

ANNUAL SHAREHOLDERS' MEETING

January 22, 2019

Speech by Denis Machuel Chief Executive Officer of Sodexo

Good afternoon to you all.

Thank you, Sophie, for your encouraging remarks.

I would like to look back on the past year and go over our strategic vision for 2019.

Then I'll turn things over to Marc Rolland, who will give you an in-depth look at our financials.

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First of all, I would like to tell you what an honor it is to lead this incredible company. I am honored and humbled to have the chance to help grow this one-of-a-kind business that employs 460,000 women and men around the world and serves 100 million consumers each day.

All of us at Sodexo are motivated by a single purpose: to improve quality of life for the people we serve and contribute to the economic, social and environmental development of the countries and communities where we operate.

In the year since I became CEO, I have met with teams from our three activities – On-site Services, Benefits and Rewards Services, and Personal and Home Services – and with our clients and consumers. My takeaway from these meetings is that the twin goals I just mentioned are put into practice

every day, in the work we do for our clients in the mining sector in Chile, at the National Stadium in Warsaw, at UWC in Singapore, at the Michelin headquarters in Clermont-Ferrand, and at so many other client sites and locations.

While Sodexo may have started out as a foodservices company, we are now a **key player in the facilities management sector**. Over the past decade, facilities management has become our second-largest activity, accounting for nearly one-third of our revenues for On-site Services and growing at a healthy 10% per year on average.

We have become the only player in our markets to offer close to one hundred Quality of Life Services for our clients that we integrate to create even more value.

We create added value by inventing innovative new integrated service solutions that fit the needs of our clients and their consumer communities. All this in pursuit of one key objective: to help our clients concentrate on their core business and help them improve their performance.

For them, the benefits are clear: they receive fully integrated services from a single partner. That means a uniform level of service with predictable costs, at any site worldwide.

As it stands today, nearly half of our contracts are multi-service contracts, like the one we recently signed with Tetra Pak, the global leader in processing and packaging solutions for food products. As part of the new agreement, we will provide Tetra Pak with integrated soft and hard facilities management services at 61 sites in 26 countries. Fewer than six months later, our teams are already operating at 50 sites.

Of course, **food services are still at the heart of our business model**. They account for two-thirds of our revenues.

We work with illustrious chefs like Frédéric Anton and Thierry Marx at the Eiffel Tower.

We provide services at the Tour de France and prestigious locations like the Ronald Reagan Presidential Library in Washington DC.

And we also work with academic institutions ranging from middle schools in Yvelines, France to the University of Hong Kong.

Food service in all its forms is more than just our core business, it's our passion!

Food services are a major component of quality of life and an important gateway to that €900 billion market for Quality of Life Services that Sophie mentioned earlier.

There is more to this market than just potential profits however; what you may not see are the very “human” contributions that our employees make to people's everyday lives:

We are there for a child's first day of school, and we stay with them as they go off to high school and then college. Later on, we are there for young professionals at work and during their leisure activities. We are also there for hospitals, retirement communities and older people who want to stay in their homes.

As a result, our employees now support millions of consumers throughout the world at every hour of the day and every major stage of their lives.

I'd like to thank the women and men of Sodexo for their hard work, which is the true secret to our success.

While we should all be proud of Sodexo's incredible success, in fiscal year 2017-2018 our financial performance did not live up to our expectations.

Ending on August 31, our fiscal year yielded disappointing internal growth figures on track with the targets that were revised downward in March: growth stood at +2%, excluding the accounting effect from week 53 in North America.

Our operating margin, meanwhile, was 5.7%, at constant exchange rates, compared with 6.5% the previous year.

Let me explain this disappointing result.

It is partly due to our underperformance in North America, particularly in the Education and Health Care & Seniors segments. In this part of the world we have not done enough to retain the loyalty of our Education clients. In addition, we did not see enough growth in the Health Care & Seniors segment.

In the rest of the world, our performance was quite strong, yielding 4.5% organic growth.

When it comes to Benefits and Rewards Services, growth remained stable at 5.1%, despite a highly competitive market in Brazil at the start of the fiscal year. Growth stabilized from the third quarter onward.

Sluggish revenue growth clearly impacted our profit margin. There were other factors at play as well:

- The productivity programs intended to offset shrinking revenues in North America were delayed;
- It also took longer than expected for some of our major contracts to become profitable;
- And for Benefits and Rewards Services, we had:
 - Investments in mobility solutions;
 - Digital migration in India and the Czech Republic;
 - As well as falling interest rates in Brazil.

Despite these challenges, I would like to draw your attention to our exceptional, record-setting performance when it comes to cash generation through operations. This means that our business activities are still generating a healthy cash flow, and, as you know, generating cash is one of our company's key fundamentals.

Faced with the issues I just mentioned, we took immediate action to right the ship:

- We formed new management teams for the Education and Health Care & Seniors segments, as well as more recently in North America.
- We launched robust action plans to improve team productivity and contain food costs. We are also reviewing our sales processes, modifying our incentives structure for our sales teams and recruiting new salespeople.

All these actions are consistent with the main points of our strategic agenda, which I will touch on in a moment.

Our efforts are already bearing fruit, as evidenced by our revenues for the first quarter of fiscal year 2018-2019, which is up by **2.6%**, with a **2.3%** increase in **On-site Services**.

We are also still actively pursuing acquisitions: for instance, we doubled our Sports & Leisure business by acquiring **Centerplate**, an American company offering food and beverage services at sports

and leisure facilities. Centerplate has a presence at over 300 locations, primarily in the United States, Canada and the United Kingdom.

