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3 October 2024

Q4 Trading Update

"GOOD TRADING MOMENTUM IN Q4"

SSP Group plc ("SSP" or "the Group"), a leading operator of restaurants, bars, cafes and other food and beverage outlets in travel locations across 37 countries, issues a Trading Update for the final quarter of the year ending 30 September 2024 ("Q4").

Good underlying trading momentum has continued through to the end of the financial year, leaving SSP well-positioned to deliver full year results within our previously published planning assumptions[1].

Performance headlines[2]

- Strong Q4 revenue growth of c.15% YoY (on a constant currency basis), including LFL sales of 6%
- H2 revenue growth of c.15% YoY, with expected H2 operating profit growth of more than 30% and operating margin enhancement of c.100 bps, and strong performances in North America, UK and APAC & EEME (all on a constant currency basis)
- FY revenue of c.£3.5bn, up c.17% YoY, with FY operating profit expected to be c.£210-220m, up c.30% YoY, with operating margin of c.6%, up c.50bps (all on a constant currency basis)
- FY EPS expected to be c.10p (at actual FX rates), with operating profit within our planning assumption ranges, and including a benefit in interest and tax charges in the year
- Strong focus on cash, with year-end net debt expected to be in the range of c.£610-630m; Year-end leverage anticipated to be approximately 1.8x (at actual FX rates), down from 2.1x at the half year, and returning to within our medium-term target leverage range of 1.5-2.0x
- Programme of actions in place to build profitability and margins in Continental Europe
- Focus on generating strong returns from the extensive capital investment programme of the last two years and on the integration of recent acquisitions

Commenting on the performance, Patrick Coveney, CEO of SSP Group, said:

"*There has been good trading momentum across our business throughout Q4. Our North America, Asia Pac & EEME regions have continued to perform ahead of, or in line with, our plan and we have seen a material improvement in the performance of our UK business. We have had challenges in some parts of our Continental European business, which we are addressing through a series of actions that will build margins. Overall, this year, we expect the Group to deliver a significant increase in year-on-year profitability and margins. Our focus is now on optimising the performance of our business, building returns on the high level of recent investment, and the delivery of sustainable and compounding growth and returns in the years to come.*"

Q4 revenue performance

We have seen a strong sales performance through the peak summer period. Group sales in Q4 (1 July to 30 September 2024) were up 15% year-on-year, on a constant currency basis, with like-for-like sales growth of 6%, net contract gains of 5%, and a contribution from acquisitions of 4%.

Q4	vs Last Year (constant FX rates)				vs Last Year (actual FX rates)
Region	**LFL**	**Net Gains**	**Acquisitions**	**Total**	**Total**
N.America	4%	9%	7%	20%	16%
C.Europe	3%	4%	-	7%	5%
UK & I	9%	3%	-	12%	12%
APAC & EEME	9%	2%	19%	30%	24%
Group	**6%**	**5%**	**4%**	**15%**	**12%**

In North America, on a constant currency basis, sales grew by 20% year-on-year, including a 9% contribution from net gains**.** Acquisitions contributed 7% to sales, comprising the outlets at Denver International Airport, transferred under the Midfield Concessions Enterprise acquisition, and the acquisitions of Mack II in Atlanta and ECG in Western Canada.

In Continental Europe, sales growth of 7% was largely driven by the high level of new unit openings. Our LFL sales performance, at 3%, whilst strong in Spain and the other Mediterranean holiday destinations, was behind our expectations, primarily in France, where demand was negatively impacted by the Paris Olympics, but also in Germany, where we saw weak trading in our motorway service business over the peak summer season.

In the UK, sales increased by 12%, with like-for-like performance at 9%, driven by high demand in the Air sector, a lower level of disruption in rail compared to last year and strong operational execution throughout the peak summer period.

In APAC & EEME, sales grew by 30%, with strong like-for-like sales growth of 9%, driven mainly by Australia, Hong Kong and Egypt. The 19% contribution from acquisitions reflected the completion of the ARE deal in Australia in May.

Second half 2024 expectations[2]

In the second half of the year, on a constant currency basis, revenue was c.£2bn, with expected operating profit of c.£170-180m. This material step forward in performance would represent a year-on-year increase in revenue of c.15% (including 6% LFL), an operating profit increase of more than 30% and a c.100bps improvement in operating margin.

Full year 2024 expectations[2]

For the full year, on a constant currency basis, group revenue was c.£3.5bn, up 17% year-on-year, comprising like-for-like sales growth of c.9%, net contract gains of c.4% and a contribution from acquisitions of c.4%. On a constant currency basis, we expect to deliver EBITDA in the range of c.£350-360m and operating profit in the range of c.£210-220m, up c.30% year-on-year, with a corresponding margin of c.6%, up c.50bps.

