of the deal closing?

Then more fundamentally, one of your competitors has announced they would be investing in Salesforce, as in, in their sales headcount, in at least one large US vertical because they signed so little. Another one of your competitors paid their sales team $25 million extra bonus because signed so much this year. How do you keep and motivate your hunters? You've talked about the founders' involvement, could you give us some more colour on the sales teams themselves who bring $3.8 billion? How many are they, what sort of background, what sort of support do they have, how they run and how they're paid?

Dominic Blakemore

Jaafar, thank you. I'll speak to the question on our sales resource and then I'll handover to Petros for the first two questions around Vermaat. The first thing to say is the consistency of our track record. You've seen us deliver the new business growth now globally across North America and International, as I said, over four years. We've got great line of sight of the fifth year. More importantly, we've been doing that in North America for certainly the 13 years I've been with the Group and probably over 20 years.

So, there is a consistency to our process and execution that I think is critical to the strength of our performance. We've got longevity and tenure in many of the people who work with us. Our organisation is – we talk about often, is designed around sectors and subsectors so we have dedicated for each of the offers that we provide to our clients. We have dedicated sellers who are focused on the first-time outsourcing opportunity. Often that's a longer sell and so we're incentivising them over multiyear than individual year's performances.

I won't speak to the individual reward structures but we have processed that have worked for us repeatedly. Our pipeline looks our one and three years and we're excited by that. When you speak about the different competitive pressures, again, having been around this business for a while now, I've seen the competitive pressures ebb and flow. I see no real difference today to that which we've experienced previously.

I think it's really important that we keep doing what we're doing and that starts with expanding the TAM so that we've got ever more opportunity, being relentlessly focused on what the pipelines look like, one, two, three years out, being relentlessly focused on our retention and how we secure and pre-empt to minimise the retention risk. We've seen a consistent improvement in retention. We put that down to our SAG processes.

Our non-SAG processes which we're getting more dedicated to all the time, and actually the use of data around our consumer NPS and our client feedback on an anonymised basis is allowing us to make even better decisions around that. So, we just remain relentlessly focused on doing what we're doing on sharing our best practices and scaling our teams. We're always adding sellers into the business to ensure that we can continue to grow at scale.

But what I come back to is how important it is to continue to expand the TAM to give us the marketplace to grow into. Again, elevating the conversation, we have a 15% global market share in an industry that's still 50% self op. There's huge runway for all of us to grow into.

Petros Parras

Good morning, Jaafar. On Vermaat, just to remind everyone, it's still subject to regulatory clearance. We have taken an assumption on contribution as of the first quarter of '26. We have line of sight, we are in the final stint of this being closed, and we remain very excited to welcome the Vermaat team within the Compass Group family. When it goes to the interest expense for next year, about $350 million. This assumes Vermaat, including the numbers, and a bit of [in field] M&A, that we'll continue to invest in the business as we move forward.

Jaafar Mestari – BNP Paribas

Thank you. So, just to be clear, it's going to be $350 million regardless of that timing?

Petros Parras

Yes.

Jaafar Mestari – BNP Paribas

Can I have a short follow up on this please? What's your assessment of the EPS accretion of the deal? You said positive for this year because you're presumably closing it late in the year but you immediately have that higher finance cost. It doesn't look like we can justify even a [decimal upside] to consensus EPS, but if we annualise this on the full year, what sort of accretion do you think this deal, if everything happened at the same time, interest costs and consolidation, please?

Petros Parras

I think in Dominic's script, we say it's going to be accretive only based on a full year of ownership. You have to appreciate depending on when this deal is going to close, there is a different contribution of profit, vis-à-vis the interest cost, will be accretive to growth as it closes. Importantly, with the synergy cases as we go in delivering good growth and some synergies of the cost lines, we should be able to drive further EPS accretion on a [year-to-year] basis.

Jaafar Mestari – BNP Paribas

Thank you.

Leo Carrington - Citigroup

Thank you. Good morning. If I could ask three as well, please. Firstly, on the North America H2 margins which were flat despite the organic growth, is there anything to call out as weighing on the margins this year, possibly the $440 million of M&A spend, anything there would be useful? Secondly, I do appreciate the focus of yours is on B&I today but in health care, your US peer won a big multisite contract. Is this part of an acceleration in outsourcing in Norh America health care segment that you can also see or something of a one-off?

