

# New Segment Reporting and Q1 Fiscal 2017 revenues

January 12, 2017

# FORWARD-LOOKING INFORMATION

This presentation contains statements that may be considered as forward-looking statements and as such may not relate strictly to historical or current facts.

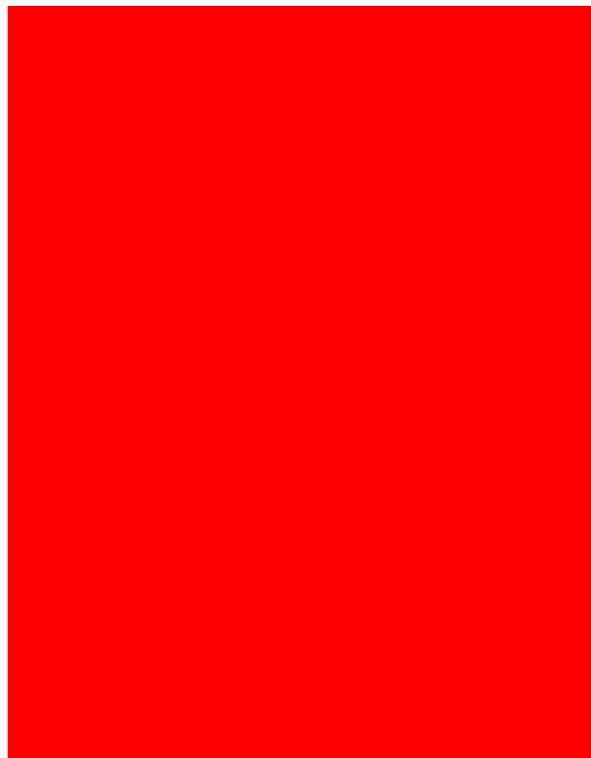
These statements represent management's views as of the date they are made and Sodexo assumes no obligation to update them.

Figures have been prepared in thousands of euro and published in millions of euro.

# AGENDA

1. New segment reporting
2. First quarter 2017 revenues
3. Review of Operations: On-site Services and Benefits & Rewards Services
4. Outlook for Fiscal 2017
5. Appendices

# NEW SEGMENT REPORTING



# ON-SITE SERVICES REORGANIZATION PREMISE

## New segment reporting

Clients are increasingly requesting the best of Sodexo, around the globe

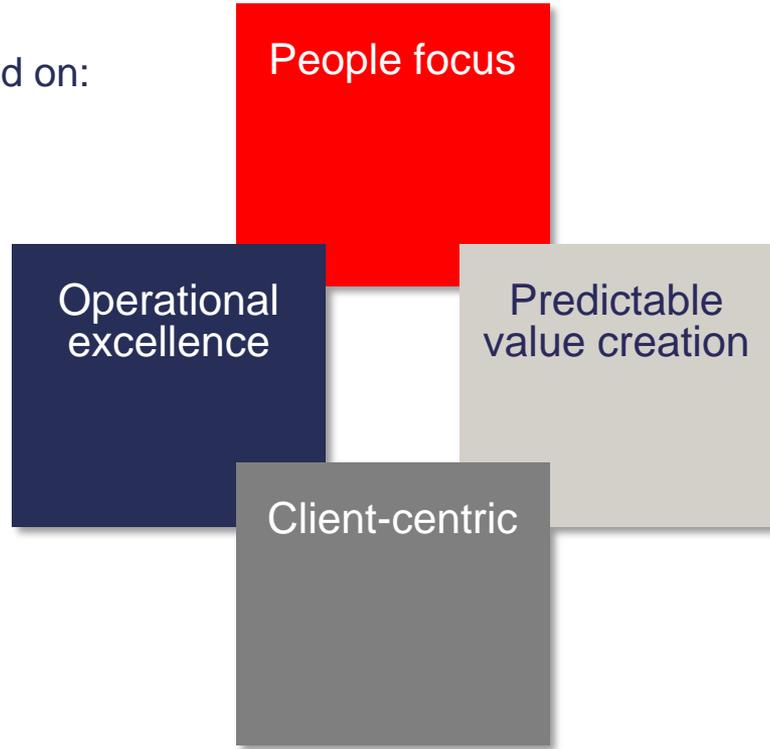
- Clients are looking for partners who
  - › have deep understanding of their business
  - › are experts in their domains
  - › bring simplification, innovation and increased productivity
- Client and consumer behaviours around the world are becoming increasingly similar
- Global clients are leveraging their size, local clients are also consolidating their services sourcing
- Client industry standards are globalizing
- Even Governments are looking for global experts to identify innovative ways to manage and deliver their services

