Compass

2024 Full Year Results

Presentation

Dominic Blakemore

Group Chief Executive Officer

Good morning. Welcome to our 2024 Full Year Results. It's been another great year of strong progress. Our operating profit increased by 16% with organic revenue growth to be 11%, and 30 basis points of margin progression to 7.1%.

We operate in an industry that has a significant and attractive structural runway for growth. In recent years, we've improved the quality of our portfolio by exiting non-core markets and we've continued to invest in capability, CapEx, and M&A, to sustain higher net new business growth.

Over the next few minutes, we'll tell you how our relentless focus on the core strong competitive advantages and ongoing investment are unlocking further growth opportunities. First, let me hand you over to Petros.

Petros Parras

Group Chief Financial Officer

Thanks, Dominic. Good morning, everyone. We've delivered another strong financial performance with double-digit growth across all key metrics, organic revenue, operating profit, EPS, and free cash flow. Net new was 4.2%, accelerating in the second half to 4.8%. This gives us good momentum into 2025 as the cornerstone of our growth.

Pricing trended lower as the year progressed, and was in line with our blended rate of inflation at around 4%, and volume growth moderated to around 2% as anticipated. We're sustaining high revenue and profit growth across all regions, with strong organic revenue growth and good margin progression. Importantly, unit margin recovering to pre-pandemic level, every region delivered double-digit improvement in operating profit.

Group operating profit increased by 16% to $3 billion. Interest increased to $249 million due to higher interest rates and debt. It is expected to be around $300 million in fiscal year ’25, reflecting our acquisition activity.

Based on current interest rate expectations, and assuming leverage at the mid-point of our 1 to 1.5x range, our interest charge should reduce from fiscal year ’26 onwards. As anticipated our effective tax rate was 25.5%. Earnings per share were up by 15% and in line with our policy dividends group by the same amount.

Our continued strong cash position gives us flexibility to invest in growth and reward shareholders. Capex was 3.7% of revenue, reflecting some catch-up from the prior year. Going forward, we expect CapEx to be 3.5% of revenue. Working capital benefited from payroll and year-end timings, providing us with an inflow of around $200 million.

We’re continuing to rebuild margin while increasing investment to drive growth and mobilising higher levels of new business. We expect to make further margin progress as we grow scale and benefit from overhead leverage, productivity, and digital initiatives.

Looking at our portfolio, we’ve exited a further five non-core markets and agreed to dispose of our remaining presence in Latin America and Kazakhstan, all subject to regulatory approval. We’re also continuing to invest in our core markets to further unlock growth. Net M&A expenditure was $1 billion, mainly related to CH&CO in the UK and Hofmann’s in Germany. Post year end, we also acquired Dupont Restauration in France and agreed to acquire 4Service in Norway, which is yet to complete. The net impact of all announced acquisition disposals will reduce profit in fiscal year 2025 by around $30 million. Given our disposals program is complete, we expect any further acquisitions to be accretive to profit from fiscal year ’26 onwards.

The business continues to be very cash-generative, giving us flexibility to invest and return capital. In 2024, we invested $2.6 billion in CapEx and M&A to drive growth. In addition, we rewarded our shareholders, returning $1.5 billion through dividends and buybacks. Leverage ended the year at 1.3x net debt to EBITDA in the middle of our target range. Our capital allocation model remains unchanged. We’re investing in CapEx to drive net new business growth and are currently prioritising strategic platform acquisitions such as Dupont and 4Service. As a result, we expect leverage at the half year to be towards the top end of our 1 to 1.5x range. Looking ahead, we’ll continue to distribute any surplus cash to shareholders, and we’ll revisit the scope of further terms later this year.

Turning to guidance. In 2025, we expect high single-digit operating profit growth driven by organic growth above 7.5% which is likely to be first-half weighted and continue margin improvement. We anticipate the components of growth to be net new in our 4% to 5% range, pricing of 2% to 3% depending on inflation, and while volume is more difficult to predict, it is likely to be a net positive.

Now, back to Dominic.

Dominic Blakemore

Group Chief Executive Officer

Thanks, Petros. We continue to see strong outsourcing and favourable market trends, which give us confidence in sustaining higher growth. Food is more valued than ever by clients and consumers. Allergens, dietary requirements, and sustainability initiatives continue to add to operational complexities. Major challenges, such as heightened inflation, put pressure on organisations leading to further outsourcing.

