3 December 2024 LEI: 213800QGNIWTXFMENJ24

2024 FULL YEAR RESULTS ANNOUNCEMENT

STRONG MOMENTUM IN H2; CLEAR FOCUS ON DRIVING PROFITABILITY AND RETURNS

SSP Group plc, a leading operator of restaurants, bars, cafes and other food and beverage outlets in travel locations across 37 countries, announces its financial results for the year ended 30 September 2024.

	FY 2024	FY 2023	Change at actual FX rates	Change at constant FX rates[6]
Underlying Pre-IFRS 16[1,3]				
Revenue	**£3,433m**	£3,010m	14%	17%
EBITDA[2]	**£343m**	£280m	23%	28%
Operating profit	**£206m**	£164m	26%	32%
Operating profit margin	**6.0%**	5.4%	60bp	70bp
Earnings per share	**10.0p**	7.1p	41%	
Dividend per share	**3.5p**	2.5p	40%	
Free cash flow[4]	**£(233)m**	£(125)m	£(108)m	
Net debt[5]	**£(593)m**	£(392)m	£(201)m	
Net debt/EBITDA	**1.7x**	1.4x	(0.3)x	
Pre-tax ROCE[7]	**17.7%**	17.0%	0.7%	
IFRS				
Operating profit	**£206m**	£167m	23%	
Profit before tax	**£119m**	£88m	35%	
Earnings per share	**3.4p**	1.0p	240%	
Net debt[5]	**£(1,682)m**	£(1,421)m	£(261)m	

Group Financial Highlights *(underlying pre-IFRS 16)*

- Revenue of £3.4bn, up 17% (on a constant currency basis), including like-for-like growth of 9%
- Operating profit of £206m, up 32% (on a constant currency basis) and within the range of our planning assumptions
- EPS of 10.0p, up from 7.1p, in the prior year benefitting from non-recurring reductions in the interest and tax charges as highlighted in our Q4 trading update
- Proposed final dividend of 2.3p reflecting confidence in future cash generation and robust balance sheet; full-year dividend of 3.5p, representing pay out ratio of 35%
- Free cash outflow[4] of £233m after acquisitions of £139m and capital investment of £280m
- Better than expected net debt of £593m, resulting in leverage of 1.7x, returning to within our medium-term target range

FY24 Operating Performance

- Good performances in North America, UK and APAC & EEME, benefiting from strong sales growth and operating margin improvements year-on-year
- Disappointing performance in Continental Europe; with operating profit impacted by slow recovery and strikes in the rail sector, weak Motorway Service Area ("MSA") trading in Germany, the scale of the renewal programme and operational execution, including related to the Olympics
- The impact of one off trading headwinds, principally in Continental Europe, mitigated by non-recurring benefits, including client compensation

- Integration of recent acquisitions progressing in line with expectations
- Entry into new country markets: mobilised new contracts in Saudi Arabia and New Zealand; secured new business in Sofia, Bulgaria; entered into previously announced new JV with Taurus Gemilang in Indonesia (post year end)

Outlook and Plans for FY25

- Action focused agenda in FY25 to enhance performance and delivery of profit, cash and return on capital
- Strong revenue growth in the second half of FY24 sustained in the early weeks of the new financial year with total sales growth of +13% and like-for-like sales growth of 5% (over first eight weeks)
- Planning assumptions for FY25: Revenues of £3.7-3.8bn, operating profit of £230-260m (both on a constant currency basis); planning for FY25 EPS of between 11-13p at today's FX rates (11.5-13.5p on a constant currency basis)
- Profit recovery plan underway for Continental Europe; planning to build regional operating profit margin from 1.5% to approximately 3% in FY25, rising to c.5% in medium-term
- Near-term actions to deliver returns from c.£690m investment programme over the last two years; capital investment in FY25 reducing to £230-240m
- Refreshed medium-term financial framework reflecting our capability to deliver sustainable growth and operating margin enhancement, translating into double-digit EPS growth, strengthening returns on capital employed, and future capital returns to shareholders
- Alignment of remuneration, with a proposed new Performance Share Award linked to EPS, ROCE and TSR

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

"*We have delivered a strong second half performance and I would like to thank our colleagues, clients and brand partners around the world for all their support.*

SSP has strong fundamentals and benefits from the global travel market's sustained long-term growth trends. This was clearly visible in the FY24 performance in three of our four regional markets. However, Continental Europe performed below our expectations, which in turn impacted Group EPS and free cash flow.

