
# Preliminary Results 2023

Patrick Coveney, Group CEO
Jonathan Davies, Group Deputy CEO and CFO

5 December 2023

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# Agenda

| | |
|---|---|
| **Introduction** | Patrick Coveney |
| **Financial review** | Jonathan Davies |
| **Business review** | Patrick Coveney |
| **Q&A** | |

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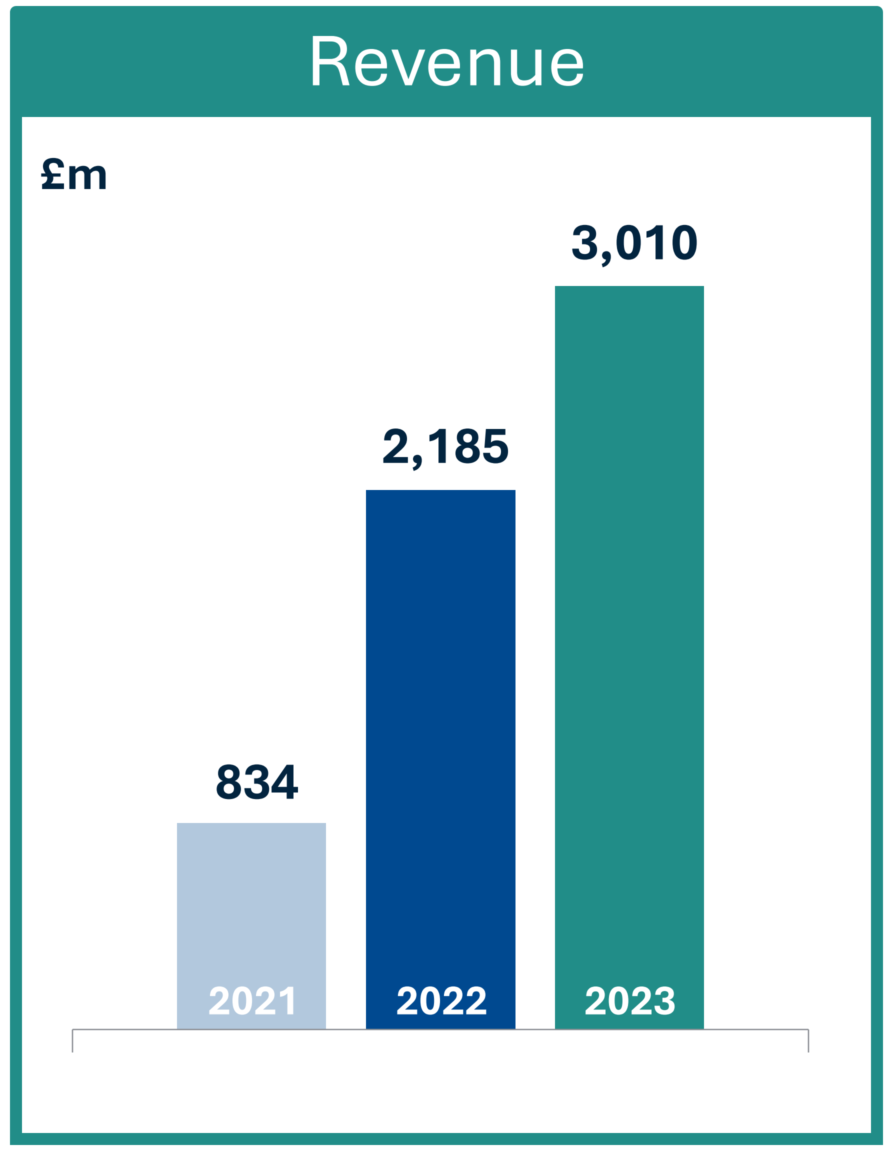
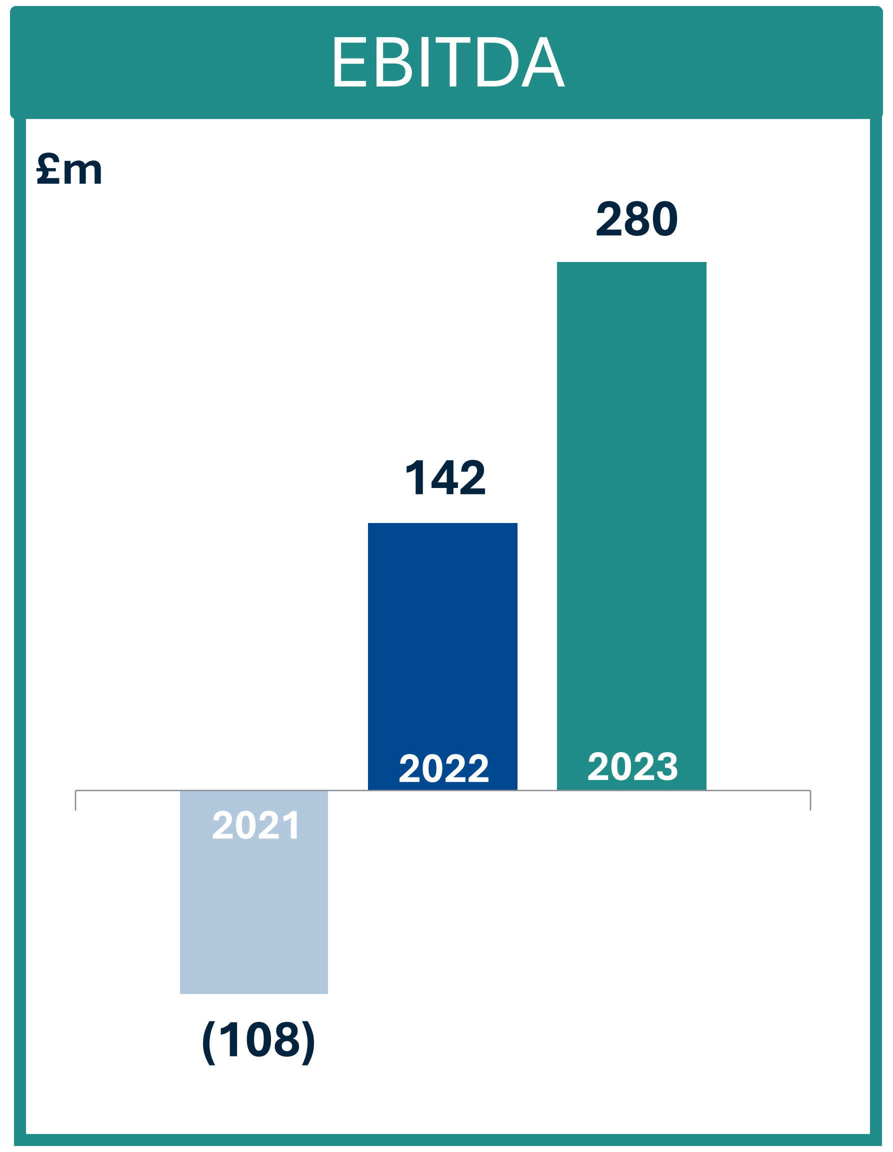
# Moving to sustainable growth and returns

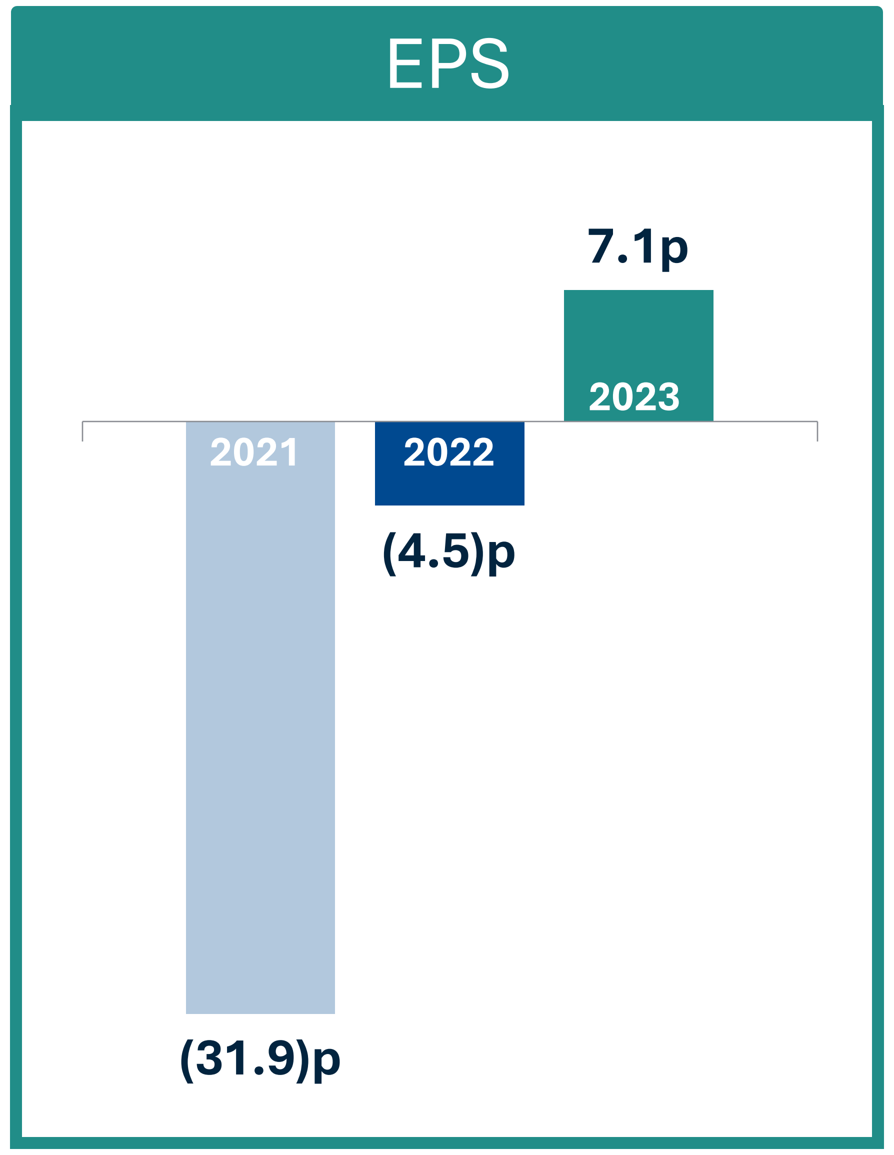
**Early 2020** → **Spring 2022** → **From now**

- Business protection
- Hibernation
- Recovery & rebuild
- Sustainable growth & returns

- Re-open the estate
- Re-build the economic model
- Reset and enhance customer proposition
- Strengthen and extend client and brand partnerships
- Engage colleagues
- Embed sustainability




*Note: All figures on an underlying basis and pre IFRS 16*


# Financial review

## Jonathan Davies
## Group Deputy CEO and CFO

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# Financial highlights

| REVENUE | EBITDA | OPERATING PROFIT |
|---|---|---|
| **£3,010m** | **£280m** | **£164m** |
| **+38%** vs FY22 | **+£138m** vs FY22 | **+£134m** vs FY22 |

| EPS | NET DEBT:EBITDA | DIVIDEND |
|---|---|---|
| **7.1p** | **1.4x** | **2.5p** |
| **+11.6p** vs FY22 | **0.7x better** vs FY22 | **35%** payout ratio |