**REINVENTING THE WAY WE DO BUSINESS TO DELIVER ON OUR PROMISE  
TO IMPROVE QUALITY OF LIFE FOR THOSE WE SERVE**

# MAINTAINING OUR CORE PRINCIPLES

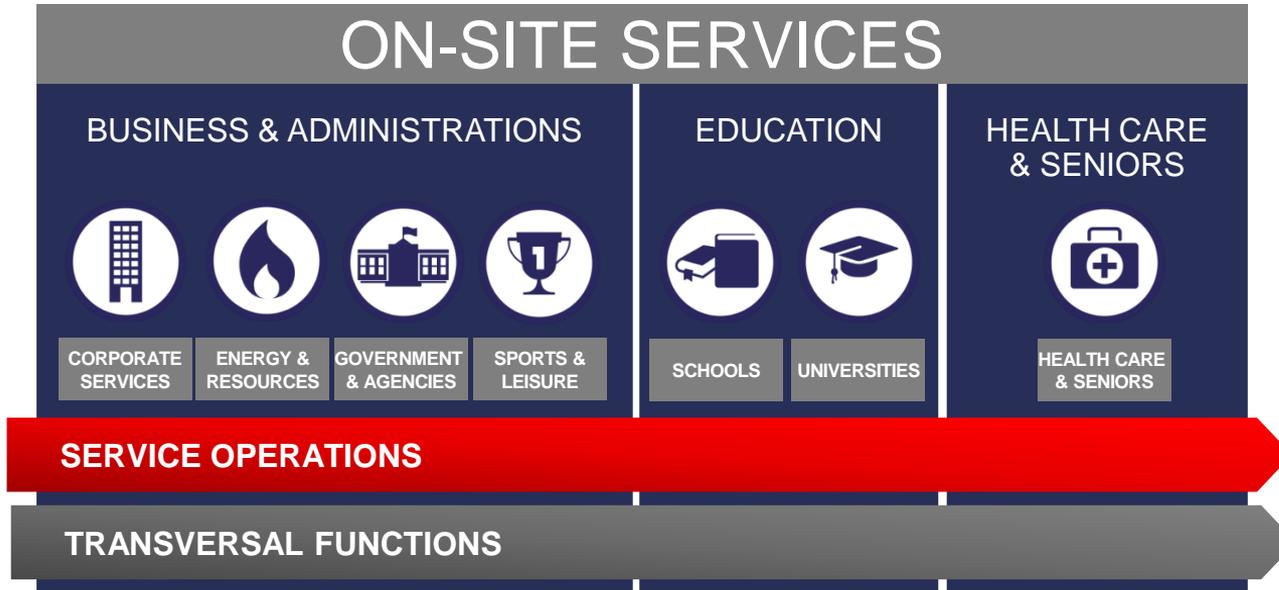
## New segment reporting

- A sustainably unique services offering based on:



# ON-SITE SERVICES REORGANIZATION PROGRESSIVELY SINCE SEP. 2015

New segment reporting



▶ Capitalizing on client proximity, a profound understanding of client markets, size and global reach to increase the value we bring through our Quality of Life offer

# ON-SITE SERVICES GOVERNANCE, EG. HOSPITALS

## New segment reporting

	<b>GLOBAL CLIENT SEGMENT</b>	<b>GEOGRAPHIC GOVERNANCE</b>	<b>SERVICE OPERATIONS AND TRANSVERSAL FUNCTIONS</b>
<b>Global</b>	<ul style="list-style-type: none"> <li>Define global Health Care strategy and offers</li> <li>Allocate global resources, eg. to Brazil or entry into the Philippines</li> </ul>	<ul style="list-style-type: none"> <li>Ensure effective functioning and coherence of the organization</li> </ul>	<ul style="list-style-type: none"> <li>Standardize processes and offers to enhance labor, food and material cost optimization</li> <li>Plan back-office optimization</li> </ul>
<b>Local</b>	<ul style="list-style-type: none"> <li>Implement strategic priorities eg. FM deployment in hospitals</li> <li>Ensure contract execution onsite and client relationship</li> </ul>	<ul style="list-style-type: none"> <li>Leveraging relationships and synergies across client segments</li> <li>Supervise local execution across dimensions</li> <li>Group representation</li> </ul>	<ul style="list-style-type: none"> <li>Mutualize functional expertise</li> <li>Manage back-office</li> <li>Provide expertise and support to segments and sites, eg. Service modules to manage equipment maintenance, retail expertise...</li> <li>Labor Management (hiring, training, talent, labor relations....)</li> </ul>

# ADVANTAGES OF ON-SITE SERVICES REORGANIZATION

## New segment reporting

- Strategic allocation of resources, leveraging cost base
- Improving client centricity, sales targeting and global account management
- Ensuring global best practices and streamlining processes, to deliver consistent operational excellence
- Becoming more competitive, growing sustainably, to benefit from 700bn€ market potential

**ACCELERATE GROWTH BACK UP TO MID-TERM OBJECTIVES**

**Revenue growth between 4 and 7%**  
(excluding currency effects)

**Growth in operating profit between 8-10%**  
(excluding currency effects)

# SEGMENT REPORTING TO REFLECT INTERNAL ORGANIZATION

## New segment reporting

### ▶ REVENUES AND OPERATING MARGINS REPORTED FOR 3 GLOBAL CLIENT SEGMENTS

#### Business & Administrations

- ▶ Corporate
- ▶ Energy & Resources
- ▶ Government & Agencies
- ▶ Sports & Leisure
- ▶ Other non segmented activities

#### Health Care & Seniors

- ▶ Hospitals
- ▶ Seniors

#### Education

- ▶ Schools
- ▶ Universities

No change for  
**BENEFITS &  
REWARDS  
SERVICES**

### ▶ CLIENT SEGMENT REVENUES SPLIT INTO 3 GEOGRAPHIES

- ▶ North America
- ▶ Europe including UK & Ireland
- ▶ Africa, Asia, Australia, Latam, Middle East

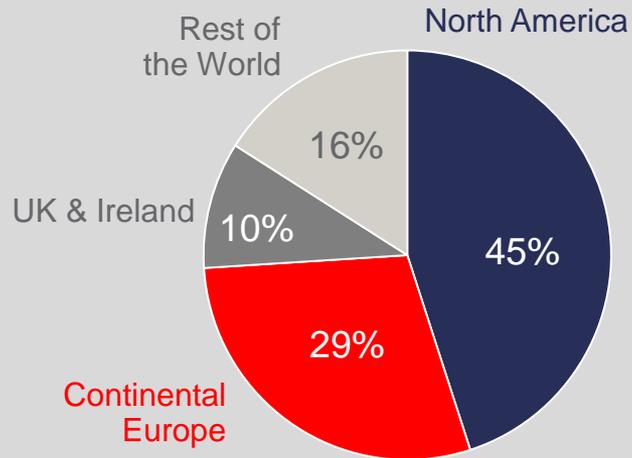
### ▶ TRANSVERSAL COSTS (Service Operations, Transversal functions such as HR, Finance...)

