

# SSP

The Food  
Travel Experts





# SSP Group plc

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*Annual Results 2015*

26 November 2015

# Presentation structure

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|---------------------|-----------------|
| 1. Group highlights | Kate Swann      |
| 2. Financial Review | Jonathan Davies |
| 3. Business review  | Kate Swann      |
| 4. Q & A            |                 |

# Group highlights

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- Good full year performance with operating profit +17.6%
- LFL sales up 3.7% reflecting positive market, particularly over the summer
- Net new space +0.6%, improved in second half as planned
- Strong operating profit margin growth at +50bps
- Strategic initiatives delivering growth and efficiencies
- Final dividend of 2.2p, bringing full year dividend to 4.3p
- Contract wins and medium term pipeline encouraging
- Continued investment in the business and its growth opportunities



# Financial Review

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*Annual results 2015*

**Jonathan Davies, CFO**

[foodtravelexperts.com](http://foodtravelexperts.com)

# Group financial overview

£m (except where stated)	2015	2014	Change (%)	
			Constant Currency	Reported FX Rates
Revenue	1,832.9	1,827.1	4.3%	0.3%
LFL Sales Growth <sup>1</sup>	3.7%	3.3%		
Operating Profit <sup>2</sup>	97.4	88.5	17.6%	10.1%
Profit Before Tax <sup>2,3</sup>	82.0	71.5	n/a	14.7%
Earnings per share <sup>2,3</sup>	12.3p	10.3p	n/a	19.4%
Year end net debt	(319.8)	(371.1)	n/a	13.8%

<sup>1</sup> Same store like-for-like sales growth at constant currency

<sup>2</sup> Underlying excluding amortisation of intangible assets created at acquisition of SSP Group by EQT in 2006 and exceptional items in FY 2014

<sup>3</sup> Proforma for 2014 assuming post-IPO financing in place throughout the year



# Revenue growth of 4.3%

<b>Change at constant currency</b>	<b>LFL Sales</b>	<b>Net Contract Gains/(Losses)</b>	<b>Total Revenue</b>
UK	3.7%	(2.3%)	1.4%
Continental Europe	1.6%	1.7%	3.3%
North America	7.8%	6.5%	14.3%
Rest of World	11.1%	1.9%	13.0%
Group	3.7%	0.6%	4.3%

# Operating profit growth of 17.6% (at constant currency)

£m	Operating Profit*		Change (%)	
	2015	2014	Constant Currency	Reported FX Rates
UK	52.7	40.0	32.2%	31.8%
Continental Europe	53.5	57.4	5.0%	(6.8%)
North America	3.5	(0.1)	n/m	n/m
Rest of World	14.6	12.7	13.7%	15.0%
Non-attributable	(26.9)	(21.5)	(25.1%)	(25.1%)
<b>Group</b>	<b>97.4</b>	<b>88.5</b>	<b>17.6%</b>	<b>10.1%</b>

\* Operating profit is underlying, at actual currency

UK includes Republic of Ireland

n/m = not meaningful





# Operating profit margin up by 0.5%

£m	2015	2014	YOY change (% Sales)
Revenue	1,832.9	1,827.1	
Gross Profit	1,228.6	1,215.0	
<i>% Sales</i>	<i>67.0%</i>	<i>66.5%</i>	<i>0.5% *</i>
Labour Costs	541.7	541.8	
<i>% Sales</i>	<i>29.6%</i>	<i>29.7%</i>	<i>0.1%</i>
Concession Fees	311.6	301.8	
<i>% Sales</i>	<i>17.0%</i>	<i>16.5%</i>	<i>(0.5%) *</i>
Overheads	205.0	207.2	
<i>% Sales</i>	<i>11.1%</i>	<i>11.3%</i>	<i>0.2%</i>
Depreciation & Amortisation	72.9	75.7	
<i>% Sales</i>	<i>4.0%</i>	<i>4.1%</i>	<i>0.2%</i>
Operating Profit	97.4	88.5	
<i>% Sales</i>	<i>5.3%</i>	<i>4.8%</i>	<i>0.5%</i>

Note: Underlying excluding amortisation of intangible assets created at acquisition of SSP Group by EQT in 2006 and exceptional items in FY 2014



