
# Delivering long term sustainable growth

Jonathan Davies, Group CFO and Deputy CEO

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SSP The Food Travel Experts

# A strong track record of delivering margin progression

| *% Sales* | FY 2014 | FY 2019 | Reported variance | Underlying variance[1] |
|---|---|---|---|---|
| Gross profit | 66.5% | 71.1% | 4.6% | 3.6% |
| Labour | (29.7)% | (29.0)% | 0.7% | 1.3% |
| Rent | (16.5)% | (19.7)% | (3.2)% | (2.5)% |
| Overheads | (11.3)% | (10.7)% | 0.6% | 0.3% |
| **EBITDA** | **9.0%** | **11.7%** | **2.7%** | **2.7%** |

**Drivers of margin enhancement**

- Structural operating leverage
- Scaling up in key markets
- Operational efficiency initiatives
- Cost inflation mitigated by pricing initiatives and margin management
- Concession fee increases offset by improved offer and economics

[1] *Adjusted for channel mix*

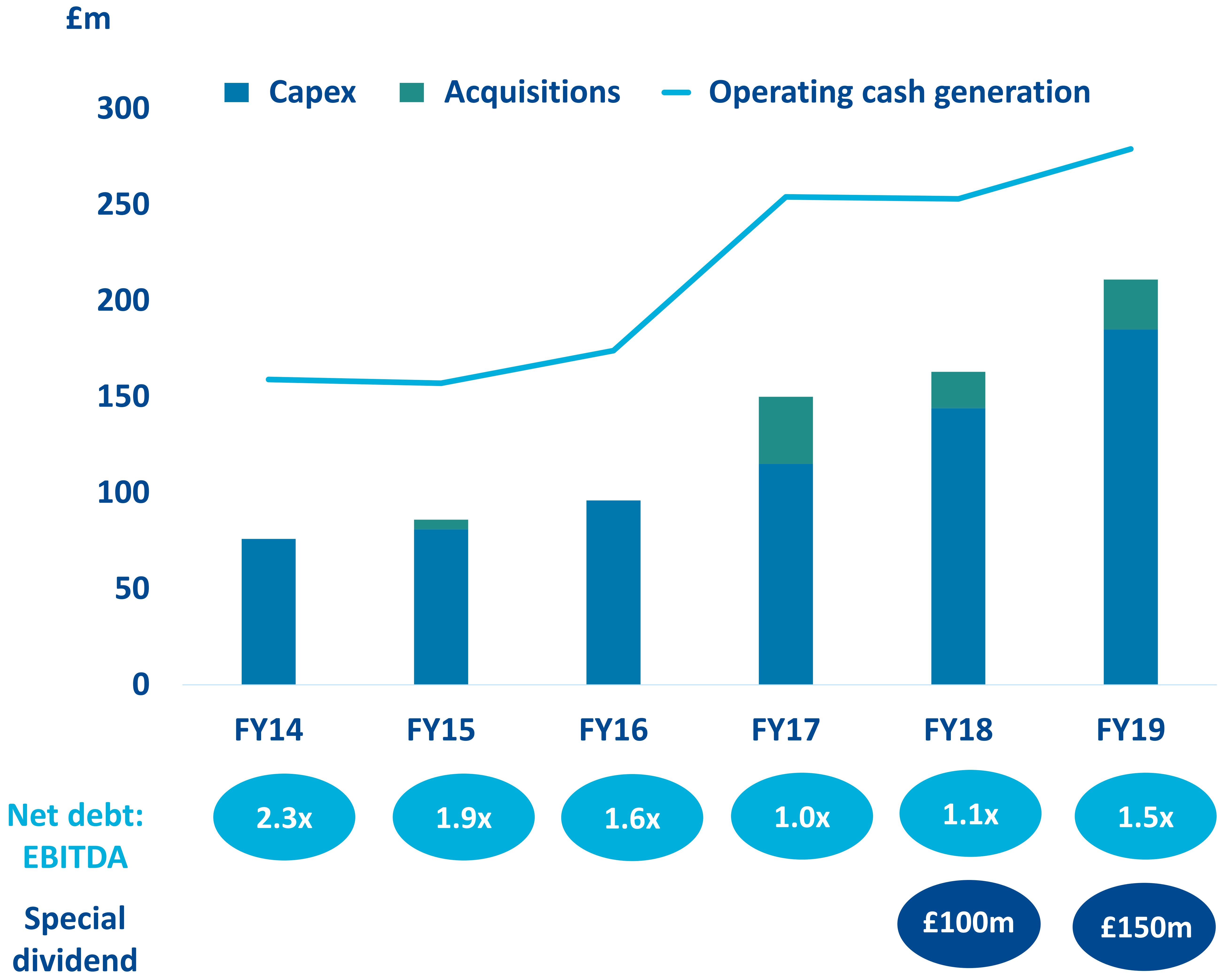
# Key drivers of operating leverage

| Operating cost | 2019 % sales | Component | Sales growth: LFL | Sales growth: Net contract gains |
|---|---|---|---|---|
| Cost of goods | 29% | • Food<br>• Consumables<br>• Logistics<br>• Waste and losses | • Variable | • Variable |
| Labour | 29% | • Colleagues in units<br>• Operations management<br>• Head office colleagues | • Semi-variable<br>One third fixed/ two-thirds variable | • Pre-opening costs and contract maturity, especially new locations/countries<br>• Variable with number of openings and capex |
