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PRESENTATION

Dominic Blakemore

Group Chief Executive Officer

Good morning, everyone and thank you for joining us today. Welcome to our half year results. We've delivered another very strong half, with operating profit up by 12%. This performance reflects a powerful combination of good organic growth, continued margin expansion and disciplined M&A. As a result, we're raising our guidance for the full year and now expect operating profit growth above 11%.

The outsourcing market remains highly attractive and our new business wins were excellent, increasing by 14% year-on-year to $4.1 billion. Over half of our wins came from first-time outsourcing, reflecting the strong structural growth opportunity across our markets. Driven by the increasing complexity of client demands, combined with our strong client retention, we have high confidence in our outlook for net new business growth, which we expect to accelerate in the second half.

We continue to execute against our proven growth algorithm, as we generate strong long-term recurring revenues. We're delivering mid to high single-digit organic revenue growth. When you layer on ongoing margin progression and M&A, that continues to translate into high single-digit operating profit growth. This year, profit growth will be even stronger, reflecting the contribution from Vermaat.

I'll now hand over to Petros to walk you through the financials in more detail.

Petros Parras

Group Chief Financial Officer

Thanks, Dominic and good morning, everyone. We delivered strong progress across all our key financial metrics, with robust revenue growth and double-digit increases in both profit and earnings per share.

Let me start with revenue. Revenue increased by 9%, with organic growth remaining strong at just over 7%. Net new business growth was just under 4%, as the second quarter was modestly impacted by adverse weather in North America which delayed mobilisations at several client sites.

As Dominic mentioned, based on our forward-looking indicators, we continue to expect net new growth to accelerate in the second half. Pricing and volume were in line with our expectations and acquisitions contributed an additional 1.5 points to growth.

Given the timing impact of client mobilisation, it is better to assess net new performance on a 12-month basis. Over the last 12 months, net new growth was 4.2%. We expect net new to remain within our 4% to 5% target range in 2026 and this is for the fifth consecutive year. This compares with our historic average of 3%, when growth was largely driven by North America and international was broadly flat. Today, net new is more balanced, with international performing on par with North America, which continues to fire on all cylinders.

Operating profit increased 12% to more than $1.8 billion, driven by strong revenue growth and 20 basis points of margin expansion. Net interest expense was $166 million, reflecting higher debt following acquisitions. For the full year, we continue to expect interest expense of around $350 million. As expected, our effective tax rate was 25.5% and we expect it to remain stable. Earnings per share also increased 12% in constant currency.

Turning to cash, capital expenditure was 3.4% of revenue and we continue to expect CapEx to be around 3.5% of revenue for the full year. As you know, working capital has a seasonal profile and we were pleased to reduce our usual first half outflow whilst growing revenue. Our strong working capital management helped to drive a 14% increase in operating cash flow ahead of profit growth. We continue to expect working capital to be broadly neutral at the full year.

Moving to regional performance, we delivered balanced growth with strong progress in both regions. In North America, revenue increased by 8%. Operating profit grew 9%, reflecting a 10 basis points improvement in margin. In international, revenue growth was higher at 10%, as acquisitions added three percentage points to growth. Operating profit was up 15%, driven by 30 basis points improvement in margin, as we benefited from overhead leverage and synergies from M&A.

Looking ahead, we are confident in our ability to continue driving margin improvement over the long term, supported by three clear levers. First, we are enhancing productivity through consistent execution of our MAP framework, delivering efficiencies from better purchasing and greater use of data and technology. Second, we are leveraging regional and Group overheads. Third, we're delivering synergies from acquisitions, particularly in international.

While opportunities exist in both regions, we expect faster margin progress in international, with more incremental gains in North America. Over time, this should narrow the margin gap between the two regions.

Our capital allocation framework remains clear, disciplined and unchanged. Our first priority is to invest in the business through CapEx, to support growth we will generate returns north of 20%. We have also been using M&A to accelerate sectorisation, particularly in Europe. Our focus is now shifting to bolt-on acquisitions such as vending and GPOs. Both forms of investment generate returns that are more than double our cost of capital and are value accretive for our shareholders.

Our dividend policy remains unchanged, with a payout of around 50% of underlying earnings. We continue to target a strong investment grade credit profile, with leverage to one to 1.5 times and any surplus capital returned to shareholders.

Looking at the balance sheet now, as expected, leverage increased to 1.7 times at the half year, reflecting our investments in growth. During the period, we completed acquisition of Vermaat for $1.7 billion and more recently acquired Pro Care Management, a leading food and beverage GPO in Germany, for $270 million. Dominic will discuss this acquisition in more detail shortly. Looking ahead, we expect a deleverage and return to our target range over time.

Before turning to guidance, a quick word on the developments in the Middle East. While we have no direct exposure to the region, we are very well positioned to manage any inflationary impact.

As always, our approach starts with mitigation, followed by appropriate pricing. Around two-thirds of our contracts include dynamic pricing and for the remaining fixed price contracts we have indexation clauses covering both food and labour costs. Smaller competitors and street alternatives typically have far fewer levers available to them. In periods of elevated inflation, our value advantage versus street pricing usually grows.

Finally, full year guidance. Based on our strong first half performance, we are raising our expectations for operating profit growth to above 11% on a constant currency basis. That reflects organic revenue growth of around 7%, around 2% profit growth from M&A and continued margin expansion. With that, I will hand it back to Dominic.