*Note: All figures on an underlying basis and pre IFRS 16*



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# Underlying Operating Profit £205m (IFRS 16 basis)

| £m | IFRS 16 basis | | | Pre-IFRS 16 basis | | |
|---|---|---|---|---|---|---|
| | FY 2022 | FY 2023 | Change (Actual FX rates) | FY 2022 | FY 2023 | Change (Actual FX rates) |
| **Revenue** | 2,185 | **3,010** | 38% | 2,185 | **3,010** | 38% |
| **EBITDA**[1] | 313 | **516** | 65% | 142 | **280** | 97% |
| % sales | 14.3% | 17.1% | 2.8% | 6.5% | 9.3% | 2.8% |
| Depreciation | (282) | (311) | 10% | (112) | (116) | (4)% |
| **Operating Profit**[1] | 32 | **205** | 540% | 30 | **164** | 440% |
| Operating Margin (%) | 1.5% | 6.8% | 5.3% | 1.4% | 5.4% | 4.1% |

*1.Stated on a pre-exceptional basis, before non-underlying items*

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# Underlying performance ahead of 'planning scenarios' set out last year

| | 'Planning scenario' 2023[1] | | 2023 Results | |
|---|---|---|---|---|
| | Dec 2022 | May 2023 | Actual FX | FX Adjusted |
| **Sales (£m)** | 2,900-3,000 | **c.3,000** | 3,010 | **3,057[2]** |
| **EBITDA (£m)**<br>**% sales** | 250-280<br>8.6-9.3% | **c.280**<br>**c.9.3%** | 280<br>9.3% | **289[2]**<br>**9.5%** |
| **EPS (p)** | n/a | **7.0-7.5** | 7.1 | **7.2[3]** |

1. *Pre-IFRS 16 at actual FX rates (Dec 2022, May 2023)*
2. *At November 2022 FX*
3. *At May 2023 FX*



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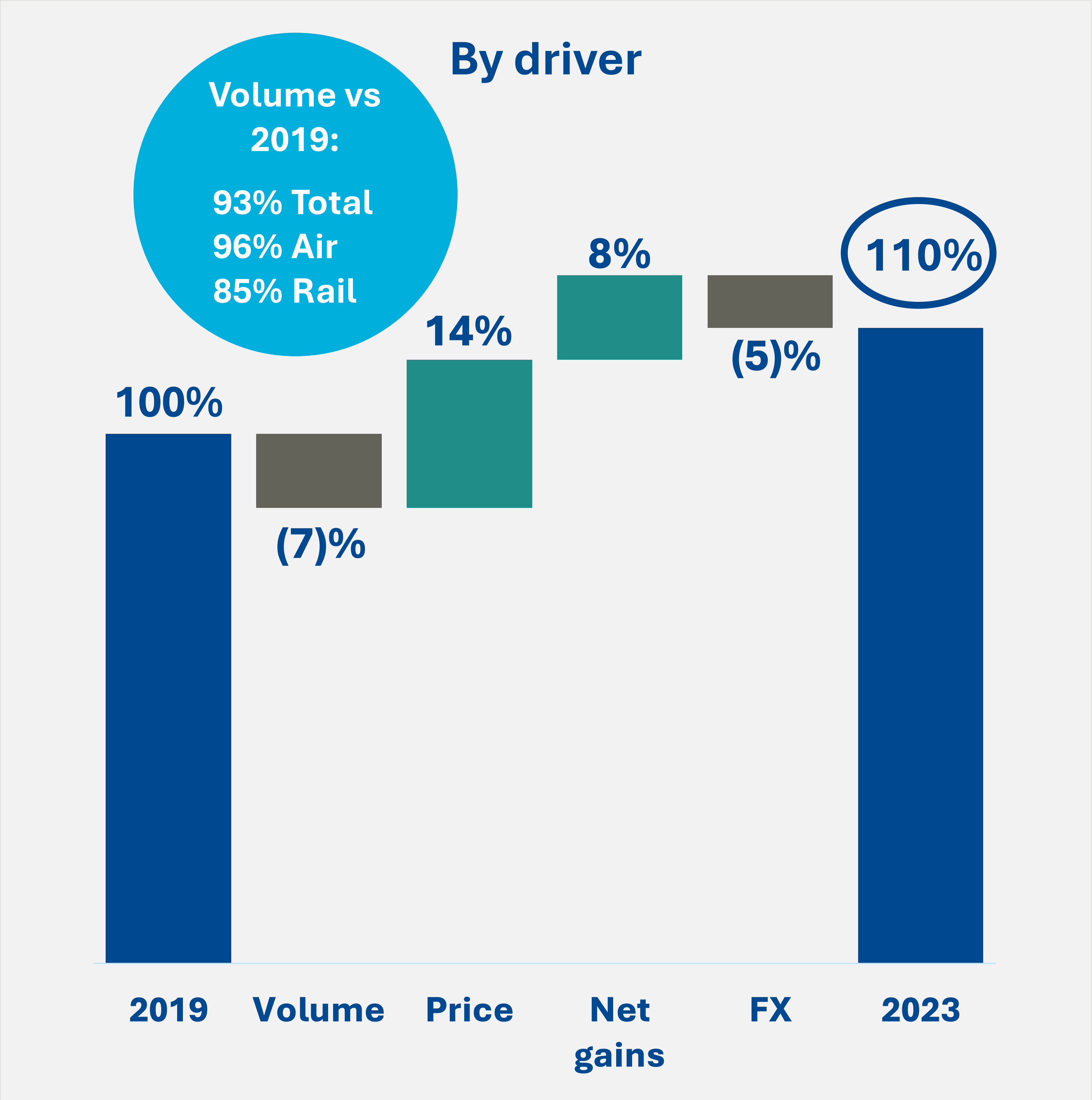
# H2 Group revenue at 110% of 2019 levels