As we reach the next phase of our evolution post-Covid and with strong underlying growth across the Group, our focus now is on driving greater value from a strengthened base. In Continental Europe, we are accelerating our profit recovery plan, in particular by building returns from the significant number of recently renewed and extended contracts. Across the wider group, our priorities remain on sharpening our performance culture to drive profitable growth and returns, so as to unlock the full potential of SSP.

I am excited about the prospects for our company and look to FY25 and beyond with confidence as we continue to see significant opportunities for SSP to drive compounding long-term growth and deliver shareholder returns."

FY25 PRIORITIES

We have a number of priorities in FY25 to drive stronger performance and unlock the full potential of SSP, all of which are already being implemented:

- Sustaining organic growth and contract retention, continuing to prioritise high growth markets
- Driving returns from recent investments; accelerating plans to drive new units to mature margins; and delivering returns from recent acquisitions
- Delivering a five-point recovery plan to address under-performance in Continental Europe, under the leadership of our new regional CEO, with actions to build regional operating profit margin from 1.5% to approximately 3% in FY25, rising to c.5% in medium-term
- Building operating margin and cash improvement at pace across the Group, including efficiency and margin development programmes with a particular focus on gross margin optimisation, supply chain and procurement, labour productivity and overhead efficiency
- Tightening capital expenditure and focused capital allocation, with a prioritisation of profitable organic growth and shareholder returns over near-term acquisitions
- New remuneration policy aligned to medium term financial objectives

FY25 OUTLOOK

Current trading

Since our year-end, trading has been encouraging, with total revenue during the first eight weeks (from 1 October to 25 November) up 13% on FY24 levels on a constant currency basis, including like-for-like growth of 5%.

Planning assumptions

While we face macroeconomic and political uncertainty, we believe that demand for travel will remain resilient and is well set for both near-term and long-term structural growth. In FY25, we will have a tighter agenda with a focus on driving the expected returns from the elevated levels of recent investment and enhancing efficiency to drive profitability, simplifying and streamlining our structures and processes.

We are planning for like-for-like sales growth of between 4-5% and net gains of c.4% with a further revenue contribution from completed acquisitions of 2-3%. Offsetting the net gains will be an estimated negative impact of c.2% from the staged exit of the German MSA business and the loss of reported sales from our repositioned AAHL joint venture in India (further details provided below), which is now reported as an associate and no longer consolidated.

In total we are planning for revenue to be in the region of £3.7-3.8bn with a corresponding underlying pre-IFRS 16 operating profit within the range of £230-260m, both on a constant currency basis (including the in-year deconsolidation impact of the repositioned AAHL joint venture). At today's FX rates this would result in EPS of 11-13p. If the current spot rates (as of 27 November 2024) were to continue through 2025, we would expect a negative currency impact on revenue and operating profit of -1.2% and -2.0%, compared to the average rates used for 2024, which is the basis of the constant currency guidance above. In FY25 we expect to see a distribution of operating profit between the first and second halves which is consistent with that reported in FY24.

Confidence in our expectations is underpinned by the continued structural growth in passenger numbers, the optimisation of like-for-like revenue growth and profit performance across our regions,

driving higher returns from our extensive recent investment programme, and mobilising openings in the secured new contract pipeline. Further progress will be delivered through the programme of actions that we are taking to drive the margin recovery in Continental Europe, supported by the further growth and margin progression planned in the UK, despite the cost headwinds from the second half of FY25 as a result of the recent UK Government Budget.