Then lastly, I was interested in the slide 29 showing the guidance evolution pre/post pandemic, what exactly do you attribute the improvement, the increase in like for like volume growth to – that you expect to see? Thank you.

Dominic Blakemore

Thank you, Leo. Why don't I take your second and third question and then Petros can speak to North American margins. First of all, the health care sector remains incredibly exciting for us. It's one of the sectors with the most significant first-time outsourcing opportunity both in North America and International. We are seeing contracts come out on a multisite, multiservice basis which are first time outsourcing opportunities.

So, whether we would call that acceleration or it's the normal trend, I think we'll determine as we go but there are some very exciting opportunities in the sector and that's been the case both in North America and International, and I could say the same for higher ed, as well. So, look our sectors remain vibrant. We see lots of opportunities not just in B&I but across all of the sectors and really informs our confidence today in sustaining our net new growth algorithm and the ever-expanding TAM.

Then when it comes to like for like volume growth, I think there's quite a puts and takes that we could pull apart whether it's return to office over time, and so forth, but I think the biggest single trend to me is the one that we called out in the slides today and that is, I think, the greater appreciation of the value that we offer relative to the high street. I'm very confident that the quality of what we offer is on a par. I think we've got some exceptional consumer offers now within our estate but we're providing that to our consumers at a very, very significant discount to the high street.

Through this period of elevating pricing that delta has become ever more. We talked about why that is. Obviously, it's the fact that we typically aren't paying utilities on site but I think our scale of purchasing is just so much greater than the high street competitor sets. That provides advantage and our menu flexibility is so much greater. I think therein lies a huge opportunity to create value for our consumer.

That combined with the opportunity or the case where many of our clients are partially or fully subsidising the offer, I think that's meant that we are capturing more people on our estate and they're having more day part occasions with us. I really do believe that

that is what is behind our successful volume growth. I think you can see that in a number of our sectors.

Then when you think more about where you've got the type of consumer that would be within the sports and leisure, the event sector, I think we've got even better at retailing, understanding per capita spend, consumer trends. We've got data analytics businesses that are helping us drive an understanding of those and we're working very closely with our clients because the clients see it as such an important part of their hospitality performance to be able to drive that. Hence, we benefit from that too. I think you see that in the Q4 volumes, where we have a positive calendar of events, we're also performing positively on volumes.

Petros Parras

Good morning, Leo. On North America, we're really pleased on what the business has achieved. If you really step back and you look at North America, operating margin is fully recovered to pre-COVID. Within '25 there was noticeable margin progress as this business grows. I just want to remind you business is 65% bigger to pre-COVID, enjoying this elevated growth and still delivering margin progress is quite remarkable for our teams, I think.

On a going forward basis, we will expect still to do some marginal gains as we grow, more of an overhead leverage. We remain positive on the trajectory of this business. If you're referring to the half 2 versus half 1, we made progress versus both halves of last year, and as we came to a fully normalised world on recovering the margin, there is some seasonality in there. North America has always been a stronger margin in the first half to the second half.

Dominic Blakemore

I would add on, on margins as a group, I'd probably feel as confident as I've ever been that we will see steady, consistent incremental margin progress in North America and International. Why is that? Just remind ourselves that the portfolio work we did where we exited a number of the more volatile markets, I think, we've got much more consistent business now. We've got a much more sustainable foundation and base and I think we can grow from that consistently from here. So, that's what's informing our confidence both in North America and International that we should see consistent steady margin progression.

Leo Carrington - Citigroup

Thank you, Dominic. Thank you, Petros.

Estelle Weingrod – J.P. Morgan

Good morning. I've got a first question on North America. You talked about the very good performance of B&I, can you give us an update on other segments, in particular, higher education, any indication on the full-term enrolment numbers? The second question on Europe, can you provide a bit more granularity on the underlying momentum, you mentioned B&I and sports and leisure, can you be more specific perhaps on the country basis or least any country callout underpinning this solid momentum? Have you noticed or have you witnessed any signs of a softer macro in some countries in Europe, like in France, impacting volumes? Thank you.

Dominic Blakemore

Petros, do you want to take the North American higher ed question and I'll speak to Europe.