- ▶ Allocated to each segment, excluding Group HQ costs

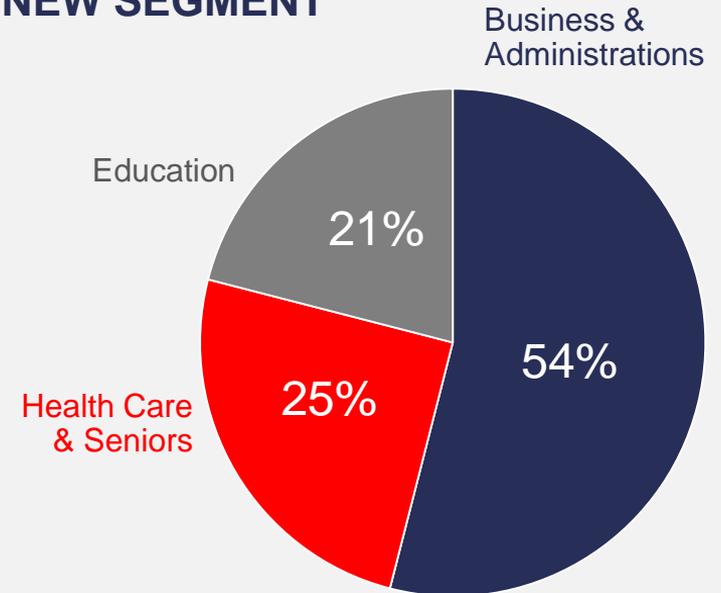
# 2016 NEW ON-SITE SERVICES REPORTING

## New segment reporting

As published Fiscal 2016 revenue  
split by REGION

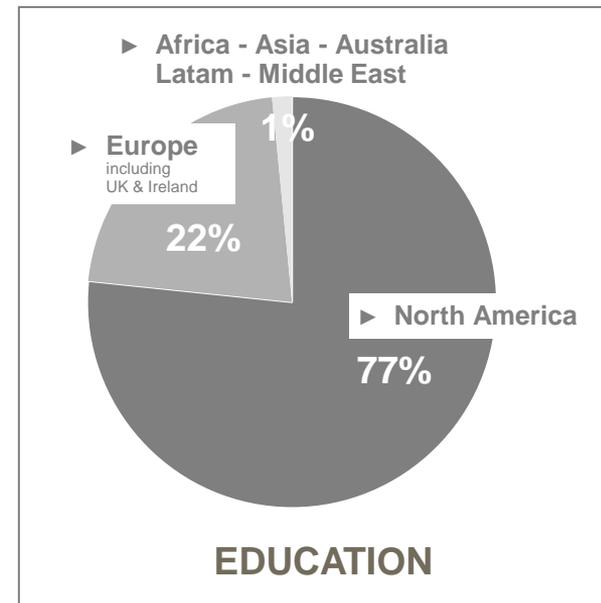
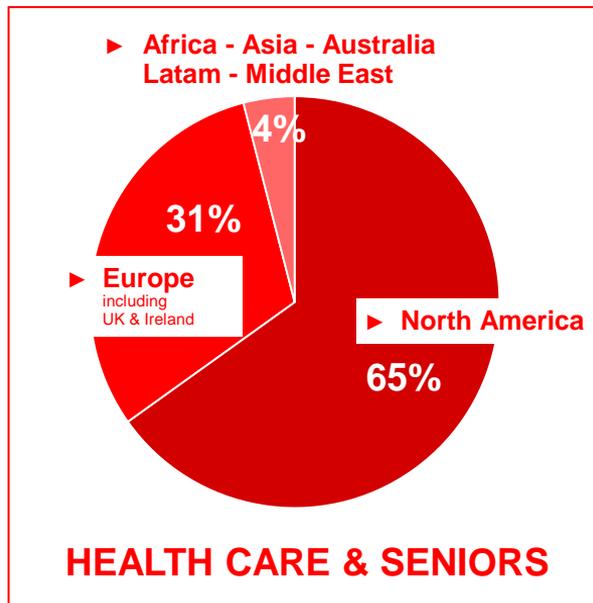
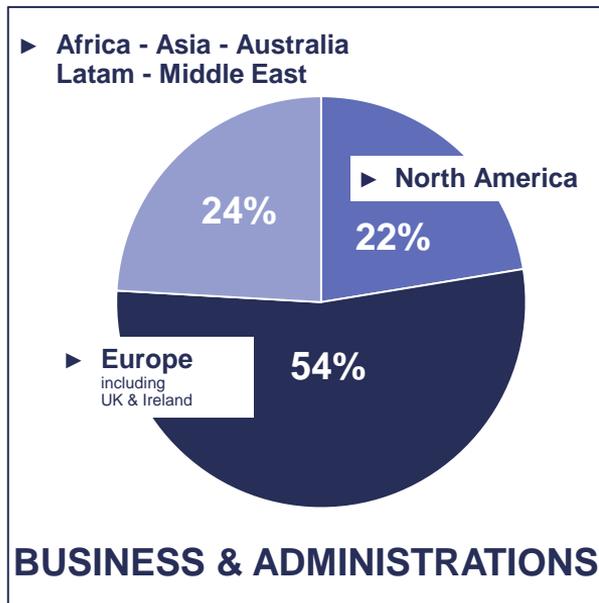


