

4th February 2016

Business Services

Compass Group

Price 1,174p

Q1 IMS: A really strong start!

Fair Value 1200p (+2%)

NEUTRAL

| | |
|----------------------------|---------------|
| Bloomberg | CPG LN |
| Reuters | CPG.L |
| 12-month High / Low (p) | 1,219 / 991.0 |
| Market Cap (GBP) | 19,302 |
| Avg. 6m daily volume (000) | 3 426 |

| | 1 M | 3 M | 6 M | 31/12/15 |
|----------------|-------|--------|--------|----------|
| Absolute perf. | -0.1% | 8.2% | 15.2% | -0.1% |
| Travel&Leisure | -9.2% | -7.3% | -5.6% | -9.2% |
| DJ Stoxx 600 | -9.9% | -12.9% | -17.5% | -9.9% |
| | 09/14 | 09/15e | 09/16e | 09/17e |
| P/E | 23.9x | 22.2x | 20.8x | 18.8x |
| Div yield (%) | 2.3% | 2.5% | 2.7% | 2.9% |

ANALYSIS

- **Good start:** With lfl revenue growth of 5.9%, Q1 ending 31st December was really strong, ahead of our expectations and compared with competitors (in Q1 ending November 2015, Sodexo was up 4.7% on lfl in OSS o/w 50% coming from RWC). By region **NA** (52% consolidated revenue) was really strong up 7.9% organically (Sodexo was up 2.9%), **Europe** (which now excludes Japan and includes Turkey and Russia representing all in all 29% of consolidated revenue) was up 3.6% (Sodexo +1%) sustained by new business wins particularly in the UK, the Mediterranean and the **RoW** (ex Fast Growing & Emerging including Japan and excluding Turkey and Russia) was up 3.6% (-4.2% for Sodexo) despite weaknesses in commodity related business in some emerging markets.
- **Outlook seems positive (as usual...):** The group's strategy is clearly delivering sustainable growth year after year. In fact, **NA** remained strong, **Europe** is improving and despite headwinds in **RoW**, good performances are really surprising bearing in mind that remote site and offshore represents 11% of consolidated revenue and around 50% of RoW. **Taking into account all of these elements, we can confirm without hesitation our estimate of 5.1% lfl revenue growth over the FY.**

VALUATION

- At the current share price, the stock is trading at 16.2x EV/EBIT 2015-16e and 14.6x 2016-17e vs. 10y median historical of 12.5x and CAGR EBIT 2015-18e of 6.6%.

NEXT CATALYSTS

- Q1 IMS Conference call at 8.30 (UK time)
- H1 results on 11th May

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Bruno de La Rochebrochard, bdelarochebrochard@bryangarnier.com

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| | |
|---------|---|
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| London | Paris | New York | Geneva | New Delhi |
|---------------------------------|---|--------------------------|--------------------|----------------------|
| Beaufort House | 26 Avenue des Champs Elysées | 750 Lexington Avenue | rue de Grenus 7 | The Imperial Hotel |
| 15 St. Botolph Street | 75008 Paris | New York, NY 10022 | CP 2113 | Janpath |
| London EC3A 7BB | Tel: +33 (0) 1 56 68 75 00 | Tel: +1 (0) 212 337 7000 | Genève 1, CH 1211 | New Delhi 110 001 |
| Tel: +44 (0) 207 332 2500 | Fax: +33 (0) 1 56 68 75 01 | Fax: +1 (0) 212 337 7002 | Tel +4122 731 3263 | Tel +91 11 4132 6062 |
| Fax: +44 (0) 207 332 2559 | Regulated by the | FINRA and SIPC member | Fax+4122731 3243 | +91 98 1111 5119 |
| Authorised and regulated by the | Financial Conduct Authority (FCA) and | | Regulated by the | Fax +91 11 2621 9062 |
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