# Net profit up 18.8%

£m	2015	2014	Change (%)
Operating Profit <sup>1</sup>	97.4	88.5	10.1%
Net Financing Costs	(17.0)	(18.5) <sup>2</sup>	8.1%
Share of Associates	1.6	1.5	6.7%
Profit Before Tax <sup>1</sup>	82.0	71.5 <sup>2</sup>	14.7%
Tax <sup>1</sup>	(16.9)	(18.4) <sup>2</sup>	8.2%
Non-Controlling Interests	(6.9)	(4.1)	(68.3%)
Net Profit <sup>1</sup>	58.2	49.0 <sup>2</sup>	18.8%
Earnings per share (p) <sup>1</sup>	12.3	10.3 <sup>2</sup>	19.4%
Dividend per share (p)	4.3	-	n/a

<sup>1</sup> Underlying excluding amortisation of intangible assets created at acquisition of SSP Group by EQT in 2006 and exceptional items in FY 2014

<sup>2</sup> Proforma assuming post-IPO financing in place throughout FY 2014



# Free cash flow £55m

£m	2015	2014
Operating Profit*	97.4	88.5
Depreciation & Amortisation	72.9	75.7
Working Capital	5.3	12.7
Capital Expenditure	(80.7)	(76.0)
Net Tax	(17.3)	(15.7)
Acquisitions/Other	(6.8)	(1.9)
Operating Cash Flow*	70.8	83.3
Net Financing Costs	(16.1)	(25.1)
Free Cash Flow *	54.7	58.2

\*Underlying



# Net debt reduced by £51m

	£m	Leverage (net debt/EBITDA)
Opening net debt (1 October 2014)	(371.1)	2.3x
Free cash flow	54.7	
Exceptional costs	(12.0)	
Dividend	(10.0)	
Impact of foreign exchange rates	20.3	
Other	(1.7)	
Closing net debt (30 September 2015)	(319.8)	1.9x

# Financial summary

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- Good like-for-like sales growth of 3.7% and net gains 0.6%
- Strong operating profit growth of 17.6%
- Margin progression +50bps driven by LFL and efficiency gains
- EPS growth of 19%
- Strong free cash flow of £55m
- Leverage reduced to 1.9x EBITDA
- Final dividend per share of 2.2p. Bringing full year to 4.3p





# Business Review

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*Annual Results 2015*

**Kate Swann, CEO**

[foodtravelexperts.com](http://foodtravelexperts.com)

# SSP Group one year on

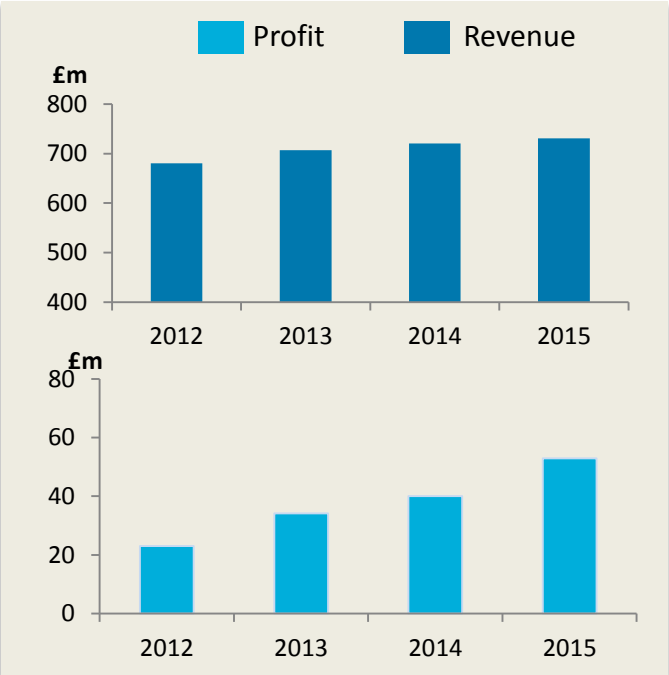
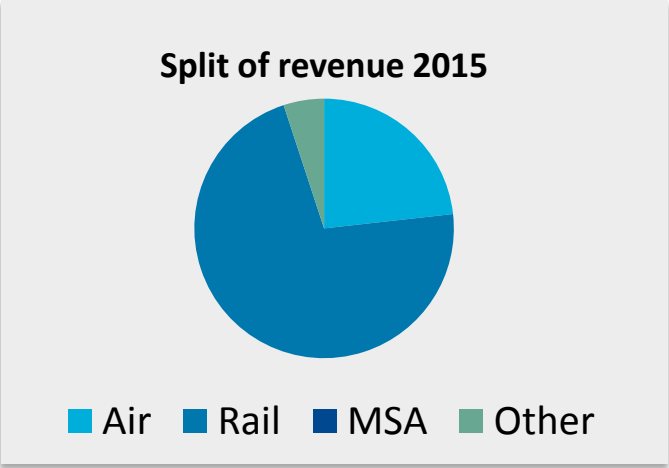
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## What we said at IPO...

