

Compass Group announces strong half-year results

2 years ago



[Compass Group](#), which provides food and support services to millions around the world every day, is pleased to announce its performance results for the six months ended 31 March 2023.

Half-year highlights

- Strong organic revenue growth of 25% with excellent net new business of 5.2%
- First-time outsourcing trends continue, accounting for c.45% of new business wins
- Balanced growth across all regions with very strong performance in Europe
- Maintaining strong client retention rate
- Operating profit over £1bn and operating profit margin of 6.6%, up 80bps
- Strong cash generation, net debt to EBITDA reduced to 1.1x
- Further share buyback of up to £750m to be completed this calendar year

Strategic priorities for growth – capturing the outsourcing market opportunities

- Sustaining the outperformance in North America
- Building a track record of growth in Europe and Rest of World

- Exited six tail countries as we continue to reshape our portfolio to focus on markets with higher growth opportunities

Raising FY 2023 outlook

- Operating profit growth² towards 30% (from above 20%), delivered through:
 - Organic revenue growth of around 18% (from around 15%)
 - Operating margin in the range of 6.7% to 6.8% (from above 6.5%)

Change in reporting currency

- Group to report in US dollars from 1 October 2023 to align with our business exposure and reduce foreign exchange volatility on earnings

Statutory results

- Statutory revenue increased by 36.2% reflecting trading performance and favourable exchange translation
- Statutory operating profit, which includes charges from reshaping our portfolio and acquisition-related charges both of which are excluded from underlying operating profit, increased by 37.6%, with statutory operating margin up 10bps

Dominic Blakemore, Group Chief Executive, said:

“The Group performed strongly in the first half of the year, benefiting from balanced growth across all regions. Net new business continued to be excellent, and significantly higher than our historical rate. We are particularly pleased with the step change in our Europe performance which has benefited from growth initiatives as well as favourable outsourcing conditions.

Despite pockets of macroeconomic weakness, the outsourcing market remains very attractive. We believe that many of the complexities that drive outsourcing, such as increased regulations, changing client and consumer expectations, and inflation, are here to stay. With our strong cash generation, we continue to invest in our business and evolve our operating model, further enhancing our scale and competitive advantage.

Following our strong first-half performance, we now expect operating profit growth towards 30% on a constant-currency basis, to be delivered through organic revenue growth of around 18% and an underlying operating margin in the range of 6.7% to 6.8%. The strength of our balance sheet, along with our confidence in the prospects for the business, give us the platform for further returns to shareholders. In addition to our ordinary dividend, we are announcing a further share buyback of up to £750m in 2023, taking the total programme announced since May 2022 to £1.5bn.

Longer term, we expect the growth opportunities in the market to sustain mid-to-high single-digit organic growth and a path back to our historical margin, leading to profit growth above revenue growth. With our established value creation model intact, we will continue rewarding shareholders with compounding returns over the long term.”

