

# Fiscal 2019 Results

Roadshow Paris November 18, 2019

Société Générale

# AGENDA

1. Fiscal 2019 highlights
2. Financial Performance
3. Review of Operations
  - › On-Site Services
  - › Benefits & Rewards Services
4. Personal & Home Services
5. Focus on Growth strategic agenda
6. Outlook for Fiscal 2020
7. Appendices

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

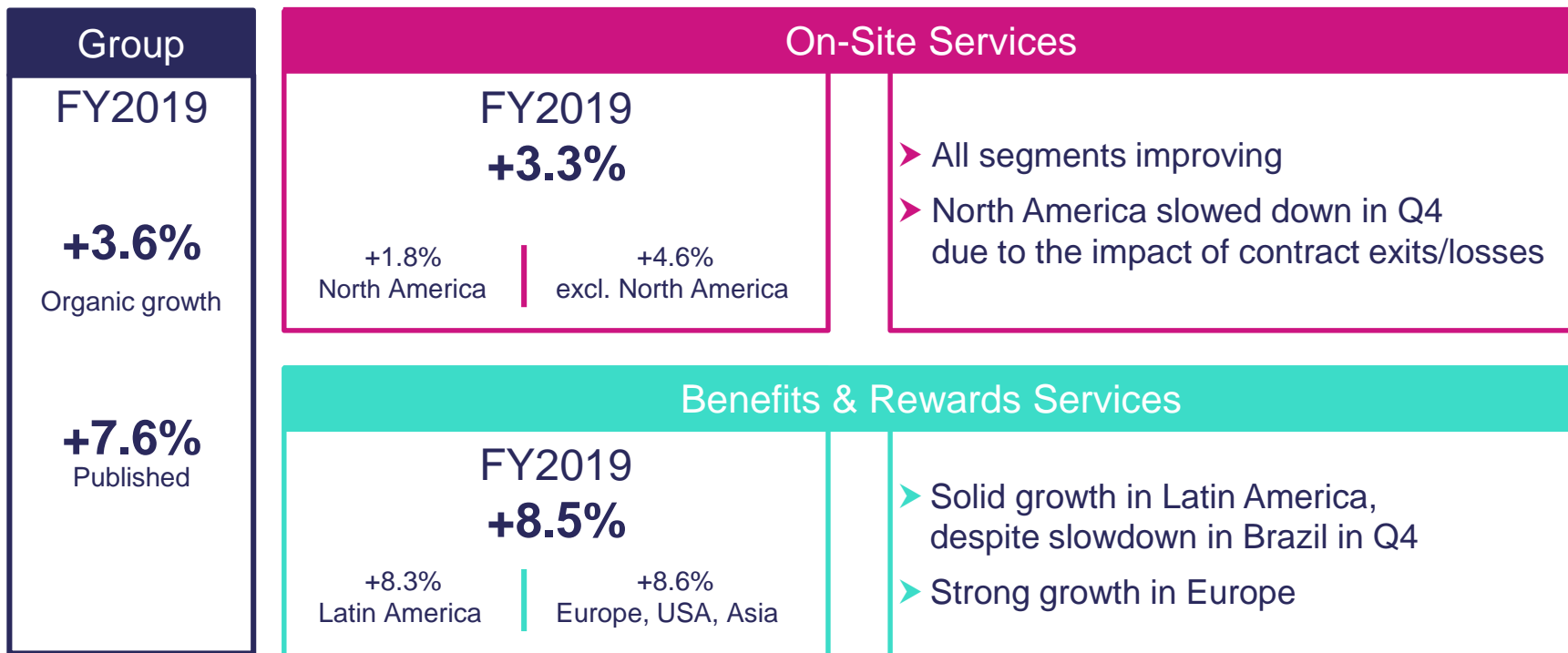
Please refer to Appendix 16 for Alternative Performance Measures definitions

# FISCAL 2019 HIGHLIGHTS



# ORGANIC GROWTH SLIGHTLY ABOVE EXPECTATIONS

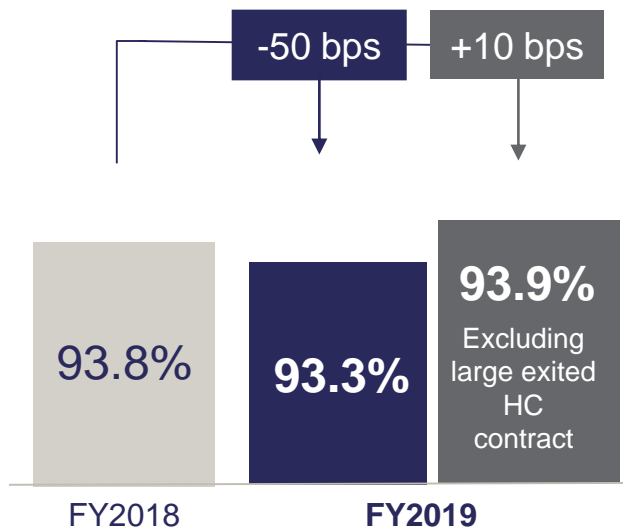
## Fiscal 2019 highlights



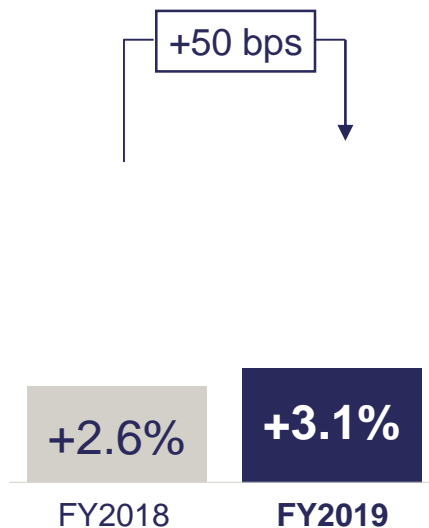
# OSS GROWTH INDICATORS

## Fiscal 2019 highlights

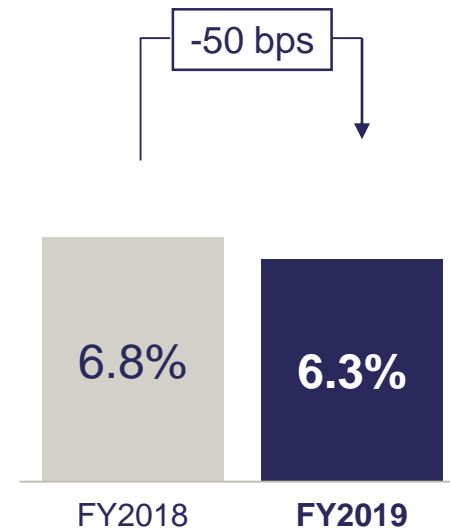
### Client retention



### Comparable unit growth



### Business development



# ENHANCED DISCIPLINE ACROSS THE BUSINESS

## Fiscal 2019 highlights

Lost-Time Injury Rate (LTIR<sup>1</sup>)  
improved by 11.1%

**0.86**

E&R best in class at **0.10**

Gross profit retention rate

**95%**

vs 93.3% revenue retention rate

New signature margins

**+20 bps**

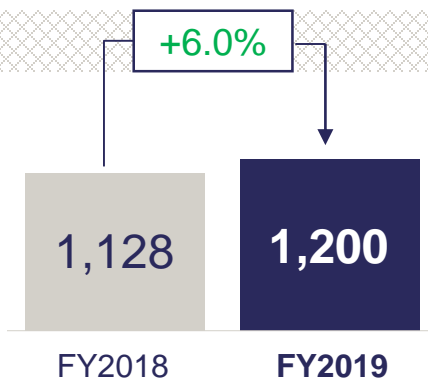
Local contracts in  
Corporate Services pipeline