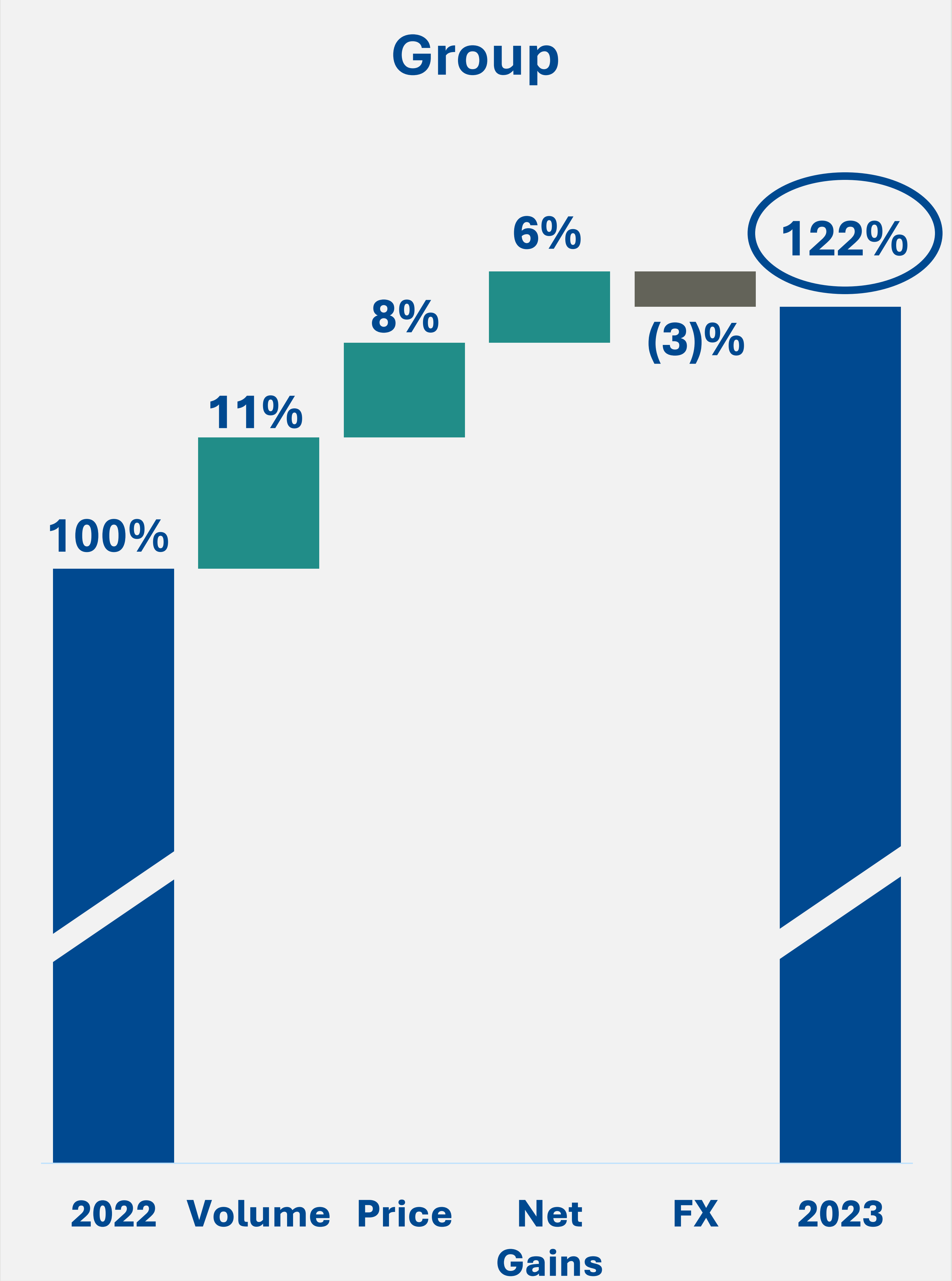

Source: SSP estimates

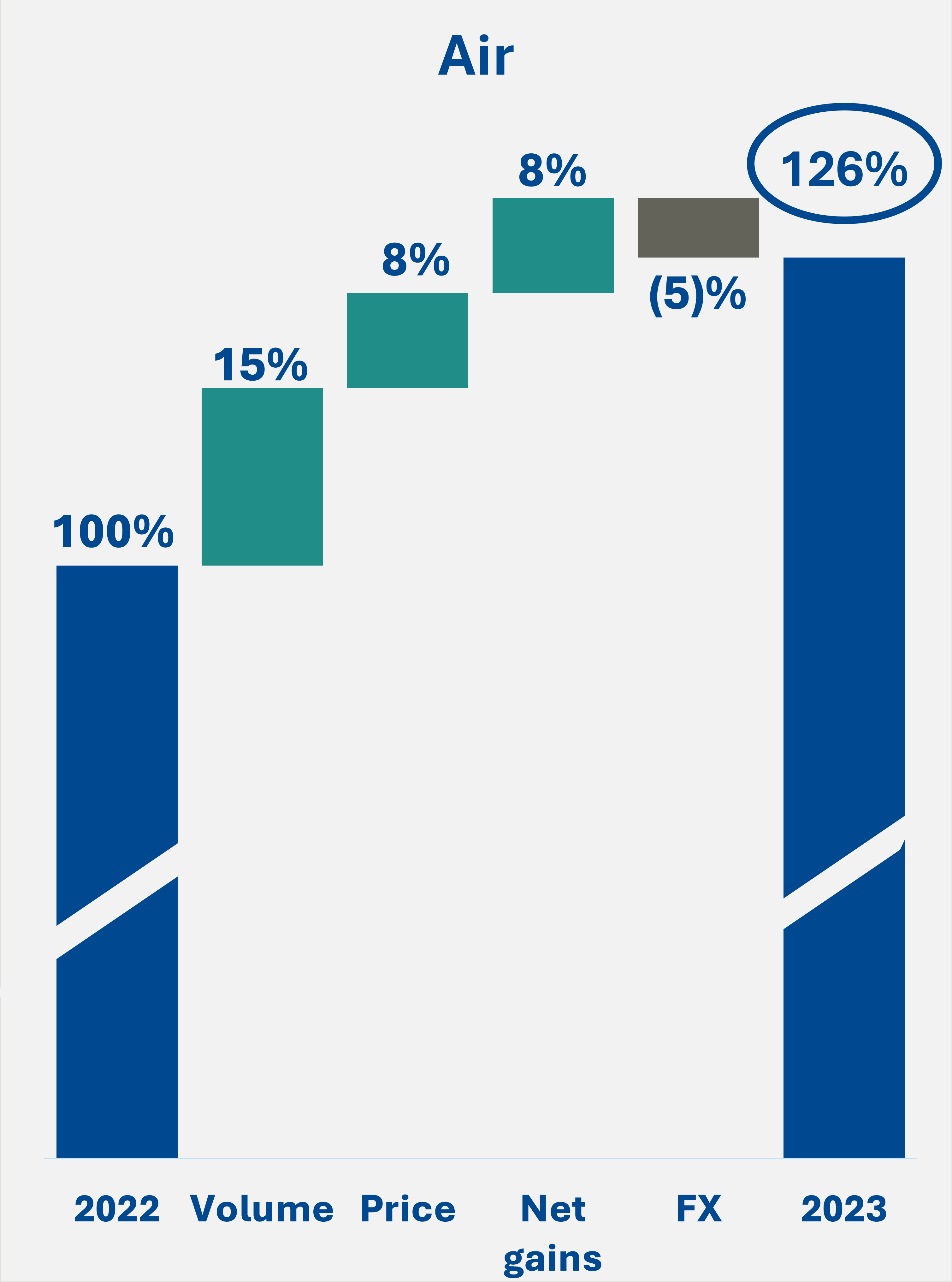
## By region

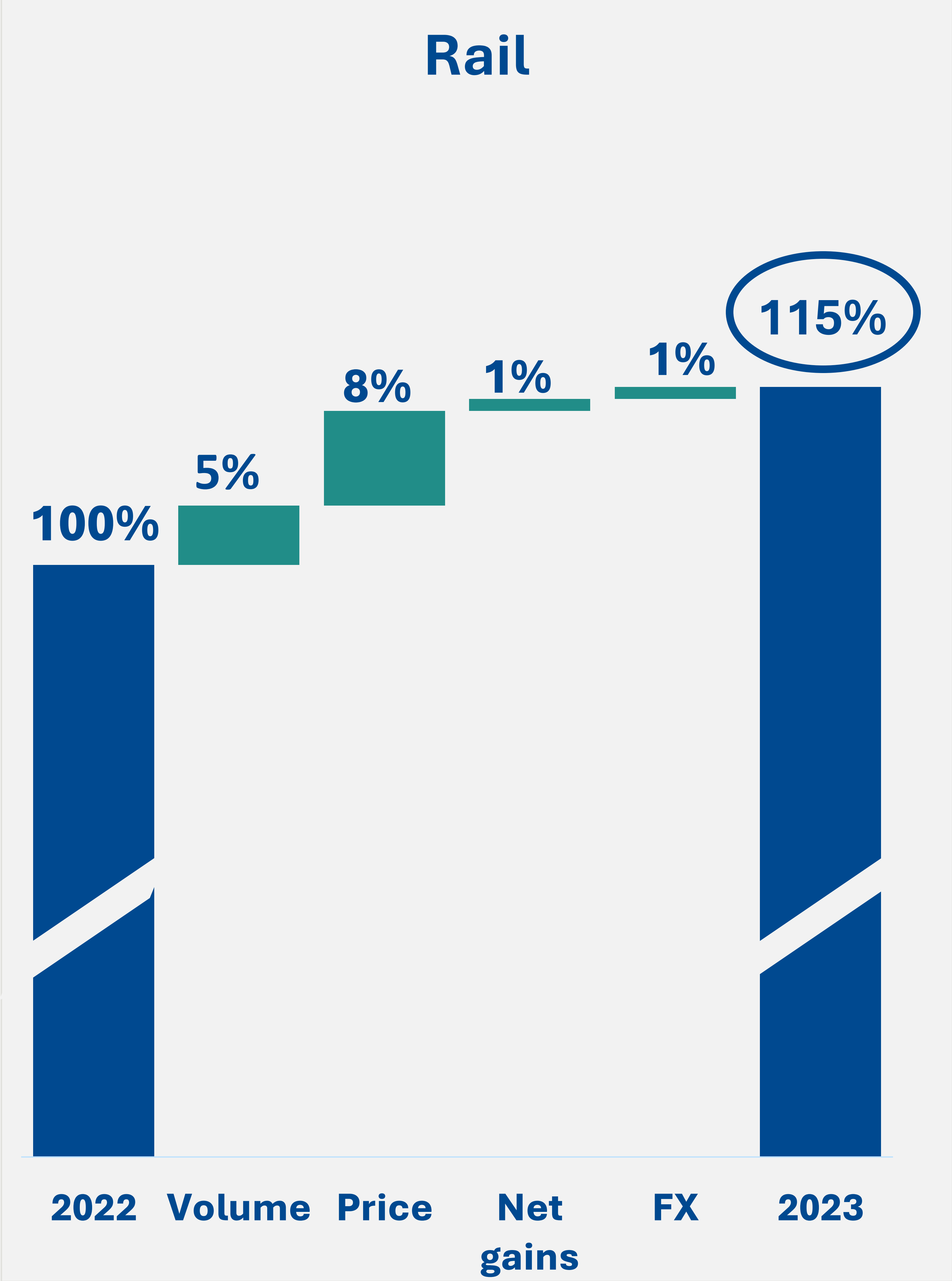
| | 2023 H1 | 2023 H2 |
|---|---|---|
| North America | 127% | 123% |
| Continental Europe | 109% | 110% |
| UK & ROI | 85% | 98% |
| APAC & EEME | 104% | 114% |
| Group | 104% | 110% |

# H2 Revenue performance driven by volume recovery in Air

## % of 2022 Revenue




*Source: SSP estimates*

# H2 sales growth at 25% YoY

| YoY % growth | 2023 H2 | | | First 8 wks of 2024 |
|---|---|---|---|---|
| | LFL | Net Contract Gains[1] | Revenue (constant currency) | Revenue (constant currency) |
| North America | 24% | 14% | 38% | 33% |
| Continental Europe | 13% | 4% | 17% | 14% |
| UK & ROI | 14% | 2% | 16% | 22% |
| APAC & EEME | 44% | 10% | 54% | 29% |
| Group | 19% | 6% | 25% | 22% |

*1. H2 net gains contribution from Midfield Concessions Enterprises, Inc. of c.1% in Group and c.4% in North America*

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# FY YoY EBITDA growth driven by N. America and APAC & EEME

| | | YOY Growth % | EBITDA % of sales | |
|---|---|---|---|---|
| Underlying EBITDA (Pre-IFRS 16) | £m | Constant Currency | Actual | YoY % pts change |
| North America | 92 | 80% | 13.7% | 2.5% |
| Continental Europe | 78 | 30% | 6.8% | (0.2)% |
| UK & ROI | 73 | 88% | 9.4% | 3.1% |
| APAC & EEME | 77 | 238% | 17.8% | 7.7% |
| Non-attributable | (40) | 16% | n/a | n/a |
| **Group** | 280 | 104% | 9.3% | 2.8% |

# Operating costs tightly managed despite ongoing inflation

| £m | FY 2023 | vs. FY 2022 |
|---|---|---|
| Revenue | 3,009.7 | 824.3 |
| Gross Profit | 2,173.1 | 597.9 |
| *% Sales* | *72.2%* | *0.1%* |
| Labour Costs | (918.4) | (231.7) |
| *% Sales* | *(30.5)%* | *0.9%* |
| Concession Fees | (627.2) | (173.1) |
| *% Sales* | *(20.8)%* | *0.0%* |
| Overheads | (347.5) | (55.1) |
| *% Sales* | *(11.5)%* | *1.8%* |
| **EBITDA** | **280.0** | **138.1** |
| *% Sales* | ***9.3%*** | ***2.8%*** |
| Depreciation & Amortisation | (116.3) | (4.7) |
| *% Sales* | *(3.9)%* | *1.2%* |
| **Operating Profit/(Loss)** | **163.7** | **133.4** |
| *Operating Margin (%)* | ***5.4%*** | ***4.0%*** |

*Note: All numbers are stated on a pre-IFRS 16 basis and before exceptional costs*



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# Underlying Net Profit £56m (pre-IFRS 16 basis)

| | Pre-IFRS 16 basis | | |
|---|---|---|---|
| **£m** | **FY 2023** | **FY 2022** | **YoY** |
| **Operating Profit** | **163.7** | **30.3** | **133.4** |
| Net Financing Cost | (33.5) | (43.6) | 10.1 |
| Share of Associates | 7.2 | 6.6 | 0.6 |
| **Profit/(Loss) Before Tax** | **137.4** | **(6.7)** | **144.1** |
| Tax | (31.2) | (4.6) | (26.6) |
| Minority interests | (49.7) | (24.2) | (25.5) |
| **Net Profit/(Loss)** | **56.5** | **(35.5)** | **92.0** |
| Profit/(Loss) per share (p) | 7.1p | (4.5)p | 11.6p |
| Dividend per share (p) | 2.5p | - | |

*Note: All numbers are stated on a pre-IFRS 16 basis and before exceptional costs*



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# Increased minority interest charge reflecting strong profit growth in N. America & India where we operate with JV partners

| | EBITDA | | | MI | | | |
|---|---|---|---|---|---|---|---|
| £m | 2019 | 2023 | % change | 2019 | 2023 | % change | JV participation[1] |
| **North America** | **73** | **92** | **26%** | **13** | **23** | **70%** | **c.25%** |
| Continental Europe | 115 | 78 | (32)% | 1 | - | - | - |
| UK & ROI | 117 | 73 | (38)% | - | - | - | - |
| **APAC & EEME** | **55** | **77** | **41%** | **13** | **27** | **115%** | **c.35%** |
| *India* | *24* | *47* | *97%* | *9* | *22* | *139%* | *c.60%* |
| *Other* | *31* | *30* | *(3)%* | *4* | *5* | *51%* | *c.25%* |
| Non-attributable | (33) | (39) | (18)% | - | - | - | - |
| **Group** | **326** | **280** | **(14)%** | **27** | **50** | **87%** | |