Fiscal 2016 revenue  
split by NEW SEGMENT



# 2016 GLOBAL CLIENT SEGMENT REVENUE BREAKDOWN BY REGION

## New segment reporting



Full details of segment figures for Q1, H1, 9M and FY 2016 in appendix 1

# 2016 NEW SEGMENT P&L REPORTING

## New segment reporting

Fiscal 2016 € millions	On-site Services	Business & Administrations	Health Care & Seniors	Education	Benefits & Rewards Services	Eliminations & Group HQ costs	Total Group excluding exceptional expenses*	Unallocated <sup>1</sup>	Total Group
<b>FY Fiscal 2016</b>									
Revenues	19,470	10,433	4,868	4,169	780	(5)	20,245	-	20,245
Operating profit	1,062	492	310	260	262	(121)	1,203	(108)	1,095
Operating margin	5.5%	4.7%	6.4%	6.2%	33.6%		5.9%		
<b>H1 2016</b>									
Revenues	10,206	5,322	2,419	2,465	393	(3)	10,596	-	10,596
Operating profit	587	222	132	233	133	(62)	658	(37)	621
Operating margin	5.8%	4.2%	5.5%	9.4%	33.8%		6.2%		

(1) Exceptional expenses linked to the Adaptation and Simplification program

Figures at published H1'16 and FY'16 rates

# FIRST QUARTER 2017 REVENUES

Q1 2017

2

# KEY MESSAGES FOR Q1 2017

## First quarter 2017 revenues

- As anticipated, Q1 organic growth\* at -1.5%, is impacted by Rugby World Cup comparison base and weakness in Energy & Resources
- Trend in Energy & Resources (previously Remote Sites) improving but still negative
- Good level of new business
- On-site Services same site sales and new business boosted by integrated services offer
- Sustained activity in Benefits & Rewards Services
- Adaptation and Simplification program on track
- Fiscal 2017 objectives confirmed



# CONTRACT WINS

## First quarter 2017 highlights

Recent  
signatures

The Air France logo consists of the word "AIRFRANCE" in a bold, sans-serif font, followed by a red and blue chevron symbol.

**Air France**

Business  
& Administrations  
contract  
in France



**UWV**

Corporate contract  
in the Netherlands



**Renault**

Corporate contract  
in Morocco

FM  
Cross-selling



**Bicocca University**

University contract  
in Italy

**WILLIAM OSLER**  
Health System

**WOHS Brampton**

Health Care contract  
in Canada



**Chevron**

Corporate contract  
in the United Kingdom

# CONTRACT WINS

## First quarter 2017 highlights

Pick-up  
in Education  
in the US



**Washington DC  
Public Schools**

Schools contract  
in the US



**Chicago  
Public Schools**

Schools contract  
in the US



**Bryant University**

University contract  
in the US

Flattening out  
in Energy  
& Resources



**Copebras Industria LTDA  
and  
Niobras Mineração LTDA**

Mine contract  
in Brazil



**Collahuasi**

Mine contract  
in Chile

# REVIEW OF OPERATIONS

**On-site Services  
Benefits & Rewards  
Services**

**3**

# ORGANIC GROWTH

First quarter 2017 revenues

**REVENUE GROWTH**  
**-2.2%**

Currency effect  
-0.9%

Scope changes  
+0.2%



**ORGANIC GROWTH**  
**-1.5% | +1.1%** excluding Rugby and E&R

of which:

On-site Services  
**-1.8% | +0.9%** excluding Rugby  
and E&R

Benefits & Rewards Services  
**+7.2%**

# TOUGH COMPARISON BASE IN B&A IMPACTS GROWTH

## On-site Services

### ORGANIC GROWTH



-5.0%

-0.1%

Excluding  
Rugby and E&R



+2.6%



+1.0%

### Business & Administrations

- Unfavourable comparable base with Rugby World Cup in Q1 Fiscal 16
- Energy & Resources still negative but improving trend
- Strong growth in Corporate in North America and Asia
- Soft level of activity in France

### Health Care & Seniors

- Comparable site growth in Hospitals in North America
- Selectivity in Hospitals in France and the UK
- Ramp-up of a new Seniors contract in France

### Education

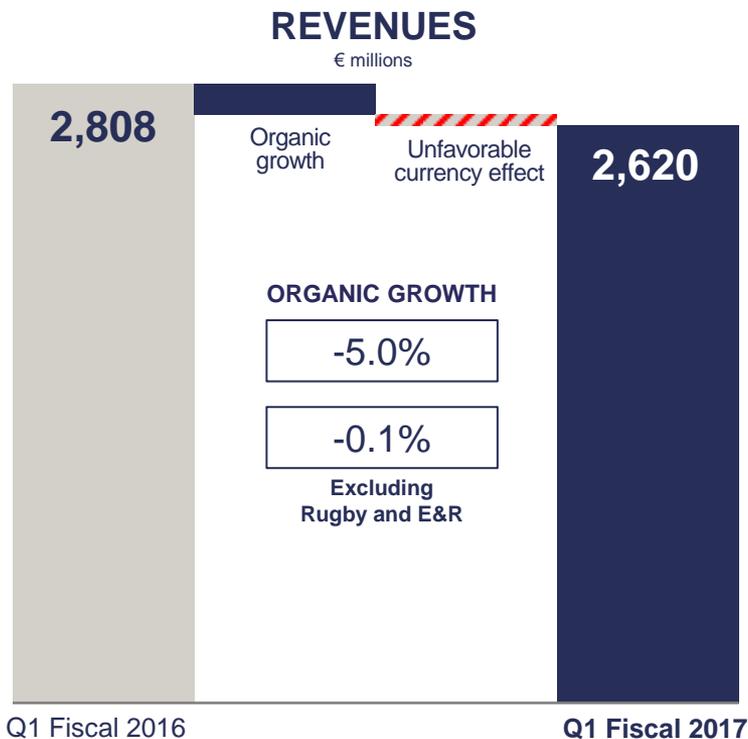
- Modest growth in North America and Europe
- Strong growth in Asia (China, Singapore and India)