Driving profitability and returns in Continental Europe

Our operating profit performance in Continental Europe was behind our expectations for FY24 and was impacted by a number of external headwinds as well as operational and execution challenges. Our performance in Germany was affected by the weak economic backdrop and labour cost challenges, and, as with other markets, a slower than expected recovery in the rail channel - exacerbated by extensive industrial action. We also saw softer trading in our German MSA business. The extensive renewal and mobilisation programme, predominantly in our Nordic markets, has benefited our long-term business by broadly maintaining market share and extending our remaining contract term. However, given the scale of the disruption and pre-opening costs incurred, we are not yet delivering the operating margins we would anticipate at maturity. In France, together with an industry wide weakness in rail, our execution in the market, particularly around the Olympics, fell below our expectations and this has impacted profitability.

In response to the performance challenges in Continental Europe we put in place a number of actions as part of a five-point recovery plan. We acted to change the leadership model and appointed a new regional CEO, Satya Menard, based in Paris, who joined in September. Satya is leading and driving the actions that will underpin delivery of our recovery into 2025 and the medium-term. The plan includes: An intensified and expedited focus on optimising the performance of the large number of new and refurbished units that we have opened this year, including tackling loss making and low margin units; a more streamlined management structure and lower cost operating model across the whole region; actions to reduce the cost base through the optimisation of menu and ranges, labour costs, overheads as well as the continued roll out of digital solutions; and disciplined management of our German MSA business ahead of our contracted exit by 2026, with c.50% of the sites to be exited in H1 FY25 and actions to minimise losses from remaining operating units. Allied to this we will continue to focus on driving like-for-like sales across the business through enhanced customer offers, particularly in Rail. In combination, we expect these actions to build profit from the current operating margin of 1.5% towards 3% in FY25 and to approximately 5% in the medium-term.

New TFS Joint Venture with AAHL

Travel Food Services (“TFS”), our joint venture in India, is the market leader in both the fast-growing airport food and beverage and airport lounge sectors in India. The success of TFS since our entry into this strategically important market has resulted in India now being SSP’s second largest market by unit numbers, with TFS representing c.60% of APAC & EEME regional operating profit.

As part of TFS’ focus on positioning itself for sustainable long-term growth and returns, TFS has established a joint venture with Adani Airport Holdings Limited (“AAHL”), one of India’s leading private airport operators, in which TFS will hold a c.25% share. The new JV has secured a long-term contract extension for travel quick service restaurant and lounge operations in the Mumbai airport. In addition, the new JV has secured contracts in other AAHL operated airports, namely Ahmedabad, Guwahati, Jaipur, Lucknow and Trivandrum, as well as both Mumbai terminals.

TFS' Mumbai operations had previously been conducted mainly through a separate joint venture with AAHL (in which TFS held a 44% share). Given TFS' shareholding in the new JV, SSP no longer controls or consolidates these operations in our reported financial results (effective since 1 June 2024). The impact of this is an annualised operating profit reduction of c.£17m, but with the resulting impact on net income being offset by a corresponding reduction in annualised post-tax minority interest of c.£10m and an increase in annualised associate income of c.£2m. The resulting EPS impact is minimal.

TFS' partnership with AAHL in the new JV, albeit at a lower share than the previous joint venture with AAHL, is expected to facilitate greater access to the wider growth opportunity as the Indian aviation market continues to rapidly expand.

DELIVERING RETURNS ON INVESTED CAPITAL

The increased level of investment in our business over the last two years has both strengthened our foundations and accelerated our growth trajectory. We are now focused on delivering the expected returns on this capital investment (including acquisitions), which totals c.£690m in the last two years. Approximately £400m of this investment relates to a significant renewal programme of our base estate, including c.£100m as a "catch up" from the Covid-19 period when investment was deferred.

We have now successfully renewed approximately one third of our estate over the last two years and our average remaining contract tenure across the Group has been extended from 4 years in 2022 to 6 years at the end of FY24.

Over the last two years, we have also invested c.£110m mobilising new units, particularly focused on higher-growth geographies such as North America and APAC & EEME.