**80%**

# UNDERLYING OPERATING PROFIT IN LINE WITH EXPECTATIONS

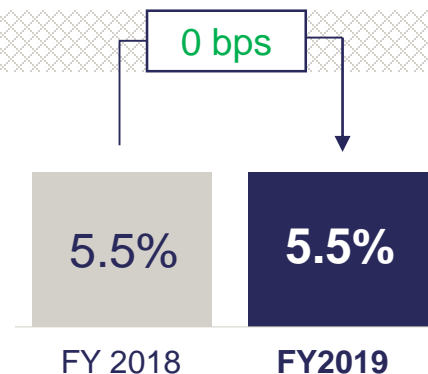
## Fiscal 2019 highlights

### Underlying Operating Profit



At constant rates

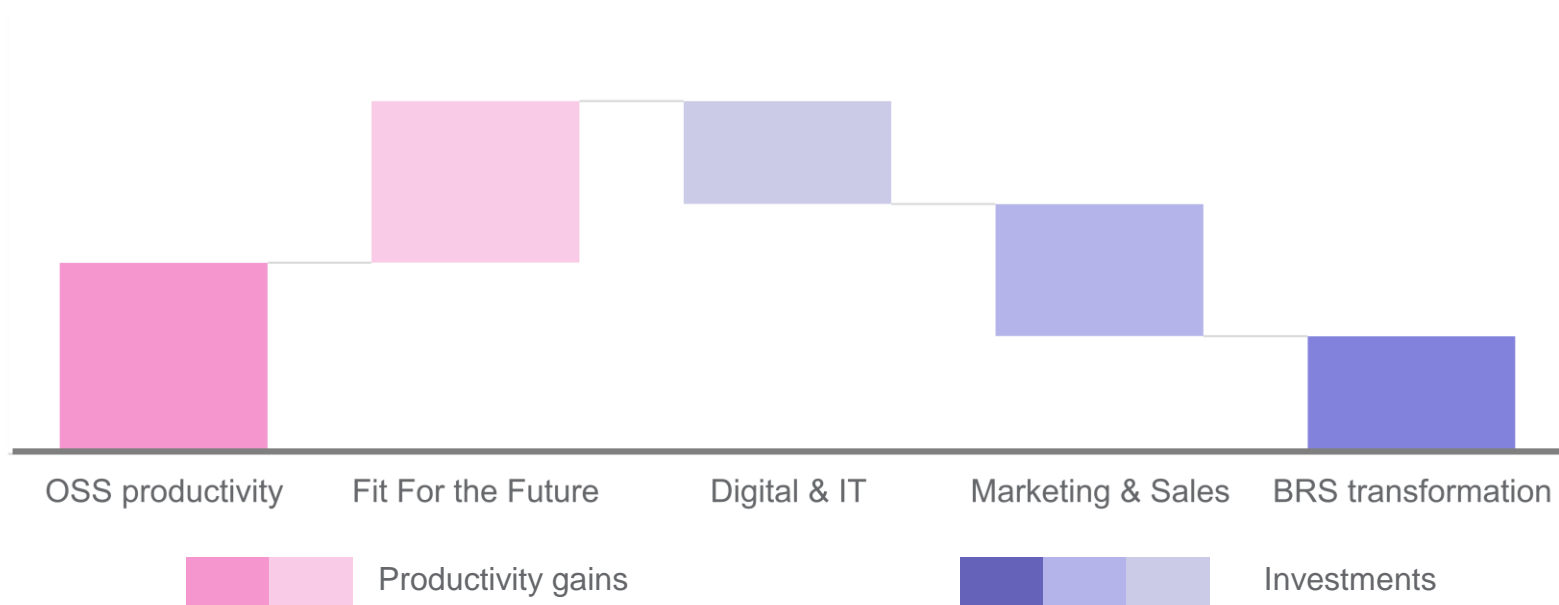
### Underlying Operating Margin



At current rates

# GROWTH INVESTMENTS FINANCED BY PRODUCTIVITY

## Fiscal 2019 highlights





# SOLID FINANCIALS

## Fiscal 2019 highlights

### CAPEX up strongly

€415m

CAPEX

1.9%

CAPEX / REVENUES

### Solid Balance sheet

0.9

NET DEBT RATIO

27%

GEARING

### Net Acquisitions

€301m

SPEND

2.6%

SCOPE CHANGE / REVENUES

### Strong cash generation

€907m

FREE CASH FLOW

136%

CASH CONVERSION

# THE FUTURE OF FOOD SERVICES: INDITEX LOGISTIC CENTER

**INDITEX**

## Fiscal 2019 highlights

### Offer designed to respond to societal needs

- Regeneration of the environment
- Reduced climate and natural resources impact



### Healthy & Responsible Diet

- 65% local products
- 40+ organic products
- Seasonal menus
- **Slow Food Eco gastronomic association award**



### Environment friendly offer

- Plastic-free
- Compostable packaging
- Systematic reuse of uneaten dishes
- **LEED Gold certification**
- **2019 Challenge:**



# FOOD SERVICES EXCELLENCE SUPPORTING MAJOR EVENTS: PANAM GAMES 2019

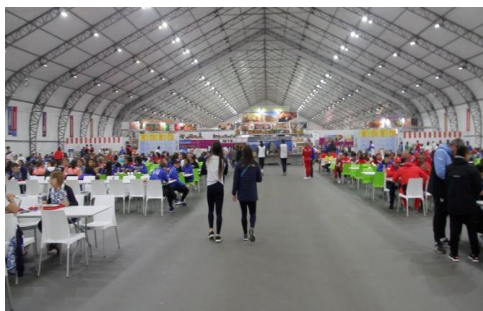
## Fiscal 2019 highlights



Safety and logistics  
at the core of our offer



A showcase  
of our food Excellence



A friendly environment  
approach



# FINANCIAL PERFORMANCE



2

# P&L PERFORMANCE

## Fiscal 2019 Financial Performance

€ millions	FY 2019	FY 2018	CHANGE	
			At current exchange rates	Excluding currency effect
Revenues	21,954	20,407	7.6%	+6.1%
Underlying Operating profit	1,200	1,128	+6.4%	+6.0%
Underlying Operating margin	5.5%	5.5%	0 bps	0 bps
Other Operating income and expenses	(141)	(131)		
Operating profit	1,059	997	+6.2%	+5.8%
Net financial expense	(100)	(90)		
Effective tax rate	29.0%	27.1%		
Underlying net profit group share	765	706	+8.4%	+7.8%
Basic Underlying Earnings per Share (€)	5.25	4.77	+10.1%	
Group net profit	665	651	+2.2%	+1.7%
Basic Earnings per Share (€)	4.56	4.40	+3.6%	

# OTHER INCOME AND EXPENSES

## Fiscal 2019 Financial Performance

€ millions	FY 2019	FY 2018
<b>Other Operating income</b>	<b>11</b>	<b>10</b>
Gains related to perimeter changes	9	3
Gains on changes of post-employment benefits	1	-
Other	1	7
<b>Other operating expenses</b>	<b>(152)</b>	<b>(141)</b>
Restructuring and rationalization costs	(46)	(42)
Acquisition related costs	(11)	(15)
Losses related to consolidation scope	-	(18)
Losses on changes of post-employment benefits	(4)	-
Amortization and impairment of acquired intangible assets	(85)	(52)
Impairment of non-current assets	-	-
Other	(6)	(14)
<b>OTHER OPERATING INCOME AND EXPENSES</b>	<b>(141)</b>	<b>(131)</b>

# ROBUST CASH FLOW

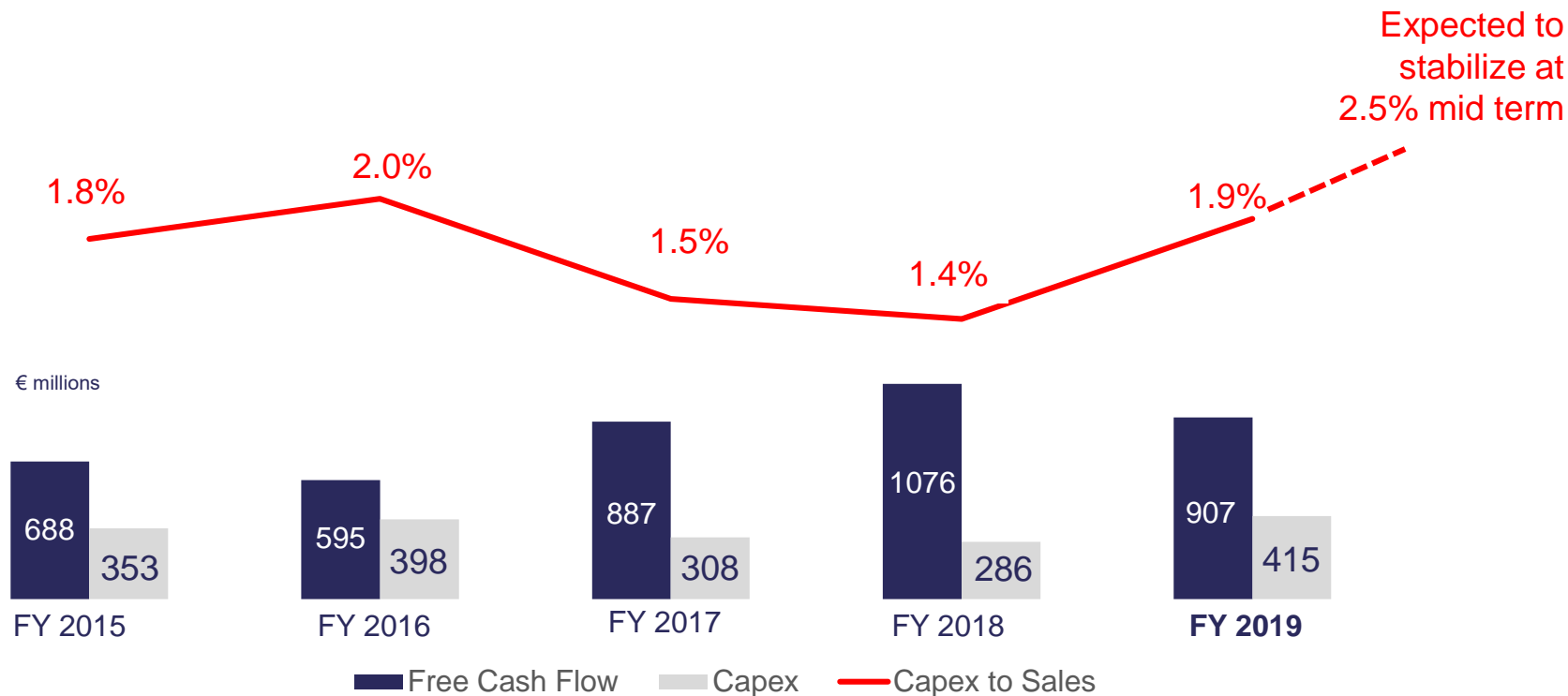
## Fiscal 2019 Financial Performance

€ millions	FY2019	FY2018
Operating cash flow	1,139	1,140
Change in working capital <sup>1</sup>	182	221
Net capital expenditure	(415)	(286)
<b>Free cash flow</b>	<b>907</b>	<b>1,076</b>
Net acquisitions	(301)	(697)
Share buy-backs/ Treasury stock	(7)	(300)
Dividends paid to parent company shareholders	(403)	(411)
Other changes (including change in Financial Assets, scope and exchange rates)	(150)	(316)
<b>(Increase)/decrease in net debt</b>	<b>47</b>	<b>(648)</b>

- 1 Excluding change in financial assets related to the Benefits and Rewards Services activity (€(53)m in Fiscal 2019 and €(228)m in Fiscal 2018).  
Total change in working capital as reported in consolidated accounts: in Fiscal 2019: €129m = €182m+ €(53)m and Fiscal 2018 €(7)m = €221m+ €(228)m

# CAPEX LEVEL INCREASING AS EXPECTED IN FY2019

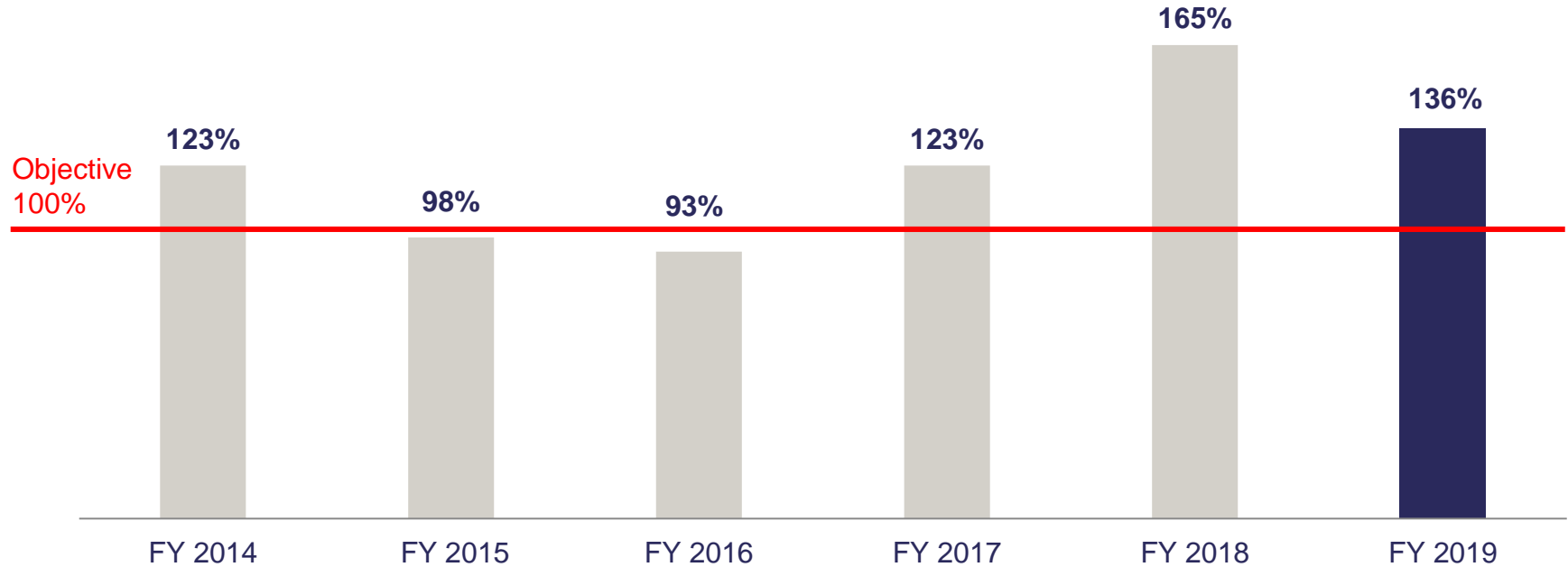
## Fiscal 2019 Financial Performance





# STRONG CASH CONVERSION

Cash conversion (Free cash flow/Group net profit)