Dominic Blakemore

Group Chief Executive Officer

Thanks, Petros. As you've seen today, we delivered another strong set of results and are well positioned for continued growth. It really is a privilege to work for a company that touches so many lives. The strength of our model lies in its diversity and adaptability. We feed people every day in mainly captive environments, from school to retirement, wherever they learn, work, play or heal. Humans are social beings. Wherever people come together they eat and drink and we're there to serve them. We don't believe that fundamental need will change, regardless of how the world evolves or how AI transforms the economy.

Our addressable market is expanding at 5% per annum and is worth around $360 billion. This growth reflects our expanding capabilities, entry into new subsectors and deployment of more flexible operating models. At this growth rate, we estimate the market could reach around $600 billion by 2035. Following our exit from noncore markets, our portfolio is now more focused, with the top 10 countries representing 90% of the opportunity, while retaining broad sector diversification across all core markets.

Business and industry alone represents a $130 billion market. It continues to be our best performing sector, delivering double-digit organic growth. Our subsector approach is a key strength, underpinning an extremely diverse client base that provides resilience and a significant runway for growth.

Importantly, growth is not just depend on securing new accounts. Our existing B&I tech clients are scaling, with revenues from our top 10 tech clients up 36% over the past three years.

We see significant opportunity across the AI ecosystem and it's broader than big tech. The AI buildout spans everything from semiconductors and servers to data centres in power, to the next wave of enterprise applications. We already work with more than 60 clients across this ecosystem and that footprint is growing. As the next wave of AI companies reach fundable scale, small teams quickly scale into campus style operations, needing integrated services.

Healthcare also represents a highly compelling growth opportunity, with healthcare across all settings expected to be the fastest growing industry. Growth is being driven by structural and demographic changes, as populations age and chronic conditions become more prevalent. AI is also likely to increase productivity, which can increase the number of patients being treated. The addressable market size today is around $90 billion and growing, with more than half of that still self-operated.

Sports and leisure is another exciting area. The global market is expected to grow to $80 billion by 2030. Through Levy we are already a market leading in the US and the UK, with combined revenues of $5 billion. In the US, we now serve more than 350 venues, including around 40% of major professional sports venues. We're increasingly exporting this expertise internationally, with recent wins across Europe and Australia. As venues host more non-gaming events, such as concerts, we have unlocked additional revenue streams. Non-game events now represent around 25% of Levy revenue and we expect that share to continue growing.

Education is a roughly $100 billion market, with around half still self-operated, creating a substantial outsourcing opportunity. Budgets are under pressure, outsourcing delivers cost efficiency and expectations around food quality, technology and compliance continue to rise. At the same time, allergen and food safety regulations are becoming more complex, increasing the value of scale and expertise.

We also see meaningful growth opportunities in defence, offshore and remote. These sectors carry high degrees of operational complexity, spanning compliance, security and logistics, which favours scaled operators with specialist expertise such as Compass. Building on our global experience, we established a specialist team to address the US defence sector and recently secured and mobilised our first contract in this market.

Turning to offshore and remote, energy security concerns are driving increased investments and activity in this space. The sector is characterised by long-term contracts in safety-critical environments, oil rigs, mining sites, maritime vessels, where the barriers to entry are high and client retention is strong.

We're often asked what's behind our continued success and market outperformance. It really comes down to two things. First, we operate a truly unique sector-led model. Our business is decentralised, with many of our brands still led by their original founder-owner entrepreneurs. That keeps us close to our clients, our consumers and our markets.

Second, we pair that local agility with the power of global scale, particularly in food procurement and technology. In short, we combine local relevance with global strength, the best of both worlds. That's something that is genuinely unique in our industry.

While we have strong competitive advantage across the market, it's worth noting that 85% of our wins come from first-time outsourcing and local operators. That means growth is largely structural, converting self-operated sites and winning against competitors who can't match our scale, technology or service quality.

As Petros mentioned, in March we acquired Pro Care Management, or PCM, a leading food and beverage GPO in Germany. This is fully aligned with our strategy of building procurement scale and capability at the country level. PCM brings with it an advanced procurement technology platform, with clear potential to be deployed across other markets. This high quality acquisition means we now operate GPOs in five of our top 10 markets, further strengthening our competitive advantage.

We're also investing in AI and data to accelerate growth and improve productivity, particularly across sales, retention and operations, freeing up our unit managers to spend more time with their clients. Let me give you some examples.

We're using data and AI to drive consistent execution of the sales funnel, which we expect to translate into higher conversion over time. Leveraging more than a decade of proprietary sales data, AI-powered tools support bid preparation, predict win probability and guide next best actions. We know from the data that disciplined execution of best practice selling behaviours improves win rates.

Similarly, in retention we're applying AI across the full lifecycle, combining client, consumer and operational insights. We track sentiment, monitor issues and resolution times and use predictive models to flag accounts at risk, giving our teams the opportunity to intervene earlier, address issues proactively and increase pre-emption rates over time.

Finally, we're deploying Centric OS, developed by Compass Digital labs to support our unit managers. We've now rolled it out across around a quarter of our units in North America. It provides better data for demand forecasting, menu and inventory planning, reporting and labour optimisation, enabling unit managers to continuously improve the offer for clients. Just as importantly, it frees up time, allowing our operators to spend more time with clients and consumers where it matters most.