% of Fiscal 2016  
On-site Services  
restarted



# BUSINESS & ADMINISTRATIONS

## On-site Services



### ORGANIC GROWTH

#### +3.9% North America

- Strong growth in Corporate and airline lounges
- Stabilization in Energy & Resources (E&R)

#### -11.7% Europe (including UK & Ireland)

- 3/4 of decline due to Sports & Leisure, principally due to Rugby World Cup in Q1'16
- E&R -16%, impacted by North Sea
- Government and Agencies: loss of French prison contract
- Cross-selling compensating lack of development

#### +2.9% Africa, Asia, Australia, Latam & Middle East

- Strong development in Corporate
- Stabilization in Energy & Resources, helped by new contract start-ups
- Slowdown in Corporate in Africa and Middle-East





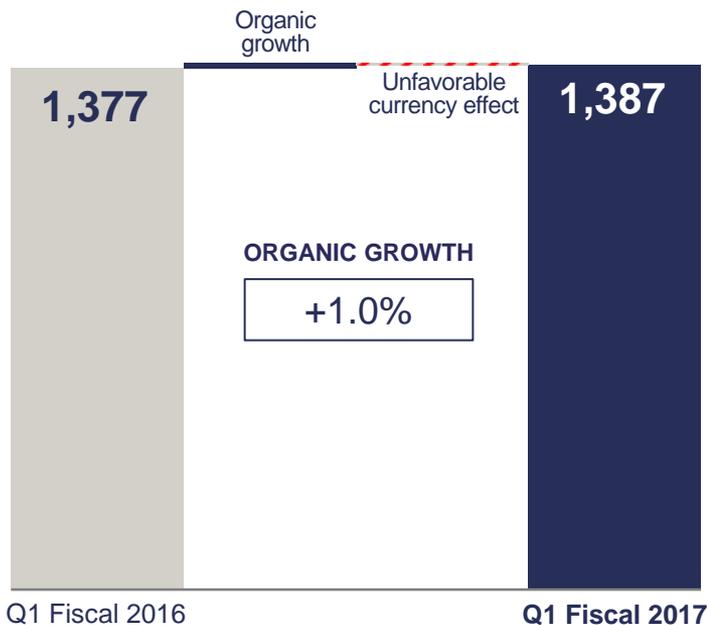
# EDUCATION

## On-site Services



### REVENUES

€ millions



### ORGANIC GROWTH

#### +0.8% North America

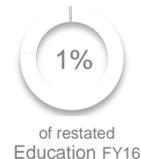
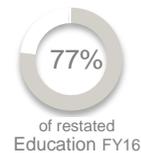
- Strong growth in Public Schools (extension at Chicago and new contract win in DC)
- Low prior year development in Universities

#### +0.9% Europe (including UK & Ireland)

- Robust growth in Italy
- One less serving day in France Schools
- Limited net development in United Kingdom

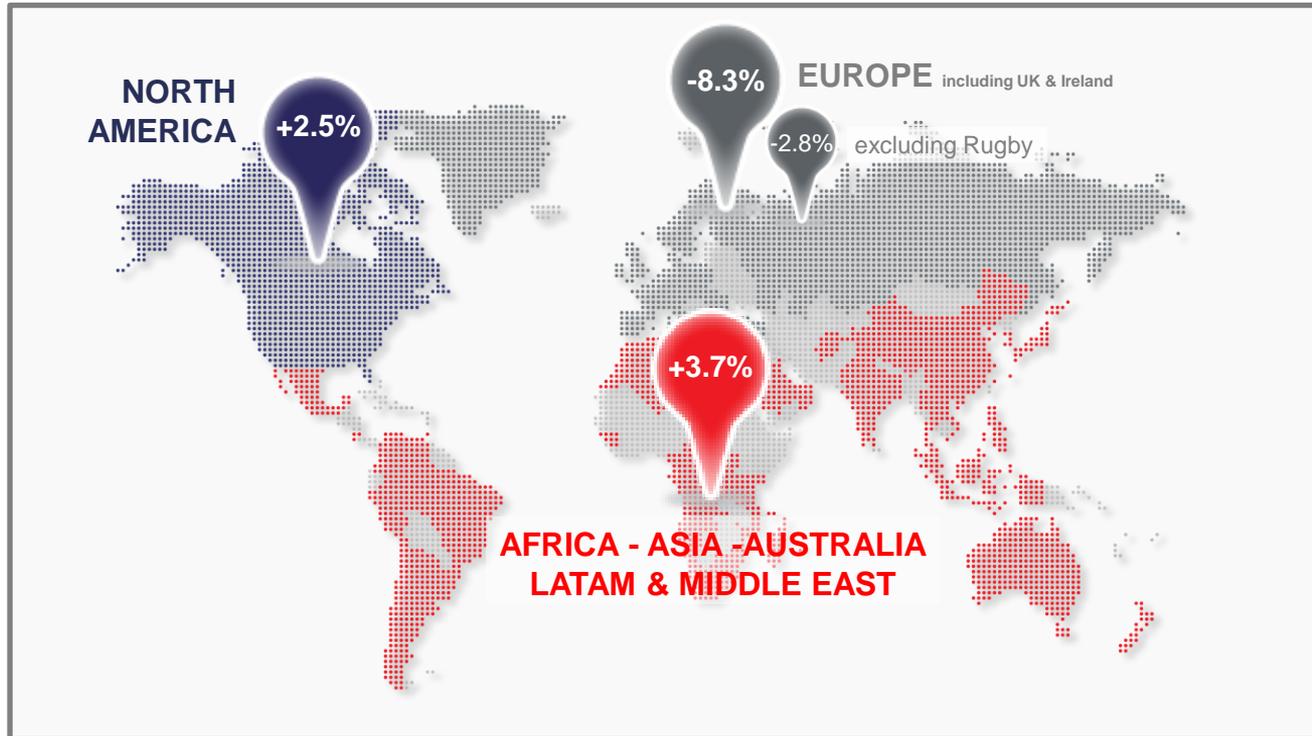
#### +9.6% Africa, Asia, Australia, Latam & Middle East