**Minority interest expected to increase in line with the profit growth in our businesses with JV partners**

*(1) JV shareholder participation weighted by sales*

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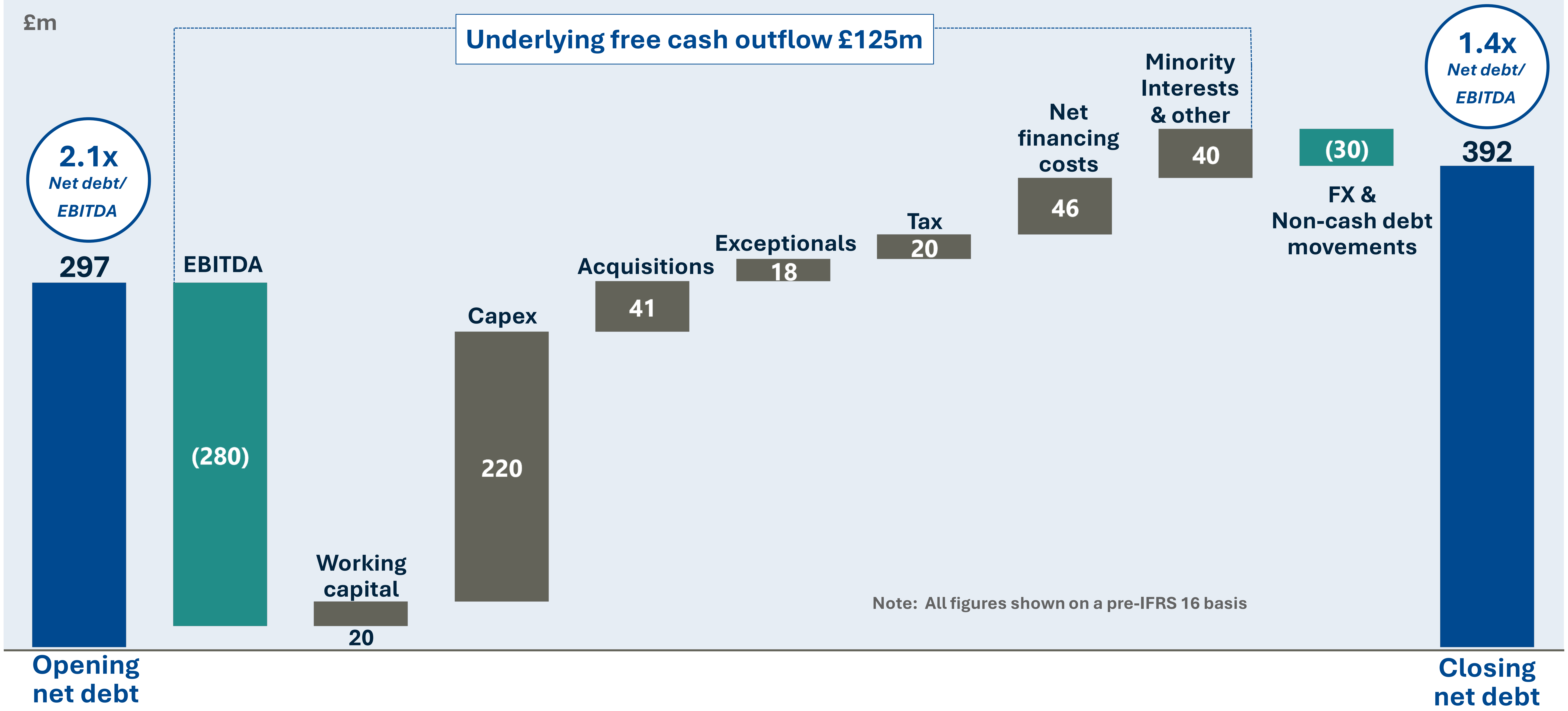
# Cash usage £125m, with leverage reducing to 1.4x

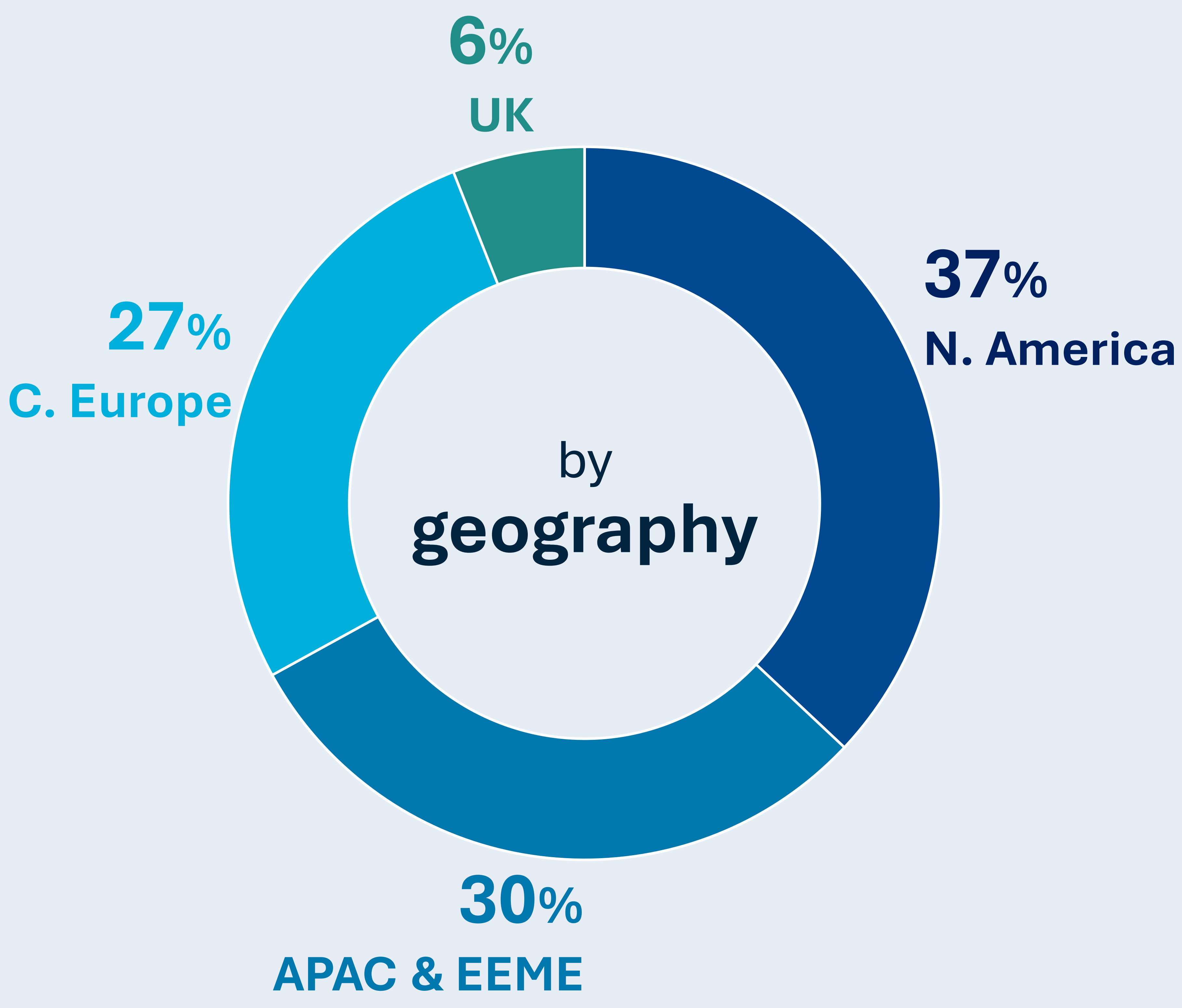


# Future pipeline of secured net gains of c.£450m of annualised sales by 2027

## Expected net gains in 2024 of c.5% already fully secured

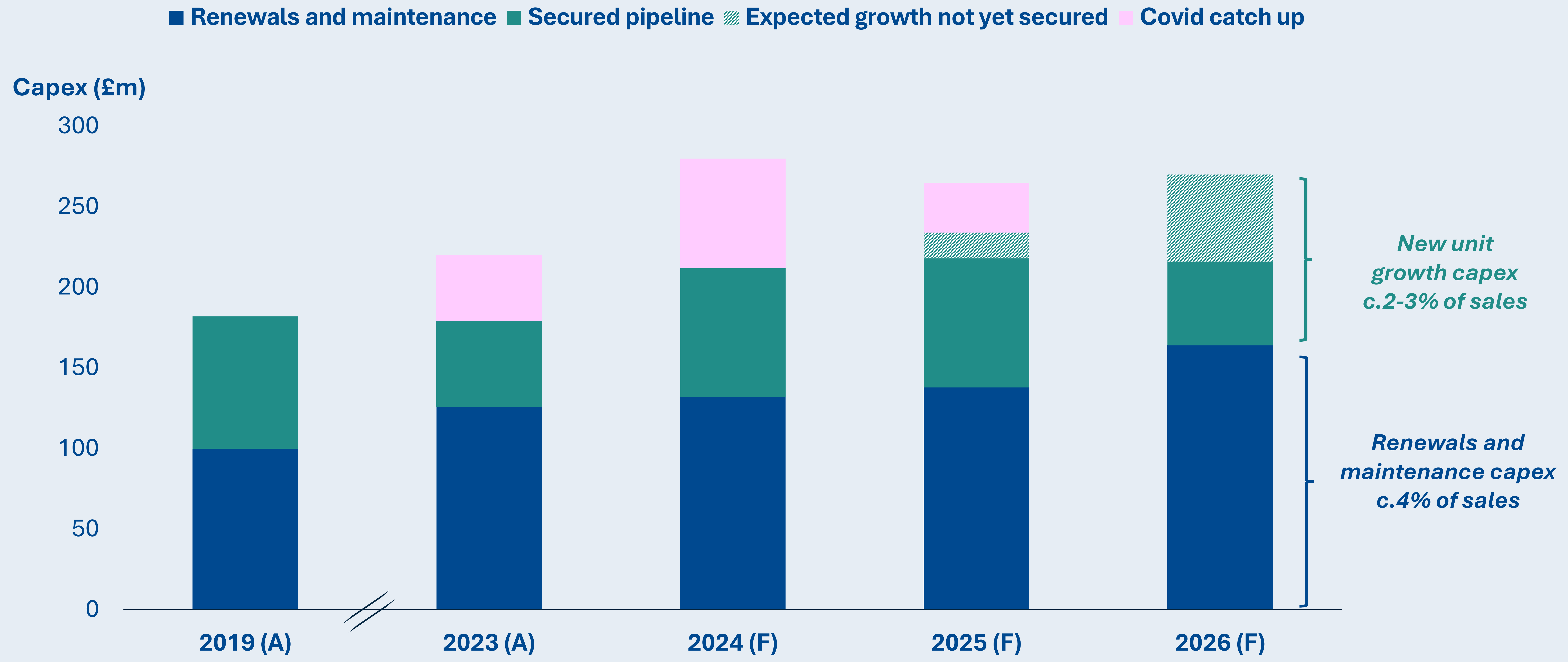
*Forecast annualised sales from net gains*


## Two-thirds of secured net gains in N.America and APAC & EEME




*(1) Net gains expressed before acquisitions*

# We have some near term COVID catch up investment; our long term investment and returns model remains unchanged




| *Net gains %* | 5.6% | 6.4% | c.5% | c.5% | c.3-5% |
|---|---|---|---|---|---|

*Investment generating high returns: 3-4 year payback*

*Depreciation[1] expected to revert to historic levels of c.4.0%*

*(1) On a pre-IFRS 16 basis*
*Note: 2025 and 2026 forecasts are illustrative only*

# 2024 Planning Assumptions – strong expected performance

| | FY 2023 Actuals | FY 2024 Planning Assumptions[1,2,3] | Drivers |
|---|---|---|---|
| **Revenue** | £3.0bn | c.£3.4-3.5bn | • Like-for-like c.6-10%<br>• Net gains of c.5%<br>• Acquisition of Midfield Concessions adding c.2% |
| **EBITDA** | £280m | c.£345-375m | • Operating leverage<br>• Efficiencies offsetting cost inflation<br>• Unit openings - pre-opening costs ramp up |
| **Operating profit** | £164m | c.£210-235m | • Depreciation at c.4.0% of sales |

*Note: All numbers on a pre-IFRS 16 basis*

1. *At constant rates (average rates for FY 2023)*
2. *FX rates as at 30 November 2023 would result in a c.(1.6)% translation impact to revenue and c.(2.1)% to EBITDA*
3. *Planning assumptions issued at the Preliminary results in December 2022 were for revenue in a range of £3.2-£3.4bn and EBITDA in a range of £325-£375m. These were based on FX rates as at November 2022. Reflecting the strengthening of Sterling against most of our major currencies since that time, at current FX rates the translation impact would be to reduce EBITDA by c.£20m. Assumptions were also issued prior to the acquisition of the concessions business of Midfield Concession Enterprises, Inc.*