Our unique competitive advantages, sectorisation, scale, and expertise enable us to address complexity helping us to win more business, especially with first-time outsources. As a result, we're confident we can sustain higher organic growth with a robust sales pipeline and strong retention, we expect net new business to continue in the 4% to 5% range. This is one to two percentage points higher than our historic rate, driven by better growth in Europe. Pricing will depend on inflation and is likely to be around 2% to 3%. With continued attractive value versus the high street, volume could be a net positive.

So organic growth is expected to be mid to high single-digit, compared to around 5% pre-COVID, and with some margin progress, operating profit growth is expected to be ahead of revenue growth. We continue to improve the quality of our country portfolio, mainly in our Rest of World region. With the program now mostly complete, we're more resilient, and even more focused on the opportunities in core markets.

The addressable food services market for the countries in which we operate is worth around $320 billion. This has been updated for the countries we've exited and includes vending and micro-markets in North America and Europe. With around three-quarters of the market still self-operated or run by small players, there's a large structural growth opportunity. In fact, North America and the next 10 markets account for around 90% of this opportunity. Our business in North America remains as attractive as ever. There's a significant runway for growth across all of our sectors, and the market dynamics are favourable. Our strong offer, flexible operating models, and further sub-sectorisation are fuelling the sustained growth.

Even though it's our most mature sector, B&I saw the highest rate of organic and net new business growth last year. Some of this is due to change in consumer and client trends, a greater appreciation of food, and our attractive value versus the high street. As ever, we continue to invest in innovation through CapEx and in M&A to unlock further growth opportunities.

Europe sustained higher net new as a result of our growth focus and favourable market dynamics. Fragmented sales and retention processes have now been replaced by streamlined growth playbooks. Full market mapping, CRM tools, and client feedback have doubled our new business ARO in Europe and doubled our sales pipeline compared to the historic rates. Building scale in country re-enforces our market position and generates a positive cycle of growth. In a market where we have only 7% share, there is lots of potential in all countries and in all sectors. Self-help measures have also improved retention in Europe, one of our most important KPIs. Pre-COVID it was significantly lower than North America, averaging around 92.5%.

Having invested in a new CRM system, a stronger culinary offer and better sales force training. Retention has increased to around 95.5%, a substantial step up. To unlock further growth, we're requiring high-quality businesses to expand our portfolio of sectors and sub-sectors. We seek businesses that have unique capabilities or reach with a flexible operating model and an entrepreneurial management team.

Historically, our acquisition strategy was focused more on North America, whilst we're still investing there we're seeing attractive opportunities in Europe, as we replicate the successful North American growth blue print. High-quality additions to our portfolio include Hofmann's in Germany, CH&CO in the UK, and more recently, Dupont Restauration in France, and we've agreed to buy 4Service in Norway. It's early stages, but the integration of these businesses is going well, as we generate returns over time. CH&CO's new business winds are 40% higher than expected and we're saving more on costs too.

M&A creates value by accelerating growth, removing costs, and increasing scale. This takes time, and returns build year on year. In the US, we're still generating value from businesses bought over 20 years ago, and their growth continues to compound year after year. To further enhance growth, we're investing in capabilities and resources across the group. Talent, systems, processes, and data are all growth enablers, and with a more systematic approach to leveraging best practices, we can quickly scale the best of Compass across the Group.

In summary, the combination of the strength of our business and favourable market dynamics gives us confidence in achieving higher net new business growth than our historic rates. As a result, our medium-term growth algorithm is mid to high single-digit organic revenue growth with ongoing margin progression back to our peak and beyond. This leads to profit growth ahead of revenue growth as we maintain our strong record of performance and deliver long-term, compounding shareholder returns. This is now a phase of continued sustained execution, enabled by our world-class talent at all levels in the Company, and an agility to innovate with technology at pace and at scale. We're really excited for the future, and we're wholly committed to delivery.

Q&A Session

Jamie Rollo - Morgan Stanley

Thanks. Good morning, everyone. Three questions, please. First of all, on the net new, a very strong Q4. It looks like it was a bit over 5%. I'm just wondering whether it could be high end of that 4% to 5% this year given retention is still improving, and maybe you can just quantify the ARO as to how that compares versus the $3.5 billion at the first half?

Secondly, sort of similar on volumes, it looks like those were about up 2% in Q4 and your guidance looks like it's maybe half a point of growth at the mid-point of the net new price ranges. I'm just really wondering for scope for further volume recovery, how much of that growth in Q4 was cyclical back to work, sports and leisure elements, how much is the structural share gain from the [inaudible] and improving technology.