# ROBUST BALANCE SHEET AND RATIOS

## Fiscal 2019 Financial Performance

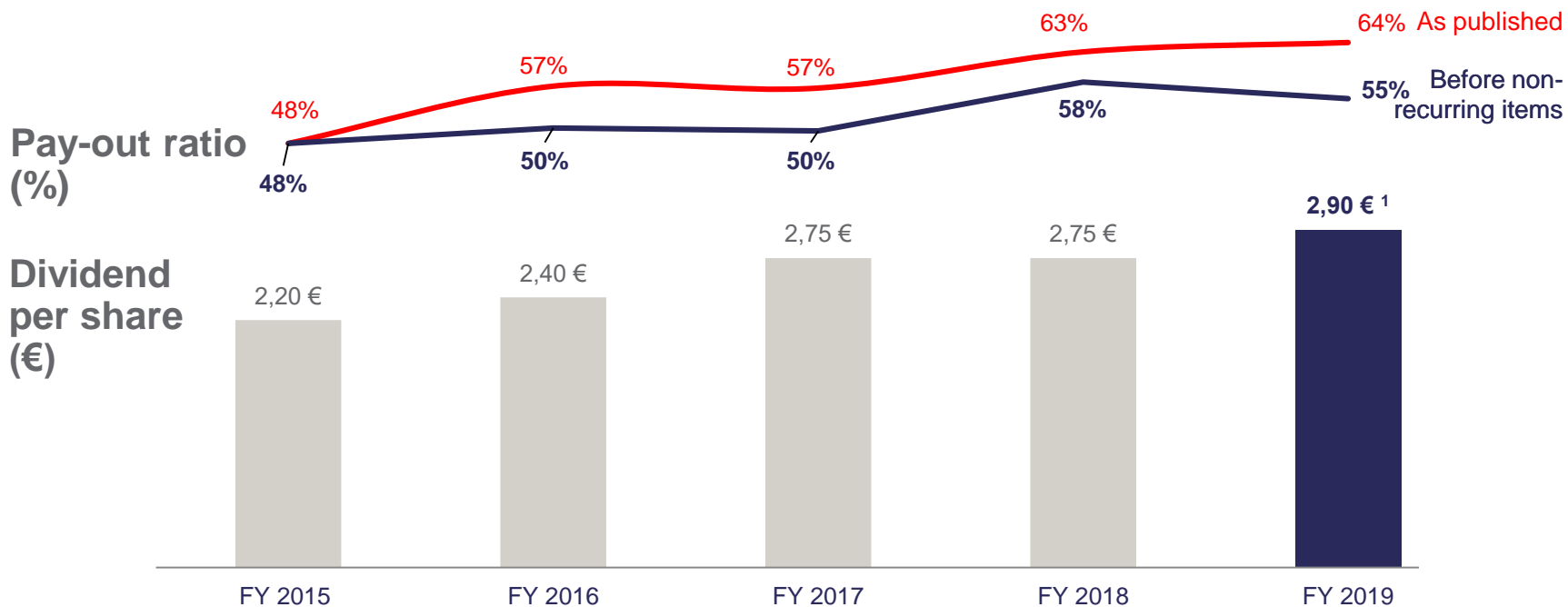
€ millions	AUGUST 31, 2019	AUGUST 31, 2018		AUGUST 31, 2019	AUGUST 31, 2018
Non-current assets	9,455	7,944	Shareholders' equity	4,456 <sup>2</sup>	3,283
Current assets excluding cash	5,111	4,628	Non-controlling interests	42	45
Restricted cash	678	615	Non-current liabilities	4,722	4,330
Benefits & Rewards			Current liabilities	8,247	7,622
Financial assets	442	427			
Benefits & Rewards					
Cash	1,781	1,666			
<b>TOTAL ASSETS</b>	<b>17,467</b>	<b>15,280</b>	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>17,467</b>	<b>15,280</b>
			Gross borrowings	4,079	3,940
			Net debt	1,213	1,260
			Gearing ratio	27%	38%
			Net debt ratio (net debt/EBITDA)	0.9	1.0

Operating cash totaled **€2,866 million<sup>1</sup>**, of which **€2,136 million** related to **Benefits and Rewards Services**

<sup>1</sup> Cash – Bank overdrafts of €35m + Financial assets related to BRS activity

<sup>2</sup> The change in shareholders equity is mainly due to the reevaluation of certain financial assets due to the first application of IFRS 9. Please refer to Appendix 9 for more details

# INCREASED DIVIDEND



<sup>1</sup> To be proposed at the AGM on January 21, 2020

# REVIEW OF OPERATIONS

**On-site Services**

**Benefits & Rewards  
Services**

**3**

# REVITALIZED GROWTH

## Fiscal 2019 Financial Performance

REVENUE AT €22 bn

TOTAL GROWTH  
+7.6%

Currency effect  
+1.5%

Scope change  
+2.6%

ORGANIC GROWTH  
+3.6%

of which:

On-site Services  
+3.3%

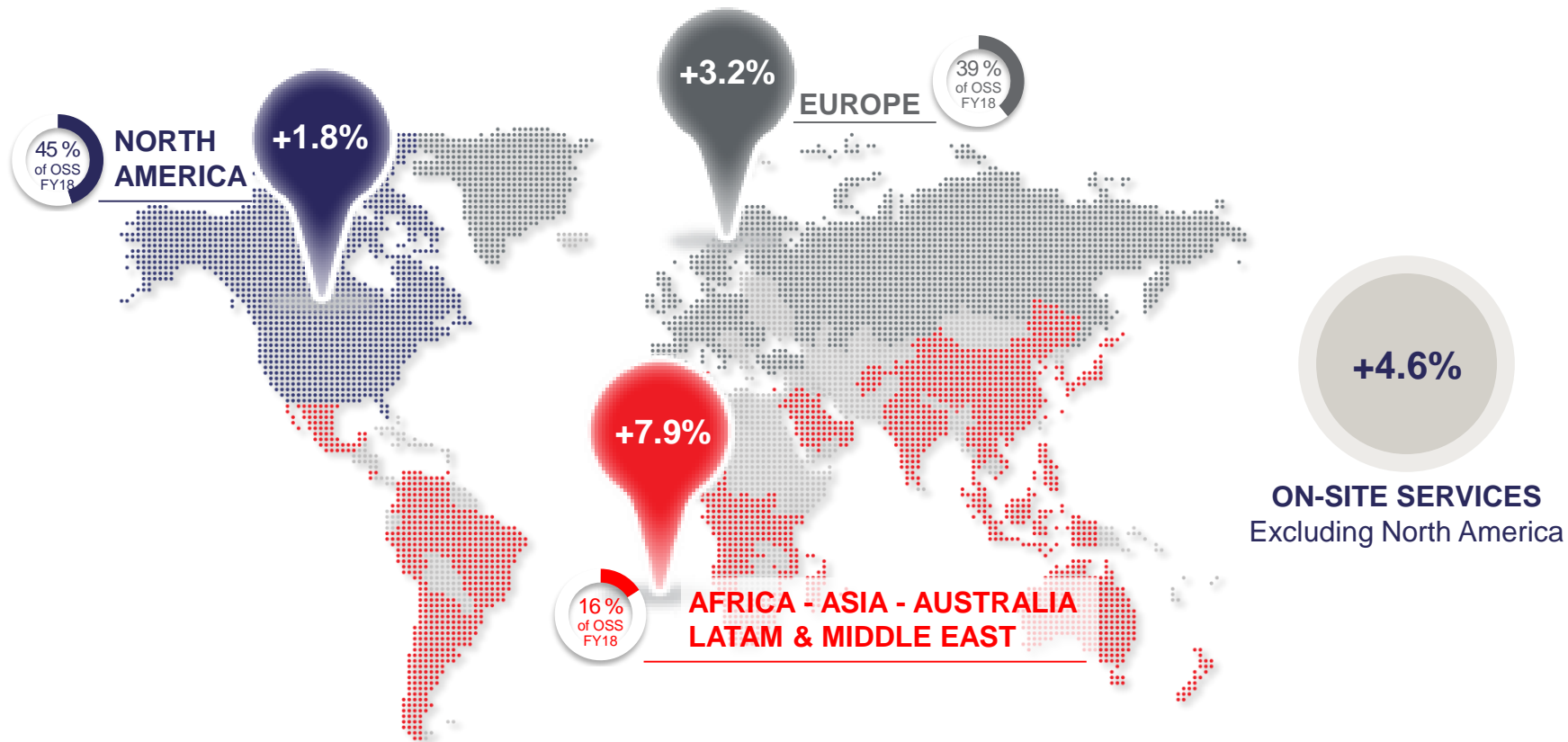
Benefits and Rewards Services  
+8.5%

# REVIEW OF OPERATIONS

On-site Services  
revenues

OSS

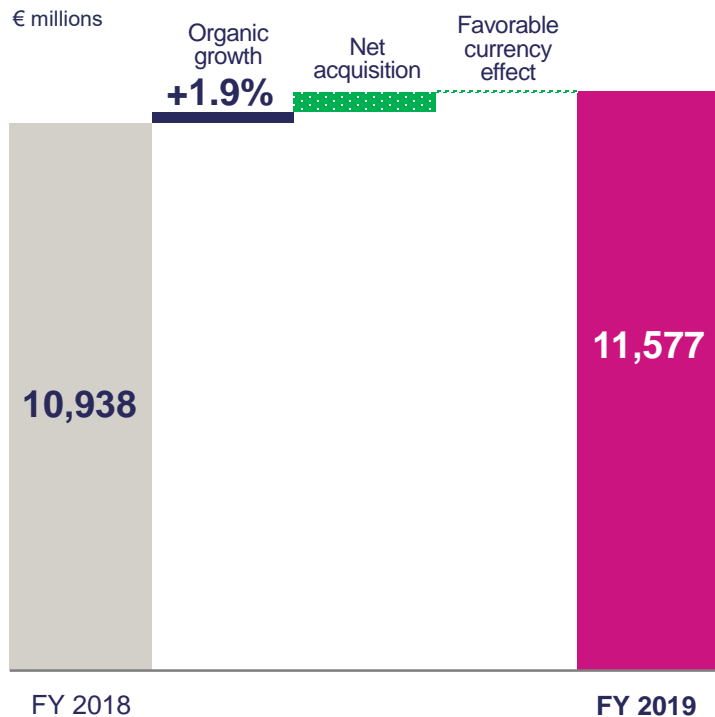
# ALL OSS REGIONS GROWING ORGANICALLY IN FY2019