In summary, we operate in a highly attractive market that keeps on growing. That's the foundation everything else builds on. What makes us different is how we combine local offers with global scale. Our teams on the ground know their clients inside out and they're backed by the resources and capabilities of a global organisation. That's a powerful combination and hard to replicate.

We keep investing in technology, in our people, in innovation, because that's what keeps us ahead. You've seen today how AI and digital tools are already making a real difference across sales, retention and unit operations. Our results demonstrate the strength of our operating model and the scale of the opportunities ahead. This underpins our confidence in delivering against our growth algorithm of high single-digit operating profit growth. For 2026, we expect to do even better, having raised our operating profit growth guidance to above 11%. With that, we'll open the call for questions.

Q&A SESSION

Leo Carrington, Citi

Good morning, thank you for taking my questions. Please could I first ask a couple of follow-ups on your comments, Dominic, on B&I strength and sports and leisure? In terms of sports and leisure, particularly in international, I notice there's a long-term deal with the Jockey Club, there was the first-time, I think, outsourcing at Old Trafford. Is this market much less mature than the US and are there more opportunities like this?

Then on B&I, is industry similarly dynamic as the office subsegment? Generally outside of that strength in tech that you've highlighted, I'm interested in your latest view on the outsourcing growth drivers, given that employment growth is flatter, although return to office is still a theme. I'd be interested in knowing what your ex-tech clients are saying. Thank you.

Dominic Blakemore

Thank you, Leo, thanks for those questions. I think you're absolutely right. You referenced the Jockey Club and Manchester United, both of which are significant first-time outsourcing opportunities for us. Those are in the UK, of course, and the UK has been a country of great success for us in the sports and leisure sector, obviously with the likes of Twickenham, Wimbledon, Tottenham Hotspur, the O2, the ExCeL, so the UK is very much like the US for us in the sports and leisure sector.

Actually where we see the bigger opportunity is across the international markets of Europe d Asia Pacific, where we've had success with the Australian Open in Melbourne and a number of football clubs across Europe. We're actually expanding our footprint, we're taking Levy internationally so we can deliver the sports and leisure experience of the Levy brand, which is proven in the US and the UK, by deploying our local resources' buying power and our logistics capability, as well as our ability to source labour. But ensuring that we're using the Levy brand standards to deliver the quality of experience to our clients.

What we see there is a lot of investment coming into Europe and internationally, in particular from the US, where there's a level of expectation of comparable standards in the hospitality and concessions to those which we've seen in the US and the UK. We think it's a really exciting opportunity for us. You've seen our growth rates in the region are around 14%, 15%. We think we can do that and better still as we organise even more for the opportunity. It's definitely a very exciting area for us.

I'd also call out the area of conference and events. It's been a very big part of our business in the US and increasingly in the UK, with the NEC being a latest win for us in the UK and operated alongside the ExCeL. But we see that opportunity across many of the European markets in the major European cities too. It's a sector that we're organising for now. We think it's going to contribute accretive growth to international for some time to come.

In terms of your question around B&I and industry versus the office, as you put it, and what the drivers are, I think one that I would call out immediately - first of all, again looking at the performance of B&I in the context of the Group performance, it's been our fastest growing sector for a number of years now. It's accretive growth in North America and in our international market.

There's a significant opportunity from first-time outsourcing from the opening of new facilities, new buildings. Here in the UK we're seeing that, aren't we, with the new HSBC building, with the JP Morgan tower being announced in Canary Wharf. All of these are opportunities for outsourcing at scale in new facilities, which is keeping the sector buoyant.

I think what's also exciting for us there is when we go through periods of higher inflation, as we are seeing today and likely will experience over the coming months and possibly years as the impacts of the events in the Middle East flow through food cost inflation. We have a significant competitive advantage and that plays out in our relative pricing against street, where we're not tied to menus, we don't have the utility costs and we don't have the burden in particular of energy.

Therefore, I believe that plays out both in terms of our competitiveness for the consumer, who will choose to stay on site and gives us a benefit through like-for-like volumes. But also in an acceleration of outsourcing and of the benefit of the largest outsourcers who've got a better ability to manage cost than the smaller players. I think those open up opportunities in terms of like-for-like and our ability to take share. We continue to see a buoyancy within the overall B&I sector.

As we talked about today in the presentation, the AI ecosystem and phenomena isn't just about the tech players, it's about the entirety of the supply chain. That means that there is a level of manufacturing too which would fall within our business portfolio, where we expect to see growth and opportunity. I'd also point to the defence supply chain and the scaling up of defence manufacturing in many of the western countries, where we've doubled down on that footprint and we believe that that's going to create further opportunity in defence. I think we're constantly seeing trends that benefit our business, as long as we can continue to offer quality at the right cost. We remain very, very excited about the potential for B&I and sports and leisure going forward.

Jamie Rollo, Morgan Stanley

Thanks, good morning, three questions please. First of all, just back on the net new slowdown to under 4% in Q2, I appreciate it's only a quarter and you've given us good figures for the pipeline and so on. But your retention was also down year-on-year and there's been some general concern from investors about the competitive environment. Could you explain why the bad weather didn't hit like-for-like volumes and also talk about why that did hit client mobilisation and also why that retention number was down a bit? Also talk about your confidence level on the net new reaccelerating in the back half of the year and the cadence of that.