Then finally, [why the] buyback? I get it, you leveraged high end as a target in March but that's partly seasonal working capital, it's [not a] very strong balance sheet. Is this about more M&A in the pipeline? Thank you.

Dominic Blakemore

Thank you, Jamie. Thank you very much. Good morning. I'll take the first two questions and then hand over to Petros on the buyback.

Yes. First of all, look, 4.2% net new full year '24 with 4.8% in the second half, and as you rightly say, a very strong fourth quarter. It is only a quarter. What's really pleasing is improving retention throughout the year as we guided to the second half retention above 96%. As you rightly say again, a good ARO on a full-year basis, so $3.5 billion ARO full year versus what was $3.4 billion at the half year.

So we're entering 2025 with very positive net new momentum. As we said before, that lets us look out into the first half with confidence but half two will really be about what we can achieve in the first half of our financial year '25. At this point, look, we're looking forward into '25 with optimism on net new, and we'd hope to be in the higher end of the 4% to 5% range.

In terms of volume share, look, volumes have performed strongly through the course of '24. We are guiding to a slight positive in '25. I think we still need to just see whether the return to office volumes have stabilised. I think what we're seeing though, and I think this is positive, is that our value gap to the high street is significant now, and I think the consumer feels and sees that. I believe that's driving higher per capita and higher participation on-site, which is very exciting.

I think as you rightly say, I think technology is playing its part as well in terms of how we communicate our offer. Then we're seeing very positive trends in the sports and leisure sector which is a growing sector for us. So I think we are well exposed to the opportunity for sustained positive volume, but again, we'll update you as we go through the year.

Maybe if I can just bring that together, you've heard us guide today to growth over 7.5% for '24. It feels like the impacts of the pandemic, the impacts of the cost-of-living crisis are behind us. What we're looking at is the opportunity to sustain net new in the 4% to 5% range with a bit more inflation than we saw historically. I think what we're seeing in the UK and the US suggest we might see a little bit more inflation going forward. That gives us the right to price, and we think that's helpful to our business model.

As we said with positive volumes, I think we have the opportunity to be in this sort of mid to high single-digit growth range going forward, and as a reminder, that's 50% faster growth than we enjoyed pre-pandemic on a business that's 60% larger, and with the portfolio changes we've made increasingly focused on sustaining that. So I think the trends for '25 are good, but more importantly for me is our ability to sustain that over time. I think we're very well placed to do.

Petros on the buyback.

Petros Parras

Morning, Jamie. I think on the share buyback, the first to say is we're very comfortable with the capital allocation model we have. This gives us the ability to continue to invest in the business organically, inorganically and involve shareholders in the dividend and buybacks.

I think what you see for the first half, you see within our framework, a bit more M&A with what we have announced in Depont in France and in Norway for 4Service. We're going to be towards the high end of our range in the first half, and consistent with our model, we're going to reassess this in the second half of the year. Again, when you look at the balance of our capital against the model in investing in the business and rewarding shareholders, it's going to be about striking this balance. In the first half, there's a bit more M&A, in the second half we're going to reassess the scope for further share buybacks or investments in M&A.

Dominic Blakemore

I'll just add to that. I think you've seen us do four significant deals in Europe as we would see them. I'm not sure we see a huge pipeline of those larger deals as we go forward. I think what you should expect from us now is more of the infill type deals you've seen in North America around GPOs, around micro-markets, and around individual sub-sector brands. I think you'll see a bit more of that outside of North America, but inevitably, those are going to be smaller deals, with a smaller price tag.

So I think the phase that we're now in is probably a bit more balance between M&A and buyback, but that's something for the second half rather than the first half given that it will be the top end of the leverage range.

Jamie Rollo - Morgan Stanley

Great. Thank you both very much.

Petros Parras

Thanks, Jamie.

Vicki Stern - Barclays

Good morning. I just wanted to start following the election in the US, just how you're thinking about the potential implications of the result. There are obviously potentially broader macro implications to consider, positives if you see more onshoring, but just on some of the specific points that have been called out; possible Federal Government cuts, how exposed you might be there, and RFK Junior, any implications that you might see in terms of school meal nutrition, scaling back of Obama Care. If you could just touch on those some of those topics as they might land for you.