# BUSINESS & ADMINISTRATIONS – REVENUES



## NON RESTATED ORGANIC GROWTH

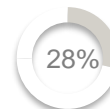


## RESTATED ORGANIC GROWTH<sup>1</sup>

+1.9%

### North America

- Solid growth in Corporate Services driven by strong comparable unit growth, solid retention and good wins
- Underlying performance in E&R improving
- US Marine Corps renewed with lower comparable unit sales, improving quarter over quarter
- Centerplate contract rationalization

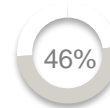


of FY19  
B&A

+2.5%

### Europe

- Corporate Services helped by solid cross-selling
- Progressive improvement in G&A in the UK
- Better than expected tourism activity partially compensating for the large S&L contract loss in France

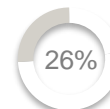


of FY19  
B&A

+6.8%

### Africa, Asia, Australia, Latin America & Middle East

- Strong growth in Corporate driven by new business and comparable unit sales
- Q4 boosted by PanAm Games
- Progressive improvement in E&R



of FY19  
B&A

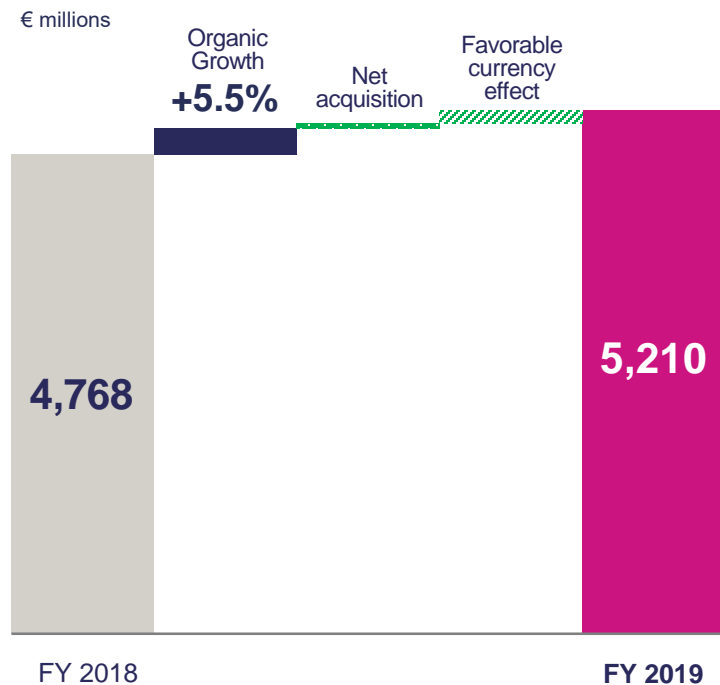
TOTAL  
+3.5%



# HEALTHCARE & SENIORS – REVENUES

25%  
On-site  
Services  
FY19

## NON RESTATED ORGANIC GROWTH



## RESTATED ORGANIC GROWTH<sup>1</sup>

+1.5%

### North America

- Solid same site sales growth helped by inflation pass-through and cross-selling
- Slow down in Q4 in Healthcare as some of the lost sites closed
- Seniors improving quarter over quarter

62%

of FY19  
Health Care  
& Seniors

+0.9%

### Europe

- Slow market dynamics in both Hospitals and Seniors in UK and France
- Nordics recovering thanks to new site openings

32%

of FY19  
Health Care  
& Seniors

+17.4%

### Africa, Asia, Australia, Latin America & Middle East

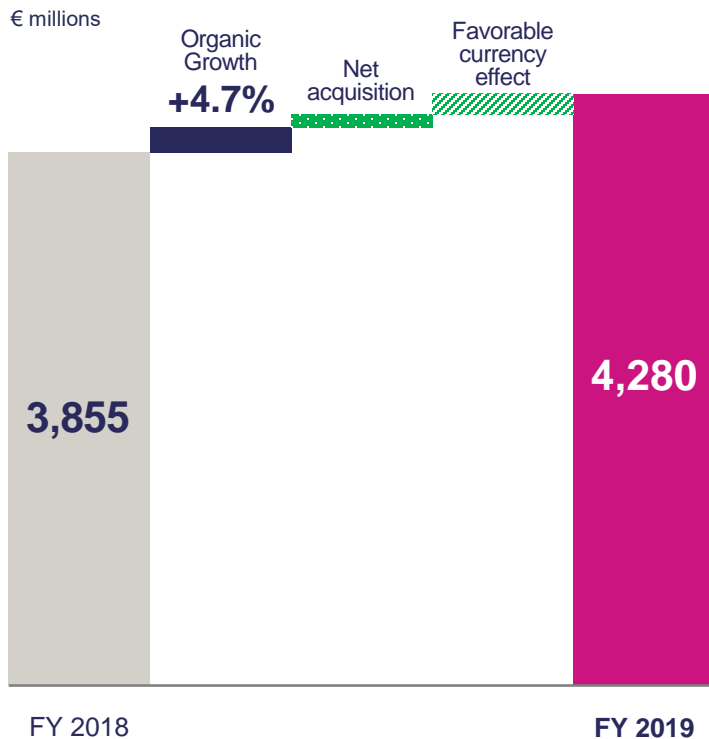
- Double digit growth due to new contracts and strong same site sales growth in Brazil, India and China

6%

of FY19  
Health Care  
& Seniors

TOTAL  
+2.1%

# EDUCATION – REVENUES

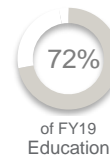


## ORGANIC GROWTH

**+2.2%**

### North America

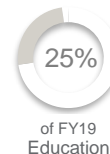
- Neutral net new business
- Q4 better than expected with 1 less working day, more than compensated by additional sports events and summer construction projects



**+12.0%**

### Europe

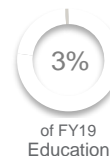
- Strong new business and same site sales growth in France, particularly boosted by Yvelines Schools contract start-up in January
- +1 working day in France



**+12.3%**

### Africa, Asia, Australia, Latin America & Middle East

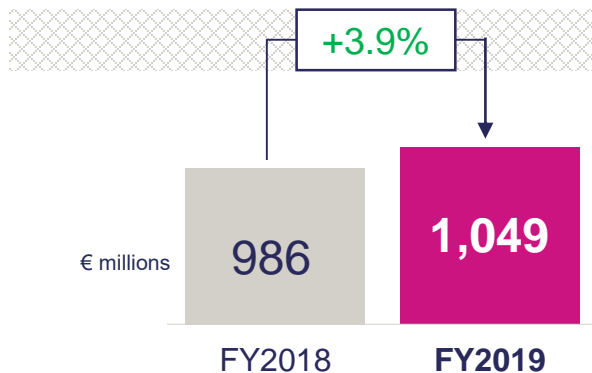
- Strong growth in Schools in Asia driven by China, Singapore and India new business



**TOTAL  
+4.7%**

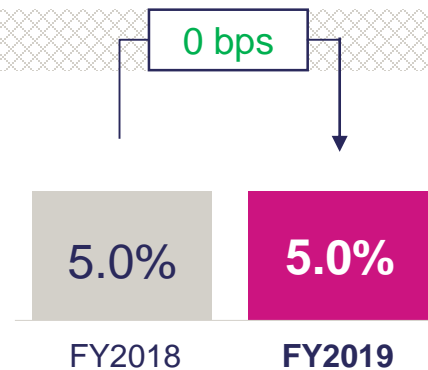
# OSS UOP MARGIN STABLE

## Underlying Operating Profit

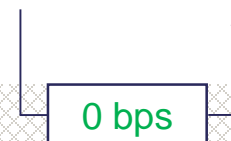


At constant rates

## Underlying Operating Margin



At current rates



+6.4%

# OSS UOP BY SEGMENT

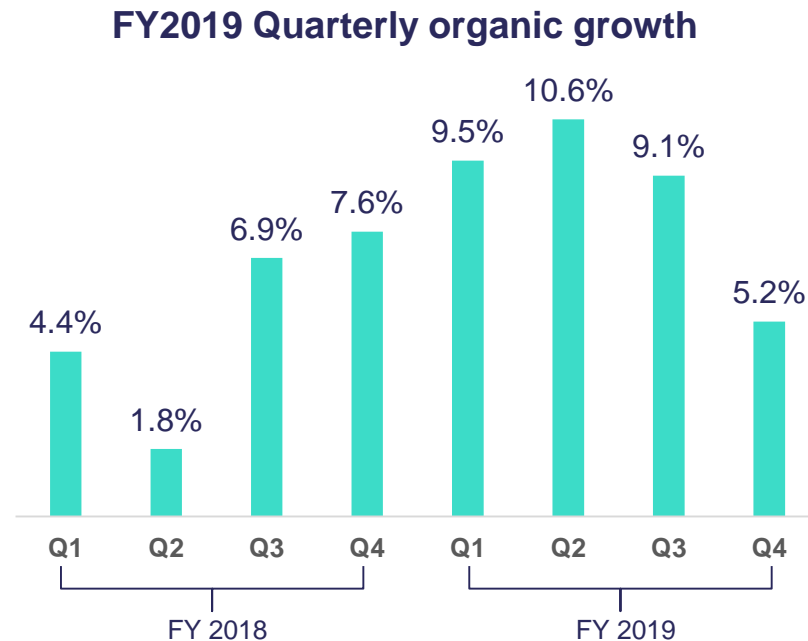
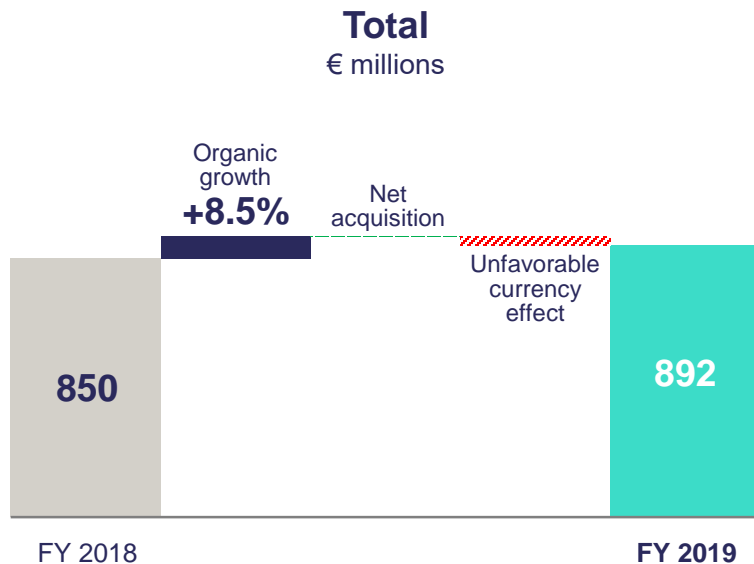
	FY 2019	Restated Variation Constant rate	
Business & Administration	€487m	+7.1%	<ul style="list-style-type: none"> <li>Impact of US Marine Corps contract renewal</li> <li>Productivity initiatives delivering</li> </ul>
	4.2%*	+0bps	
Healthcare & Seniors	€342m	+6.3%	<ul style="list-style-type: none"> <li>Strong disciplined monitoring of SG&amp;A</li> <li>Productivity initiatives delivering</li> <li>Signing and mobilization of new contracts improving</li> </ul>
	6.6%*	+20bps	
Education	€220m	-5.7%	<ul style="list-style-type: none"> <li>Cost of many Schools contract start-ups</li> <li>Impact of strikes in France</li> <li>Despite good passthrough, North America Universities still impacted by ongoing labor cost inflation</li> </ul>
	5.1%*	-70bps	