- Very strong growth in Schools in Asia mainly China, Singapore and India)



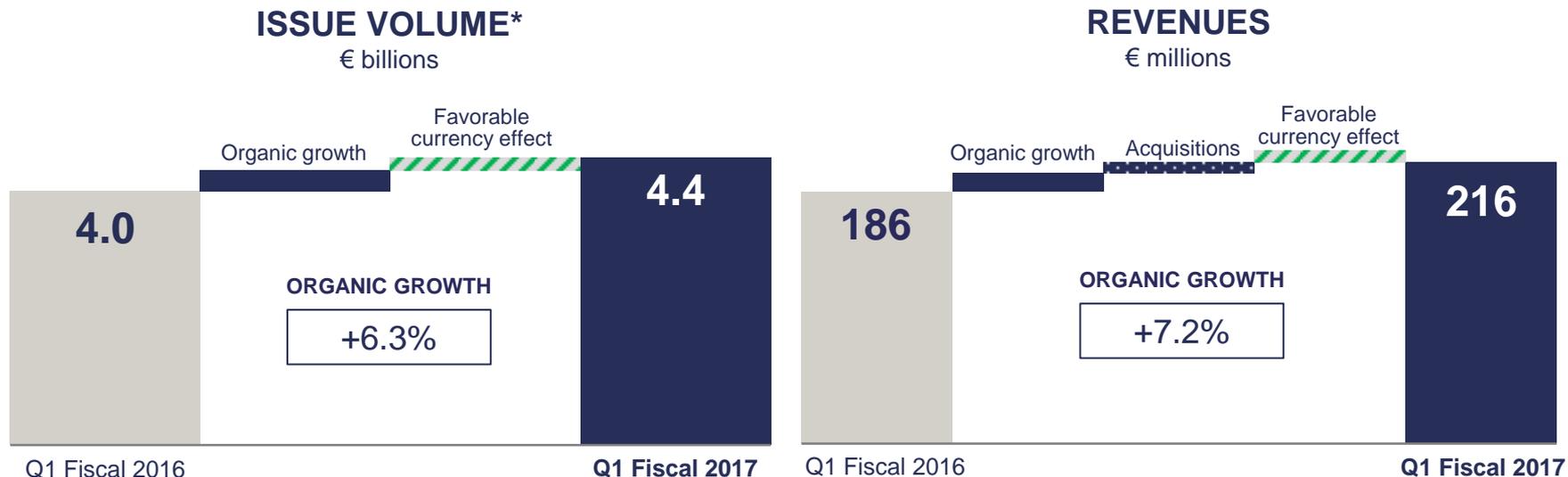
# ORGANIC GROWTH OF -1.8%

## On-site Services by region



# ISSUE VOLUME AND REVENUES

## Benefits & Rewards Services



- Economic environment still weak in Brazil
- Strong quarter in Europe

Organic growth: change excluding currency effect except for the Venezuelan bolivar, for which an exchange rate of 1 dollar = 663 bolivars has been used in Q1 2016 and in Q1 2017, (vs. 645 bolivars for Fiscal 2016).

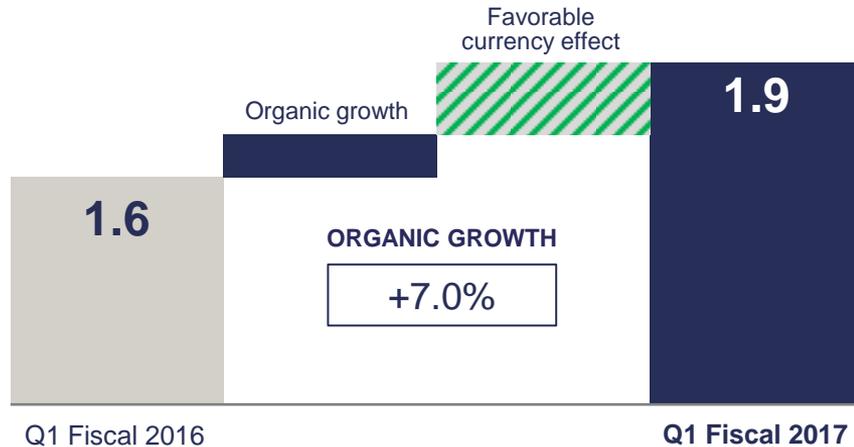
# ISSUE VOLUME AND REVENUES – LATIN AMERICA