Second one is just about margin grades. You've obviously made clear in the presentation that the growth algorithm from here is both top line and margin. Just if you could break out how you're thinking about the key leaders of margin growth from here? I imagine, obviously, at the moment that volume growth is pretty important in helping and you're still positive on volume going forward, but there is also the sort of the investment elements on the other side. So how should we think about the puts and takes on that margin growth and what sort of level we should have in mind after this year?

Then just finally, just a bit more detail if possible on the acquisitions in France and Norway, any financials you can offer us on those and just specifically how you see those businesses enhancing Compass?

Dominic Blakemore

Great. Thank you Vicki. Good morning. If I take the election point, I'll then hand over to Petros on the margin on the acquisitions.

Yes. Look, on the US election, I think the first think to say is our US business has flourished under both previous administrations. I think secondly it's important to say whatever measures are enacted, if they benefit the US domestic economy, we will be strongly positioned as a winner. As you rightly say, anything that encourages onshoring we'll likely see the opportunity from new clients or from higher volume. We have little exposure to Federal Government business. Whenever any changes are made around nutritional requirements, I think we've always responded incredibly positively and very quickly, and often that complexity can be a further accelerant of out sourcing.

So look, we're going to wait until we see policies enacted but we're not a business that's exposed to importing in the US. So we wouldn't anticipate tariffs having a major impact on our cost base other than through secondary supply chain factors. Of course, we've always demonstrated our ability to manage that inflation because of our scale and not least because of the Foodbuy presence.

Also, importantly, anything that puts pressures on our clients' cost base gives us opportunity to unlock savings for them and really push on with the first-time outsourcing. You referenced the impact that might have on the broader global economy, I mean, look, one of my biggest learnings of this business now is its true resiliency through most cycles and the fact that a lot of what we're about is self-help and unlocking the huge runway for growth that's everywhere.

We've talked today about being focused on North America, [US, Canada] and then the next 10 countries, and that represents 90% of the global marketplace for opportunity. We just think there is a huge runway for growth there and that that will be through cycles. So we see positives and then we're very confident in the ability of this business to manage through whatever is ahead.

Petros Parras

Morning, Vicki. So when it comes to margins, I think what you should expect from us is consistent margin progression year over year. We have an opportunity across Group. We expect to see faster margin progression outside North America, and where we have significant opportunity in purchasing and core processes. We don't see a cap to it in this progression and we continue to enjoy high-level growth that gives us operating leverage and synergies as we grow in the business.

When it goes to your question on the acquisitions, I think what you've seen there, you see what we discussed about CH&CO and Hofmanns, which practically is our investments in further sectorising, sub-sectorising the business, all in the North America blueprint, and we have continued investing in the European business.

If you look both at the Dupont and 4Service Norway, they offer presence in sub-sectors and regional coverage. We did not compete, we did not blame Compass and provide a great opportunity for us to win in these sectors. It's great businesses, they enjoyed good growth, strong retention, and we feel that it would be a great addition to our portfolio in further sub sectorising and offering bespoke offers to the client. That will give us an opportunity to drive attractive financial returns, leverage economies of scale and integrating into our business.

The other thing I want to say is with the acquisitions of CH&CO and Hofmann's, we have witnessed great talent and great management teams coming to Compass, which further complements our management capability in the core markets.

Dominic Blakemore

Vicki, just coming back on a couple of [builds on] Petros' response there. One thing I want to stress is you've seen our unit margin in these results recover to its pre-pandemic levels. So, really what this is about now is the level of investment we're putting into the business and getting that balance right. We've been doing that particularly in sales and retention, but also in technology. I think we're going to be really rewarded for that over time. I think it's getting that balance right that gives us a sustainable model of growth and profitability, and I think that's what you're hearing in the guidance.

Just specifically, I just want to call out the Norwegian deal in 4Service, because it's the first time we've talked about it. That's around a $500 million acquisitions, so revenue is about $500 million with margins that are broadly in line with the Group average. That for me is a really exciting deal. It's still core food but it is multiservice to a multi-tenanted building, typically contracting with the owner-manager of the buildings. That's a trend we see across some of the Northern European countries. I think it's a great example of us buying into a sub-sector and capability that we can franchise across markets. I think that's really what we've done in the four deals that we struck. We've looked at those platforms that can give us real confidence in sustaining growth over time as we go forward. I think that deal plays very, very nicely into it, as Petros has said, on the other metrics as well.

Vicki Stern - Barclays

That was very helpful. Thanks.