This significant overall investment programme has resulted in a high level of pre-opening costs, putting pressure on near-term profitability. At maturity, returns are expected to be in line with planned levels.

We have also invested c.£180m on acquisitions, generating annualised revenues of c.£215m and adding 115 new units. Our acquisitions have been integrated well and our focus now turns to delivering the expected returns as they mature post-integration.

We are introducing Return on Capital Employed ("ROCE") as a key performance indicator in our external results to demonstrate our commitment to delivering stronger Group-wide returns. In FY24, our ROCE was 17.7%, rising from 17.0% in the prior year. As our recently mobilised units and M&A matures alongside our focus on accelerating returns across the Group, we expect a further progression on ROCE.

As we focus on enhancing returns on our recent investments, we are planning for a year-on-year reduction in capital investment to £230-240m in FY25. Our capital investment programme is expected to deliver in-year organic net contract gains of c.4% and we do not anticipate investment in further acquisitions in the year. We expect to deliver a significant improvement in free cash flow generation through FY25 and are focused on creating the conditions to return capital to shareholders in the near-term whilst maintaining leverage in our target range of 1.5 to 2.0x net debt to EBITDA.

MEDIUM-TERM OUTLOOK

We are today updating our medium-term financial framework (FY26-FY28) to provide greater clarity on the drivers in our financial model for shareholder value creation. In the medium-term, we expect to deliver sustainable steady-state growth and enhanced shareholder returns through:

- LFL sales growth in the region of 3% p.a., benefitting from ongoing passenger growth across our markets
- Net gains of 2-4% p.a., principally in higher growth markets of North America, APAC & EEME, which offer higher levels of structural demand growth and infrastructure expansion
- Sustainable operating margin enhancement of 20-30 basis points p.a. benefitting from operating leverage (driven by revenue growth), greater use of technology and automation and our wide-ranging efficiency programme, enabling us to mitigate the impact of rising rent levels and inflationary cost increases
- A recovery in our Continental European operating margin to c.5% in the medium-term
- Sustainable double-digit medium-term earnings growth
- Expansionary capex aligned to net gains; contract renewal and maintenance capex to be on average c.4% of Group sales
- Progression on ROCE from the current level of 17.7%, delivered through maturing returns on our recent period of heightened capital investment and lower levels of capital investment in the medium-term
- Payment of the ordinary dividend with a target payout ratio of c.30-40%
- Balance sheet deleveraging, with surplus cash likely to be returned to shareholders in line with our capital allocation framework

Aligned with these financial aspirations, we are proposing at our 2025 Annual General Meeting changes both to the metrics used in our Annual Bonus Plan and to our long-term incentive arrangement by introducing a Performance Share Award ("PSA") which will replace our current Restricted Share Plan. The new PSA, which has been consulted on with our shareholders, seeks to closely align stretching long-term incentives with our medium-term financial targets based on EPS, ROCE and TSR.

STRATEGIC DEVELOPMENTS

We compete in markets that offer attractive structural growth, driven by favourable demographics and demand for travel, supported by strong supply-side investment in the travel sector. Our strategy has been to optimise these opportunities through a combination of growing in the right channels, markets, and formats and by deploying SSP's proven operating capabilities and competitive advantages.

We have focused on increasing our presence in the higher-growth geographies of North America and APAC & EEME within travel food and beverage, whilst growing more selectively in our mature markets of the UK and Continental Europe. We have continued to build on our capabilities to drive like-for-like sales growth across all of our markets, focusing on enhancing our proposition to meet customer demands and embracing the benefits of digitisation. We have made strong progress on all these fronts in FY24:

Prioritising high-growth markets

- High-growth North American and APAC & EEME markets now represent c.40% of Group sales and c.60% of Group operating profit
- Key new business wins in North America, APAC and the Middle East; for example, Sarasota and Spokane airports in US (both new clients for SSP), and the recently constructed Noida Airport in India
- Completed a number of acquisitions in North America including the final airport (Denver) of the Midway Concessions deal, Mack II in which we acquired 8 units at Atlanta Airport and ECG Venture Capital in Canada
- Now operating in 53 of top 200 busiest airports in North America, up from 37 at the end of FY22
- Entry into new markets further expanding our APAC & EEME footprint, with contract wins in Riyadh and Jeddah Airports (Saudi Arabia) and Christchurch Airport (New Zealand) – which are already operational —and at Sofia Airport (Bulgaria) and Vilnius Airport (Lithuania), where we will commence operations next year
- Acquisition of ARE business in Australia, adding more than 60 outlets across seven airports. Post year end, completed an agreement to create a new joint venture with Indonesian food and beverage business Taurus Gemilang (TG) – marking our entry into the country
- Good retention rates on contracts, with significant renewals across Continental Europe and the UK. For example we secured extensions in Oslo Airport where we retained our overall share, Liverpool John Lennon and London Heathrow Airports, Marseille Airport, and Tenerife in Spain.

Enhancing business capabilities

- New concepts and formats innovation development, with significant progress this year in our airport lounge and convenience retail offer; refreshed own-brands including new menu and new visual identity at Upper Crust in UK, which rolls out more fully in FY25
- Launched innovative new concepts with a focus on enhancing customer experiences, including The Independent at Brisbane Airport, Aster & Thyme at Newcastle Airport, and Guy Fieri's Flavortown Kitchen & Bar at Newark Airport
- Further strengthened partnerships with clients and brand partners; alignment to clients' needs and goals recognised through enhancement of our global Reputation[8] customer feedback score which has increased further in FY24 from 4.2/5 to 4.4/5 in the year
- Leveraged digital solutions, expanding our platform of digital ordering points to c.700 units, with 50% of our restaurants in North America now equipped
- Optimisation of digital solutions contributing to significant sales growth, with digital ordering ATV outperforming tills by 20% on a global average
- Focus on attracting, developing and engaging our talent to strengthen our organisational capability

Enhancing sustainability

- Continued momentum in delivering tangible progress against our sustainability targets, including exceeding our 2025 target for 30% of meals offered by our own brands to be plant-based or vegetarian for the third consecutive year, and reaching 97% of our own brand packaging as reusable, recyclable or compostable

- Implementing measures to progress towards our net-zero targets, particularly for reducing Scope 3 food-related emissions through our partnership with Klimato in the UAE and UK, with the UK refining the Soul + Grain range using Klimato insights, achieving a c.15% reduction in the carbon footprint of food sold, while maintaining profitability
- Positive client engagement and feedback, including sustainability being an important factor in our contract renewal at Oslo Airport (Norway) and new contract win at Sofia Airport (Bulgaria); sustainability was the most improved factor in the 2024 UK client survey with 4/5 clients saying SSP has made progress and rating us above competitors; and won notable industry recognition for our sustainability initiatives including at the global FAB Awards, UK Menu Innovation & Development Awards, USA Green Restaurants Association Awards and Best ESG Award from our Spanish client, Aena

Driving operational efficiencies

- Our efficiency and margin development programmes and 'Value Creation Plan' focus on gross margin optimisation, supply chain and procurement, labour productivity and overhead efficiency to deliver organisational effectiveness
- In-year efficiency initiatives include the roll out of Workforce Management system in UK, the digitisation of back-office systems, and our continued partnership with 'Too Good to Go' to reduce waste and equipment standardisation

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[1] Stated on an underlying basis, which excludes non-underlying items as further explained in the section on Alternative Performance Measures (APMs) on pages 18-21.

[2] Underlying EBITDA (on a pre-IFRS 16 basis) is the underlying pre-IFRS 16 operating profit excluding depreciation and amortisation.

[3] We have decided to maintain the reporting of our profit and other key financial measures like net debt and leverage on a pre-IFRS 16 basis. Pre-IFRS 16 profit numbers exclude the impact of IFRS 16 by removing the depreciation on right-of-use (ROU) assets and interest arising on unwinding of discount on lease liabilities, offset by the impact of adding back in charges for fixed rent. This is further explained in the section on Alternative Performance Measures (APMs) on pages 22-26.

