SODEXHO ALLIANCE SA
Form 6-K
May 17, 2007

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of May, 2007

Commission File Number: 001-31274

SODEXHO ALLIANCE, SA
(Translation of registrant's name into English)

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78180 Montigny - le - Bretonneux
France
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F X   Form 40-F__

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

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Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes ____ No __X__

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SODEXHO ALLIANCE, SA

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Item 1

I. BUSINESS REVIEW
FIRST-HALF FISCAL 2007

Sodexho Alliance Chief Executive Officer, Michel Landel, presented the results for the first-half of Fiscal 2007 to the Board of Directors at the April 24, 2007 meeting of the Board.

Highlights

(in millions of euro)	**First-half Fiscal 2006**	**First-half Fiscal 2007**	**Change (excluding currency impact)**	**Currency impact(1)**	**Total change**
Revenues	6,546	6,819	+8.4%	-4.2%	+4.2%
Operating profit	315	364	+20.4%	-4.8%	+15.6%
Group net income	160	198	+29.2%	-5.0%	+24.2%
Net cash provided by operating activities	93	211			

(1) The currency impact is unfavorable. However, Sodexho subsidiaries' income and expenses are expressed in the same currency; hence, unlike exporting companies, currency variations carry no operating risk.
(2) Currency effects are computed by applying the average exchange rate for the prior period to the amounts for the current year period.

- At 8.2%, at constant scope of consolidation and exchange rates, organic growth in **revenues** accelerated for the first-half of Fiscal 2007. This performance reflects the improvement in client retention achieved in Fiscal 2006, good new sales activity, particularly in the Rest of the World (Latin America, Asia-Australia and Remote Sites) and a strong acceleration in comparable unit sales. The Service Vouchers and Cards activity continued to show dynamic organic growth based on its innovative offers.

- **Operating profit** rose by 15.6% to 364 million euro and by 20.4% excluding the currency impact. This increase is attributable to the continued progress achieved by teams across all geographies.

- **Group net income** increased by 24.2% or 29.2% excluding currency effects. This increase, stronger than that shown for operating profit, is attributable essentially to the improvement in the effective tax rate, which went from 38.8% for the first-half of Fiscal 2006 to 35.5% for the first-half of Fiscal 2007.

1. Analysis of evolution of revenue and operating profit by activity

Revenue by operating activity *(in millions of euro)*	**First-half Fiscal 2007**	**First-half Fiscal 2006**	**Change at current exchange rates**	**Change at constant exchange rates**
Food and Facilities Management Services				
North America	2,890	2,919	-1.0%	7.1%
Continental Europe	2,236	2,111	5.9%	5.8%
United Kingdom & Ireland	720	663	8.5%	6.9%
Rest of the World	766	678	13.0%	19.5%
Total	**6,612**	**6,371**	**3.8%**	**8.0%**
Service Vouchers and Cards	**211**	**178**	**18.4%**	**22.9%**
Elimination of intragroup revenues	(4)	(3)		
Total	**6,819**	**6,546**	**4.2%**	**8.4%**

Operating profit by operating activity *(in millions of euro)*	**First-half Fiscal 2007**	**First-half Fiscal 2006**	**Change at current exchange rates**	**Change at constant exchange rates**
Food and Facilities Management Services				
North America	163	152	7.4%	16.1%
Continental Europe	115	103	11.0%	10.9%
United Kingdom & Ireland	30	17	76.8%	74.2%
Rest of the World	20	11	86.7%	104.4%
Total	**328**	**283**	**15.9%**	**21.1%**
Service Vouchers and Cards	**66**	**53**	**24.4%**	**29.7%**
Corporate expenses	**(30)**	**(21)**		
Total	**364**	**315**	**15.6%**	**20.4%**

In the first-half of Fiscal 2007, operating activities outside the euro zone accounted for 69.8% of revenues (of which 41.5% were denominated in US dollars) and 69% of operating profit (of which 39.2% were in US dollars).

1.1. Food and Facilities Management Services

In Food and Facilities Management Services, organic revenue growth was 7.9% .