Second question, bit shorter, what's your pricing expectation for the second half now, given the inflation pickup? Then finally, just on M&A, you're shifting to bolt-ons, you said, Petros, but what's the likelihood, do you think, of a buyback announcement later this year? How is the pipeline looking for deals? Thank you.

Dominic Blakemore

Thank you, Jamie, good morning. Let me have a go at your first question and then I'll let Petros add any colour, then pick up on pricing and M&A. We're highly confident in the outlook for the second half of the year. We've got high levels of assurance that we'll close the year in the 4% to 5% range. As you've seen today, our last 12 months' metric is in the range of 4% to 5% and this will be the fifth year where we're in our 4% to 5% net new range.

As you rightly say, Jamie, there's always going to be puts and takes in net new between quarters. If we lose just a couple of days of opening, that does have an impact on net new. As we did to weather, we lost half a week in some instances, if not a week, because of delays as a result of the weather impact. That has had an impact in the quarter. Retention's always bumpy, the timing of when contracts run on and off. Again I'd ask you to look at the long-term trends. We've been in that 4% to 5% range now for what will be five years. We've been trending above 96% for many years now.

There's a level of sustainability and consistency of the business which we certainly didn't witness pre- COVID and which I'm very confident in. Why is that? It's underpinned by ever more data around the pipeline. You've seen our new business wins on an ARO basis are at $4.1 billion and growing very strongly. We talked today about the AI benefit to sales and retention. We think that that's going to yield further opportunity for us. I'm putting ever more pressure on us in the business to do better within the 4% to 5% range, because we believe we can.

The last point I'd say on that is if you think back, and you've known us a long time now, Jamie, what's truly different here is that our international region is performing at a par with North America. North America's doing what it's always done. We're in an environment where we've seen super-scaling in North America and some really material contracts. Whether those are in tech, defence, healthcare, education, we see some fantastic opportunity.

But what's really exciting is what we're doing in international and the fact now that we're growing consistently at a par. That really is the delta in our performance and we think that there's a level of consistency to that which we're confident about going forward. You will see as a result an acceleration in the second half which will take us very positively into 2026, 2027 and beyond.

Petros Parras

The only thing that I'm going to ask Dominic on the organic, let's also remind ourselves we have been delivering all the volume for the last four years. We're operating now into 2027 in a fully normalised world, we have about 70 bps of a tailwind there which plays back to our competitiveness within the street level in the good job our teams do with the clients.

To your question on pricing, I think we're earning around 2.7%. We have done - remember we mitigate before we go to clients to discuss the appropriate pricing. We're factoring thereabouts the same level of pricing for the balance [to go] subject to what happens in the global landscape with the Iran conflict. If you look at the oil prices, they're running above $100. I think I think the gist here is we do have the resilience in the business and the experience to navigate this through if it emerges in the second half or in fiscal year 2027.

When it comes to the M&A, I just want to remind us when you see our profit growth here, there is a really good contribution from M&A which is a matter of executing our integrations, executing our business cases, both when it comes to guiding and margin expansion. We are pleased with how the M&As are performing.

As we move forward, we have come to the near completion of the medium sized sectorisation for Europe. We do expect to continue to invest in bolt-ons in [inaudible] and GPOs, which is a strategic priority for us. As we go to the end of September, for the full year, we're going to update you in November what is going to be our capital allocation choice, subject to M&A pipeline.

Jaafar Mestari, Exane BNP Paribas

Hi, good morning. I have three questions please. The first one is on acquisition synergies, which you mention as one of the reasons for the strong margins this half. I don't assume that Vermaat yet, because you've only had your hands on it for a few weeks in the half, so really curious to understand what the process is for some of the acquisitions you've integrated sometimes two years ago now. Whether we should think that the big push you've done will result in a couple of years now of continuing to take costs out and improving on those.

Then thank you for the market commentary, it almost feels like a mini-investor day. I don't know if you've done more thinking or if you've shared more thinking than you would usually share at this stage of the year. One segment where you seem very excited is healthcare and that's global, I think, your comments, healthcare global you state should be the fastest growing vertical. I'm going to use the dollar figures you report for North America healthcare, so I'm sure this doesn't add up with organic growth, but I don't think there are disposals in North America healthcare.

On those dollar figures, North America healthcare in H126 is growing 4.1%, which is the lowest growth in the Europe, North America portfolio. Just curious how we reconcile those exciting opportunities in medium-term healthcare and the current trends. It wasn't dissimilar last year, is it a bit more pain now and then some growth? Is it mostly international? How do I make it make sense please?

Then lastly, in terms of the AI ecosystem, I'm conscious you don't necessarily have the same public relations policy as some of your competitors. But some of them came out with big press releases that they're going to have data centre revenues starting in 2026. Just curious where you are there. Is it something that's going to be very much ad hoc? Because as you said, you have relationships with a lot of these participants already. Or is it just you're not going to have anything very big from the data centre contract in 2026?

Dominic Blakemore

Thank you, Jaafar. Maybe let me take those in reverse order and then I can hand to Petros to give us a bit more colour on the M&A synergy point. First of all, with regard to AI, I think if you recall our first quarter call, we talked extensively then about the opportunity and the fact that we were already operational within that new subsector. We may not, as you rightly say, have taken a similar PR type approach, but we see it as being a good opportunity for us.