## Benefits & Rewards Services

### ISSUE VOLUME

€ billions



### REVENUES

€ millions



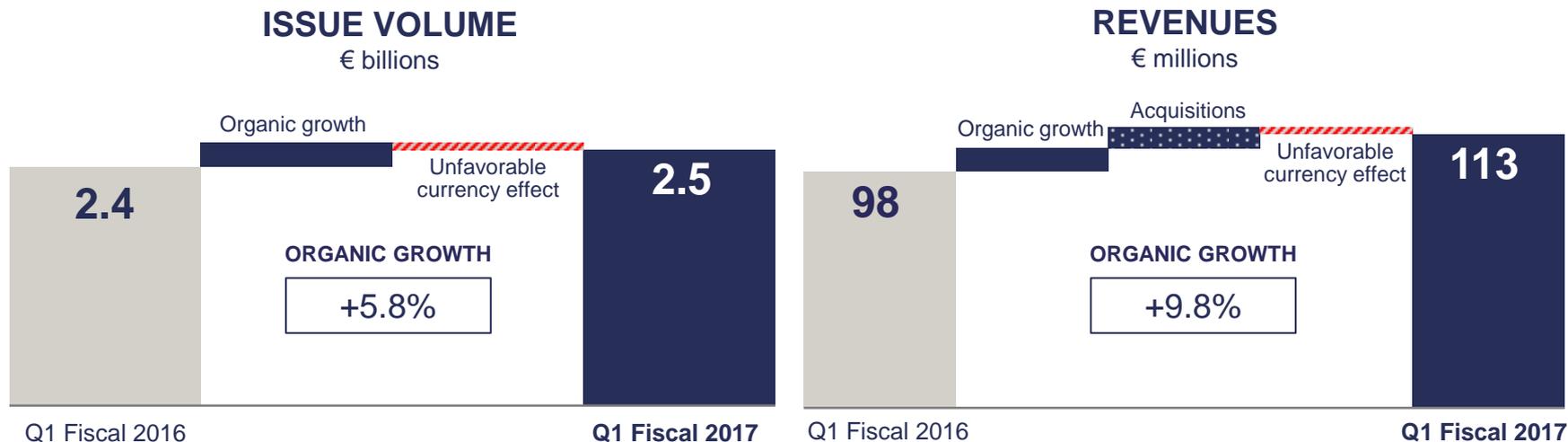
- Marked slowdown in growth in Brazil due to lower inflation and very competitive environment
- Strong growth in the rest of the region

Organic growth: change excluding currency effect except for the Venezuelan bolivar, for which an exchange rate of 1 dollar = 663 bolivars has been used in Q1 2016 and in Q1 2017, vs. 645 bolivars for Fiscal 2016.

# ISSUE VOLUME AND REVENUES – EUROPE, ASIA, USA

## Benefits & Rewards Services

52%  
FY 16  
revenues



- Face value increases in Belgium
- Strong growth in Italy and Central Europe
- Strong Christmas activity in Gifts and motivation versus weak cut-off last year
- Acquisition of Inspirus in USA

# OUTLOOK FOR FISCAL 2017

**Outlook**

**4**

# FISCAL 2017 OBJECTIVES

## Outlook

Challenging revenue comparables in Q1 will progressively reduce from Q2, due to:

- Strong new business pipeline
- Improved momentum in developing economies
- Continued improvement in Energy & Resources
- No further impact of Rugby World Cup
- Positive accounting calendar adjustment in North America in Q4

**THE GROUP IS CONFIDENT IN ACHIEVING ITS FISCAL 2017 OBJECTIVES**

**Organic revenue growth of around 3%**

**Growth in operating profit between 8 and 9%**  
(excluding currency effects and exceptional expenses\*)

**Q & A**

# APPENDICES

1. 2016 new segment breakdown
2. Reconciliation of old and new segments
3. Q1 Exchange rates
4. Q1 Revenue growth
5. Alternative performance measure definitions

# 2016 NEW SEGMENT BREAKDOWN

## Appendix 1

Revenues <i>(In million of euro)</i>	Revenues YTD Q1 Fiscal 2016	Revenues YTD H1 Fiscal 2016	Revenues YTD 9M Fiscal 2016	Revenues YTD FY Fiscal 2016	% of total FY 16 revenues
<b>Business &amp; Administrations</b>	2 808	5 322	7 869	10 433	52%
North America	584	1 148	1 729	2 340	
Europe (including UK & Ireland)	1 579	2 930	4 274	5 578	
Total Africa, Asia, Australia, Latam & Middle East	645	1 243	1 866	2 515	
<b>Health Care &amp; Seniors</b>	1 204	2 419	3 647	4 868	24%
North America	778	1 568	2 363	3 171	
Europe (including UK & Ireland)	382	762	1 143	1 501	
Total Africa, Asia, Australia, Latam & Middle East	44	90	141	196	
<b>Education</b>	1 377	2 465	3 622	4 169	21%
North America	1 091	1 924	2 809	3 195	
Europe (including UK & Ireland)	267	508	761	909	
Total Africa, Asia, Australia, Latam & Middle East	19	33	51	65	
<b>ON-SITE SERVICES</b>	5 388	10 206	15 137	19 470	96%
North America	2 453	4 640	6 901	8 706	
Europe (including UK & Ireland)	2 228	4 200	6 179	7 988	
Total Africa, Asia, Australia, Latam & Middle East	708	1 366	2 057	2 776	
<b>BENEFITS &amp; REWARDS SERVICES</b>	186	393	576	780	4%
Intragroup eliminations	(1)	(3)	(4)	(5)	
<b>TOTAL GROUP</b>	5 573	10 596	15 709	20 245	100%

# RECONCILIATION OF OLD AND NEW SEGMENTS

## Appendix 2

Given the revenues allocation included in each new segment as defined on slide 10, some variances exist between the total published figures in 2016 according to old definitions, and total new segment revenues as present in slide 13.