# REVIEW OF OPERATIONS

Benefits & Rewards  
Services results

**BRS**

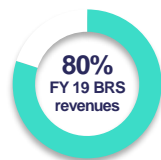
# BENEFITS & REWARDS SERVICES REVENUES



# BRS REVENUES BY SERVICE LINE

## Employee Benefits

€ millions



Organic growth

**+9.4%**



FY 2018

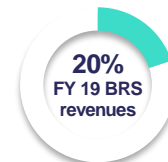
FY 2019

**Issue volume €13.5 bn, +7.1% Organic growth**

- Strong growth in Europe
- Solid improvement in Brazil despite a slowdown in Q4

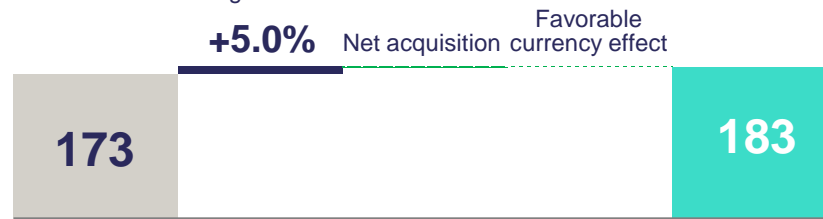
## Services diversification

€ millions



Organic growth

**+5.0%**



FY 2018

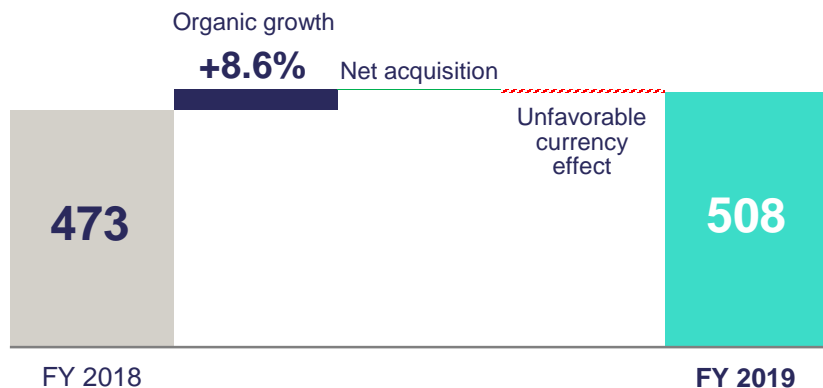
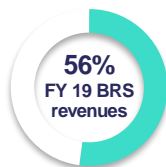
FY 2019

**+18.7% Organic growth  
excluding I&R (Portfolio rationalization)**

- Strong double digit growth in Mobility & Expense
- Fast development in Corporate Health & Wellness

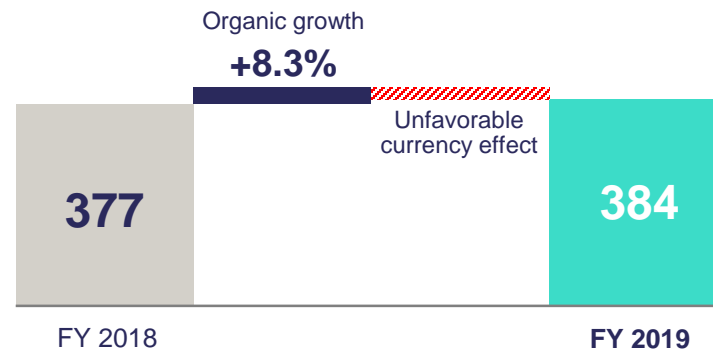
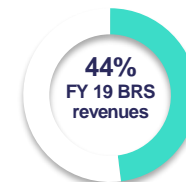
# BRS REVENUES BY REGION

## Europe, Asia, USA € millions



- Solid growth in western Europe
- Double digit growth in eastern and southern Europe

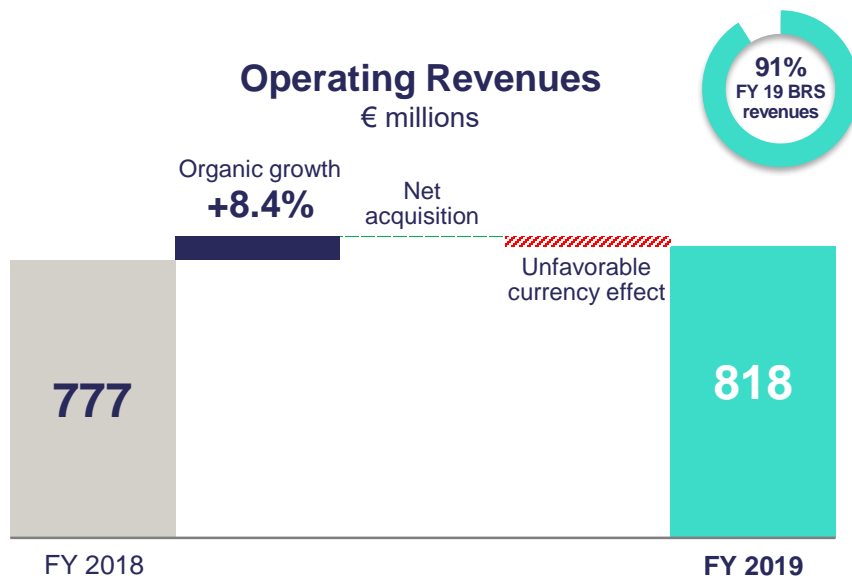
## Latin America € millions



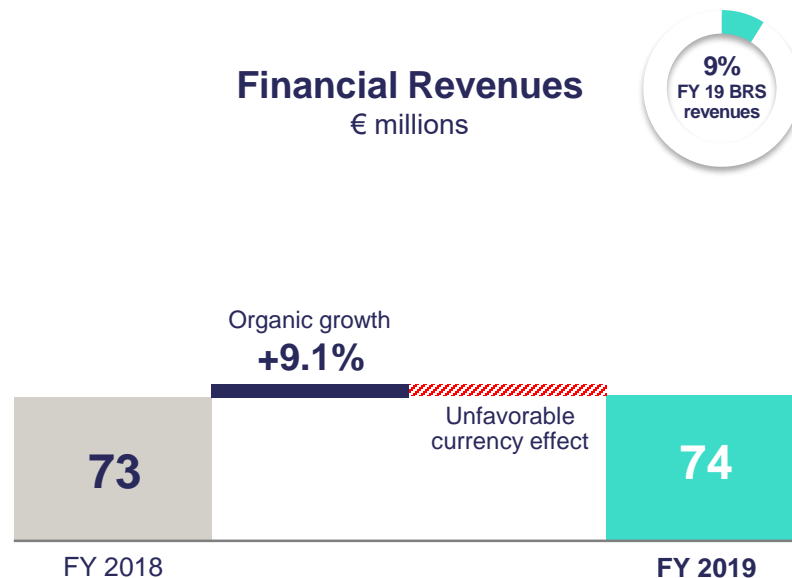
- Solid improvement in Brazil despite the slowdown in Q4
- Strong growth in Mexico



# BRS REVENUES BY NATURE



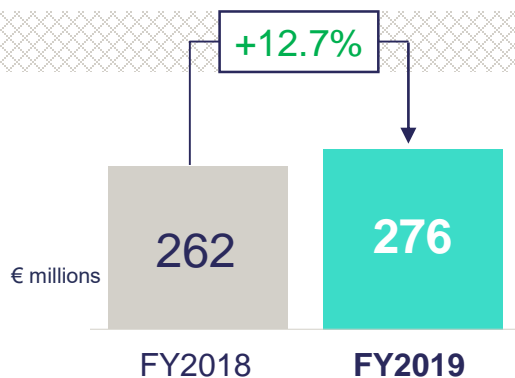
- Solid growth in western Europe
- Double digit growth in eastern and southern Europe
- Solid Improvement in Brazil and good growth in the rest of LatAm



- Interest rates deteriorating in Brazil in Q4
- Higher interest rates in Turkey, Czech Republic and Romania
- High level of float in Romania normalizing at year end

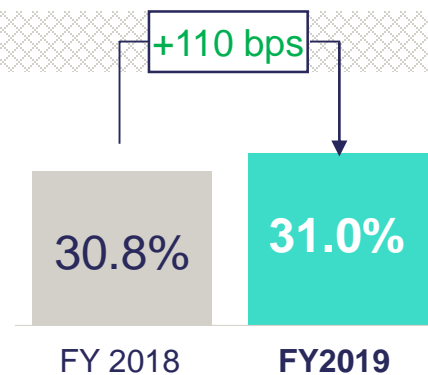
# IMPROVEMENT IN BRS UOP MARGIN

## Underlying Operating Profit

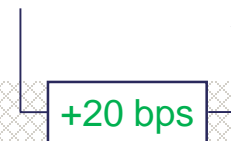


At constant rates

## Underlying Operating Margin



At current rates



# PERSONAL & HOME SERVICES

**Introduction**

**4**

# PHS REACHING CRITICAL MASS

Fit for purpose. Fast growth

## HEMOCARE SERVICES

€220m

Annualized sales,  
after acquisitions



- Revenues x7 in 5 years
- 789 active territories (o/w 573 franchises)
- 6 major countries
- Accretive to group margin