Organic revenue growth for **Business & Industry** accelerated from 5.2% in the first half of Fiscal 2006 to 8.2% for the first half of Fiscal 2007. Three principal factors explain this good performance:

- The business recovery in North America
- Sustained growth in the Defense and Leisure segments in the United Kingdom
- Double-digit growth in the Rest of the World

At 7.8%, organic growth in **Healthcare and Seniors** was comparable to that for the same period for the previous year reflecting the relevance of Sodexho's offer of Facilities Management services to improve the Quality of Life.

In **Education,** organic growth rose to 7.3%, a result in particular of a return to growth in North America following the reduced level of activity during the first half of Fiscal 2006 resulting from the hurricanes in the Gulf Coast region.

Analysis by region

In **North America,** revenues totaled 2.9 billion euro, with organic growth of 7.6% .

Revenues in the Business & Industry segment, up 5.8%, benefited from a number of favorable developments, including an improvement in client retention and a satisfactory increase in comparable unit sales. The accelerated pace of business development was especially noteworthy in Facilities Management, as contracts were signed with Pfizer, USAA Insurance and the General Electric Nuclear Energy.

Organic growth of 7.9% in the Healthcare and Seniors segments reflected mainly an increase in comparable unit revenues led by an innovative portfolio of Facilities Management services. Among the new clients that signed with Sodexho during the period were the Moses Cone Health Center in North Carolina, Stanford University Hospital in California and Landmark Medical Center in Rhode Island.

Several factors contributed to the 8.2% revenue increase in the Education segment:

- Strong demand for Facilities Management services, notably for construction and renovation projects.
- An increase in comparable unit Foodservice revenues for both schools and universities.
- The positive impact of Fiscal 2006's improved client retention rate.

Operating profit reached 163 million euro, increasing 16.1% excluding currency effects. The operating margin for the first half of Fiscal 2007 was 5.6% . Several factors contributed to the improved operating profit:

- Good development in comparable unit sales in Education and Healthcare
- Comparison with a Fiscal 2006 first-half that was negatively impacted by several elements (hurricanes, timing of certain expenditures) and losses during the winter months by Spirit Cruises prior to its divestiture at the end of Fiscal 2006.

Sodexho was able to successfully complete certain discussions that were long outstanding regarding its contract with the U.S. Marine Corps during the first half of Fiscal 2007.

In **Continental Europe**, revenues totaled 2.2 billion euro, with organic growth of 4.9% . Organic revenue growth in the Business & Industry segment progressed 3.8% with varied results between countries:

- Continued good business development in Central Europe.
- Strong growth in comparable unit sales; notably in Spain.
- More modest results in certain countries (particularly Italy and the Netherlands) as a result of the economic environment and rigorous application of the profitable growth business strategy.

The 7.1% organic growth in the Healthcare and Seniors segments reflected the diversity of the services offering and the prior year's strong business development. Contracts were recently signed with University Hospital Gent in Belgium and la Clinique Saint Jean Languedoc in France.

The 5.5% growth in the Education segment can be attributed to improved client retention rates and an ongoing commitment to selectivity, especially in public sector markets. New clients included the Dresden Fraichaud schools in Germany, the Sigtuna and Atvidaberg schools in Sweden and the University of Milan in Italy.

Operating profit totaled 115 million euro, an increase of nearly 11% excluding currency effects. The operating margin increased from 4.9% to 5.1%, as a result of two principal factors:

- Improved productivity and the continuing efforts of Sodexho's teams to reduce overhead costs,
- The effect of major contract start-ups in France which had weighed on operating profit during the first half of Fiscal 2006.

In the **United Kingdom & Ireland**, revenues rose to 720 million euro. Organic growth of 6.9% confirms the subsidiary's recovery. Revenues for Healthcare, Correctional Facilities, and Defense increased with the opening of significant contracts such as the hospital of Havering in Healthcare and Catterick Garrison in Defense. Contracts signed as part of the government's Private Finance Initiative are now ramped up to their normal level of recurring business. Business development has accelerated in the leisure segment, as illustrated by the contract recently signed for the World Scouts Jamboree.

