

# Compass Group

22:10 20 Nov 2018

## Cost-cutting helps boost Compass Group full-year profit, offsetting impact of lower volumes, flat margins

Compass Group PLC (LON:CPG) saw the benefits of its cost-cutting plans help boost its full-year profit, offsetting the impact of lower volumes, flat margins, and higher costs at its UK business.

The FTSE 100-listed company's underlying operating profit rose to £1.74bn for the year ended September 30, up from £1.63bn a year earlier, even though its operating margin was flat at 7.4%.

**READ:** Compass Group serves up lukewarm offering

The world's biggest contract caterer saw its full-year underlying revenue rise by 5.5% to £23.24bn, up from £21.84bn a year earlier.

The firm highlighted excellent growth in North America, with organic revenue up 7.8%, while in Europe organic revenue grew by 2.1% driven by strong net new business in the UK.

Dominic Blakemore, Compass's group chief executive, said: "We are actively managing the portfolio to increase our focus on food and are in the process of disposing of up to 5% of revenues in non-core businesses. We continually look at bolt-on acquisition opportunities that strengthen our offer and meet our strict returns criteria."

He added: "Our expectations for FY2019 are positive. The pipeline of new contracts is strong and our focus on organic growth, efficiencies and cash gives us confidence in achieving another year of progress. We expect organic growth to be in the middle of our 4-6% range with modest margin progression."

The CEO concluded: "In the longer term, we remain excited about the significant structural growth opportunities globally, the potential for further revenue growth and margin improvement, combined with further returns to shareholders."

The group raised its annual dividend by 12.5% to 37.7p per share, up from 33.5p a year earlier

### Solid performance

Steve Clayton, manager of the HL Select funds which have positions in Compass Group said: "This was a solid performance by Compass, with 12.5% growth in adjusted earnings per share and dividends. At the reported level, currency is holding the numbers back, but the underlying progress is strong."

He added: "Like many companies with large workforces, Compass is finding it harder to get the staff it needs without wage rates edging up, especially in the UK and USA. This is the environment when managements prove their worth and so far, Compass seems to be handling the labour squeeze well.

"The group's 95% client retention rate means that new contract wins quickly drop through to growth, rather than being

**Price:** 1838.5

**Market Cap:** £29.2 billion

### 1 Year Share Price Graph



### Share Information

**Code:** CPG

**Listing:** LSE

**52 week High Low**  
2150 20.62

**Sector:** Leisure, gaming and gambling

**Website:** [www.compass-group.com](http://www.compass-group.com)

### Company Synopsis:

Compass Group is a market leader in providing food and a range of selected support services to customers in the workplace, in schools and colleges, in hospitals, at leisure or in remote environments.

action@proactiveinvestors.com.au

needed to replace clients who have walked away. The combination of strong cost control and loyal clients allowed the group to edge margins higher, despite the difficult economic backdrop."

In late morning trading, Compass Group shares were 2,7% higher at 1,629.50p.

-- Adds fund manager comment, share price --

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts, journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +61 (0)2 9280 0700 [action@proactiveinvestors.com.au](mailto:action@proactiveinvestors.com.au)

### No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.