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# Clear capital allocation strategy

## Uses of cash and balance sheet efficiency

**Organic growth**
Renewals and net gains
3-4 year payback

**Infill M&A**
Required returns > WACC

**Balance sheet efficiency**
Target net debt/EBITDA c.1.5x - 2.0x

**Ordinary dividend**
Target pay-out ratio of 30-40%

**Surplus capital returned**
Share buybacks or special dividends

## Clear priorities to generate returns

- Prioritising organic growth; renewals and net gains & infill M&A
- Ordinary dividend resumed at payout ratio of 35% on FY earnings
- Medium-term leverage range remains c.1.5x-2.0x Net debt: EBITDA
- Capital returns to deliver balance sheet efficiency



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# Business review

Patrick Coveney

Group CEO

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# Delivering on our strategic priorities

| | Priorities | Progress |
|---|---|---|
| **Pivoting to high growth markets** | • Increasing focus on air channel<br>• Accelerating growth; North America & Asia Pac<br>• Growing selectively in UK, Europe & EEME | **% EBITDA[1] (N.A and APAC & EEME)**<br>43% (2022) → 53% (2023) |
| **Enhancing business capabilities; driving competitive advantage** | • Accelerating LFL growth<br>• Developing great customer propositions<br>• Digitising our business<br>• Supporting our people & culture<br>• Building a sustainable business | **LFL %**<br>+19% H2 2023 |
| **Delivering operational efficiencies; driving sustainable margin enhancement** | • Revitalising our efficiency programme<br>• Optimising procurement<br>• Utilising more technology and automation | **EBITDA[1] margin % to sales**<br>6.5% (2022) → 9.3% (2023) |

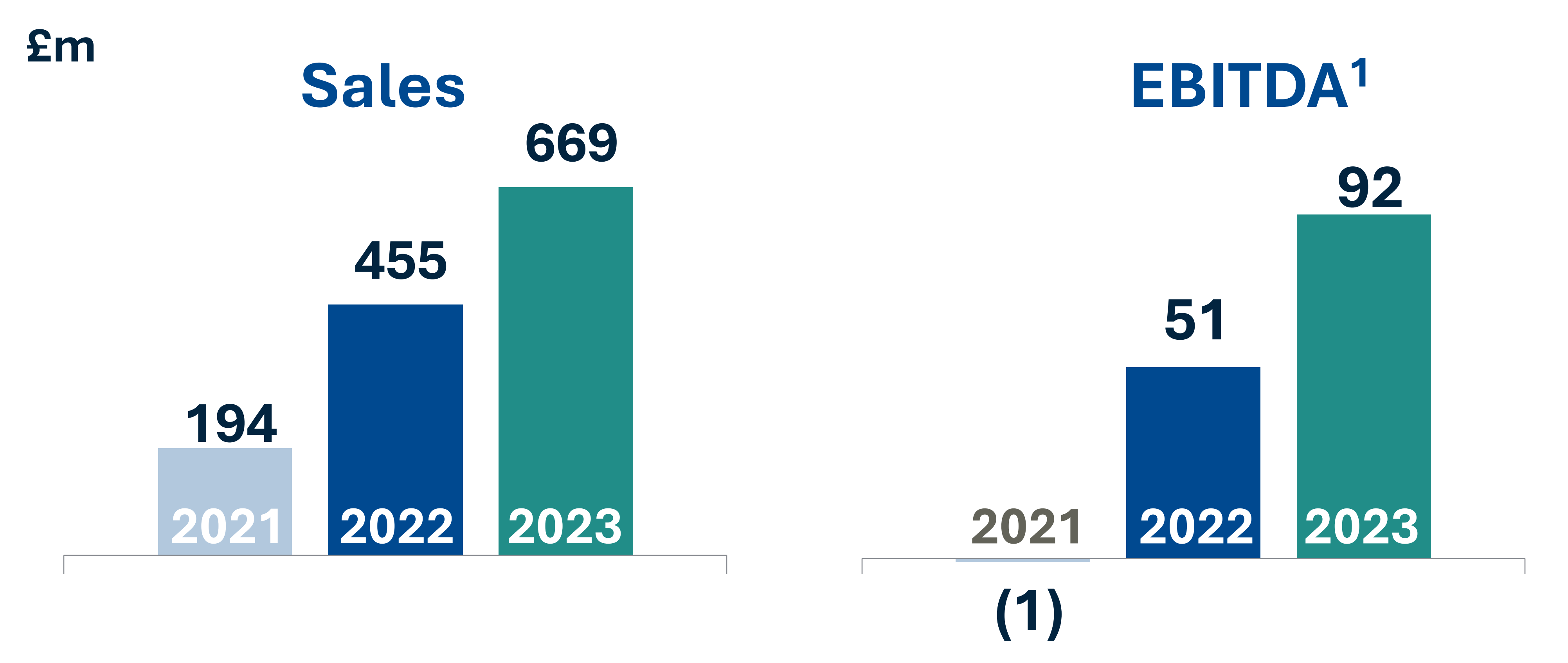
*(1) On an underlying, pre-IFRS 16 basis*

# Accelerating growth: North America and APAC and EEME

**Leveraging partner expertise to deliver high revenue growth, sustainable margin growth and returns**

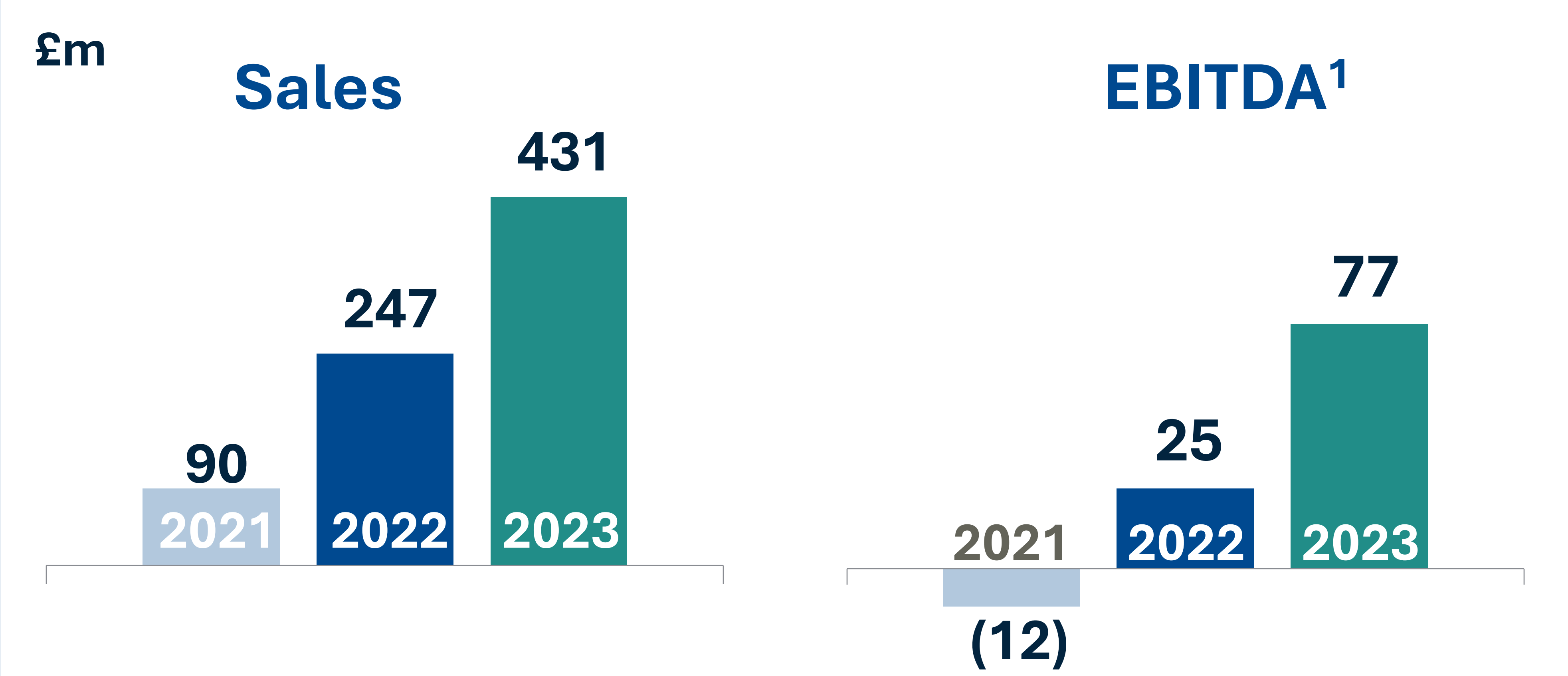
## North America

- LFL sales up 33%
- Driving improvements in gross margin & labour
- Strong new business momentum; significant opportunity
- Successful integration of Midfield Concessions




## APAC & EEME

- Rapid financial recovery
- Focus on SE Asia high growth markets
- Significant mobilisation programme and net gains
- Exceptional India performance




*(1) On a pre-IFRS 16 basis*

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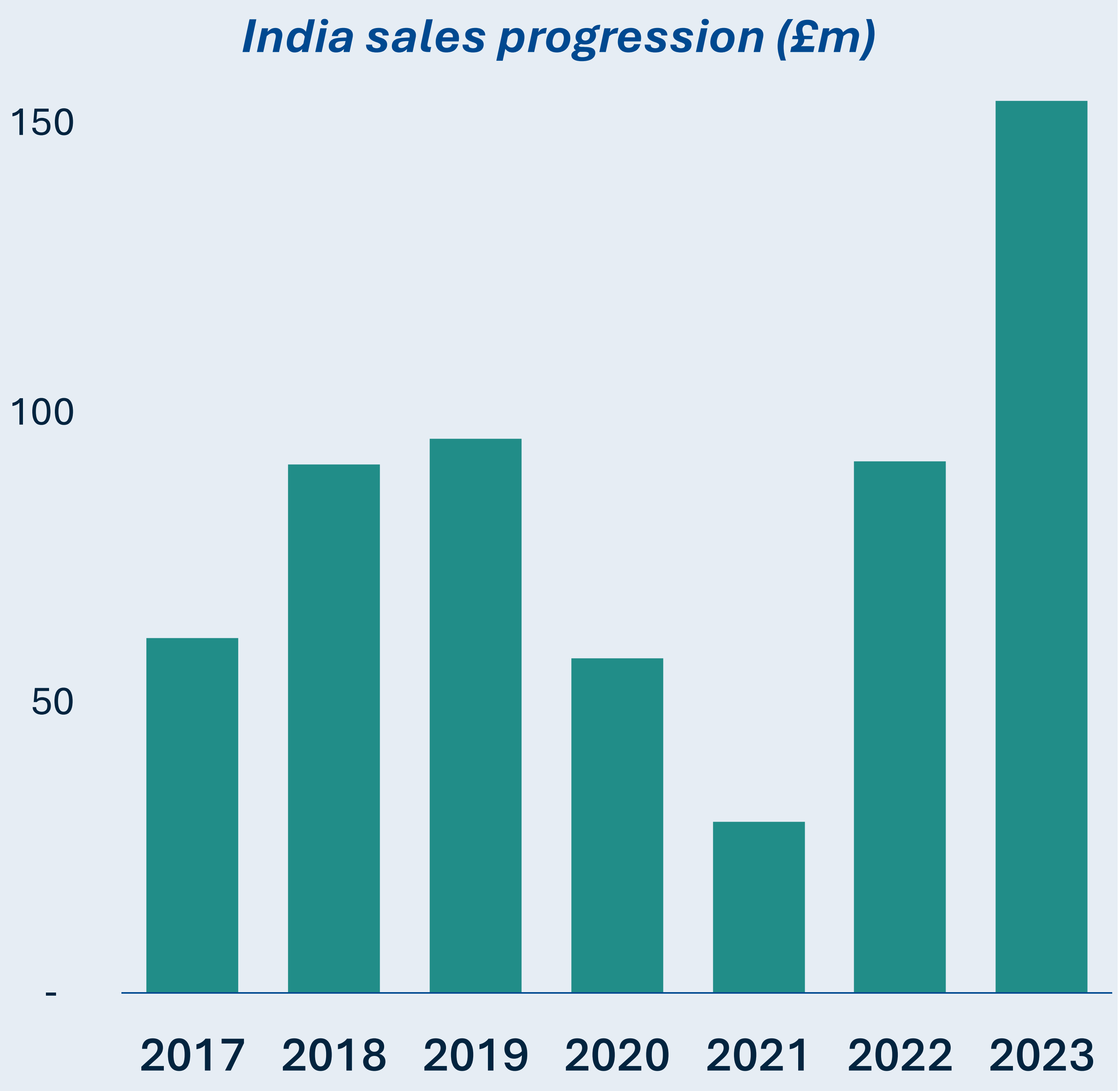
# India – a significant opportunity for further growth and returns