Let's remind ourselves that we're pretty much the exclusive partner of five of the six MAG7 that outsource today. We have a super relationship with them from which to build into that opportunity. It's something that's happening with a number of them, both in North America and in the international region. We've developed a bespoke offer to provide services into that space and as we talked about, there's some onsite [restaurantation]. But it's also about the micro market offer, the cleaning and other soft services that we can provide into those facilities, that's something we can bundle together. We're very excited by that.

It is, as you've heard us say today in the presentation, one strand of the opportunity that exists within the AI ecosystem, alongside manufacturing facilities, alongside some of the new startups that are emerging at scale and at pace. We feel pretty excited and believe that AI in the round and data and technology will remain an exciting opportunity for us and a net growth contributor over time as we go forward.

In terms of healthcare, yes, you're right in the short term the growth is slightly below where we believe it will be over time and it's slightly below our average, that's true of North America. What we do believe though is that there remains a very significant opportunity. We know there are a number of accounts that are in discussion and are of scale.

We see the cost pressures which are applying to the sector and we also obviously all know the opportunities that exist around an ageing population that's going to need more care and more clinical attention as we go forward. We do believe across all subsectors of healthcare, whether that's daycare, whether that is the senior living facilities, there's an exciting opportunity. We continue to work very, very hard on our offer for that. I think you'll see that starting to benefit our overall growth as we go forward.

Then finally, I will hand this over to Petros, but just a little thought, you called out acquisition synergies. Maybe if I could just elevate that to our overall margin performance. We're super-excited today with the 20 basis points of margin progression that we've made and there's really three levers within that.

One is overhead leverage, as we continue to grow and we maintain cost discipline. The second is the contribution of our purchasing through our GPO footprint and the third is the M&A synergies. I think what you see now is we've really dialled through the post-COVID era. We've dealt with the higher cost inflation of the Ukraine crisis, as it were. I think what we believe now is there's no reason why we shouldn't be able to see consistent margin growth year-over-year from here, principally because of those three levers.

We think we have it built into our business model and we're confident that we'll see consistent margin accretion year-over-year, which is really exciting. It actually feels like - I talked earlier about a delta in our business model being the improvements in the international performance to be on a part with North America. I think if you have a level of confidence in ongoing margin expansion, then that too is another pillar for us in our performance as we go forward.

Petros Parras

I would just add one comment on healthcare. If you look at our international business, we're growing above 10% in healthcare, which is primarily driven by first-time resourcing. If you take this in the context of North America first-time resourcing opportunity, it's about 60%. This is where we're really focusing on a lot of these opportunities that we have ahead of us.

On the margin expansion, I think Dominic covered the levers. Maybe a couple of points right here. We're truly witnessing now an area where we have margin expansion across the three levers we can drive within our business. [Inaudible] of our margin progress is core margin expansion, with this leveraging our purchasing, investing in data and tech. We have been investing for quite some time now and it's an integral part of our business.

I just want to remind everyone we are investing around $300 million on tech every year. We have about 1,500 of technologies within our North America organisation that gives us the confidence to keep improving our processes and how we monetise these investments. Then when you go to the other two levers, a quarter of the other half is the M&A expansion.

As you rightly said, Vermaat is not in these numbers. We're annualising acquisitions from last year and actually two years ago, that they keep giving really good performance. The other quarter is overhead leverage, where we're truly convinced with the investments that we have made we can do more of the same and this is where you see the overhead leverage playing the full extent.

Simon Lechipre, Jefferies

Good morning, thanks for taking my questions. A quick clarification on the retention, just for the second half and going forward. Are you confident to have retention back above 96%? Secondly, a bit of a short-term question on what sort of renewable do you expect from the World Cup in the second half in North America? Lastly, just clarifying that for the second half you expect margin to improve in North America as well as in the international region. Thank you.

Dominic Blakemore

Thank you, Simon, for those. Yes, we are as confident as we can be of retention being above 96% as we go forward, based on everything we see today. We continue to put pressure on ourselves across the business to do even better. We've seen with the deployment of AI within our retention processes that we can get to better outcomes on pre-empt. We continue to deploy with rigour and discipline our SAG processes across the wider Group, we continue to term out our contracts. We should be constantly putting pressure on ourselves to do even better on retention.

In terms of the World Cup, just a reminder, we operate four or five of the stadiums today. We will see World Cup games in those facilities, but of course they will replace other sporting events that would have happened around that time. We're also operating some of the fan zones. I think there'll be a small benefit, but it will only be small in the context of the scale of our North America numbers. Then in terms of North America margin, Petros?

Petros Parras

Simon, we continue to expect margin progress in the second half, both from North America and international, making progress versus the first half and versus last year. It's going to be perhaps a little touch softer than the first half, given the large mobilisation we have in the second half. But definitely we're seeing some really positive trends on the margin expansion.

Estelle Weingrod, JP Morgan

Hi, good morning, thanks for taking my questions. The first one, again on retention, since Q2 was a touch softer, anything you would flag in terms of competitive intensity in the US and outside the US? Is the environment still relatively rational overall? The second question on the acceleration of net new in H2, how should we think of it on a quarterly basis, i.e. Q3 versus Q4? Thank you.