Petros Parras

Good morning, Estelle. So, North America, as Dominic referenced, very strong B&I, low double digit on growth, broad based across all subsectors. If you look in the rest of the sectors, we're in the high single digit growth territory which is quite pleasing. It's what we call broad based growth. Actually, if you look at our sector footprint, we expect to be this way as we are full sectorised and we're winning good businesses within every sector.

When it comes to education, I think enrolments came in good, in line with our expectations, continues to have some good momentum in the education business as we move to the FY26.

Dominic Blakemore

With regard to Europe, yes, I mean, actually, Estelle, you spoke to it, we are two thirds of B&I business in Europe so for us to grow, we need to be seeing positive growth in B&I which is the case. We've got a very exciting pipeline. We've won some really nice opportunities in the Nordic region, in France, in Germany, we continue to perform extremely well in Spain and in Turkey. So, we've got a strong portfolio of countries that are all growing together.

Importantly, and going back to the earlier conversation, what's really stepped up, has been our retention performance in Europe. Again, if we compare it to the years that Petros described when we were flatlining for growth, the real difference there is the 2%-3% - percentage point improvement in our retention rates which we believe are sustainable. We've got very rigorous retention processes that we've trained out and we're managing through the region and that gives us good confidence in momentum.

We've got a very exciting pipeline for Europe. I think the other feature is, for example, we've launched our Levy sports and leisure brand into Europe and we're managing that across all of our International markets, actually. We're seeing good momentum as we start to win our first accounts. Obviously, we talked about – not in Europe but the Australian Tennis Open which was won last year. But also, we're seeing our first ones in the sports areas in Europe which is exciting.

Then, latterly, obviously, the acquisitions we've made, 4Service in the Nordics and others are starting to give us access to new subsectors within B&I which is gives us even increased confidence on sustaining those growth rates in Europe. So, we think that it's an ever-improving performance that we can expect in Europe and we'll continue to nudge up within our net new growth range of 4% to 5%.

On the macro point, sorry, at this point, we aren't seeing any degradation on our volumes from the macro but we remain watchful. I know there's some concern out there about are we likely to enter any recessionary conditions across the piece. I think a reminder, first of all, we're not seeing it. Then secondly, we do believe that the resiliency of this business can demonstrate itself in those times.

First of all, our clients look for value and cost savings and whenever there's been a tighter macro, we've seen an acceleration in first time outsourcing and also in rebidding of contracts for more value. I think, we're very, very well placed there. Then, secondly, if the consumer is looking for value in tougher times, then I think everything I said about what's driving the volume performance will stand us in incredibly good stead. I think we feel well placed whatever may be ahead of us.

Estelle Weingrod – J.P. Morgan

Thank you.

Ivar Billfalk-Kelly – UBS

Thank you. Good morning, everyone. You've mentioned FM a couple of times in passing on the calls, where it usually feels like we go several quarters without it being mentioned at all, can this be an indication that it's a bigger focus going forward? Can you talk about the relative margin contribution of FM services compared the traditional food service and the outlook for growth.

Secondly, you're investing in M&A and GPOs in the UK. You still don't have much in the way of GPOs in the rest of Europe. What would realistic timelines be for rollout of GPOs in your continental European operations and what's actually needed for them to be successful?

Thirdly, on the health care in North America, as I understand, a lot of the US health groups already have their own GPOs and since GPOs are a key element of your offering, what is your relative positioning compared to your peers, given I understand the GPOs in health care actually like you to use them rather than your own procurement. Any comments there would be helpful.

Dominic Blakemore

Thank you for those questions. Actually, really interesting and thoughtful. First of all, FM, we're predominantly a food services group, 85% of our business is food but that 15% that we deliver support services across a spectrum of different services in FM is $6 billion, that makes us the fifth or sixth biggest support services company globally. We also operate support services with great capability in many markets. We've quietly got on with that. It's been growth neutral.

So, it's been growing at a par with our food service business and actually is also margin neutral so on a par with our food services business. It's good business for us. Where we sell it alongside our food as a multiservice offer or an integrated offer, it can be very stick with clients. Typically, we've seen it in the defence sector, the remote sector, the health care sector, and increasingly within the education sector.

Within B&I, it's often sold separately rather than as an integrate offer but we think it's an attractive market that in a number of countries we are well placed for. We quantified the market today within our slides, $800 billion. It's very fragmented. So, there's a long runway for opportunity for growth. We're clearly not prioritising that over our food service business but we will consistently execute.

