

Compass Group posts half-year results

3 years ago



Compass Group has announced that strong growth has driven revenue above pre-COVID levels.

Dominic Blakemore, Group Chief Executive, said:

“We continue to recover strongly from the pandemic and have achieved the important milestone of revenue exceeding our pre-COVID level on a run rate basis. We have seen a notable improvement in Business & Industry and Education as employees return to the office and students to in-person learning. Net new business growth has been excellent, particularly in North America and Europe, where we have mobilised a significant number of recent wins and benefited from our highest ever client retention rate.

We are mindful of global inflationary pressures, which have been exacerbated by the tragic events in Ukraine. Although we expect inflation to increase and continue at a heightened level in the medium term, we have a resilient business model to help mitigate this challenge. Inflation also provides a further impetus to outsourcing as organisations seek savings and we are capturing this growth opportunity as demonstrated by our record new business wins.

Given our strong first half performance and positive outlook, we are increasing our full year organic revenue growth guidance from 20 – 25% to around 30%. Whilst we are cautious about the inflationary environment, our margin guidance remains unchanged, with full year underlying operating margin expected to be over 6%, exiting the year at around 7%.

While investing in future growth, our increasing profit and cash flow continue to reduce leverage, which is now back within our target range. Our strong balance sheet and excellent growth prospects give us the confidence to commence a share buyback programme with up to £500m during this calendar year.

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.”

Half year performance summary

- Q2 underlying revenue at 99% of 2019 revenues with run rate now above our pre-COVID level²
- Organic growth of 37.9% driven by strong performance in North America and Europe
- Excellent net new business growth, total in HY 2022 exceeds entire FY 2021 net new business
- Operating margin of 5.8%, an increase of 240bps on HY 2021
- Leverage further reduced to 1.3x net debt/EBITDA, back within our target range
- Commencing a share buyback programme with up to £500m this calendar year

Operational highlights

- Strong growth across all sectors, with notable volume recovery in Business & Industry and Education
- Record new business wins of £2.5bn⁴ over the last 12 months, with broad based growth across all regions
- Client retention rate at highest ever level of 95.8%
- Net M&A expenditure of £109m, further increasing our presence in delivered-in solutions

Strategy – positioning for the future

- Capitalising on the significant market growth opportunities in first time outsourcing
- Continuing to strengthen our competitive advantage in vending, digital solutions and ESG
- Resilient business model helps mitigate heightened inflation – also a tailwind to outsourcing

Outlook

- Increasing FY 2022 organic revenue guidance from 20 – 25% to around 30%
- Margin guidance remains unchanged; expect FY 2022 underlying operating margin to be over 6%, exiting the year at around 7%

Statutory results

- Statutory revenue increased by 36.3% and operating profit was up by 279.8%

1. Reconciliation of statutory to underlying results can be found in notes 2 (segmental analysis) and 12 (non-GAAP measures) of the financial statements.

2. Measured on a constant currency basis.

3. Organic revenue change.

4. Annual revenue of new business wins in the last 12 months

Image: Shutterstock