1. Multiple structural market growth drivers
2. Market leader attractive channels and regions
3. Strong business platform combining international scale and local expertise
4. Multiple levers to drive growth and efficiency
5. Sales growth, margin expansion and strong cash generation

# UK - Regional update

- 38% of SSP revenue
- 1.4% sales growth and 32.2% operating profit growth
- Strong presence in rail and air
- Strategic initiatives delivering growth and efficiency
- Strengthened management team – invested in commercial, marketing, analytics
- Focus on
  - High renewal rate
  - Brand development
  - Selective new business
  - Strategic initiatives



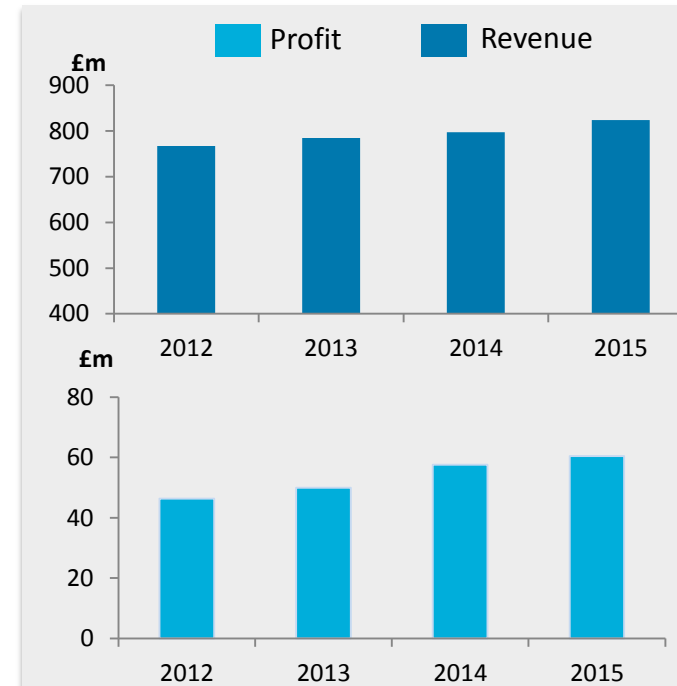
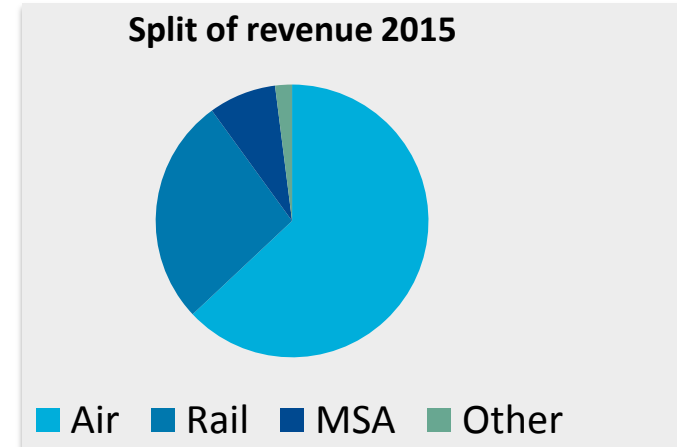
Note: All figures in constant currency