Jaafar Mestari - BNP Paribas

Hi. Good morning. I've got three if that's all right. Just on the gross new business signings, you've given the number for this year, which is $3.5 billion if I'm correct. Just wondering if you have any more colour on the mix of segments and the mix of first-time outsourcing within that this year, please?

Then I also wanted to come back on your implied like-for-like assumptions for next year, especially since you've now said net new business could be top end of 4.5%. Your competitors, Sodexo and Aramark, have a pretty consistent message on pricing and on volumes, and they're basically saying - just between pricing of [$2.5 million to $3 million] and volumes, they're both saying 1% to 2%. They can basically do 4% just like-for-like. I'm just curious if you've had a look and what part of their views on like-for-like you do not recognise or would expect it to play out differently at Compass Group or just be looking at it with a more cautious stance?

Lastly, you spoke on acquisitions and disposals, we've got the $30 million EBIT impact, could you please help us with the net revenue impact as well for 2025? I'm just trying to unpick what you're saying in terms of underlying margin trends. It looks like maybe 15 basis points, probably not 20 basis points, but I'm curious what the revenue impact is, please.

Dominic Blakemore

Okay. Let me talk to the first two and then Petros on disposals.

Look, in terms of gross new business, again, we're sort of in that 40% to 45% ratio of first-time outsourcing, which we've always said is a really good place to be for us. We still see lots and lots of first-time outsourcing opportunity across all of our countries in all of our sectors.

From a sectoral stand point, I think what's really exciting is we've seen a lot of new business within B&I. It's the most mature sector, isn't it? It's the most mature sector in North America. You've seen the slides today in the presentation with B&I growing above the average in North America and across the group, and we see that continuing.

We also continue to see within the pipeline lots of opportunity in healthcare and education as we really start to work on those two sectors evermore.

So it was a nice mix of new business, lots of opportunity as we look forward, strong pipelines, and I guess that leads into your next question around guidance for next year. I should clarify, it was sort of the upper half of my 4% to 5% range but clearly, we're going into 2025 with very nice momentum there.

In terms of like-for-like, yes, look, I think the 2% to 3% pricing feels about right. We're seeing let's call it 4% inflation, which is probably 2% in food and 5% in labour. I think we have a reasonable degree of confidence that that's the sort of level of inflation we're going to see certainly through the first half and into the second.

I think the bigger area of uncertainty for us is obviously volume. It's the most economically sensitive. There's been a lot going on in the last couple of years within volume, and I think the jury is still out for us in terms of how much is market tailwinds and how much is the business model initiatives that we've introduced.

Look, I think we feel super positive about the things we're doing and excited about what more we can do as well but I think we should always be a fraction conservative around volume, particularly when we think about what volume trends were pre-pandemic. So, look, I think that's how we see.

Then Petros, disposals.

Petros Parras

Yes. Hi, Jaafar. I think on the guidance of the $30 million reduction in profit, I think this marks the end of the country exits and you have a bit of timing in there on the exits and acquisitions. It's about $30 million impact on the profit for a full year, with a broadly average margin for Group around $420 million in revenue. Maybe you keep in mind, as of '26, finishing the country exits, M&A will be profit accretive on a going-forward basis.

Jaafar Mestari - BNP Paribas

Super, very clear. Thank you.

Estelle Weingrod - J.P. Morgan

Hi. Good morning. Just two questions from me. Is there any seasonality this year in terms of net new? Basically, how should we look at H1 versus H2, as last year was March weighted? Also, would you expect any impact from the French budget. You should be caught by the tax surcharge for revenues over $1 billion. Is that in your tax guidance for next year? I believe that the UK budget should be manageable from your side, i.e. somewhat absorbed and/or passed on. Thank you.

Dominic Blakemore

Okay. Let me just make a comment on the UK budget and then I'll hand over to Petros on net new and the French budget. I think the first thing is just a reminder for all of us that the costs and complexities for us, we see them as accelerators of outsourcing. I think the NI rate increase and lowering of the level at which it kicks in, increases cost for everyone. What that means is we see an opportunity in first-time outsourcing, we can help clients manage their wider budgets where they're facing [an on cost], but also, we know we can manage those services more efficiently.

If we deal with the UK increases well, then we can deal with it better than anyone else in our industry and that makes us more competitive. If we deal with it, well, then we'll be more competitive to the high street, and I think the value equation increases. So that's something which we are planning for. We'll execute against those plans.