| Concession fees | 20% | • Rental costs to clients | • Largely variable | • Concession fees typically rise on contract renewal |
| Overheads | 11% | • Repairs and maintenance<br>• Utilities, cleaning, uniforms<br>• Technology<br>• Credit cards/cash management<br>• Franchise fees | • Largely variable | • Pre-opening costs and contract maturity<br>• Variable with number of openings and capex |

# Our revitalised efficiency programme will underpin margin performance

| 1 Gross margin | 2 Supply chain | 3 Labour | 4 Overheads |
| --- | --- | --- | --- |
| • Menu engineering<br>• Recipe reviews<br>• Inflation management<br>• Commercial deep dives in major locations<br>• Improving product availability<br>• Food waste | • Inflation tracking<br>• Supplier & product rationalisation post Covid<br>• Compliance post Covid<br>• Distribution levers review<br>• Franchise spend<br>• Make or Buy<br>• Specification review | • Digital roll-out<br>• Scheduling reviews<br>• Retention programmes<br>• Global HR information system rollout<br>• Workforce Management<br>• Robotic waiters | • Installation of smart energy meters<br>• Installation of cloud-based energy management systems<br>• Equipment replacement<br>• Zero-based budgeting |

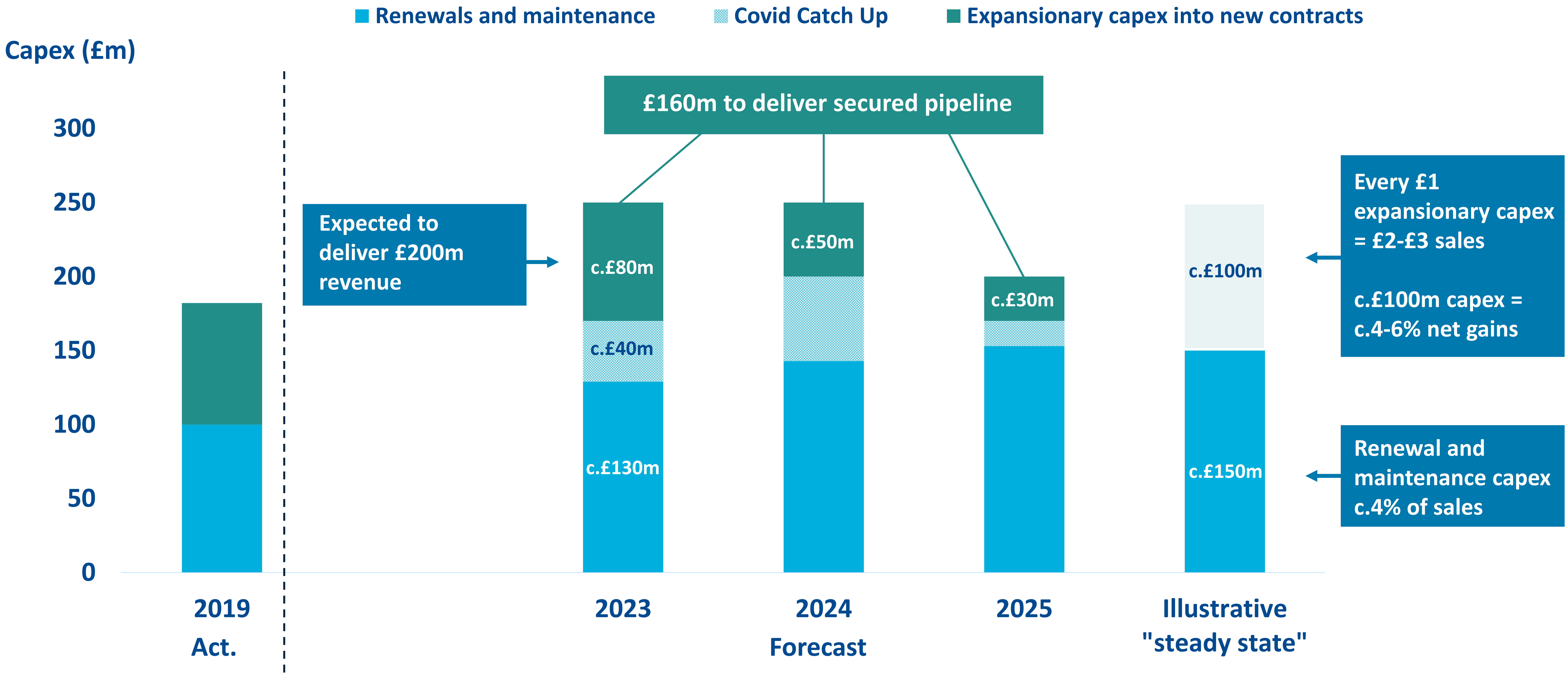
# Our business model has a track record of generating surplus cash for shareholders