# Continental Europe - Regional update

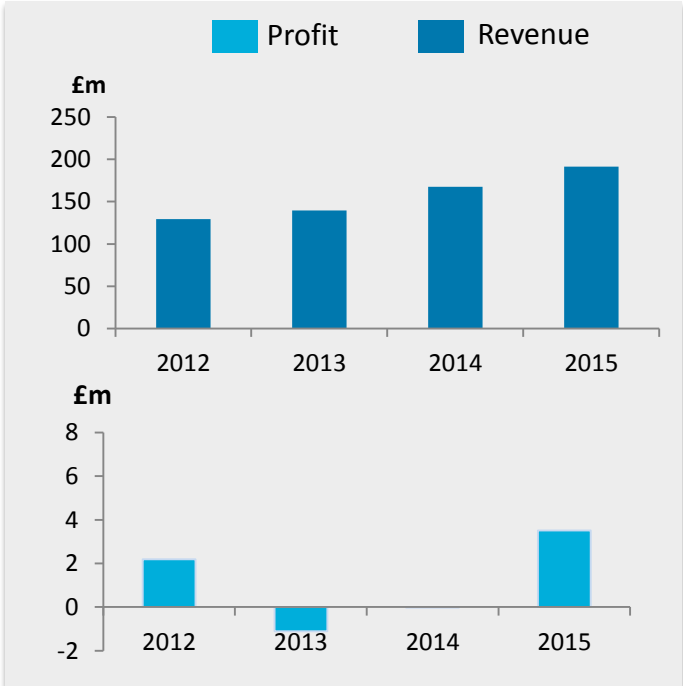
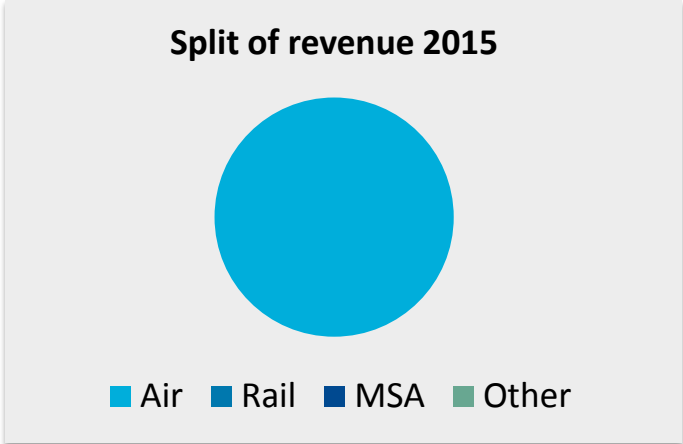
- 43% of SSP revenue
- 3.3% sales growth and 5.0% operating profit growth
- Regional differences
- Strong positions in air and rail
- Strategic initiatives making progress but early days
- Focus on
  - High renewal rate
  - Efficiency in challenging markets
  - Selective new business

Note: All figures in constant currency



# North America – Regional update

- 10% of SSP revenue
- 14.3% sales growth
- Focus on air channel, opportunity to grow share
- New management team
- Invested in business development, design and construction, procurement
- Focus on
  - Building credentials
  - Profitable new business development
  - Ability to mobilise quickly and efficiently



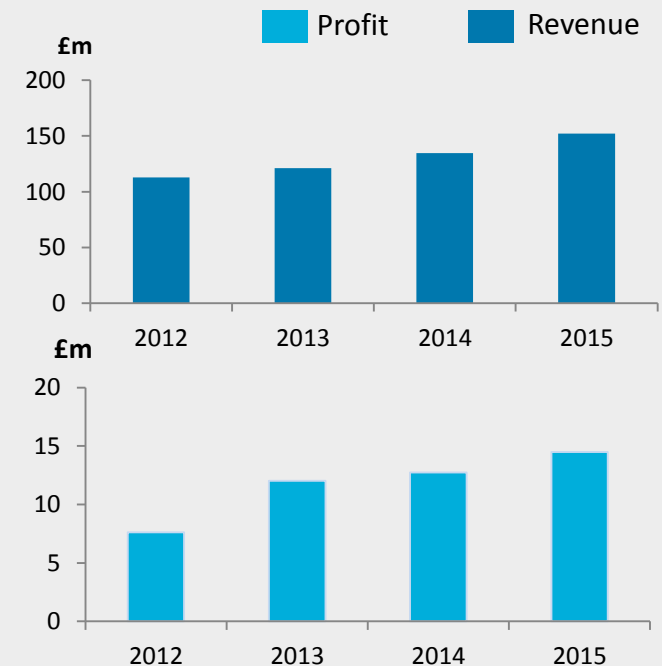
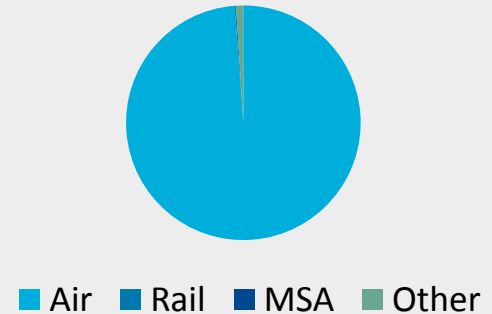
Note: All figures in constant currency