## Rapid growth achieved since market entry

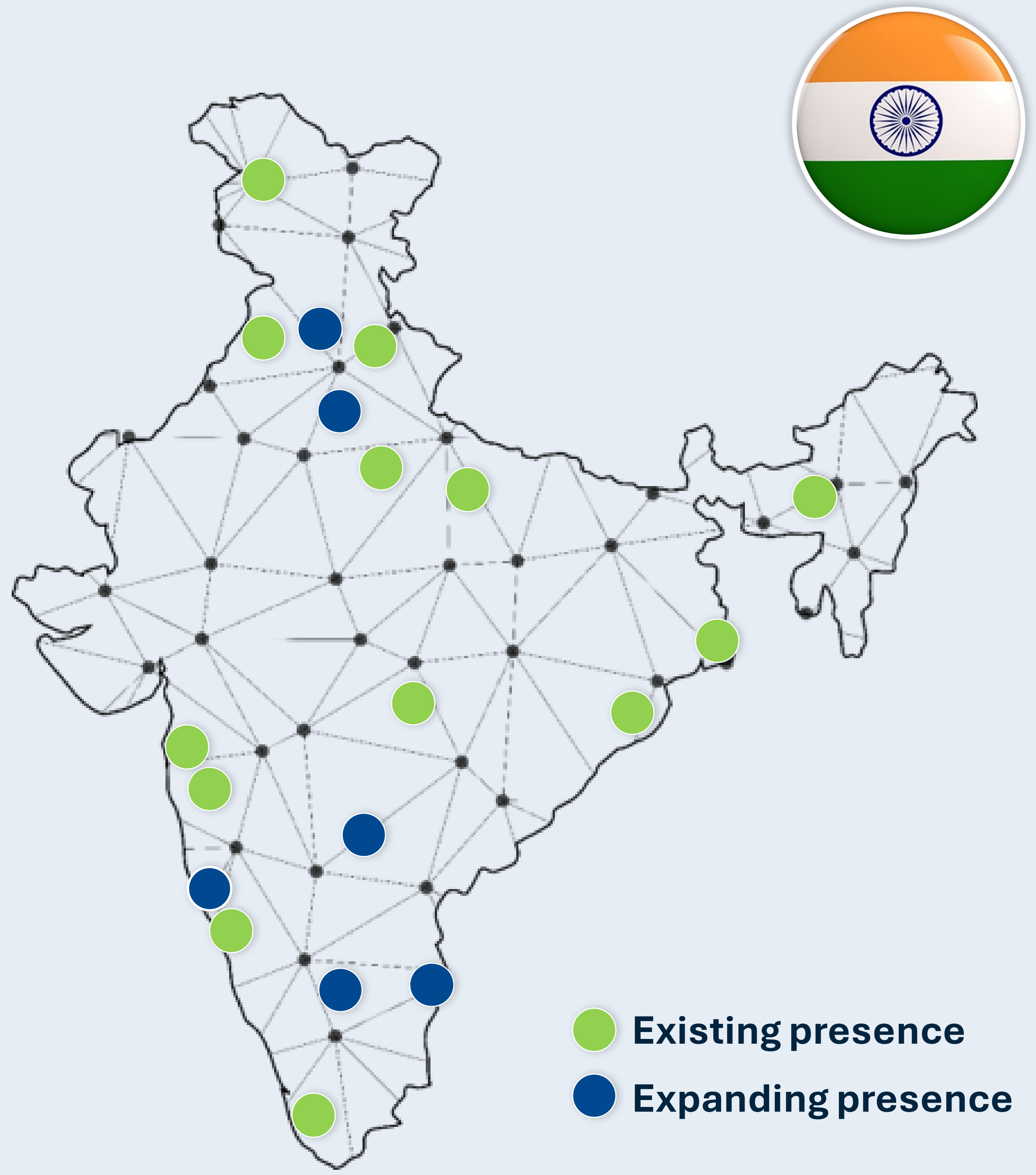



## A significant business for SSP

**2nd**
Largest market by unit numbers

**>60%**
of profitability in APAC & EEME

## A quarter of our APAC and EEME secured pipeline




**Third largest global aviation market by volume; aircraft supply[1] expected to rise by >70% by 2026-2027**

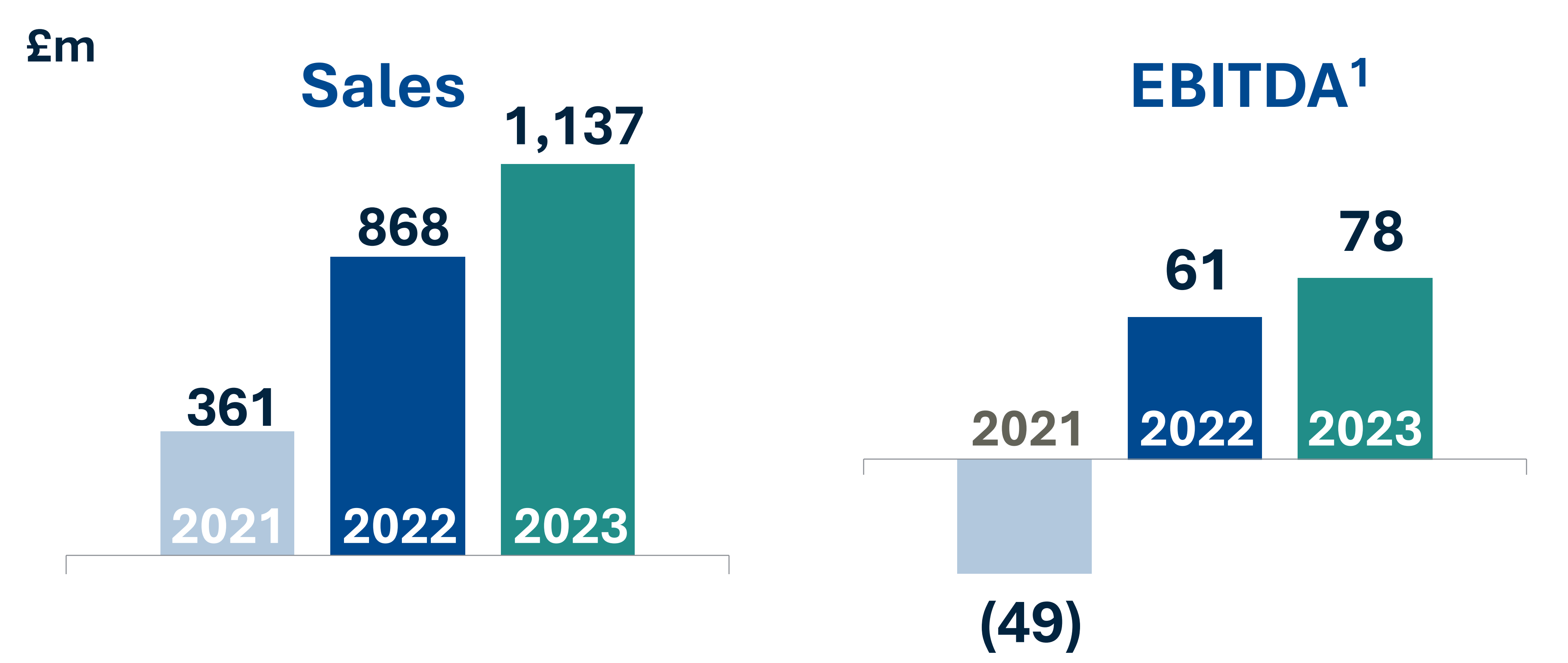
(1) Source: Various news reports – November 2023

# Steady growth and performance: UK & ROI and C.Europe

**100% owned businesses delivering good growth accompanied by rising margin over medium-term**

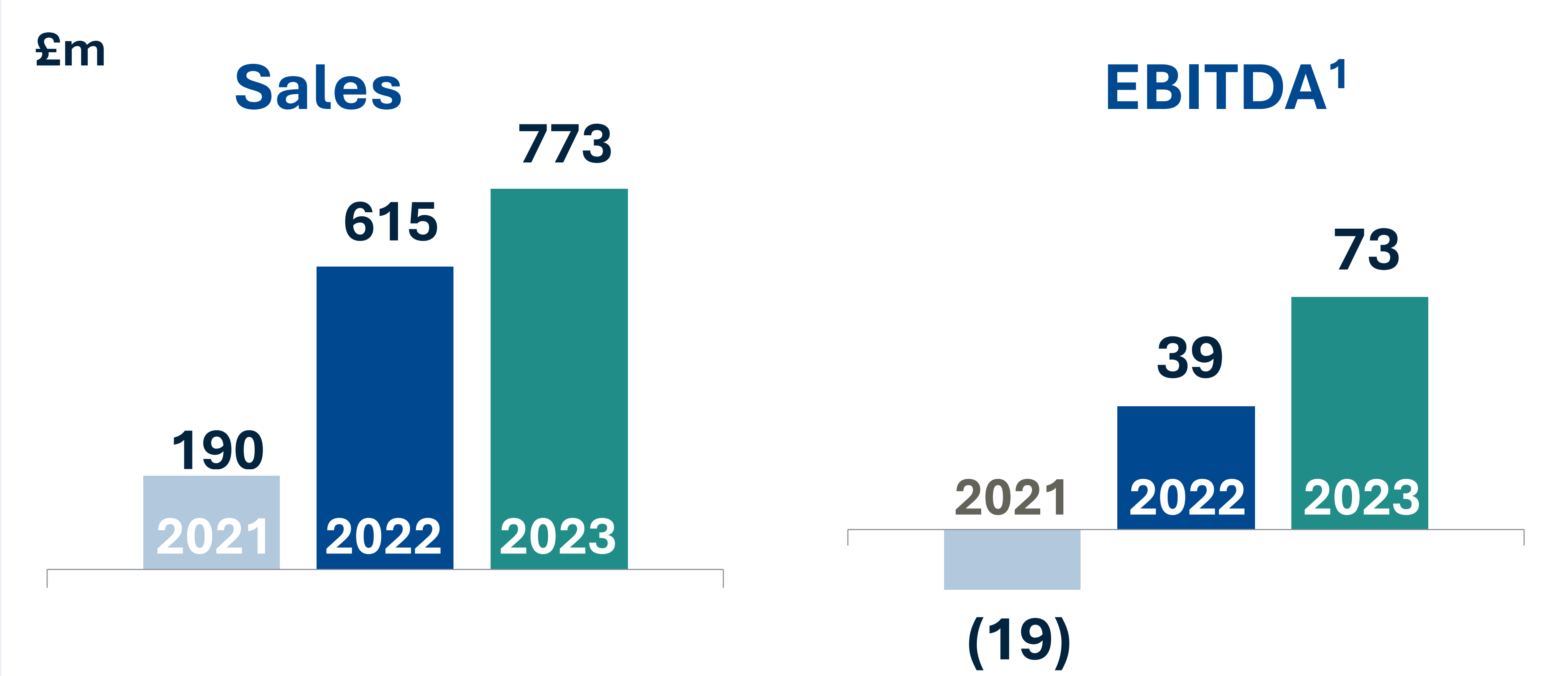
## Continental Europe

- Significant contract retentions in Nordics and Spain
- Growing regional Rail; expansion in France and Germany
- Selective expansion in Air incl. Paris and Spain
- Scaling up Starbucks and Pret