For those of you with longer memories, I find it analogous to Obama Care, something that - which we delt with by managing our costs through efficiency productivity, and some pricing. As a result of that, we saw a greater propensity for outsourcing where self op in particular, weren't able to manage those costs. So the philosophy we've got with regard to the UK budget changes is one of opportunity rather than threat. Then Petros on…

Petros Parras

I think when it comes to half 1/half 2, you heard us talking about net new, the 4.8% driven by [better] net new retention. We're having good momentum in the first half of '25. We expect growth to be - as we currently see, we expect growth to be first half weighted, as we see some of the raise on pricing and inflation, and at this time, this is what we have factored in the guidance. We would like to see the second half to be as strong as the first half, but we don't know what - we don't know at this point in time, and this was how we have guided.

Estelle Weingrod - J.P. Morgan

Okay. Thank you, and on the French budget, if I may. Thank you.

Petros Parras

Yes. I'm coming to this.

Estelle Weingrod - J.P. Morgan

Okay. Sorry. Thanks.

Petros Parras

Okay. Yes. On France, I think what works in this space, nothing has been enacted so far when it comes to legislation changes. You have seen our tax rate has come in line with our guidance, 25.5%. If there is going to be any legislative changes upwards or downwards, we're going to see - our government will enact the legislation.

Estelle Weingrod - J.P. Morgan

Okay. Thank you.

Neil Tyler - Redburn Atlantic

Good morning. Thank you. A couple, please, from me. Firstly, back to the like-for-like and the volume growth, can I take it from your comments that, I suppose, regionally you expect that to be more focused in Europe given the comments you made about the favourable market dynamics there? Presumably, end-market wise, or vertical-wise, continuing to benefit from the trends that you've been seeing in B&I and sports and leisure. So I was wondering if you could talk a little bit more in terms of the like-for-like in terms of regions and businesses?

Then secondly, on the margin. Just coming back to - sorry if I missed it, but just coming back to your comments on re-investment and the extent to which that's perhaps holding back normal operating leverage. Can you help me just sort of go back over those dynamics? Is it the five basis points of margin from that or somewhere in that region? Thank you.

Dominic Blakemore

Thanks, Neil. Good morning. Yes, look on the like-for-like and volume growth, actually, I think what's really positive is we're seeing that across the piece. So obviously we've got higher levels of inflation then we witnessed previously, and that's allowing us to take sensible pricing and demonstrate value to our clients across all of our regions.

Then separately, we continue to see volume growth across the business, North America and Europe included. We think that's still some return to office. We think it's still events that are happening within the office environment, but as you rightly say, there are elements there of strong performance within sports and leisure, and increasing per capita spend. We're building our sports and leisure presence evermore outside of North America as well with some very attractive wins over the last 12 months. So we feel well placed and well exposed to that opportunity. So, again, this is a broad-based opportunity in like-for-like as well as in net new.

Then just on the margin point. Look, it's an art, not a science. This is about doing - putting the right level of investments in the business for the long-term health and growth of the business. Within that, we see enough opportunity in gross margin expansion year over year for us to be able to manage both the investment and to deliver ongoing margin accretion. I think what we're guiding to today is to say, don't expect that to be sort of lumpy and bumpy. We're going to manage this to be a continued incremental progression alongside the right levels of appropriate investment in the business to create differentiated offers, evermore technological innovation in our business model, in our offer in front of house and back of house, and we're very excited about the opportunity to do that.

Neil Tyler - Redburn Atlantic

Okay. Great. Thanks, Dominic. That's helpful. Thank you.

Simon Lechipre - Jefferies

Yes. Good morning. Two questions, please. First of all on the retention rates and your competitive environment. I mean, your retention is still strong, obviously, but still a bit lower than last year, and some of your peers reported weaker retention. So I would be interested by any comments in this context on the recent evolution of the competitive landscape.

The second question is on Europe and profitability. So some nice progression in margins but still below the previous peak. So how you do see the medium-term outlook here, and especially given the region looks to be much stronger? Would it be reasonable to expect that profitability in Europe should, over time, exceed the pre-pandemic peak? Thank you.

