

# Compass Group

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## Compass Group serves up lukewarm offering

Contract caterer Compass Group PLC (LON:CPG) served up more of the same in its fiscal third quarter update, leaving full-year expectations unchanged.

Since the end of March, the group has continued to trade well with year-on-year organic revenue growth running at 5.7%, or 5.1% when adjusted for the timing of Easter.

**READ:** Compass Group heads south as it serves up fall in half-year profits Growth was driven by strong net new business in North America, an acceleration in Europe and good progress in Rest of World, Compass said.

Organic revenue growth in North America was 7.0% (+6.6% excluding Easter) with the group seeing "particularly good growth" in its Business & Industry, Vending and Healthcare businesses but growth in the Sports & Leisure events business was hit by the impact of the timing of various events.

In Europe, organic revenue grew by 3.2% (2% excluding Easter), with growth driven by strong rates of net new business in the UK.

The company is enjoying the benefit of cost-cutting actions in the UK, which is offsetting the effect of above average inflation, but the group is seeing "a more challenging volume and cost environment" in dear old Blighty, which has contributed to an erosion of the margin by around seven-tenths of a percentage point in the first nine months of the financial year.

In the rest of the world, organic revenue grew by 3.1% (up 2.7% excluding Easter) in the fiscal third quarter.

For the nine months to the end of June, organic revenue growth for the entire group worldwide was 5.1%, up from 4.8% at the halfway point of the financial year.

"Better than planned margin improvement in Rest of World, is offsetting a more difficult volume and cost environment in Europe. As a result, our full year expectations are unchanged, with organic growth above the middle of our 4-6% range, and modest margin progression. Looking to the longer term, we continue to be excited about the significant structural market opportunity globally and the potential for further revenue growth, margin improvement and continued returns to shareholders," Compass said.

Lee Wild, the head of Equity Strategy at interactive investor said: "There are some issues in the UK around volume and cost, but weaker margin there is being offset by forecast-busting numbers elsewhere and rapid growth in the US. Organic revenue for the quarter grew by 5.7%, or 5.1% excluding Easter, better than the first half and toward the right end of the 4-6% target range.

"Compass has always promised to return surplus cash to shareholders and, depending on profit and cash flow, there a

**Price:** 1241.5

**Market Cap:** £19.72 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.*

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very real possibility it will pay another special dividend within the next 12 months."

Shares in Compass fell 2.1% to 1,609p in early deals.

--- adds commentary ---

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