Full year EPS, at approximately 10p (at actual FX rates), is expected to be broadly in line with expectations, including a benefit from lower interest and tax charges in the year.

Full year regional performance expectations[2]

We expect to see strong operating profit growth across three of our regions: North America, APAC & EEME and the UK. However, in Continental Europe, operating profit in the year is expected to be lower than last year. As highlighted in our Interim results, this European performance in part reflects the impact of the scale and timing of contract renewals and new contract mobilisation, industrial action and weak trading in the motorway services business (ahead of our exit in c.18 months). More recently, European profit has been impacted by lower than anticipated demand during the Olympics in Paris.

We are taking action to improve the future profitability of the region, focusing on driving returns from the investment programme, simplifying the leadership structure, reducing the cost base, and exiting the German motorway services business (contractually agreed as of September 2024). We have recently appointed Satya Menard[3] as the new CEO of Continental Europe to lead this business.

Full year cash flow and leverage expectations[2]

Net debt is expected to be in a range of c.£610-630m, after capital investment of c.£280m and payments for acquisitions totalling c.£150m, leaving leverage at approximately 1.8x net debt/EBITDA (returning to within our medium-term target range of 1.5-2.0x).

Full year 2025 expectations[2]

Our performance in FY24 gives us confidence that we will see a year of good revenue and margin progression in FY25. Our expectations are underpinned by the continued structural growth in travel, optimising the performance and returns from our extensive recent investment programme and the secured new contract pipeline, together with planned operating efficiencies. Further progress will be supported by the set of current and planned actions that we are taking to drive returns in Continental Europe.

We are planning for a lower level of capital expenditure in the year ahead as we conclude the backlog of renewals from the Covid period. Furthermore, having executed a number of important infill acquisitions recently, to accelerate our growth in strategically important markets, our focus is now on integrating these operations and delivering the planned returns. We anticipate little, if any, further new infill M&A activity in the near term.

Currency[2]

Reflecting a recent strengthening of sterling, compared to the average rates used for 2023, we now expect a currency impact on revenue, EBITDA and operating profit for FY24 of approximately (2.5)%, (4.3)% and (5.7)% respectively, up from the impacts of (2.0)%, (3.6)% and (4.6)% expected at the time of our Q3 Trading statement.

If the current spot rates (as at 30 September 2024) were to continue through 2025, we would expect a negative currency impact on revenue, EBITDA and operating profit of approximately (2.6)%, (3.8)% and (4.5)% compared to the average rates used for 2024.

Today's conference call

A conference call with Patrick Coveney, CEO, Jonathan Davies, Deputy CEO and Group CFO and Sarah John, Director of Corporate Affairs, will be held at 8.00am (UKT) today, and details of how to join can be accessed at https://webcasts.foodtravelexperts.com/results/tradingupdate2024/vip_connect.

2024 full year results announcement

The Group's results for the year ending 30 September 2024 are expected to be released on 3 December 2024.

Notes

1. Full year expectations vs planning assumptions[2]

	FY23 Actuals	Constant FX rates		Actual FX rates	
		FY24 Planning Assumptions	FY24 Expectation	FY24 Planning Assumptions	FY24 Expectation
Revenue (£bn)	3.0	c.3.4-3.5	c.3.5	c.3.3-3.4	c.3.4
EBITDA (£m)	280	c.345-375	c.350-360	c.330-359	c.335-345
Operating profit (£m)	164	c.210-235	c.210-220	c.198-222	c.200-210

2. On an underlying, pre-IFRS 16 basis.

3. Satya Menard joined SSP in September 2024 as CEO of Continental Europe. Satya has more than 25 years of experience in the service industry, including extensive experience in the 'food and coffee' business across a number of European, South and North American countries. Previously, Satya worked as president of the out-of-home division of coffee company JDE Peet's and prior to this, he was global CEO of Sodexo's schools and universities division. He also held a number of leadership positions across various Sodexo divisions internationally.

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NOTES TO EDITORS

About SSP

SSP is a leading operator of food and beverage outlets in travel locations worldwide, with c.43,000 colleagues in over 600 locations across 37 countries. We operate sit-down and quick service restaurants, cafes, lounges and food-led convenience stores, principally in airports and train stations, with a portfolio of more than 550 international, national and local brands. These include our own brands (such as Urban Crave, which brought the first "street eats" concept to airports in the US and Nippon Ramen, a noodle and dumpling concept in the APAC region) as well as franchise brands (such as M&S Simply Foods, Starbucks and Burger King).

Our purpose is to be the best part of the journey, and this is underpinned by our aim to bring leading brands and innovative concepts to our clients and customers around the world, with an emphasis on great value, taste, quality and service – using digital technology to boost efficiency.

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