| 2017-2019 | |
|---|---|
| **Returns:** | |
| LFL | c.2-3% |
| Net gains | c.5-6% |
| Operating cashflow | c.£250-£280m p.a. |
| Capex | c.£120-£190m p.a. |
| Acquisitions | c.£80m |
| EPS growth | c.23% CAGR |
| **Cash returns:** | |
| Ordinary dividend | 40% payout |
| Special dividends | c.£250m |
| With leverage maintained at: | c.1.5x |

*Note: Operating Cash generation before Acquisitions and Capital Expenditure*

# Our capital investment model is broadly unchanged



# Our capital allocation strategy remains unchanged

## Uses of cash and balance sheet efficiency

1

**Organic investment**
Significant structural growth opportunities around the world

2

**M&A**
Value creating infill M&A opportunities

**Balance sheet efficiency**
Target leverage: c.1.5x - 2.0x

3

**Dividend**
Target pay-out ratio of 30-40%

4

**Capital returns to shareholders**
Through share buybacks or special dividends

## Clear priorities to generate returns

- Priority is organic growth and value creating infill M&A
- All potential investments (>£50k) reviewed by Group Committee; High returns (3-4 year payback) on capital investment
- Anticipate resumption of ordinary dividend payments; starting in respect of the 2023 financial year
- Capital returns to deliver balance sheet efficiency

# FY23 and FY24 planning assumptions underpinned by trading momentum

*Preliminary Results FY 2022 Planning Assumptions*

| | 2023 | 2024 |
|---|---|---|
| Revenue | £2.9-3.0bn | £3.2-3.4bn |
| *vs. 2019* | | |
| - PAX | 85-90% | 90-95% |
| - Cumulative inflation | c.12% | c.14% |
| - Net gains | c.£200m | £350-400m |
| EBITDA | £250-280m | £325-375m |
| - Total margin % | c.9.0% | c.10.5% |

## Outlook

- Revenue for first 10 weeks of H2 at 110% of 2019 levels
- FY23 outcome expected at upper end of sales and EBITDA planning ranges with EPS in the range of c.7.0-7.5p
- Confidence building for FY24:
  - Midfield acquisition now largely complete
  - Ongoing momentum on net new business since HY

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

## *Medium-term financial framework*

**1 Stronger sales growth**

- Stronger like-for-like driven by pivot to high growth markets (namely N.America and Asia PAC)
- Increasing level of investment driving stronger net new contract wins in these regions

**2 Sustainable operating margin enhancement**

- Generating operating leverage as sales grow
- Re-vitalised efficiency programme and pricing initiatives mitigating inflationary cost pressures

**3 Sustainable EPS growth**

- Strong operating profit growth
- Minorities growing in line with revenues in countries with JV partnerships

**4 Operating cashflow funding organic investment**

- High returns on capital projects, with 3-4 yr discounted cashflow paybacks

**5 Deleveraging or returning cash to shareholders**

- Pace of deleveraging determined by scale of new business investment
- Anticipate re-instatement of ordinary dividend, targeting payout ratio of c.30-40%
- Surplus cash allocated in line with capital allocation framework