# Rest of World – Regional update

- 8% of SSP revenue
- 13.0% sales growth and 13.7% operating profit growth
- Focus on air, early development in other channels
- Wide geographic spread
- New management team
- Investment in upskilling across the board
- Focus on
  - Infrastructure development to support growth
  - Profitable new business development

Note: All figures in constant currency

Split of revenue 2015



# Our focus remains on five key levers to deliver value

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**Optimise our offer to benefit from the positive trends in our markets**

**Grow profitable new space**

**Optimise gross margin and leverage scale benefits**

**Run an efficient and effective business**

**Optimise investment using best practice and shared resource**

# LFL Sales Growth

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- LFL+3.7%, Q4 performance driven by passenger growth
- Underlying positive trends in travel channels
- Geographic diversification
- Strategic initiatives delivering well
- Focus on ranging improvements, pricing analysis and category performance

## Areas of focus

Improve ranges

Optimise price and promotion

Upselling

Maximise use of space

Focus on category as well as brand performance

# Like for like growth – case study

## Upper Crust breakfast



## France - Sandwich category analysis

Opportunity	Value
Rationalise range tail	High
Maximise distribution of most profitable products	Medium
Focus merchandising on most profitable lines	Medium
Expand 'mini' products	Medium
Trial changing price architecture	Trial

# Grow profitable new space

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- Good performance: net gains +0.6%
- Timings of openings volatile
- Will always be lumpy due to nature of contract wins
- Renewal rate in line with plan, focus on retention of profitable business
- Disciplined approach
  - Selective development
  - All investments reviewed at centre
  - Strict financial criteria
  - Post-opening reviews