Those variance are mainly explained by:

- non segmented countries with total country revenues included in Business and Administration
- reclassification between regions (i.e for Energy and Resources between old region Rest of the World and Europe and North America new regions)

# Q1 FISCAL 2017 EXCHANGE RATES

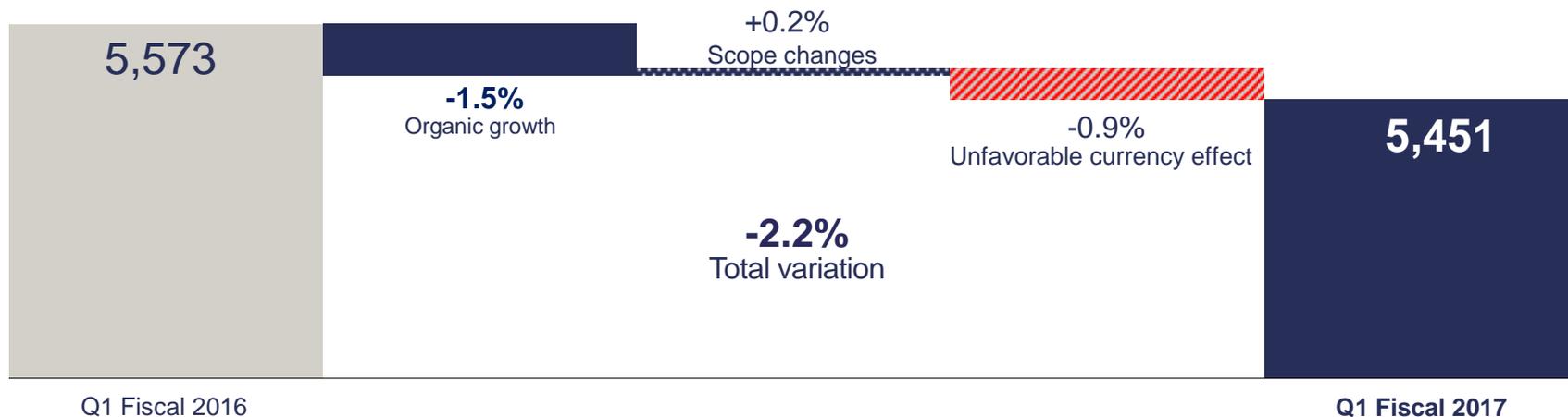
## Appendix 3

1€ =	Average rate Q1 Fiscal 16	Reference rate FY Fiscal 16	Average rate Q1 Fiscal 17	Change Q1'17 vs. Reference FY'16	Closing rate Q1 Fiscal 17 at 30/11/16
U.S. Dollar	1.103	1.106	<b>1.099</b>	+0.6%	1.064
Pound Sterling	0.724	0.767	<b>0.870</b>	-11.8%	0.852
Brazilian Real	4.267	4.069	<b>3.569</b>	+14.0%	3.612

# Q1 FISCAL 2017 REVENUE

## Appendix 4

€ billions



Organic growth: change excluding currency effect except for the Venezuelan bolivar, for which an exchange rate of 1 dollar = 663 bolivars has been used in Q1 2016 and in Q1 2017 (vs. 1 dollar = 645 bolivars for Fiscal 2016).

# Q1 FISCAL 2017 REVENUE

## Appendix 4

<b>Revenues</b> <i>(in millions of euro)</i>	<b>Q1 Fiscal 2017</b>	<b>Q1 Fiscal 2016</b>	<b>Organic growth</b>	<b>Published growth</b>
Business & Administrations	2,620	2,808	-5.0%	-6.7%
Health Care & Seniors	1,229	1,204	+2.6%	+2.1%
Education	1,387	1,377	+1.0%	+0.7%
<b>On-site Services</b>	<b>5,236</b>	<b>5,388</b>	<b>-1.8%</b>	<b>-2.8%</b>
<b>Benefits &amp; Rewards Services</b>	<b>216</b>	<b>186</b>	<b>+7.2%</b>	<b>+16.1%</b>
Elimination of intra-group revenues	(1)	(1)		
<b>TOTAL GROUP</b>	<b>5 451</b>	<b>5,573</b>	<b>-1.5%</b>	<b>-2.2%</b>

# ALTERNATIVE PERFORMANCE MEASURE DEFINITIONS

## Appendix 5

### **Exceptional expenses**

Exceptional expenses are the costs of implementation of the Adaptation and Simplification program of which €108m were booked in Fiscal 2016 and which is expected to be completed by February 2017.

### **Issue volume**

Issue volume corresponds to the total face value of service vouchers, cards and digitally-delivered services issued by the Group (Benefits & Rewards Services activity) for beneficiaries on behalf of clients.

### **Operating profit before exceptional expenses**

Reported Operating Profit excluding exceptional expenses (€108m in Fiscal 2016).

# ALTERNATIVE PERFORMANCE MEASURE DEFINITION

## Appendix 5

### Organic growth

Organic growth corresponds to the increase in revenue for a given period (the "current period") compared to the revenue reported for the same period of the prior fiscal year, calculated using the exchange rate for the prior fiscal year; and excluding the impact of business acquisitions and divestments, as follows:

- for businesses acquired during the current period, revenue generated since the acquisition date is excluded from the organic growth calculation;
- for businesses acquired during the prior fiscal year, revenue generated during the current period up until the first anniversary date of the acquisition is excluded;
- for businesses divested during the prior fiscal year, revenue generated in the comparative period of the prior fiscal year until the divestment date is excluded;
- for businesses divested during the current fiscal year, revenue generated in the period commencing 12 months before the divestment date up to the end of the comparative period of the prior fiscal year is excluded.

For countries with hyperinflationary economies all figures are converted at the latest closing rate for both periods. As a result, for the calculation of organic growth, Benefits & Rewards figures for Q1 Fiscal 2017 and Q1 Fiscal 2016 in Venezuelan Bolivar, have been converted at the exchange rate of US\$ 1 = VEF 663 (vs. VEF 645 for Fiscal 2016).

**Thank you**