

CHIEF EXECUTIVE'S REVIEW

OUR CONTINUING GROWTH JOURNEY

The Group's performance surpassed our expectations both in terms of net new business growth and base volume recovery, with Business & Industry now operating above its pre-pandemic revenues. The strong growth trends seen in the first half have continued, with net new business accelerating through the year in all our regions. Our clients are continuing to face operational complexities and inflationary pressures, which are driving increased outsourcing, and we are successfully capitalising on the resulting growth opportunities.

North America continues to perform strongly, and we are particularly pleased with our progress in Europe, which is benefiting from an increased focus on growth and retention, supported by investments in our people, brands, and processes.

Thanks to the hard work of our teams across the world, Compass has emerged from the pandemic as a stronger and more resilient business, reflecting our clear strategy and market-leading growth enablers. While the macroeconomic environment is uncertain, we are working in partnership with our clients to mitigate inflationary pressures and supporting our colleagues during this challenging period by offering financial support and other benefits.

Group performance

Organic growth was 37.5%¹ with underlying revenue, on a constant-currency basis, 105% of its 2019 level². Underlying operating margin increased by 170bps to 6.2%¹ (2021: 4.5%) despite mobilisation costs associated with the higher new business growth and inflationary pressures. As a result, underlying operating profit increased to £1,590 million¹ (2021: £811 million).

We are continuing to invest in exciting growth opportunities both through capital expenditure and M&A. Capital expenditure was 2.7%¹ of underlying revenue, lower than historic levels due to timing delays in some investments. Going forward, we continue to expect capital expenditure to be around 3.5%¹ of underlying revenue.

Net M&A expenditure in the year was £268 million, which was largely spent on a number of bolt-on acquisitions mainly in the US. Following the year end, in October 2022, the Group also divested of four Central and Eastern European businesses in Czech Republic, Hungary, Slovakia and Romania.

The Group generated a strong underlying operating cash flow of £1,351 million¹ (2021: £1,004 million) which represented a conversion rate of 85%¹, back in line with our typical pre-COVID level. Underlying free cash flow was £890 million¹ (2021: £660 million), with a conversion rate of 56%¹. As a result of improving profit, leverage reduced to 1.3x¹, well within our target range of 1x-1.5x.



Strategy

Our strategic focus is on food, with targeted support services. The addressable food services market is estimated to be worth at least £220 billion. There remains a significant structural growth opportunity from first-time outsourcing, as around half of the market is still self-operated. As the operating environment becomes increasingly challenging due to inflationary pressures, increased client demands and other additional complexities, we have a clear strategy to capture the resultant acceleration in first-time outsourcing based on our focus, scale and expertise.

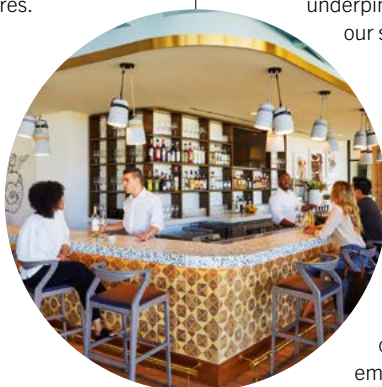
Being the largest global player, our scale in procurement and focus on cost efficiencies give us competitive advantages that translate into greater value for clients and consumers. Our sectorised and sub-sectorised approach enables us to provide a tailored offer to meet changing client requirements. We are continuing to invest in our market-leading propositions in digital and ESG which are clear growth enablers in the food services market.

Our strategic focus on People, Performance and Purpose continues to underpin all that we do in our ambition to deliver value to all our stakeholders.

People

Our people are essential to our strategy for growth: they are at the heart of how we win and why we win, and their health and safety are always our number one priority. We have continued to deliver our core development training programmes, Mapping for Value and Mapping for Action, to reinforce our use of the MAP framework within our leadership and operational teams, respectively. Around 4,000 employees have now completed Mapping for Value and more than 14,000 employees have participated in Mapping for Action.

As part of our commitment to ensure inclusion for all, we endeavour to harness the talents of our diverse workforce across every level of the organisation. Work has continued at pace on developing, retaining and promoting our female talent. In the UK & Ireland, 58% of all promotions during the year were female with approximately 13% of the workforce promoted. 53% of promotions of salaried staff in the USA were female. This focus has supported the increase in female representation at Senior Leaders level to 37%.