[4] A reconciliation of Underlying operating profit/(loss) to Free cashflow is shown on page 20.

[5] Net debt reported under IFRS 16 includes lease liabilities whereas on a pre-IFRS 16 basis lease liabilities are excluded. Refer to 'Net debt' section of the 'Financial review' for a reconciliation of net debt.

[6]Constant currency for FY24 is based on average FY23 exchange rates weighted over the financial year by 2023 results. Constant currency for FY25 is based on FY24 exchange rates.

[7] Return on capital employed is defined as underlying pre IFRS 16 operating profit, adjusted for Associates and Non-controlling interests divided by average capital employed. This is further explained in the section on Alterative Performance Measures (APMs) on pages 22-26.

[8] As measured through our customer listening tool, Reputation

Supplementary Financial Information (underlying pre-IFRS 16)

Regional Sales

£m	FY24 Revenue	LFL	Net Gains	Acquisitions	Change at constant FX rates	Change at actual FX rates
N.America	814	6%	8%	12%	26%	22%
C.Europe	1,207	6%	3%	-	9%	6%
UK & I	893	11%	4%	-	15%	15%
APAC & EEME	519	17%	2%	9%	28%	21%
Group	**3,433**	**9%**	**4%**	**4%**	**17%**	**14%**

Regional Operating profit

£m	FY24 Operating profit	Change at constant FX rates	Change at actual FX rates	FY24 Operating profit margin	Change at constant FX rates
N.America	81	52%	47%	9.9%	1.7%
C.Europe	18	(46)%	(49)%	1.5%	(1.6)%
UK & I	73	26%	26%	8.1%	0.7%
APAC & EEME	76	32%	20%	14.6%	0.4%
Non-attributable	(42)	13%	13%	-	-
Group	**206**	**32%**	**26%**	**6.0%**	**0.7%**

Underlying Net Profit/(Loss)

£m	FY24	FY23	Change
Revenue	**3,433**	**3,010**	14%
Gross Profit	2,496	2,173	15%
% sales	*72.7%*	*72.2%*	
Labour Costs	(1,030)	(918)	(11)%
% sales	*-30.0%*	*-30.5%*	
Concession Fees	(739)	(627)	(18)%
% sales	*-21.5%*	*-20.8%*	
Overheads	(384)	(347)	(14)%
% sales	*-11.2%*	*-11.5%*	
EBITDA	**343**	**280**	23%
% sales	*10.0%*	*9.3%*	
Depreciation	(137)	(116)	(18)%
% sales	*-4.0%*	*-3.9%*	
Operating Profit	**206**	**164**	26%
Operating margin %	*6.0%*	*5.4%*	
Net Finance cost	(33)	(33)	-%
Associates	6	7	(14)%
Profit Before Tax	**178**	**138**	29%
Tax	(35)	(31)	(13)%
Minority interests	(63)	(50)	(26)%
Net Profit	**80**	**57**	40%

A presentation and live webcast will be held at 9am (UKT) today, and details of how to join can be accessed at:
https://webcasts.foodtravelexperts.com/results/2024preliminaryresults

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NOTES TO EDITORS

About SSP

SSP Group plc (LSE:SSPG) is a global leading operator of food and beverage outlets in travel locations employing around 49,000 colleagues in over 3,000 units across 37 countries. We specialise in designing, creating and operating a diverse range of food and drink outlets in airports, train stations and other travel hubs across six formats: sit-down and quick service restaurants, bars, cafés, lounges, and food-led convenience stores. Our extensive portfolio of brands features a mix of international, national, and local brands, tailored to meet the diverse needs of our clients and customers.

Our purpose is to be the best part of the journey, and we are committed to delivering leading brands and innovative concepts to our clients and customers around the world, focusing on exceptional taste, value, quality and service. Sustainability is crucial for our long-term success, and we aim to deliver positive impact for our business while uniting stakeholders to promote a sustainable food travel sector.

www.foodtravelexperts.com