## CHILDCARE SERVICES

€150m

Annualized sales,  
after acquisitions



- Revenues x3 in 5 years
- 285 nurseries
- 3 countries
- At group margin

**HIGH SINGLE DIGIT ORGANIC  
GROWTH EXPECTED  
IN 3 NEXT YEARS**

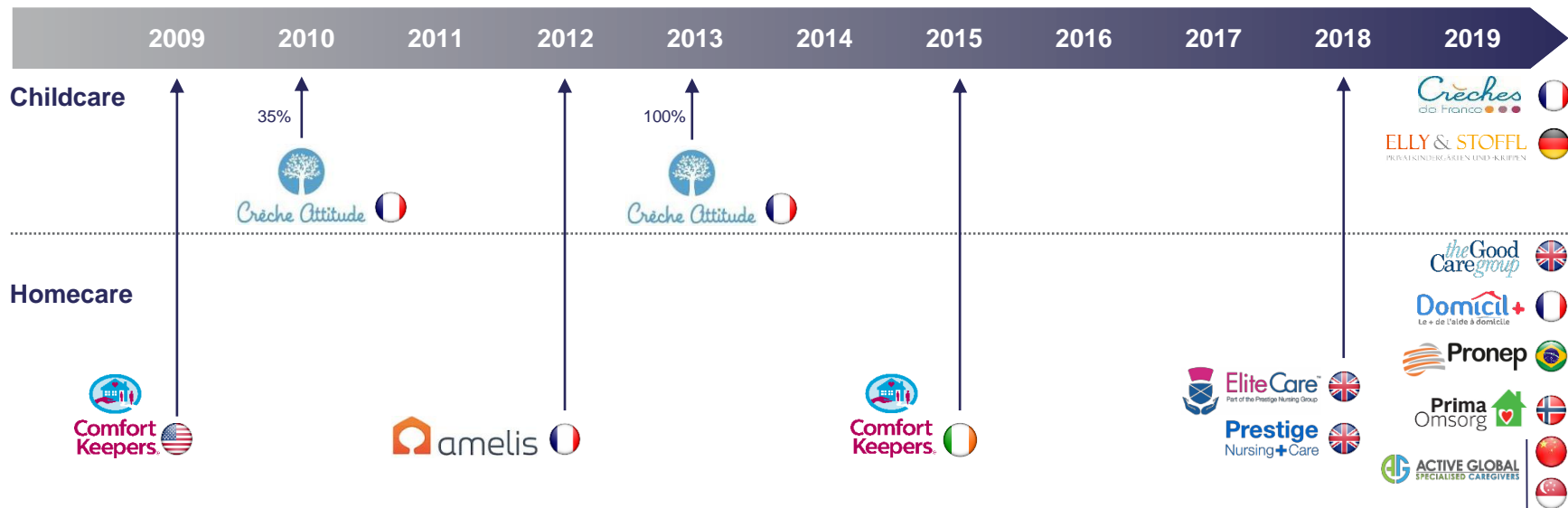
**QUALITY OF LIFE  
VALUE PROPOSITION**

**CONTINUUM OF CARE**

# PERSONAL & HOME SERVICES ACQUISITIONS

From 2009 to date

## Acquisitions over the last 10 years



Total acquisition spend **FY19** €142 million  
**Annualized contribution to revenues: 29%**

# FOCUS ON GROWTH STRATEGIC AGENDA



5



# BEING CLIENT & CONSUMER CENTRIC

## Multi-channel services by Sodexo powered by Zeta





# ENHANCING OPERATIONAL EFFICIENCY

## Country portfolio rationalization

- **From 72 to 67** countries in FY 2019
  - 2 disposals
  - 3 closures
  - Simplification with very limited impact on revenues
- **From 80 countries** in FY2017

## STEP - Sodexo Performance Management Framework deployment

- **Standardized** Cloud based dashboards
  - 6 countries
  - **7,500** sites
  - **21** KPIs
  - Extended scope from February 2020







# NURTURING TALENT

LOVE  FOOD

## Love of food



- 2,500 chefs engaged in *Chef Academy* e-learning

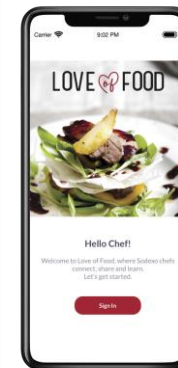
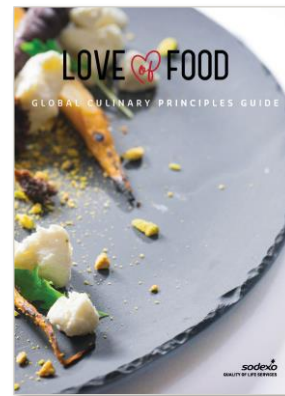


- *Global Chef* Exchange Program

- 54 chefs
- 14 countries
- 180 client sites
- 2,500 recipes

- Structured ability to share learning:

- Culinary Principles
- *Love of Food* App





# ANCHORING CORPORATE RESPONSIBILITY

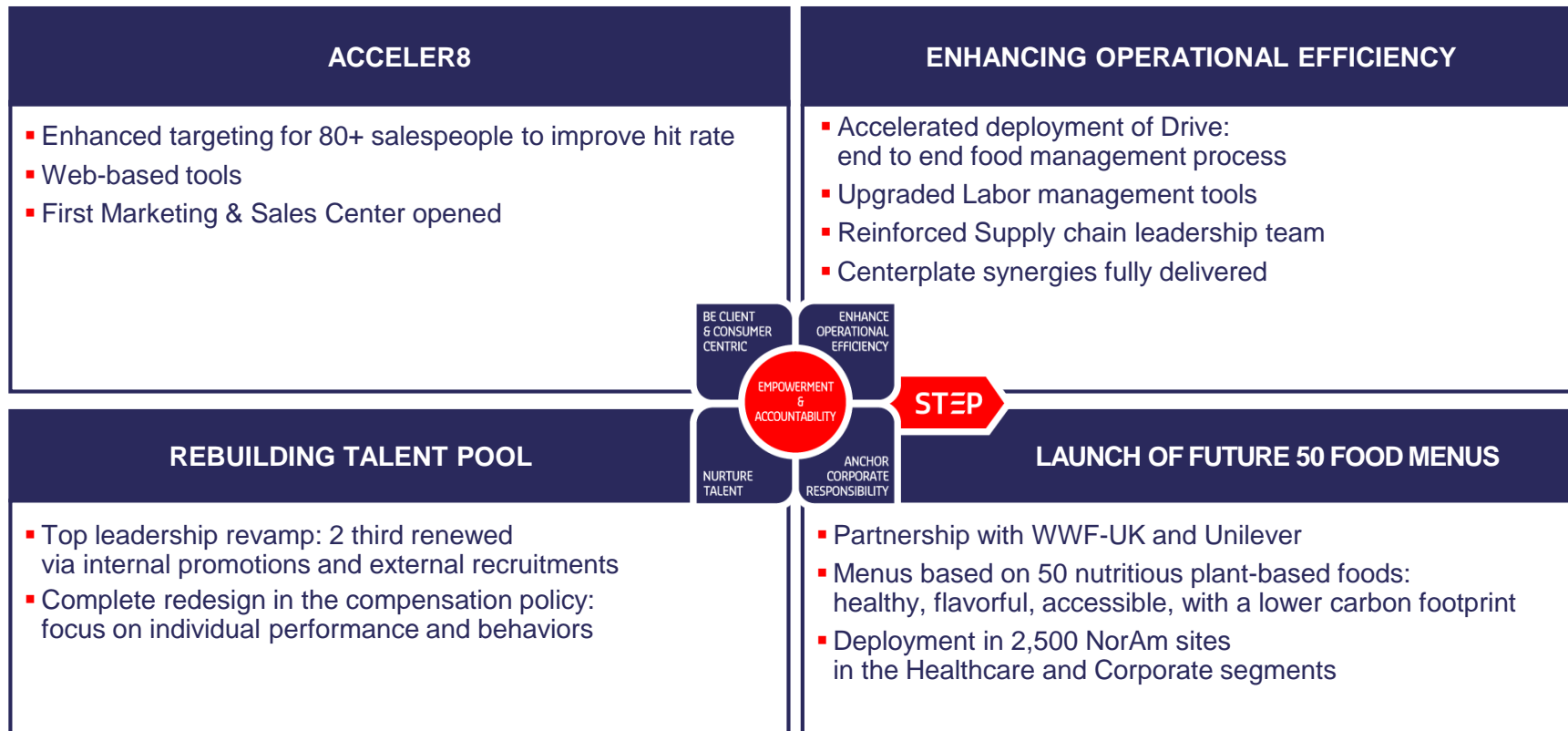
## Fighting food waste

- Deployment of *WasteWatch* : 3,000 sites worldwide within FY20
- 50% reduction in waste on implementation at each site
- Complements *DRIVE*, Sodexo's end-to-end food management process
- Commitment to make food waste figures public to bring a sense of urgency and drive change

First Food services company to connect financing costs to action on food waste performance



# FOCUS ON GROWTH **NORTH AMERICA**



# OUTLOOK



6

# FISCAL 2020 OBJECTIVES

## Outlook

- Healthcare North America losses/exits impact
- Education North America neutral new development
- Continued growth in developing economies
- Solid momentum in Europe
- Sports events in Japan should provide 100bps to organic growth

- Action plans delivering cost reduction
- Productivity reinvested in growth initiatives

**Organic revenue growth  
around 4%**

**(including  
major sports events)**

**Stable underlying  
operating profit margin**

(excluding currency effects  
and pre-IFRS 16)

**Q & A**

# APPENDICES



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# APPENDICES

1. Contract wins and extensions
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# CONTRACT WINS AND EXTENSIONS

Appendix 1

## FY 2019 highlights

### Contract Wins



#### Grambling State University

Education contract in the US



#### Fort Worth Independent School District

Education contract in the US



#### Japanese Olympics

Sports & Leisure contract in Japan

### Contract Retention



#### Crédit Agricole

Benefits & Rewards contract in France



#### Sharp Healthcare

Healthcare contract in the US



#### Pasadena Convention Center

Sports & Leisure contract in the US

### Contract Extensions



#### Bytedance

Corporate contract in 11 countries (APAC, EMEA and LATAM)



#### City, University of London

Education contract in the UK



#### Colorado Convention Center

Sports & Leisure contract in the US

### M&A Activity in FY19

#### Enriching offers



#### Strategic moves



#### Consolidating positions



# FISCAL 2019 EXCHANGE RATES

Appendix 3

1€ =	AVERAGE RATE FISCAL 19	AVERAGE RATE FISCAL 18	AVERAGE RATE FISCAL 19 VS. FISCAL 18	CLOSING RATE AT 31/08/2019	CLOSING RATE AT 31/08/18	CLOSING RATE 31/08/19 VS. 31/08/18
U.S. Dollar	1.134	1.193	+5.2%	1.104	1.165	+5.6%
Pound Sterling	0.885	0.884	-0.1%	0.906	0.897	-0.9%
Brazilian Real	4.384	4.075	-7.0%	4.588	4.859	+5.9%