Dominic Blakemore

Thank you, Estelle. First of all, I would urge you and others not to overthink quarterly trends. We're very focused on LTM. We're very focused on the full-year performance. In these numbers at this scale and the size of some of our contracts as they run on and off, you're always going to see distortions. But look, I'll let Petros pick up specifically on those two questions.

The one other point which I think is really worth making when it comes to new business that we haven't made today is, 85% of our new business is coming from first-time outsourcing and from winning from local players. I think a narrative around greater competitiveness is not really borne out by the data. Only 15% of our growth is coming from, I guess, share wins from the larger global players.

Also if you look back over possibly the last 10 years, we've always been the net winner of share in that particular space in terms of against the largest international players.

Look, I know looking backwards doesn't necessarily predict how we go forwards, but as you've heard us say today, we do truly believe that the model that we've built with the client localisation at the front end and the benefit of total national scale and also the GPO model, means that we should truly be best placed to continue to win at these levels. Petros?

Petros Parras

Maybe a couple of points to [understand]. I think on retention, if you truly look in the last four years, we have been consistently at 96 and above, and there is [nothing] specifically to call out. I think Dominic touched on this, we do expect in the second half net new to accelerate towards the middle of our range of 4% to 5%.

If you look at our gross new [signings, $4.1 billion], and the line of sight we have on mobilising the second half, we feel confident we're going to be the fifth year, the fifth consecutive year delivering net new 4% to 5%, and being in the middle of this range for the second half.

Estelle Weingrod, JP Morgan

Okay. Thank you.

Neil Tyler, Rothschild

Hey, good morning. Thank you. One further follow-up from me Dominic. The $600 billion you mentioned as the long-term market opportunity, includes you adding further capabilities. I wonder if you could perhaps share what you anticipate you need to add to the portfolio to be able to address the entirety of that market, and whether that would be more likely done organically or you need to look elsewhere for those. Thank you.

Dominic Blakemore

Yes. Thank you, Neil. This is a really important question. If you look at the market that we competed in, in 2015, it was valued around $220 billion. [Today, a decade later], that's $360 billion. It's been growing at a CAGR of 5% ahead of GDP.

Now, that is due to a number of factors. First of all, it's the growth of our client base within that, but separately, it's been the inclusion of other opportunities as we've seen them going forward.

When you look at that $600 billion, it's a continuation of some of those trends, but also, as we've adapted our operating model, it does give us access to other channels which are growing faster still.

Including in that, we've now got the opportunities we discussed today to address sports and leisure internationally, which wouldn't previously have been included. It would only have been within the markets in which we have previously operated.

Secondly is where we see the expansion within the AI ecosystem. We've got the opportunity in micro markets internationally, which we haven't previously mobilised and organised around, and we do now have the capabilities for that. It's the inclusion of the Defence sector in North

America where, as you've heard us say today, we've begun to take share and we're starting to win first-time outsourcing contracts as we scale our endeavours there.

I think it's a combination of positive tailwinds within those core sectors. Some of those we've talked about like aging populations in the countries in which we operate, but then separately, it's our ability to open up new sub-sectors, which expand the TAM for us ahead of those growth rates. That's what feels really exciting.

You've seen us do it with the M&A that we've prosecuted. Some of it will be by M&A, some of it will be by organic build, and some of it will be by transferring the capabilities we've already built within existing mature markets into new sector opportunities in other countries.

Neil Tyler, Rothschild

Okay. Thank you very much. Very clear.

Pravin Gondhale, Barclays

Hello, thanks for taking my questions. A couple of them on M&A and data centre opportunity here. Firstly, could you please talk a bit more about Pro Care M&A, what level of procurement synergies and margin accretion you expect when this is fully consolidated?

Then secondly, on data centre opportunity. One of your peers has launched a specialised offer recently. Could you please talk about your initiatives and the pipeline of new business in this new sub-sector? Thank you.

Dominic Blakemore

[Thank you]. Why don't I hand those to Petros?

Petros Parras

Hello Pravin. On the M&A, I guess you recall the fundamental of our business is GPO and purchasing. We have now five markets running GPO organisations, including Germany with the recent acquisition. It's a great established third party GPO business in Germany. This will bring our [managed] spend nearly over $1 billion, including our business there. It's giving us sufficient scale to put in our model and drive the flywheel that we're seeing in other markets.

I would say, the GPO, the way we've got GPO is more correlated to growth. We're getting more competitive on cost, we're investing back in the business. We're able to drive more gross new, and retain - and have better retention rates. We're very excited about the acquisition. As you know, we closed the acquisition last month, and would expect to see some improvements both on competitiveness when it comes to net new and margin expansion.

On data centres - maybe the simple answer to this is we have been running data centres for some of our tech clients for quite some time now, and in our offer, [if you look at] our tech clients, we have been growing with them in excess of 30% for the last three, four years. We do have an offer today which is in place. It has grown at scale, which combines food and specialty support services as we're scaling up the data centres.

You do see this in our growth rates in the tech, you do see this in our growth rates in the emerging economies within the AI ecosystem. It's nothing new to us. We have been doing this, and we just plan to capitalise more as we go.