Dominic Blakemore

Yes. I mean in terms of retention, look, it was a slight dip in the first half, a good improvement in the second half. I think we're on track. As we look forward, the business that's out to bid next year feels a little less than we've experienced more recently. So I think we feel very well placed. I think you have to look at the long-term trends in retention over multiple years. I think that it's one of continuous improvement. We see our opportunity to do ever better. We talked to you about our strategic alliance group where we deployed the SAG processes, we've got above-average retention. Where we don't, we're slightly lower. We're now developing lighter processes for non-SAG accounts. Where we've done that, we've seen a material improvement in retention.

So look, we know that there is more we can do all of the time to continue to seek marginal gains, and we're going to be relentless in that. We don't see anything really changing the competitive landscape, and we're really backing ourselves to hold these levels and continue to improve over time. As I said there may by puts and takes withing courses and so forth, it's the nature of it with these measures and individual accounts can wait, but I think the long-term trend should be one of continuous improvement.

Then just in terms of Europe, yes, you're right, we're someway off where we were previously, and there's a delta between our European markets and North America. At the moment, I think that's for the right reasons. We're investing in establishing the growth model. I think what we'll see is that over time we'll get more margin accretion out of our businesses outside of North America than in North America. I think both have the right to grow their margins, but the opportunity is greater in Europe.

It really comes back to the basics of using our purchasing scale in particular and seeking further productivity as we go. Particularly as we grow faster and have the right for more operational leverage in Europe than we witnessed in the pre-pandemic era when we simply weren't growing the top line. So I think the medium-term outlook is very exciting, and we'll expect to see good margin progress over time in those countries.

Neil Tyler - Redburn Atlantic

Thank you. Very helpful.

Andre Juillard - Deutsche Bank

Thank you very much. Good morning, gentlemen. Two questions, if I may. First one about your market share and the fact that you invest quite strongly in Europe at the moment. What is the target you have in mind in terms of market share? Is it comparable to the US or different? In terms of development, you mentioned that you acquired a business with facility management. Do you have in mind to improve the weight of the facility management in your portfolio or do you remain focused on food?

Second question is about the leverage. I'm sure that investors are telling you that 1x to 1.5x is maybe conservative and you said that you are comfortable with this leverage. Is it unrealistic to think about a slightly higher leverage which could help you to return more cash to shareholders? Thank you.

Dominic Blakemore

Thank you, Andre. Good morning. Look, in terms of the market share in EU, we're not setting a target. I think we have the right to grow our share consistently and continuously over time. We said today it's at 7% share across the region, that's a huge opportunity for us to grow from here, and it's why we're so excited in the processes that we're putting in place, the results that we're getting, and the response that we're getting in growth. What does that look like? We should be able to continue to grow our net new business in Europe in that 4% to 5% range for many years to come. That is the market opportunity that is ahead of us and that's the ambition that we hold as we've done in North America over nearly 20 years.

Then to your point, I would be - just careful with the phrase facility management. What this business does is more like food services, receptions, soft support services. It’s a bundle of services like the ones that we currently already offer, and remember, 15% of our global business. So that’s what - nearly $6 billion is already within those types of services. So we are good at them. We have the capabilities. We’re just responding to a trend where we see more bundling particularly where we are contracting with the building owner rather than the individual client themselves, and there’s more of an opportunity to provide synergies in that. This business remains a majority food business, and it just gives us kind of a new tool in the tool box, as it were, to respond to a different part of the market.

What the M&A is about, is we’re making sure that we’ve got the right offer for each part of our target addressable market in our major countries in Europe, and we feel good about the deals we’ve done.

Petros Parras

Andre, morning. I think on the leverage, you heard us talking we’re comfortable with range. The business generates strong cashflow, enabling us to invest in the business organically, inorganically, and reward shareholders. It’s appropriate, it’s balanced, it’s conservative. We like it.

Andre Juillard - Deutsche Bank

Okay. Thank you very much.

Dominic Blakemore

Thank you. Thanks for your questions this morning. Before we finish, I’d like to leave you with the following thoughts. We’ve had another strong year as the business continues to go from strength to strength. We’ve improved the quality of our portfolio and we’ve acquired or agreed to acquire four attractive platform businesses in Europe as we further develop our sub-sector business model and build scale in our core countries with the greatest market opportunity.

The actions we’ve taken together with the favourable market dynamics, give us confidence in being able to sustain a heightened level of organic growth for the medium term. With ongoing margin progression, we expect profit to grow above revenue growth and strong cash generation leading to long-term compounding shareholder returns. We’re excited about the opportunities, and we’re really focused now on delivering.

Wishing you a healthy and happy festive period, and we’ll speak to you again in February. Thank you very much.

[End]