## UK and Ireland

- Revitalised propositions for customers
- Investing into estate infrastructure and maintenance
- Enhanced reputation with clients and customers
- Developing our formats and brands




*(1) On a pre-IFRS 16 basis*



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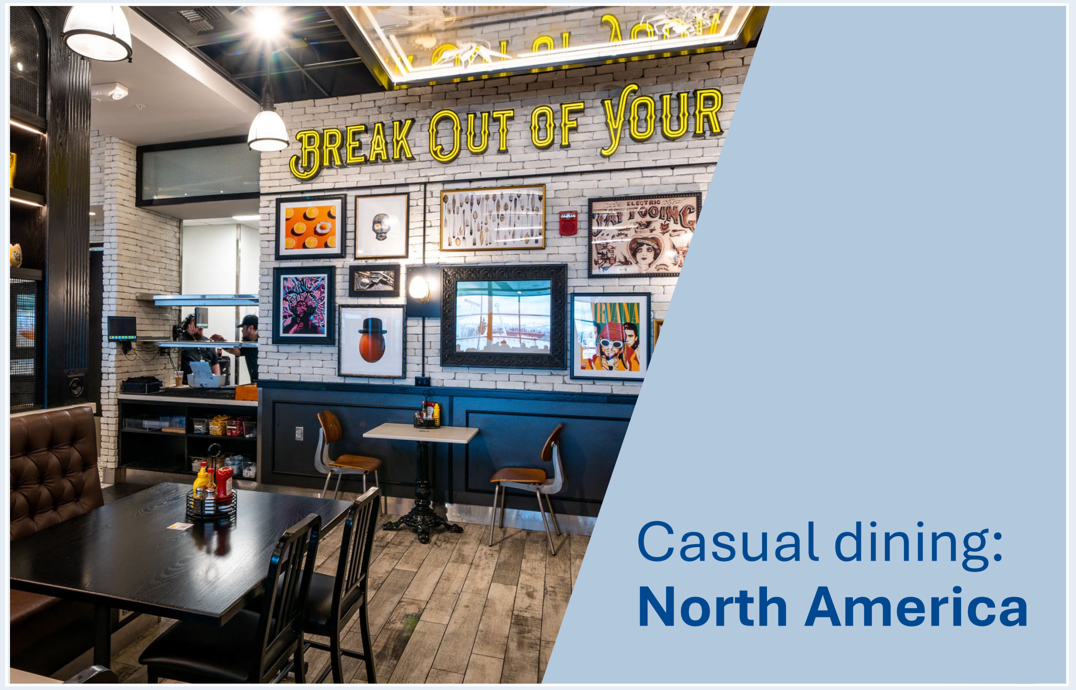
# Enhanced customer proposition, brands and formats

## Strengthening brand partnerships…

**300+**
Brand partners

## …and growing our own brands

## Innovating formats




Casual dining:
**North America**


Convenience:
**Nordics**

Lounges:
**Kuala Lumpa**

Food Court:
**Helsinki**

**Progressively rising customer ratings[1]: 3.4 (FY21) to 3.9 (FY22) to 4.2 (FY23)** (score out of 5)

*(1) Global reputation calculated based on Google ratings, encompassing data from all 14 countries in which Reputation is currently live*

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# Delivering operational efficiencies - while driving customer experience and like-for-like growth

## Digitising our customer proposition


- Simplified customer journey
- Smart product recommendations
- Single integrated kitchen

## Menu optimisation

**Pre-Covid:** 12 items

**During Covid:** 4 items

breakfast

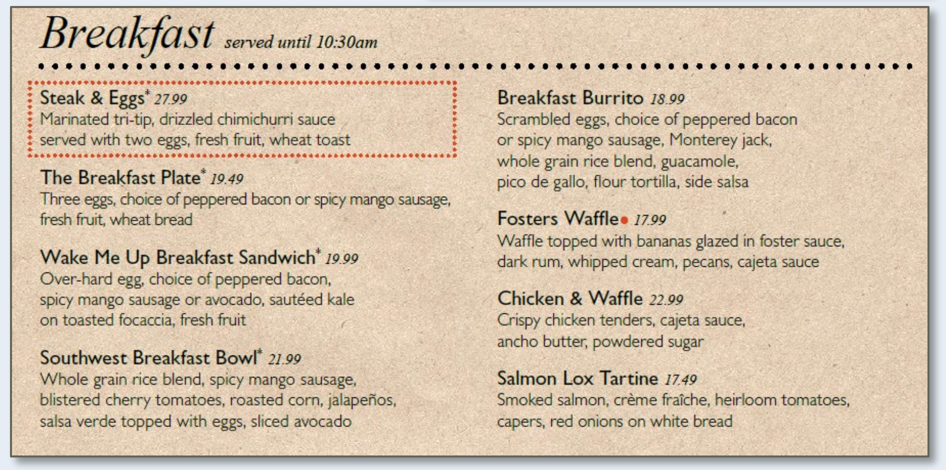
The Breakfast Plate *19.49*
scrambled eggs, choice of bacon or sausage, golden tater tots with sourdough toast

Wake Me Up Breakfast Sandwich *19.99*
scrambled eggs, choice of bacon or sausage, melted cheddar on toasted brioche, served with side of golden tater tots

Southwest Breakfast Bowl *17.99*
scrambled eggs, choice of bacon or sausage, Monterey Jack, golden tater tots, topped with pico de gallo and guacamole, served with side of salsa

Breakfast Burrito *16.99*
choice of bacon or sausage, scrambled eggs, Monterey Jack, guacamole, pico de gallo, with a side of salsa wrapped in flour tortilla

**Post Covid:** 8 items



Breakfast *served until 10:30am*

Steak & Eggs* *27.99*
Marinated tri-tip, drizzled chimichurri sauce served with two eggs, fresh fruit, wheat toast

The Breakfast Plate* *19.49*
Three eggs, choice of peppered bacon or spicy mango sausage, fresh fruit, wheat bread

Wake Me Up Breakfast Sandwich* *19.99*
Over-hard egg, choice of peppered bacon, spicy mango sausage or avocado, sautéed kale on toasted focaccia, fresh fruit

Southwest Breakfast Bowl* *21.99*
Whole grain rice blend, spicy mango sausage, blistered cherry tomatoes, roasted corn, jalapeños, salsa verde topped with eggs, sliced avocado

Breakfast Burrito *18.99*
Scrambled eggs, choice of peppered bacon or spicy mango sausage, Monterey jack, whole grain rice blend, guacamole, pico de gallo, flour tortilla, side salsa

Fosters Waffle *17.99*
Waffle topped with bananas glazed in foster sauce, dark rum, whipped cream, pecans, cajeta sauce

Chicken & Waffle *22.99*
Crispy chicken tenders, cajeta sauce, ancho butter, powdered sugar

Salmon Lox Tartine *17.49*
Smoked salmon, crème fraîche, heirloom tomatoes, capers, red onions on white bread

- Optimised range of menu items
- Supplier / ingredient rationalisation
- Standardised recipe methodology

## Kitchen standardisation and automation

- Benefits in scale and scope
- Improved speed of service
- Lower levels of labour

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# Building a sustainable business

## PRODUCT


- Exceeded 2025 target for 30% own brand meals to be plant-based
- >80% own brand packaging free of single-use plastic and reusable, recyclable or compostable

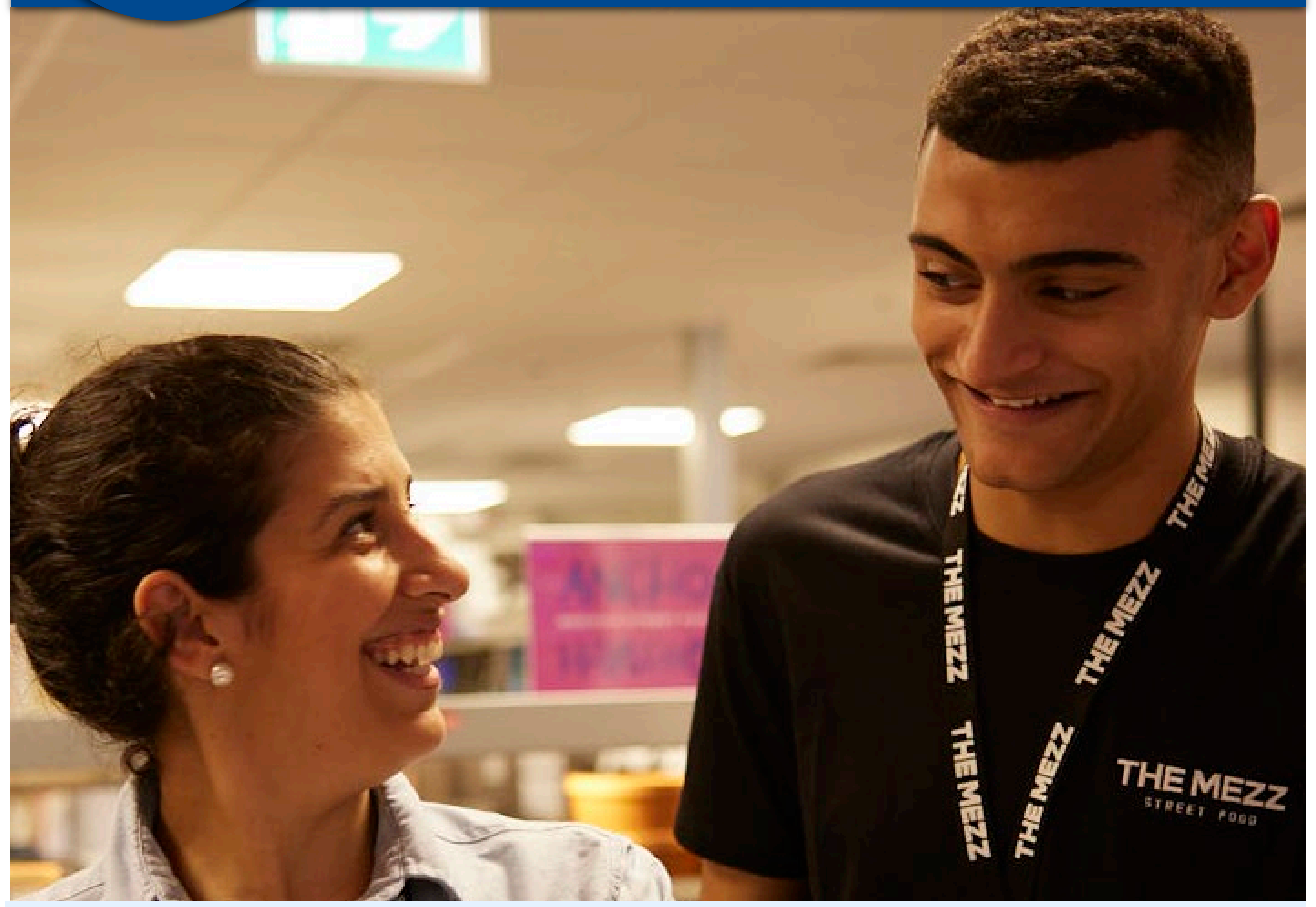
## PLANET


SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

THE NET ZERO STANDARD
APPROVED NET-ZERO TARGETS

- SBTi-verified 2040 net zero target
- 42% reduction in absolute Scope 1 & 2 GHG emissions and 6% reduction in Scopes 1, 2 & 3 intensity, from 2019 base year