# FISCAL REVENUES 2019

## SEGMENT BREAKDOWN BY CURRENCY

Appendix 4

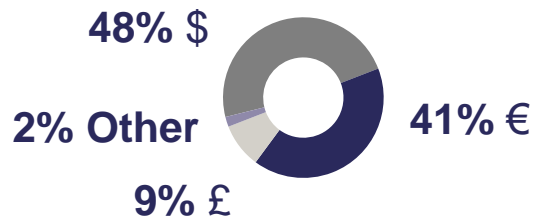
	GROUP	B&A	Education	Healthcare	BRS
EUR	25%	28%	20%	23%	27%
USD	41%	26%	70%	59%	4%
GBP	9%	11%	4%	7%	6%
BRL	5%	6%	0%	3%	34%
Other	20%	29%	6%	8%	29%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

# BREAKDOWN OF GROSS FINANCIAL DEBT: €4,079M\*

Appendix 5

€ millions

## BY CURRENCY

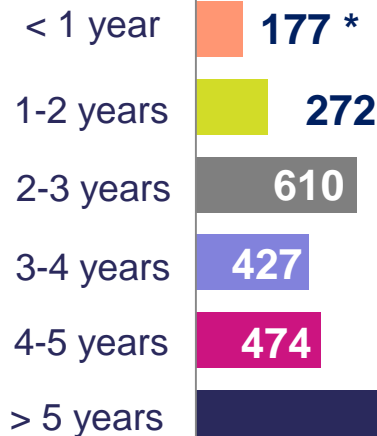


## INTEREST RATE



Blended cost of debt 2.6% at 31/08/2019

## BY MATURITY



Average maturity  
of 5.2 Years  
at 31/08/2019

**Strong Investment Grade S&P “A-/A-1”**

# NUMBER OF SHARES

## Appendix 6

<b>COMPANY'S SHARE CAPITAL</b>	<b>AUGUST 31, 2019</b>	FEBRUARY 28, 2019	AUGUST 31, 2018
Company's share capital, number of shares	147,454,887	147,454,887	147,454,887
Treasury shares	1,448,566	1,731,012	1,869,352
<b><i>Number of shares for EPS calculation</i></b> (Basic weighted average number of shares)	<b>145,721,534</b>	145,647,702	148,077,776

# FY2019 ON SITE SERVICES INTER-SEGMENT RECLASSIFICATIONS

REVENUES <i>(In millions of euro)</i>	FY18			Q1 FY18			Q2 FY18			Q3 FY18			Q4 FY18		
	B&A	HC	EDU	B&A	HC	EDU	B&A	HC	EDU	B&A	HC	EDU	B&A	HC	EDU
North America	-12	+9	+3	-3	+2	+1	-3	+2	+1	-3	+2	+1	-3	+2	+1
Europe	-158	+158		-41	+41		-39	+39		-41	+41		-37	+37	
Africa, Asia, Australia, Latam, Middle East	+10	-10		+3	-3		+2	-2		+2	-2		+3	-3	

Since the beginning of Fiscal 2019, some contracts have been reallocated between segments. The major change was in some European countries, where after a certain amount of restructuring, the business has now been segmented for the first time. The Hospitals and Seniors business is now reported in Health Care and Seniors while it was previously reported in Business & Administrations, as all the non-segmented businesses are.

Given the low materiality of these changes, pro forma figures for FY 2018 are not required. The effects are detailed above.

FY 2019 organic growth and variations in UOP margin have been adjusted to take into account such changes.

# FY2020 ON SITE SERVICES INTER-SEGMENT RECLASSIFICATIONS

Revenues (in millions of euros)	FY19			Q119			Q219			Q319			Q419		
	B&A	HC	EDU	B&A	HC	EDU	B&A	HC	EDU	B&A	HC	EDU	B&A	HC	EDU
North America															
Europe	+221	-143	-78	59	-36	23	56	-36	-20	58	-35	-23	48	-37	-11
Africa, Asia, Australia, Latam, Middle East	17	-17		4	-4		4	-4		4	-4		5	-5	
<b>GROUPE</b>	<b>238</b>	<b>(160)</b>	<b>(78)</b>	<b>63</b>	<b>(40)</b>	<b>(23)</b>	<b>60</b>	<b>(40)</b>	<b>(20)</b>	<b>62</b>	<b>(39)</b>	<b>(23)</b>	<b>52</b>	<b>(41)</b>	<b>(11)</b>

Since the beginning of Fiscal 2020, in some European and Asian countries, contracts have been reallocated from Healthcare & Seniors and Education to Business & Administrations.

Given the low materiality of these changes, pro forma figures for FY 2019 are not required. The effects are detailed above. FY 2020 organic growth and variations in UOP margin will be adjusted to take into account such changes.



## IMPACT OF IFRS 9 “FINANCIAL INSTRUMENTS” IN FISCAL 2019

- Application from September 1, 2018 with no restatement of prior periods
- First application **net impact as of September 1, 2018 of €530m (net of tax)** recorded in equity

€ million	OPENING EQUITY ADJ.
Fair value adjustment of Bellon SA stake	564
Deferred tax liabilities on long-term capital gain	(17)
Impairment of accounts receivables, net of tax	(17)
<b>IFRS 9 First time application impacts</b>	<b>530</b>

- Reevaluation **each semester of the non-consolidated investments at fair value that were previously accounted for at cost**

€ million	CARRYING AMOUNT PRIOR TO IFRS 9	IFRS 9 FAIR VALUE ADJ.		OTHER MOVEMENTS IN FISCAL 2019	CARRYING AMOUNT AT AUGUST 31, 2019
		THROUGH OPENING EQUITY	FISCAL 2019 ADJ THROUGH OCI*		
Bellon SA stake	32	564	112	-	708
Other investments	59	-	58	70	187
<b>Investments in non-consolidated companies</b>	<b>91</b>	<b>564</b>	<b>170</b>	<b>70</b>	<b>896</b>

- No impact from changes in hedge accounting

\* Fiscal 2019 Change in fair value recognized in non-recyclable items of other comprehensive income (no impact on income statement)

- The IFRS 15 impacts on Sodexo consolidated financial statements exclusively consist of immaterial presentation changes between revenues and operating expenses.
- Application from September 1, 2018 with no restatement of comparative periods.
- 20 bps impact on Revenue for the On-site activity in FY2019 with no impact on underlying operational profit and net income in the absence of timing adjustment. The impact on margin rate is negligible.
- Investments in equipment on client sites agreed contractually with clients will remain accounted for as CAPEX.
- Client investments (cash payments made to clients) were already deducted from revenue and will remain as such.
- For some transactions, the revenue recognition has been modified, from gross to net basis, and conversely.
- No change in Benefits & Rewards Services revenue recognition.

### Overview of the main accounting changes

#### Main changes in accounting principles

- Current accounting standard (IAS 17) replaced by IFRS 16  
Dual accounting model applicable to lessees (finance leases recognized on the balance sheet and operating leases off-balance sheet) replaced by a single model: all leases recognized on balance sheet
- IFRS 16 will impact the balance sheet, the income statement and the cash flow statement, on Group and segment level
  - Lease liability (net present value of the fixed lease payments over the lease term, including commission guarantees on concessions) and corresponding right-of-use asset recognized on the balance sheet
  - Depreciation and interest expenses recognized instead of operating lease expense
  - Repayments of lease liability replacing former operating lease payments presented as financing cash flows (presentation impact only; no impact on net cash flows)

#### Implication for Sodexo

- Sodexo will apply IFRS 16 from September 1, 2019 with no restatement of comparative periods  
First consolidated financial statements prepared under IFRS 16 will be H1 Fiscal 2020
- New accounting principles applied to leases of property assets (primarily administrative buildings), lease components included in concession agreements and leases of vehicles
- Alternative Performance Measures\* will be adapted to ensure comparability  
Gross borrowings and net debt will be presented before and after lease liability, and free cash flow will include the repayments of lease liability

## Expected impact on balance sheet, ratios and P&amp;L in 2020

- No impact on Free cash flow <sup>(3)</sup> and Net cash flow and limited impact expected on UOP

Balance Sheet as of September 1, 2019

Assets		Equity and liabilities	
IFRS 16 Right-of-use asset <sup>(1)</sup>	€1.3 bn	Equity	Broadly neutral
		IFRS 16 Lease liability <sup>(2)</sup>	€1.3 bn
<b>Total Assets</b>	<b>+ €1.3 bn</b>	<b>Total Equity and liabilities</b>	<b>+ €1.3 bn</b>

Alternative performance measures* and Ratios as of September 1, 2019	Excluding IFRS 16 lease liability	Including IFRS 16 lease liability
Gross borrowings	€4.1 bn	€5.4 bn
Net debt	€1.2 bn	€2.5 bn
Gearing ratio	27%	54%

- (1) The right-of-use asset relates to:
- Concessions: €0.7 bn
  - Property assets: €0.5 bn
  - Vehicles fleet and equipment: €0.1 bn
- (2) Lease commitments over the contract term (including commission guarantees on concessions) discounted using incremental borrowing rates
- (3) The Free cash flow formula will be adjusted post IFRS 16 implementation to include the lease payments presented as repayments of lease liability in Net cash provided / (used in) financing activities in accordance with IFRS 16

Expected impacts summarized above represent management's best estimate (non-audited figures). FY impacts have been assessed based on the portfolio of contracts existing to date, considering their current contractual terms and conditions, and using current assumptions about the likelihood of concession renewals

# REVENUE BREAKDOWN

Appendix 12

REVENUES BY SEGMENT (in millions of euro)	FY2019	FY2018	RESTATED ORGANIC GROWTH	ORGANIC GROWTH	EXTERNAL GROWTH	CURRENCY EFFECT	TOTAL GROWTH
Business & Administrations	11,577	10,938	+3.5%	+1.9%	+3.5%	+0.4%	+5.8%
Health Care & Seniors	5,210	4,768	+2.1% <sup>1</sup>	+5.5%	+1.0%	+2.8%	+9.3%
Education	4,280	3,855	+4.6%	+4.7%	+2.5%	+3.9%	+11.0%
On-site Services	21,067	19,561	+3.3%	+3.3%	+2.7%	+1.7%	+7.7%
Benefits & Rewards Services	892	850	+8.5%	+8.5%	+0.1%	-3.7%	+4.9%
Elimination	-4	-4					
<b>TOTAL GROUP</b>	<b>21,954</b>	<b>20,407</b>	<b>+3.6%</b>	<b>+3.6%</b>	<b>+2.6%</b>	<b>+1.5%</b>	<b>+7.6%</b>