## Areas of focus

New units within existing sites

Existing markets, new sites

New markets

High renewal rate

# New openings across the Group in 2015

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Street Food, Euston Station



Chee Kei, Taiwan



M&S, Waterloo Station



Pie Face, Sydney Airport



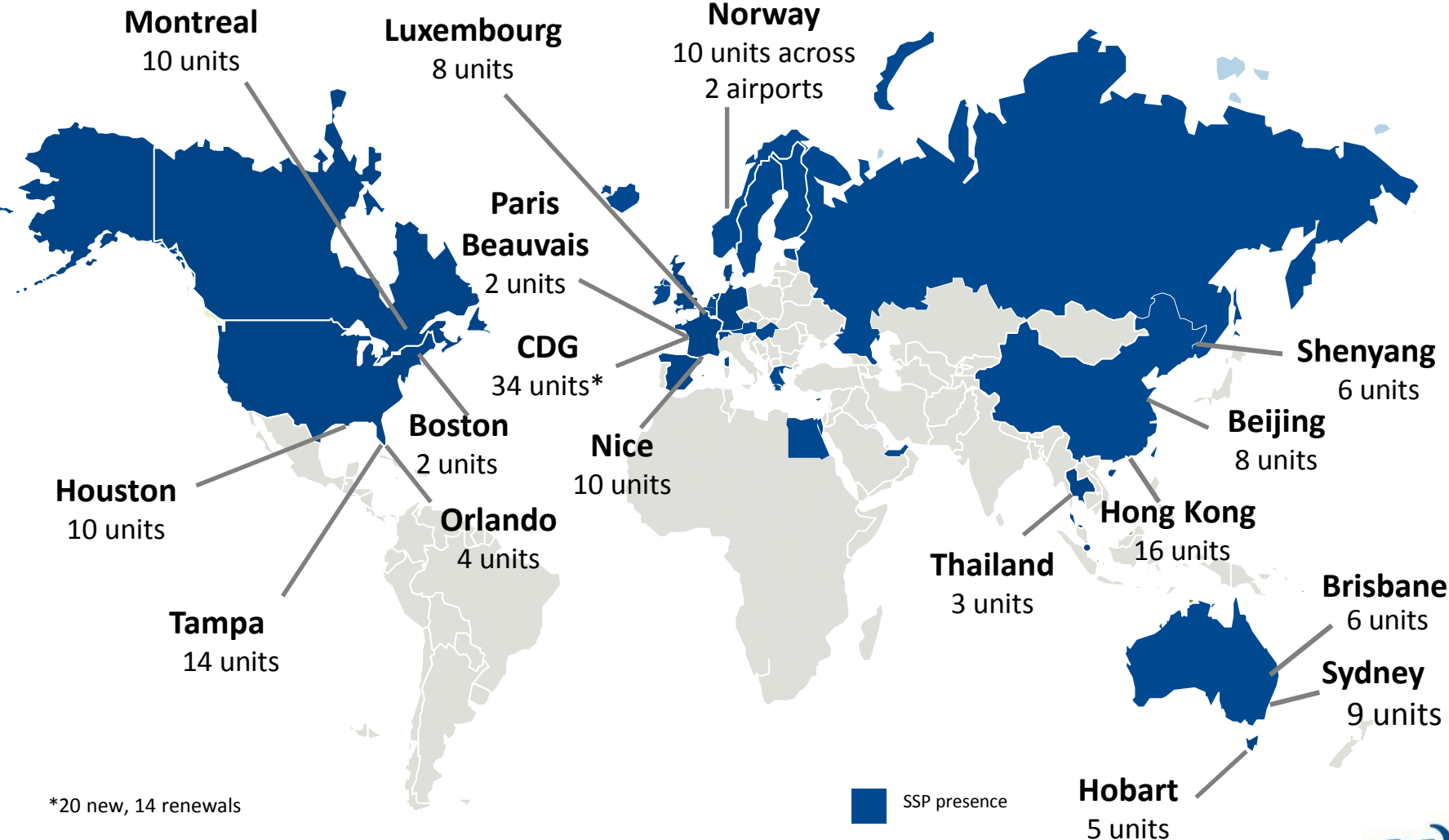
Prado, San Diego Airport



Pacifica, San Diego Airport



# Good progress on contract wins including:



\*20 new, 14 renewals

SSP presence



# Brand portfolio developing well

- Brands drive LFL sales, new business and renewals
- Developing our portfolio globally with international and local brands
- Further development of own brand and bespoke concepts
- Working with more high profile chefs and local heroes



# Further progress optimising gross margin

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- Gross margin improved by 50bps
- Key initiatives making good progress
- Procurement disciplines well established
- Recipe rationalisation and improvement progressing well
- Further roll-out of systems to allow waste and loss management
- Invested in central and local procurement, recipe development and waste and loss resource

## Areas of focus

**Procurement disciplines**

**Simplify and standardise recipes**

**Reduce waste and losses**

# Gross Margin – case studies

## Procurement - sugar sticks international deal

	Before	After
No. of suppliers	12	1
No. of SKU's	42	14
Annual savings	c. 15%	

## Recipe rationalisation – pizza standardisation



## Waste – Millie’s Cookies production planning and systems



# Encouraging progress on operating efficiency

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- Overheads 20bps improvement
- Total labour costs 10bps improvement, underlying 40bps
- Substantial opportunity to improve service and efficiency
- Systems developments important for forecasting and scheduling
- Technology to improve efficiency
- Multi-year programme

## Areas of focus

**Service optimisation**

**Improve forecasting and scheduling**

**Employ technology to improve efficiency**

**Improve reporting and accountability**

# Optimising investment to drive returns

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- Capex £81m
- Maintenance and expansion capex
- Capex driven by timing of renewals and new openings
- Tight central controls over investment
- Two-phase approval on all spend
- Capex database established and central planning tool being introduced
- Expert resource for capital procurement and project management

# Summary and Outlook

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- Strong performance over the year
- LFL sales particularly strong, underlying in line with plan
- Positive progress on gross margin and efficiency
- Net margin development strong
- Full year dividend of 4.3p
- Pipeline very encouraging going forward – timing difficult to predict
- Expectations remain positive and unchanged
- Focus, as always, on delivering value for our shareholders



# SSP Group plc

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*Annual Results 2015 – Q&A*

26 November 2015



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