1. Alternative Performance Measure (APM). The Group's APMs are defined in note 33 (non-GAAP measures) and reconciled to GAAP measures in notes 1 (segmental analysis) and 33 to the consolidated financial statements.
2. Throughout this Report, underlying revenue as a percentage of 2019 is calculated on a constant-currency basis.
3. Annual revenue of new business wins in the last 12 months.

We prioritise the health and wellbeing of our people and are sensitive to the current economic environment that is putting significant pressure on colleagues' household budgets. In line with our values and within the parameters of our decentralised operating model, this support is delivered through tailored programmes in each of our markets, including communicating financial wellbeing guidance and extending our community food donation scheme to include hot meals. In North America, Compass provides flexibility through a digital HR tool and same day pay, which benefits 15,000 colleagues. Our UK&I business, which is already an accredited Real Living Wage provider, provides approximately 200,000 free meals for colleagues every week and access to a 'Helping Hands' fund to provide support with emergency or unexpected payments.

Purpose

Our Planet Promise is Compass Group's global commitment to a sustainable future for all. It encompasses the Company's values as an ethical, sustainable and inclusive business, together with our ambition to positively impact the world. As well as being the right thing to do, this mission is also key to our growth aspirations. Sustainability is a critical issue for many of Compass' clients.

We were the first in the industry to publish a worldwide commitment to reach climate net zero by 2050. In July 2022, the Group launched a Sustainable Financing Framework to issue sustainable debt. Sustainable financing aligns with the expectations of our clients and shareholders and supports our worldwide carbon reduction commitment and social mobility initiatives. Under this framework, in September 2022, we successfully issued two sustainable bonds, raising proceeds of €500 million (£439 million) and £250 million, respectively, which will be used to progress the Group's sustainability initiatives and the delivery of its global climate net zero target.

One of the most impactful ways to prevent climate change is to reduce food waste. To better understand and mitigate our businesses' food waste footprint, Compass is expanding the use of smart meter technology across our global operations while working in partnership with clients and suppliers to halve food waste by 2030. As well as working to incentivise our workforce to fight food waste, we highlight our progress through visible awareness-raising initiatives, such as Stop Food Waste Day in over 40 countries.



Summary

The Group performed strongly both in terms of revenue growth and margin improvement, with underlying operating profit nearly doubling to £1.6 billion¹. Revenue in all sectors and regions exceeded their pre-COVID levels in the second half, with Business & Industry recovering particularly well. Organic revenue growth was strong as the Group benefited from good volume recovery and excellent levels of net new business. Underlying operating margin also grew strongly to 6.2%¹ despite mobilising high levels of new business.

While there are global inflationary pressures and macroeconomic uncertainties, we have a resilient and flexible business model to help mitigate these challenges. This environment, alongside increasing operational complexities, is continuing to lead to an acceleration in first-time outsourcing as organisations seek cost savings and an improved food offer. We have a clear strategy to capture this growth opportunity based on our scale, expertise and sectorised market approach, which has resulted in new business wins of £2.5 billion³ and our highest ever client retention rate of 96.4%.

WE ARE CONTINUING TO INVEST IN EXCITING GROWTH OPPORTUNITIES BOTH THROUGH CAPITAL EXPENDITURE AND M&A. THERE REMAINS A SIGNIFICANT STRUCTURAL GROWTH OPPORTUNITY FROM FIRST TIME OUTSOURCING, AS AROUND HALF OF THE MARKET IS STILL SELF-OPERATED.

Dominic Blakemore,
Group Chief Executive Officer

Our disciplined capital allocation framework supports growth whilst ensuring a robust balance sheet, rewarding shareholders through dividends and additional shareholder returns. In 2022, we declared a total dividend of 31.5 pence per share and returned £500 million to shareholders via a share buyback programme.

Looking further ahead, we remain excited about the significant structural growth opportunities globally, leading to the potential for revenue and profit growth above historical rates, returning margin to pre-pandemic levels and rewarding shareholders with further returns.

DOMINIC BLAKEMORE
Group Chief Executive Officer

21 November 2022