We're really just wanting to remind everyone today of the scale of that business and the capabilities that we offer. I think if you're very selective in the services you provide and where you work with clients, then it can be attractive adjacency to food.

On the M&A of GPOs, you're absolutely right. We've been building out our UK Foodbuy business very successfully over time. We gave some great examples today, particularly Regency. Our US Foodbuy business continues to be incredibly accretive for us and an important part of our portfolio. We have a Foodbuy business in Canada, Australia, and the UK. We already operate GPOs today in some of our European markets. So, we operate them in the Scandinavian area, within Belgium. We haven't yet built those in some of the other bigger individual countries. It is an area of focus for us.

You asked what is the recipe for success. Actually, when we take a step back, what enabled both the US and the UK to build credible and scale Foodbuy offer was first acquiring the capabilities of a GPO and then bringing the Compass volumes into that GPO to get aggregate scale and then to franchise the capabilities and the services alongside the scale into the third party market so that we can grow disproportionately with our own estate, our acquisitions and the third party growth. We think that really is the recipe for success in the markets and it's one that you should expect to see us pursue over time.

Then, finally, with regard to the North America health care GPOs, yes, we partner with many health care GPOs that operate for themselves across their own health care estate. Remember, they're typically buying pharmaceuticals, equipment, linen, and other non-food categories where they've got significant scale, actually brining their food volumes into our significant food buying volumes can yield even more value for them. So, we think there's a really interesting and exciting way to partner with the North American health care GPOs to give them more value and to bring more volume into our model.

Neil Tyler - Rothschild

Good morning. Thank you. Just a couple of quick follow ups, actually, to previous questions. Firstly, just touching on the last question around FM support services, in your prepared remarks, I may have misheard, but I think you mentioned that you would consider adding to those services through M&A, I just wanted to make sure I understood that correctly in isolated instances, obviously, but if you could clarify there.

Then, secondly, Dominic, going back to the point or the focus you put on the expanded addressable market, the additional for the $40 billion or so, can you just talk a little bit more about where that's come from, you mentioned it's come through the acquired expertise over the last 12 months or so, and there are opportunities to continue to replicate what's happened over the last 12 months through further M&A? Thank you.

Dominic Blakemore

Thank you, Neil. On the first point, I think we'll consider tuck in bolt-ons wherever appropriate within our portfolio to ensure that we've got the right offer for our clients. We can continue to either defend our estate or to grow the TAM and that would apply within bolt-ons within FM and support services, as necessary. Separately, your question on the TAM, yes, I think it's been a really positive feature and one of the driving reasons for the M&A that we've done over recent years.

If you think about 4Service, it's given us access to the multi-tenant market. Where previously we would seek to win business our clients, we now partner with the real estate owners as they construct new facilities with are multi-tenanted and multiservice. It's an exciting segment that we weren't previously as exposed to and didn't necessarily have the capabilities for. It's a trend in the Northern European countries and it gives us the capabilities that we can build into other European markets. I think that's a great example.

We've done a number of micro market acquisitions in the UK to build a canteen type micro market offer in the UK. That comes first with technology and then by building a regional presence such that we can offer our clients national coverage with a technology enabled solution. That's opened up the micro market and vending subsector in the UK to us where we previously didn't have the capability of a range of services to deliver that. That's something that we feel we can replicate in in other international countries given the learnings that we've had in the US and Canada, in particular.

The Hofmann acquisition gave us access through a high-quality frozen offer into SMEs where we can deliver in at a lesser scale, a consistently high-quality offer that can be frozen and used over time. That's an exciting part of the market that we previously didn't necessarily access.

With Vermaat, although not yet closed, they have an exciting joint program which is a sort of technology enabled delivered in solution which, again, we can leverage and learn from. So, I think all of the M&A we talk about giving ourselves access to capability both in terms of the business model and offer but also the people running the businesses. I think those are great examples of that and where we'll focus as we go forward.

Neil Tyler - Rothschild

Thank you. That's very helpful.

Dominic Blakemore

Just quickly to say thank you all for joining us today and we look forward to hosting you with the first quarter results in February next year. In the meantime, wishing those of you a Happy Thanksgiving or Happy Christmas holidays.

[End]