Dominic Blakemore

If I might just add on the GPO points because I think it's just a really important area of our business. With the PCM acquisition in Germany, as Petros rightly said, we're now at $1 billion of spend in Germany. That's a very significant contributor to our competitiveness in Germany, where we see a great growth opportunity.

As Petros also said, and just to reiterate the point, we've now got GPO capability in five of our top 10 markets. We're making this a strategic priority. The way we'll build this out is by establishing GPO capability in each of those countries so that we can provide those services to third parties and through [Compass Volume] as a customer too.

We can do that either through market acquisition or through effectively exporting the offer that we've acquired here with PCM into new markets. We feel really good about some of the capability in terms of leadership that we're bringing into the Group who are going to help us really accelerate this opportunity. We feel that we've really got our arms around it now in a way that's going to be additive as we go forward with confidence.

Pravin Gondhale, Barclays

Thank you. This is really helpful. Just a follow up to the plus 36% tech revenue growth in the last three years that you indicated earlier, could you just chat about what it has been in in last 12 months? Thank you.

Petros Parras

It has been in the double digit-growth rates. If you're talking about our tech clients, Pravin? Sorry, I don't get the question. I don't get...

Pravin Gondhale, Barclays

Yes, please. Tech clients, yes.

Petros Parras

Actually, if you look at our B&I performance overall, we have been growing at about 12% in North America. Our tech clients actually is ahead of this aggregated growth rates. That gives us confidence to keep growing within our existing clients.

Pravin Gondhale, Barclays

Thank you. This is really helpful. Thanks.

Kate Xiao, Bank of America

Thank you very much for taking my questions. I have three. First, can you comment on current trading in the first half of 3Q? Are you seeing - in terms of organic growth and especially net new, are you seeing early signs of that acceleration already?

Two, on volume, can you help us understand the second half trajectory of volume growth there? Obviously you did 0.7 in first half. Last year, it was 1%. I guess in the second half of this year with the tailwind of World Cup, which I assume would be mostly in volume, should we think about volume in the second half more towards the 1% of that range, and can you help us understand the moving parts there?

Third question is a bit longer term. Obviously, that 5% market CAGR that you guys are thinking now into the long-term, how do we think about your 6% to 8% top line growth algo? At the lower end of that range, we're looking at only one percentage point of outperformance over the market. Is that a bit too conservative? Because if I look at your North America, it has been 7% to 8% consistently for a number of years.

Is it a matter of conservatism because we're at very early stage of inflection of your international market, and especially you talked about all the tailwind in a number of end markets? With all of that tailwind, should we be thinking about maybe upside to the 7% to 8% range in the long term? Thank you.

Dominic Blakemore

Okay. Thank you. You've gone from one month out to 10 years out in those questions, so thank you. I'll start with the long term. I mean, look, what's really important for us is that we've got a framework for investors that gives them insight into our levels of confidence of the long-term performance of this business.

I think today we're the best business we've ever been. I've been here 15 years now, and I look at this business and think there's a level of consistency and sustainability of it that is greater and better than we've ever previously enjoyed. Why is that? Because I truly believe we're in that 4% to 5% range across both parts of our business, and can consistently perform within that.

Of course, we'll task ourselves with doing better still. The other element that drives our long-term growth algorithm is of course like-for-like. We talked about having half a point of volume opportunity to a point, and then the balance being made up of pricing of maybe one and a half to two and a half points.

There's always going to be fluctuations within that. Perhaps in the near-term we're going to see more pricing if the inflation comes through as a result of the Middle East. Maybe that might come off over time. We certainly feel like we're in an era of higher levels and inflation and therefore pricing than we have been for the previous decade prior to COVID.

On the balance of that, I'd like to think that over time we'll be at the higher end of each of those ranges for market factors as well as self-help. I won't make the comparison to - you talk about the rest of the industry as it were. I think what's different for us is that we're seeking consistency. We've delivered consistently now for five years. We haven't demonstrated volatility in our performance. That's what's really important for us is that we have that level of consistency.

What comes with that consistency on the top line is also the ability to consistently deliver the margin that we talked about. That's where the two really come together. If we can be in that mid to high-single digit revenue growth range consistently and be contributing 10 to 20 bps of margin, then at that level we're into high-single digit to low-double digit profit growth, right? That's the beauty of what we're trying to build here, and we believe we can put in place consistently.

Therefore, when it comes to your more near-term questions, I mean, now look, we're only one month into current trading in the third quarter, so we're not going to comment on that if you don't mind. But everything we are seeing would support all of the comments that we've made on the call today.

More importantly, this is a long-term contract business, right? When it comes to retention, there's little that would impact us in the balance of this year that will run through the [ITY] year to go numbers, and therefore we have a level of confidence around everything that we're saying on retention.

Likewise, we know pretty much when contracts are going to open and mobilise in the quarters that are ahead of us. There's the level of certainty in the nearer term that we've conveyed today in the call with you. Then Petros, do you want to just pick up on the volume?

Petros Parras

I think you covered pretty much though. Maybe the only point I'm going to make here is, if you take this long-term view of volumes being flat, [call it] for a decade before COVID, and where we are now in a normalised world where we're contributing anywhere between 50 basis points to 100 basis points, which practically, if you see what has happened for the last five years, inflation has gone up.