# CAPEX TO SALES BREAKDOWN

FY2019	GROUP	B&A	Education	Healthcare	BRS
NET CAPEX / REVENUE	1.9%	1.4%	2.3%	0.7%	6.5%

# ROCE

## Appendix 14

€M	FY15	FY16	FY17	FY18	FY19
<b>Total capital employed excluding goodwill, customer relationships and brands</b>	<b>-1,577</b>	<b>-1,681</b>	<b>-1,634</b>	<b>-1,653</b>	<b>-1,722</b>
o/w OSS (including PHS)	-2	-44	51	137	198
o/w BRS	-1,575	-1,637	-1,684	-1,791	-1,921
<b>Group goodwill</b>	<b>5,300</b>	<b>5,328</b>	<b>5,303</b>	<b>5,664</b>	<b>6,158</b>
<b>Group Capital employed</b>	<b>3,994</b>	<b>3,904</b>	<b>3,946</b>	<b>4,441</b>	<b>4,861</b>
Group Operating profit after tax	787	725	811	727	752
<b>ROCE including goodwill</b>	<b>19.7%</b>	<b>18.6%</b>	<b>20.6%</b>	<b>16.4%</b>	<b>15.5%</b>

# NET TO GROSS CAPEX TO SALES

Appendix 15

	<b>AUGUST 31, 2019 NET CAPEX/SALES</b>	CLIENT INVESTMENTS IMPACT	DISPOSAL OF ASSETS	<b>AUGUST 31, 2019 GROSS* CAPEX/SALES</b>
Revenue	21,954	105		22,059
EBITDA	1,424	105		1,529
Underlying Operating Profit	1,200			1,200
Net profit Group Share	665			665
Capital expenditure in cash flow	(415)	(105)	(17)	(537)
<b>CAPEX AS A % OF REVENUE</b>	<b>1.9%</b>			<b>2.4%</b>

\* In this pro-forma Client investment amortization has been added back to Revenue and accounted for as CAPEX amortization to align with the current accounting treatment of our peers. CAPEX in cash flow has also been adjusted to reflect gross CAPEX including Client investment cash out flows and cancellation of disposals of assets.



# ALTERNATIVE PERFORMANCE MEASURE DEFINITIONS

## Appendix 16

### Blended cost of debt

The blended cost of debt is calculated at period end and is the weighted blended of financing rates on borrowings, (including derivative financial instruments) and cash pooling balances at period end.

### Free cash flow

Please refer to Cashflow position.

### Growth excluding currency effect

Change excluding currency effect calculated converting FY 2019 figures at FY 2018 rates, except when significant for countries with hyperinflationary economies.

As a result, for Argentine Peso figures for FY2019 and FY 2018, have been converted at the exchange rate of EUR 1 = ARS 63.975 vs. ARS 44.302 for FY 2018.

### Issue volume

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

### Net debt

Net debt is defined as Group borrowing at the balance sheet date, less operating cash.

### 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 (or gain of control) during the current period, revenue generated since the acquisition date is excluded from the organic growth calculation;
- for businesses acquired (or gain of control) 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 (or loss of control) 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 (or loss of control) 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 when the impact is significant.

As a result, for the calculation of organic growth, Argentine Peso figures for FY2019 and FY 2018, have been converted at the exchange rate of EUR 1 = ARS 63.975 vs. ARS 44.302 for FY 2018.

Starting FY19 Venezuela is accounted for using the equity method. Consequently Venezuela is no longer in revenue.

# ALTERNATIVE PERFORMANCE MEASURE DEFINITIONS

Appendix 16

## **Underlying Operating margin**

The underlying operating profit margin corresponds to Underlying operating profit divided by revenues

## **Underlying Operating margin at constant rate**

The underlying operating profit margin at constant rate corresponds to Underlying operating profit divided by revenues, calculated by converting FY2019 figures at FY 2018 rates, except for countries with hyperinflationary economies.

## **Underlying Net Profit**

Underlying Net profit presents a net income excluding significant unusual and/or infrequent elements. Therefore, it corresponds to the Net Income Group share excluding Other Income and Expense and significant non-recurring elements in both Net Financial Expense and Income tax Expense.

## **Underlying Net profit per share**

Underlying Net profit per share presents the Underlying net profit divided by the average number of shares

# APM - FINANCIAL RATIOS DEFINITIONS & RECONCILIATION

		FY 2019	FY 2018
<b>Gearing ratio</b>	Gross borrowings <sup>(1)</sup> – operating cash <sup>(2)</sup>	27%	37.9%
	Shareholders' equity and non-controlling interests		
<b>Net debt ratio</b>	Gross borrowings <sup>(1)</sup> – operating cash <sup>(2)</sup>	0.9	1.0
	Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) <sup>(3)</sup>		
<b>Debt coverage</b>	Borrowings	3.6 years	3.5 years
	Operating cash flow		
<b>Financial independence</b>	Non-current borrowings	86.9%	106.3%
	Shareholders' equity and non-controlling interests		
<b>Return on equity</b>	Profit attributable to equity holders of the parent	17.6%	24.7%
	Equity attributable to equity holders of the parent (before profit for the period)		
<b>Return on capital employed (ROCE)</b>	Operating profit after tax <sup>(4)</sup>	15.5%	16.4%
	Capital employed <sup>(5)</sup>		
<b>Interest cover</b>	Operating profit	11.6	12.6
	Net borrowing cost		

# APM - FINANCIAL RATIOS DEFINITIONS & RECONCILIATION

Appendix 17

		FY 2019	FY 2018
<b>(1) Gross borrowings</b>	Non-current borrowings	3,909	3,537
	+ current borrowings excluding overdrafts	183	421
	- derivative financial instruments recognized as assets	(12.4)	(18)
		<b>4,079</b>	<b>3,940</b>
<b>(2) Operating cash</b>	Cash and cash equivalents	1,781	1,666
	+ financial assets related to the Benefits and Rewards Services activity	1,120	1,042
	- bank overdrafts	(35)	(28)
		<b>2,866</b>	<b>2,680</b>
<b>(3) Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)</b>	Operating profit	1,059	997
	+ depreciation and amortization	365	317
		<b>1,424</b>	<b>1,314</b>
<b>(4) Operating profit after tax</b>	Operating profit	1,059	997
	Effective tax rate	29	27.1
		<b>753</b>	<b>727</b>
<b>(5) Capital employed</b>	Property, plant and equipment	684	619
	+ goodwill	6,158	5,664
	+ other intangible assets	801	704
	+ client investments	626	558
	+ working capital excluding restricted cash and financial assets of the Benefits and Rewards Services activity	(3,408)	(3,104)
		<b>4,861</b>	<b>4,441</b>

Other income and expenses: around €130M, of which

Restructuring costs:  
~€50M

Recurring amortization  
of client relationships:  
~€50M

Others:  
~€30M

Net financial expenses circa €110M (excluding IFRS 16 impact)

Tax rate: around 29%

# FINANCIAL CALENDAR

Appendix 19

<b>Fiscal 2020 first quarter revenues</b>	<b>January 9, 2020</b>
<b>2020 Annual Shareholders Meeting</b>	<b>January 21, 2020</b>
<b>Ex-Dividend date</b>	<b>January 30, 2020</b>
<b>Dividend record date</b>	<b>January 31, 2020</b>
<b>Dividend payment date</b>	<b>February 3, 2020</b>
<b>Fiscal 2020 half-year results</b>	<b>April 9, 2020</b>
<b>Fiscal 2020 nine month revenues</b>	<b>July 7, 2020</b>
<b>Fiscal 2020 annual results</b>	<b>October 29, 2020</b>
<b>2021 Annual Shareholders Meeting</b>	<b>January 12, 2021</b>



These dates are purely indicative, and are subject to change without notice.  
Regular updates are available in the calendar on our website [www.sodexo.com](http://www.sodexo.com)

# SODEXO KEY FIGURES

Appendix 20



€22 bn revenues



470,000 employees



19<sup>th</sup> Largest private employer worldwide



100 million consumers served daily



67 countries



€14,7 bn market capitalization

November 6, 2019

- **Founded in 1966 by Pierre Bellon**
- **As at 31/08/2019**, Bellon S.A. holds 42.2% of capital (56.2% of voting rights)

MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM

**SAM**  
Sustainability Award  
Gold Class 2019

**FORTUNE**  
WORLD'S MOST  
**ADMIRED**  
COMPANIES 2019

DiversityInc  
**2019 TOP 50**  
COMPANIES FOR  
DIVERSITY

  
FTSE4Good

  
OECD  
**Better Life**  
Index

INSTITUTE FOR  
**QUALITY OF LIFE**  
sodexo

  
**CDP**  
MOVING SUSTAINABLE ECONOMIES

Strong Investment  
Grade S&P "A-/A-1"

# INVESTOR RELATIONS CONTACTS

Appendix 21

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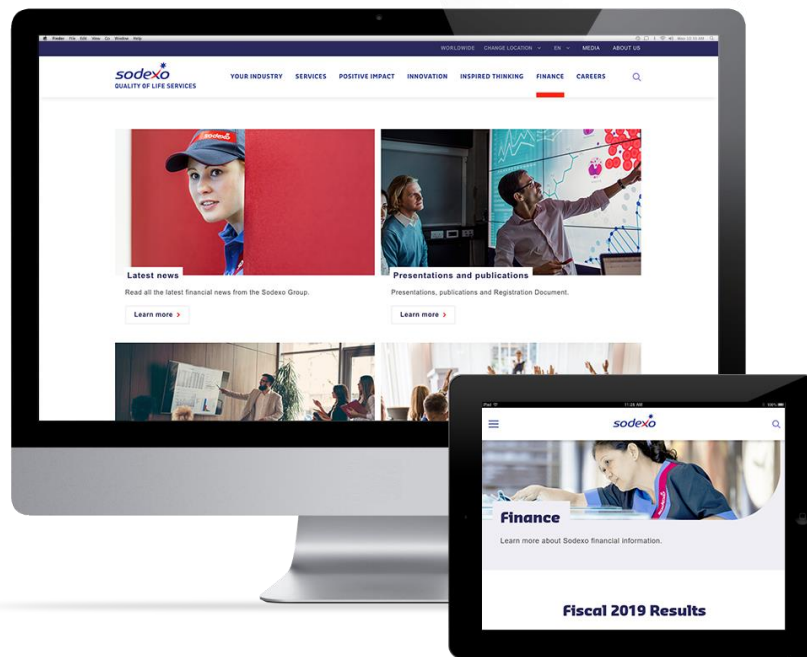
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**sodexo**  
QUALITY OF LIFE SERVICES

**Thank You**