## PEOPLE




- 80% engagement score in Gallup colleague engagement survey
- 37% women in senior leadership
- Global Inclusion Council awarded D&I initiative of the Year*

Find out about how we're taking a **science-based, data-driven approach to reducing our Scope 3 F&B emissions** in our short film for *The Economist Impact* 'Scope for Change' spotlight series

Communicate

2022 Sustainability Report awarded Gold for 'Best printed CSR or ESG report' in Communicate magazine's Corporate & Financial Awards 2023

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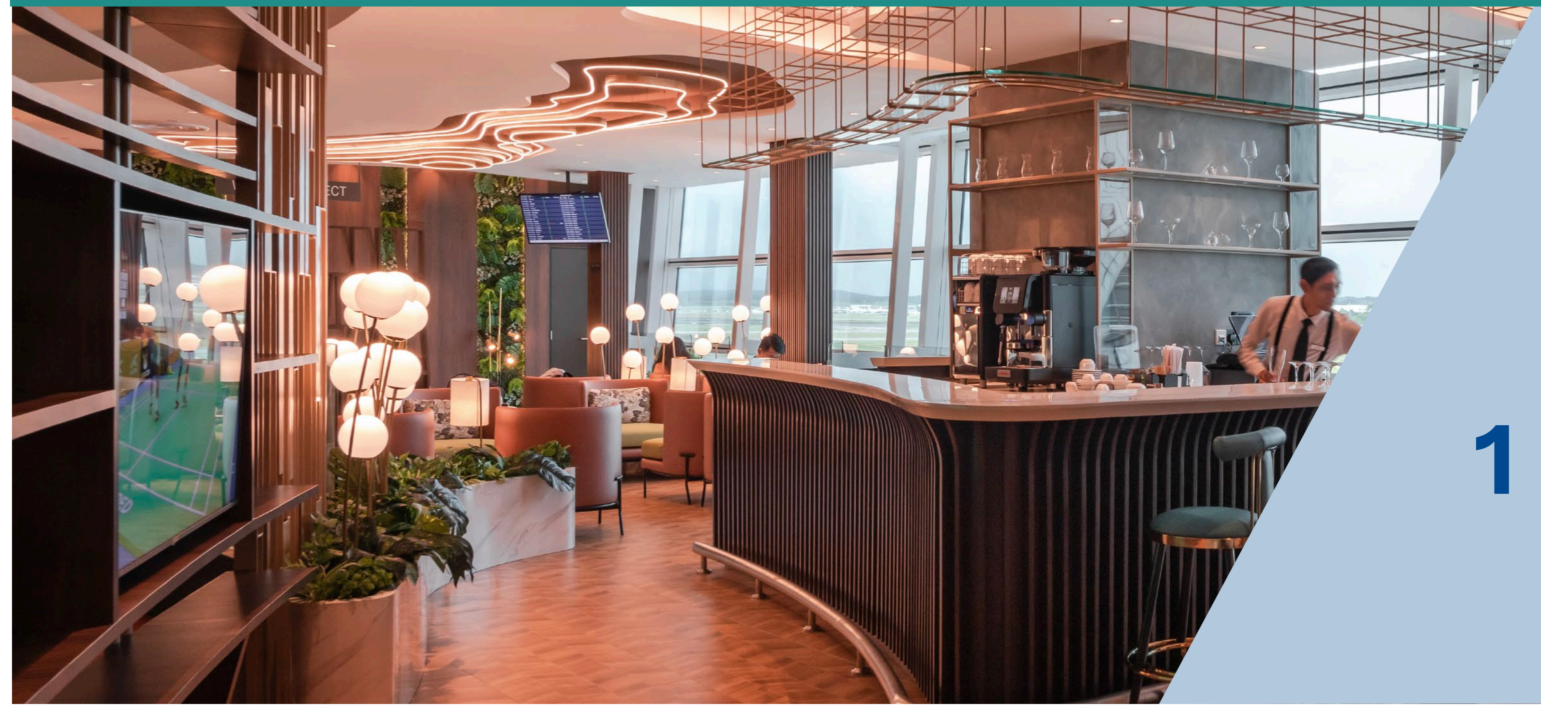
* Winner of 'Diversity & Inclusion Initiative of the Year' in the Chartered Governance Institute UK & Ireland Awards 2023

# A significant level of business development

## Rapid unit mobilisation

### Case Study: Malaysia



1 to 30 units in 12 months

## Growing new unit pipeline

### c.£450m annualised sales secured (yet to open)


| Hong Kong | USA | UK | Spain |
|---|---|---|---|
| HK Airport | Portland Airport | St Pancras station | Menorca Airport |

## Strategic M&A

### Case Study: Midfield Concessions


All 40 units now transferred

## Entry into new markets

### Case Study: Saudi Arabia


Entry in 2024



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# From 2025, we enter a new phase of sustainable growth and returns


## Medium-term financial framework

**1 Stronger sales growth**
- Pivoting to high growth markets with structural tailwinds
  - Stronger like-for-like growth
  - Net gains average c.3-5% p.a.

**2 Sustainable operating margin enhancement**
- Operating leverage as sales grow
- Efficiencies and technology offsetting rent and other cost inflation
- Phasing of unit openings with pre-opening costs and maturity profiles

**3 Sustainable EPS growth**
- Strong operating profit growth
- Minorities growing in line with profits of businesses with JV partnerships

**4 Operating cashflow funding organic investment**
- Tight cash management; negative working capital cycle
- Funding maintenance capex and new business expansionary capex

**5 Deleveraging or returning cash to shareholders**
- Leverage target 1.5x-2.0x; pace of deleveraging determined by scale of new business
- Payment of ordinary dividend, targeting payout ratio of c.30-40%
- Surplus cash allocated in line with capital allocation framework

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# Summary

- A year of strong financial, operational and strategic progress
- Enhanced core capabilities across customer proposition, people, sustainability and digital
- Expect strong performance in FY24; significant pipeline underpinning growth
- Strategy expected to deliver compounding growth and returns over multi-year performance horizon



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# Q&A

# 2024 Technical Guidance

| *On a pre-IFRS 16 basis* | **2024 expectation:** |
|---|---|
| **Depreciation:** | c.4.0% of sales |
| **Net finance costs:** | A marginal increase on FY 2023 |
| **Effective tax rate:** | Similar level to FY 2023 |
| **Minority interests:** | In line with profit growth in businesses with JV partners; currently estimate year-on-year increase of 15-25% |
| **Working capital:** | Broadly neutral |
| **Capex:** | c.£280m (inc. £30m deferred from 2023)<br>*Renewals and maintenance – c.£140m; Expansionary - c.£80m; Catch up – c.£60m* |
| **Leverage:** | Lower end of our target range of 1.5x to 2.0x |



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# FY2023 sales growth

| YoY % growth | 2023 | | |
|---|---|---|---|
| | LFL | Net Contract Gains | Revenue (constant currency) |
| North America | 32.7% | 12.0% | 44.7% |
| Continental Europe | 26.4% | 4.0% | 30.4% |
| UK & ROI | 23.2% | 2.4% | 25.6% |
| APAC & EEME | 68.4% | 14.3% | 82.7% |
| Group | 31.5% | 6.4% | 37.9% |

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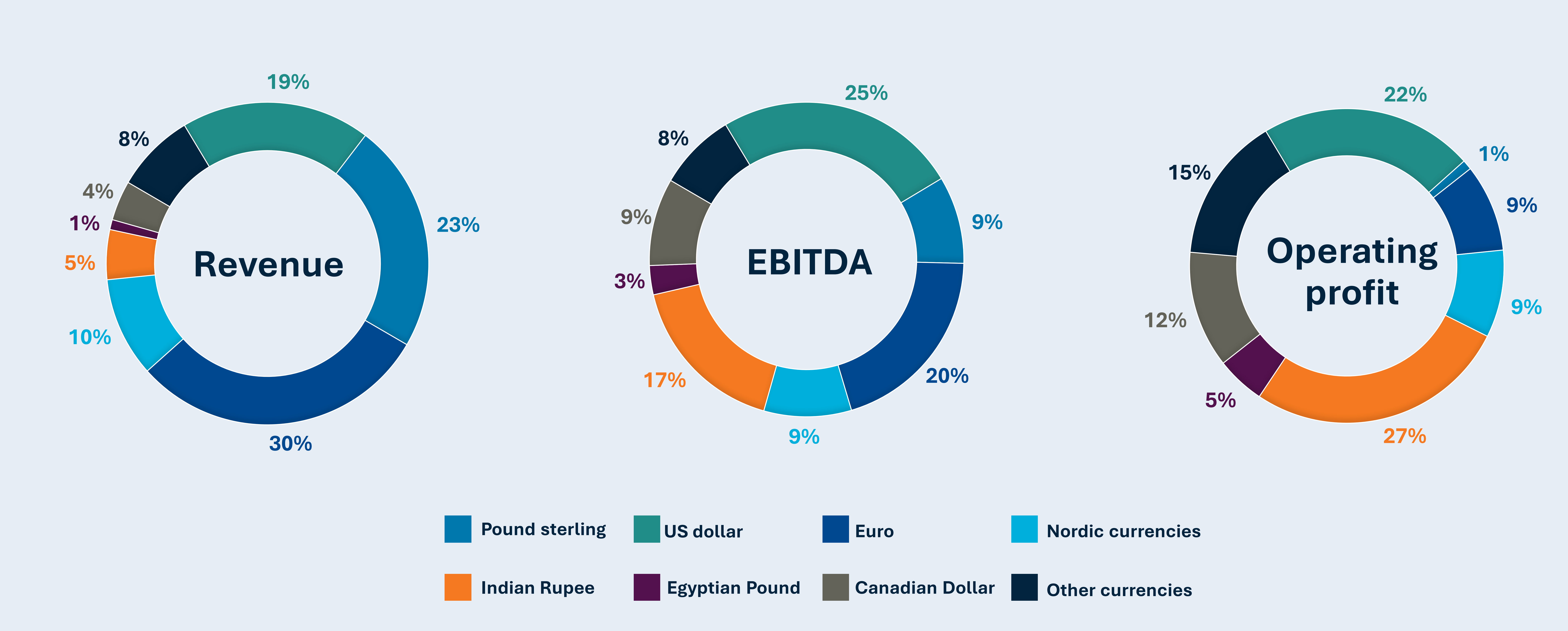
# FY2023 currency contribution



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