We do see more participation in our restaurants when it's compared to street pricing, and we have - and we see this across the sectors. The second thing we're seeing is more of a tiered offer, specifically in sports and leisure. Five years ago, we used to have a concessions and a VIP offer. Today, we have eight-tiered offers within sports and leisure, and this speaks a lot about the quality of the experience and the willingness of our clients to keep innovating with us.

The third thing I'm going to say, we have invested a lot in technology when it comes to how we serve our clients. Things like queue time reduction when we're using kiosks, pre-order, grab and go concepts, unattended and vending businesses, all of this supports more throughput and more spend within our restaurants. This is what you see more structurally coming to our volumes.

Kate Xiao, Bank of America

Thank you.

Karl Green, RBC

Thanks very much. Just two remaining questions from me. Just going back to a comment you made about first time outsourcing in business and industry, it referenced some clients opening for example, new headquarters. One would assume that some of those new premises - new headquarters would be with existing clients or indeed clients that might have outsourced to other people before.

I just wondered if you could indicate what percentage of organic growth it comes from first-time outsourcing with new clients who have never outsourced to you or others previously. It's a subtle definition, but it feels like there's some first-time outsourcing in there that is facility rather than client related.

Then the second question, just back to Jamie's question at the top of the Q&A, I didn't quite get the answer as to the explanation for why the new business mobilisation have been impacted by the weather compared to the like-for-like volumes. If you could just remind me of the answer to that, please.

Petros Parras

Yes, let me start with your second question and then I will go to your first question. If you go mid-February to through March, there have been quite a lot of extreme weather events in four states in the United States and Southern states as well. You have snowstorms, you have different events which practically delayed us mobilising new client accounts, new businesses. This is what you see in the net new, in the gross new.

You heard us talking earlier, we know this will accelerate in the second half of this year. When it comes to your first question on the first-time outsourcing, actually, we see about two thirds of being new investments, new [buildings] from our clients, and then about one third on share gains. But nonetheless, it has been a very consistent trend for, call it maybe four or five years now, and we're capitalising on this trend. There is a really good contribution from both sources of growth in this sector.

Dominic Blakemore

Yes, and sorry, just to add to that point on, look, the volumes look broadly flat Q1 and Q2. We suspect there could have been a touch stronger if they hadn't been impacted by the weather. Also, actually what we tend to find particularly when it's rain and snow, there's a pickup in support services for the cleanup operations afterwards, which has always been a net hedge for us in those circumstances.

Karl Green, RBC

Very helpful. Thank you very much.

Ivar Billfalk-Kelly, UBS

Morning, everyone. Sorry if I'm going over [new ground here], I missed a portion of the call. I want to touch on the GPOs again, given you mentioned the contribution to margins and the importance of them, and since you only have the GPO in five of the top 10 countries now. What do you actually need to put in place in the remaining five countries such that you'll be able to expand the model to those remaining countries?

Is it a question of scale? Is it capability? What do you actually need there, and when might we expect that?

Secondly, longer term, you only relatively recently rationalised your portfolio, but is there going to be a point in future where you think that you might actually need to enter new geographies to try and continue contributing to the growth? Lastly, just on the vending, and again, you're talking about the importance there, but can you quantify the pace of organic growth in the vending space compared to the traditional offering that you have, please?

Dominic Blakemore

Yes, thank you for those questions. Let me just take new geographies first. I think that the simple answer is no. As you'd have seen from the presentation today, we see the opportunity in our existing markets with the new sub-sectors that we can enter being $600 billion by 2035. We've got phenomenal headroom into which to grow this business. We see no priority of entering other geographies.

This is about really focusing on how we accelerate growth in our core sectors and sub-sectors, and particularly export the learnings that we've got, [our] great performance in areas like sports and leisure into those international market opportunities.

In terms of the GPOs, look, we're in five countries, so US, Canada, UK, Australia, and now Germany. Fundamentally, what we've done in pretty much all of those is we've acquired third party GPO food and beverage operators, which have the technology, the sellers, the buyers to be able to really offer the most credible buying programs to third parties.

By putting the Compass Volumes into those programs, we get benefits with our suppliers. We get the halo of Compass growth, Compass M&A, the growth of our third parties, and the new third parties that we bring into the operating model. All of that creates a level of growth with suppliers that they wouldn't otherwise enjoy with any one of those individual Groups separately.

That's how the model works for us. As you rightly said, it is about capability. It's about identifying those organisations and then scaling them. We're working very actively on where we see opportunities to partner and opportunities to acquire to build those in those remaining markets.

Of course, with some of these acquisitions, we've acquired great technology. There is an opportunity for us to bring that technology into other markets and to build it organically, but we really get ahead of it more quickly through an inorganic play. Then, maybe, Petros on the vending point?

Petros Parras

Vending has been, in North America, the fastest growing business within B&I. We have been enjoying double-digit CAGR growth across all of [the estate] of the business, which is micro markets, [inaudible] food offer, unattended - micro markets vending and office coffee, has been consistent and has been a growing sector for us in North America.

As Dominic referenced, we have a true opportunity to capitalise in international, and we have the know-how, we have the capability to bring this forward in the international markets.

Ivar Billfalk-Kelly, UBS

Understood. Thank you very much.

Dominic Blakemore

Just, thank you very much everyone for joining us this morning, and we look forward to speaking with you on the Q3 call later in the year.

END