Operating profit rose to 30 million euro. Operating margin was 4.2%, compared with 2.6% in the first-half of Fiscal 2006. This substantial increase in operating profit confirms the business recovery and reflects the effectiveness of:

- Productivity measures undertaken over the past several years, particularly the reinforcement of rigorous management on existing sites,
- Application of the "Right Client Right Terms" policy to new contracts.

In the **Rest of the World**, which includes Latin America, Asia-Australia and the Remote Sites activity, revenues were 766 million euro, with organic growth of 19.4% .

Raw material prices remained high, contributing to satisfactory revenue growth in the Remote Sites business, especially in the Middle East, Africa and Australia, and in the mining sector in Latin America. New contracts were signed with Pluspetrol and Norsemont in Peru, CMPC Celulosa in Chile, Petrobras in Argentina, Ensco in Qatar and Red Sea Housing in Saudi Arabia.

In China and India, expansion continued at a rapid pace, notably with the signing of major Facilities Management contracts with IBM in India and with Tianjin Faw Toyota Motors in China.

Operating profit rose to 20 million euro, a strong increase compared with first-half Fiscal 2006. Operating margin was 2.7% compared with 1.6% in the first-half of Fiscal 2006. This good performance reflects particularly the ongoing development in the Middle East and Asia and strong activity in the mining sector in Latin America and Australia.

1.2. Service Vouchers and Cards

Revenues totaled 211 million euro, with organic growth of 20.5%. Issue volume totaled 3.7 billion euro, up 18.4% (at constant scope of consolidation and exchange rates), fueled mainly by Latin America and, in particular, by Venezuela.

Through the quality of its employee incentive solutions, Sodexho Pass was able to win new clients such as, for example, Coca-Cola in Argentina, the Secretaria Municipal de Saude in Brazil, Cargill and Venevision in Venezuela, JP Morgan Chase in India, Thyssen Kurpp and Mittal Steel in Poland, La Caixa in Spain and Citigroup in the United Kingdom. Several factors contributed to the organic revenue growth during the first half:

- Innovative offerings in several countries in the area of gift vouchers, especially for the year-end holidays,
- Increases in voucher face values and the number of potential beneficiaries in some countries, including Argentina and Venezuela.
- A strong performance by sales teams.

Operating profit totaled 66 million euro, an increase of 29.7%, excluding currency effects. This reflects the strong growth in issue volume. As operating costs are largely fixed in this activity, the operating margin was 31.3%, or about 1.8% of issue volume.

1.3. Corporate expenses

Corporate expenses increased 9 million euro to 30 million euro. Two principal factors explain this evolution:

- The increase in the charge related to stock options, as a result of the share price evolution
- Accelerated amortization of fixed assets at the Group’s current headquarters, a decision made in connection with the planned move at the beginning of 2008.

2. Analysis of other profit and loss line items

Income tax

Income tax was 112 million euro. The effective tax rate declined to 35.5% for the first-half of Fiscal 2007, from 38.8% in the first-half of Fiscal 2006. This improvement resulted principally from refunds of withholding taxes under international tax treaties.

Other profit and loss line items did not materially change.

3. Financial position of the Group

The following table shows cash flow elements.

	Six months ending February 28	
	2007	***2006***
	(in millions of euro)	
Net cash provided by operating activities	**211**	**93**
Net cash used in investing activities	**(113)**	**(117)**
Net cash used in financing activities	**(242)**	**(182)**
Decrease in net cash and cash equivalents	**(144)**	**(206)**

Net cash provided by operating activities and net cash used in investing activities for the prior six-month period reflect the reclassification of investments at client facilities made in connection with the prior year close.

Net cash provided by operating activities rose to 211 million euro, an increase of 118 million euro compared to the first half of Fiscal 2006 reflecting the strong improvement in operating profit and the change in working capital. Although the change in working capital generally weighs on net cash provided by operating activities in the first half as a cash outflow, this outflow was much less significant during the first half of Fiscal 2007 than for the same period of Fiscal 2006.