We have also developed our home care business by taking a majority stake in **Pronep** in Brazil.

Lastly, we invested in high-end food services in the Corporate Services segment by acquiring the British start-up **The Good Eating Company** and, more recently, a Swiss company called **Novae**.

Meanwhile, our digital transformation is taking off:

Thanks to our global partnership with Microsoft, we are developing an all-in-one platform for our services with a focus on innovation, agility and collaboration. We will be able to use data to customize the experience we provide to our consumers.

We are also continuing to make capital investments in promising companies like **AEYE-GO**, a Chinese company specializing in self check-out. We are incubating our own in-house start-ups, known as our “Corp-ups,” including **Rydo**, an integrated platform for managing business trips and expense reports that already has 6,000 corporate clients.

All these initiatives demonstrate how dynamic Sodexo is – and how determined we are to continue to grow within an ever-expanding, ever-changing market shaped by economic, technological and societal changes.

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As I was saying just now, we are not satisfied with our performance and we must step up our expansion efforts in order to reclaim our place as market leader in terms of growth.

That is the goal of our Focus on Growth strategy. This four-pillar plan was launched in the summer of 2018.

The first pillar involves **client and consumer centricity**.

Boosting client loyalty is the best way to drive growth. We are relaunching a version 2.0 of our client loyalty program, which has proven very successful. We are aiming for a loyalty rate of over 95% – it currently stands at 93.8%.

We are also investing in marketing and digital technology to keep pace with changing consumer expectations. Meal delivery plans are a fast-growing segment, aligning with new modes of consumption. That is why we acquired the French start-up **FoodChéri** and **took a minority stake in EAT Club in the United States**; both companies specialize in meal delivery with trendy menu options that can be ordered in a snap. We have begun the process of integrating these options and promoting them to our clients to align with new employee consumption trends.

We cannot focus on client and consumer centricity without **enhancing operational efficiency**, however. **That is the second pillar of Focus on Growth.**

By enhancing efficiency, we will reduce costs, increase profits and keep our prices competitive.

The savings made possible by streamlining our processes will be funneled into growth-generating investments in areas like sales, marketing and digital technology.

Enhancing efficiency also means re-evaluating where we operate. In order to be present in growing markets, we will need to prioritize establishing a foothold in certain countries.

The third pillar of Focus on Growth relates to Sodexo employees.

Since the very beginning, we at Sodexo have worked to **nurture talent.**

You have heard this many times from Pierre Bellon, and Sophie and I are repeating it today once again: our employees are the secret to our success. And giving them the opportunity to develop their potential at our company has always been a key goal.

We are now refocusing on managing performance while also promoting initiative, decision-making and empowerment, especially for our managers.

We are working to improve the way we manage succession plans at every level to ensure that Sodexo has the human capital we need to achieve our goals.

Last but not least, we are making training a top priority, as it is key to our continued ability to grow and produce quality services. During fiscal year 2017-2018, nearly 80% of our 460,000 employees participated in at least one training program.

Now let's talk about the fourth pillar, which is a big one: further **anchoring corporate responsibility** in our business.

As Sophie just affirmed, corporate responsibility is at the heart of what we do, as our clients, consumers and you, our shareholders, expect us to deliver sustainable, inclusive and responsible growth.

We are proud to be recognized for our strong culture of diversity, for our meaningful ties to local communities and for our efforts to reduce our impact on the environment.

In 2018, for the 14th year in a row, Sodexo was named the leader in our sector by the Dow Jones Sustainability Index (the DJSI). But we need to do more, and quickly, as these efforts are a core part of our mission and something our stakeholders expect from us.

How?

By ramping up our efforts to transition to sustainable food supply;

By introducing initiatives promoting gender balance across all our activities;

By developing more partnerships with local companies;

By drastically reducing our reliance on single-use plastic and gradually shrinking our carbon footprint;

And finally, by rolling out WasteWatch, our global program aimed at reducing food waste. It is already in place at many of our sites, and we are working to speed up the roll-out because reducing waste is the best way we can contribute to the transition to a sustainable, low-carbon economy with fewer greenhouse gas emissions.

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Those are the four pillars of the plan. And to ensure that our action plans are rolled out quickly and efficiently, we will be making use of STEP, or Sodexo Targets for Enhanced Performance, our newly launched performance management system. STEP will help us manage performance for each team using universal, objective performance indicators that everyone can share and understand.

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I'd like to wrap things up by looking to the future.

For many years now, the consumers we have served at our sites have been organized into communities by our clients: employees at a company, patients at a hospital, students at a university, etc.

Technology and new lifestyles are now dismantling these communities: more and more employees are working from home, patients are spending less time at the hospital, and students are attending class without setting foot in lecture halls.

Our clients are now demanding solutions from us that align with the new needs in their communities, both on site and off, and **that represents a unique opportunity for the future of our business:** the growing convergence of our three activities – On-site Services, “off-site” services that use digital platforms for our Benefits and Rewards Services, and Personal and Home Services. This convergence will center around consumers, as we get to know them better and better thanks to digital technology and data.

We are building the Sodexo of tomorrow, today.

We are studying major global trends that are already impacting our services. These present real opportunities for us, as you will see in the following video!

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As you can see, Sodexo is more focused on the future than ever.

We are readying ourselves to face the challenges tomorrow will bring. I am extremely confident in our ability to kick start our growth and seize opportunities as they arise.

Thank you to all our committed employees who proudly carry on the noble tradition of service, thanks to our clients, and thanks to all of you, our shareholders, for the trust you have shown in Sodexo and for standing with us for all these years.

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Now I'll turn things over to Marc Rolland...