

22nd November 2016

Business Services

## Compass Group

Price 1,381p

First take FY results: slightly lower expectation after challenging Q4. Outlook positive even if H1 will remain tough.

Fair Value 1450p (+5%)

NEUTRAL

Bloomberg	CPG LN
Reuters	CPG.L
12-month High / Low (p)	1,548 / 1,073
Market Cap (GBPm)	22,683
Avg. 6m daily volume (000)	3 606

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.6%	-7.9%	8.2%	17.5%
Travel&Leisure	3.3%	-1.7%	-6.6%	-15.2%
DJ Stoxx 600	-0.9%	-1.0%	0.5%	-7.2%
	09/15	09/16e	09/17e	09/18e
P/E	26.1x	23.5x	19.5x	18.2x
Div yield (%)	2.1%	2.3%	2.8%	3.0%

### ANALYSIS

- **Consolidated revenue** reached £19,605m up 11.5% on reported with lfl growth of 5% compared with 5.2% anticipated, after continue slowdown in Q4 (Q3 was up 5.2% with 9m up 5.6%). By geography, NA continues to drive revenue lfl growth up 8.1% (8% estimated after +8.3% after 9m) while Continental Europe was up 2.8% after challenging Q4 (Q3 was up 3.7% as 9m) and RoW was down 1.2% still impacted by offshore and remote business (9m was slightly positive of 0.2%).
- **Operating profit** was also a bit disappointed at £1,409m up 11.7% on reported with flat margin vs. 15bps anticipated.
- **2017 outlook:** Management expectations remain positive with nevertheless growth weighted to the second part of the year.

### VALUATION

- At the current share price, the stock is trading at 14.7x EV/EBIT 2016-17e and 13.6x 2017-18e vs. median historical of 12.4x and CAGR EBIT 2015-2018e of 12x.

### NEXT CATALYSTS

- Conference call at 9:30am (UK time)
- AGM + IMS on 2<sup>nd</sup> February 2017

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## Distribution of stock ratings

BUY ratings 72%

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SELL ratings 28%

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