Cash flow provided by operating activities enabled the following:

- Capital expenditures and investments at client sites of 108 million euros, or 1.6% of revenues,
- Acquisitions totaling 8 million euros: notably, the acquisition of 100% of the Off- Campus Dining Network LLC (OCDN) in the United States as part of the development of services offered to students on university campuses.

Net cash used in financing activities includes:

- Sodexho Alliance's February 12 dividend payment of 149 million euros,
- The net acquisition of company shares for 33 million euro to be used for stock option plans and the liquidity contract,
- A reduction in net debt of 52 million euros.

As of February 28, 2007, financial debt totaled 1,854 million euro and mainly included two euro-denominated bond issues for 1,364 million euro and US dollar-denominated short-term bank loans for 435 million euro. The remainder comprised various bank loans and lease liabilities, as well as derivative financial instruments. As of February 28, 2007, 76% of net debt was at fixed rates and the average interest rate was 5.7% .

Cash and cash equivalents net of bank overdrafts totaled 851 million euro. Restricted cash and financial assets related to the Service Vouchers and Cards activity came to 468 million euro.

The Group's operating cash (including current financial assets and restricted cash from the Service Vouchers and Cards activity) totaled 1,319 million euro, of which 877 million euro was from the Service Vouchers and Cards activity.

As of February 28, 2007, net debt was 535 million euro and represented just 24.8% of shareholders' equity, compared with 31% at the end of the first-half of Fiscal 2006.

As of February 28, 2007:

- the Group has unused lines of credit totaling 514 million euro.
- the Group's off-balance sheet commitments amounted to 662 million euro (including 359 million euro of operating lease commitments), or 31 % of equity. These commitments include a guarantee made in the amount of 19 million euro in connection with a judicial procedure in progress in Brazil, which the company is appealing.

In order to extend the maturity of its existing debt and benefit from current interest rates, Sodexho refinanced part of its debt by issuing a 500 million euro benchmark bond on March 30, 2007 with a maturity of seven years and a coupon of 4.5%.

4. Objectives for Fiscal 2007

Sodexho Alliance Chief Executive Officer, Michel Landel, presented the objectives for Fiscal 2007 to the Board of Directors at its April 24, 2007 meeting.

With strong performances during the first half, in Food and Facilities Management services as well as in Service Vouchers and Cards, the Board of Directors approved the upward revision of the Group's objectives. Based on current information, the Group targets the following objectives for Fiscal 2007:

- organic growth exceeding 7%
- an increase in operating profit, excluding currency impact, of 12%

This growth is in relation to Fiscal 2006 operating profit of 577 million euro, which excludes the gain on the sale of Spirit Cruises and the release of the provision on the U.S. litigation.

Lastly, Michel Landel, along with the members of the Executive Committee, thanked the Group's clients for their loyalty, its shareholders for their confidence, and the Group's 332,000 employees for the progress made during this first half.

II. CONSOLIDATED FINANCIAL STATEMENTS SODEXHO GROUP FEBRUARY 28, 2007

1. Consolidated income statement

(in millions of euro)	Notes	Half year Fiscal 2007	% of revenues	change	Half year Fiscal 2006	% of revenues
Revenues	**3.**	**6,819**	**100%**	4.2%	**6,546**	100%
Cost of sales	4.15.	(5,812)	(85.2)%		(5,610)	(85.7)%
Gross profit		**1,007**	**14.8%**	7.6%	**936**	14.3%
Sales department costs	4.15.	(85)	(1.2)%		(75)	(1.2)%
General and administrative costs	4.15.	(567)	(8.3)%		(547)	(8.4)%
Other operating income	4.15.	12			2	0.0%
Other operating charges	4.15.	(3)			(1)	(0.0)%
Operating profit	**3.**	**364**	5.3%	15.6%	**315**	4.8%
Financial income	4.16.	34				