

28 March 2019

Mitie Group plc

Full-year 18/19 Pre-close statement

Mitie Group plc (“Mitie” or “the Group”), the UK's leading facilities management business, today publishes a pre-close statement on the Group’s expected performance for the fiscal year ending 31 March 2019 (FY 18/19), subject to final audit, ahead of reporting full-year 18/19 results on 6 June 2019.

Highlights and narrative exclude the discontinued operations of the Pest Control and Social Housing businesses, but include the acquisition of Vision Security Group (VSG) completed on 26 October 2018, unless otherwise stated. Prior year numbers have been restated to exclude the discontinued operations of the Pest Control and Social Housing businesses and are subject to final audit.

Highlights

- **Revenue growth** for FY 18/19 expected to be 7-8% with underlying revenue growth (excluding the VSG acquisition) of c.4%
- **Operating profit** before other items is expected to be in the range £84-87m with continued profit growth in the majority of our businesses
- **Net debt** continues to reduce (£160-180m) following resolution of working capital issues related to outsourcing of transaction processing earlier in FY 18/19
- **Project Helix** on track to deliver **run-rate benefits of c.£45m** in FY 18/19 and **c.£50m** by the end of FY 19/20.

Phil Bentley, CEO, commented:

“The second year of our transformation has seen steady progress in Mitie. Project Helix is now largely complete and we will be turning our focus to the IT Platform underpinning our Engineering Services business. We are pleased to be growing revenues and our cost saving initiatives are allowing us to invest in the “Connected Workspace” as a differentiator and driver of digital transformation both for Mitie and our clients. It is therefore encouraging to see that our Net Promoter Score (NPS) has, once again, improved materially over the last 12 months to +12 (from -10).

“This is against a backdrop of undoubted challenges for the outsourcing sector, and some short-term economic uncertainty impacting clients’ capital programmes and willingness to enter into longer term integrated contract commitments. Although our order book has softened, we have focussed on adding more value and services to our top clients and, as a result, we have seen continued growth in these accounts throughout FY 18/19.”

Trading update

Group revenue is expected to grow 7-8% in FY 18/19 (compared to an unaudited FY 17/18 revenue from continuing operations of £2,030.6m), with organic growth of c.4%.

Operating profit before other items in FY 18/19 is expected to be in the range £84-87m. This is above our restated unaudited FY 17/18 comparative from continuing operations of £83.2m due to revenue growth, cost savings and a positive contribution from VSG, partly offset by continued reinvestment into the business. The reinvestment includes reinstating staff incentive schemes which were suspended during the first two years of the turnaround.

Engineering Services revenue is expected to be flat with growth in the larger strategic accounts offset by the impact of contracts lost during the preceding year, as well as proactive exiting of certain

low margin accounts. Operating profit is expected to be up on the back of improved sales performance in our larger contracts and operational efficiencies.

Security has continued to perform well with good underlying revenue and profit growth. In addition, the integration of VSG is progressing well with synergy benefits starting to flow through.

Professional Services revenue is expected to be slightly down following the withdrawal from low margin international contracts. Operating profit in FY 18/19 is expected to increase after refocusing the business on higher margin activities and good cost discipline.

As expected, in H2 18/19 **Cleaning** revenue growth has slowed slightly. Overall FY 18/19 operating profit is expected to be lower due to an unfavourable contract mix versus last year.

Care & Custody revenue growth has continued broadly in line with H1 18/19 on the back of the successful mobilisation of the Detention and Escorting Home Office contract. Full-year profits are expected to be ahead of the prior year despite the significant mobilisation costs incurred in H1 18/19.

Catering revenue is expected to be broadly flat with operating margins slightly down due to lower sales in the outdoor events business.

Central Overheads have increased as we continue to invest in our leadership in the “Connected Workspace” to enable us to deliver “The Exceptional, Every Day” and accelerate growth.

Order book

Our committed order book has held broadly flat in H2, including the benefit from the acquisition of VSG; but is expected to have declined by c.10% over the full year. In H2 18/19, we have won several important new contracts, including a £10m three-year catering contract for Edinburgh College, a five-year document management and logistics services contract with The Law Society, a £14.5m FM contract with Yorkshire Building Society and a £7.5m five-year IFM contract with Connect Group. We have also been awarded a £17m five-year contract extension with Gatwick Airport.

In H1 18/19, we were successful in qualifying as a supplier on Phase I of the Crown Commercial Service (CCS) FM Marketplace Framework, which will allow us to bid for facilities management contracts for Government departments. During H2 18/19, we have also qualified for inclusion in Phase II of the CCS FM Marketplace Framework, which will allow us to bid for the Defence Facilities Management as well as for Security Services and Technical Security contracts. We will be focusing on this area as significant wins would materially improve our order book position.

Project Helix

Project Helix is on track to be largely completed by the year-end with c.£45m of run-rate cost savings, and one-off costs of change in FY 18/19 of c.£15m. As previously guided, by its conclusion the Helix programme is expected to deliver c.£50m of overall run-rate savings from the successful transformation of HR and procurement; reduced managerial levels; the offshoring of IT and back-office finance transaction processing; and basic improvements in Engineering within fleet, PDA-usage, as well as time sheet and scheduling automation.

Post Project Helix, we will now turn to the process and digital transformation of Engineering Services – our biggest division – replacing existing systems and better automating our workflow, client costing and billing processes. This programme is expected to complete during FY 20/21. The details of the expected costs and related benefits will be provided at the time of announcing our FY 18/19 results.

Cash and Covenants

Average daily net debt in H2 18/19 is expected to be £20-25m lower than in H1 18/19 (H1 18/19: £317.4m) as working capital issues related to outsourcing of transaction processing earlier in the year have been resolved. This estimate includes net M&A proceeds of £40m offset by a reduction in the

use of the supply chain finance facility of c.£20m and improved supplier payment performance of c.£20m in H2 18/19 vs H1 18/19.

Period-end net debt is expected to be in the range of £160-180m (H1 18/19: £186.7m).

We therefore expect to continue to operate comfortably within our banking covenants.

Strategy

Our strategy continues to evolve as we transform Mitie and focus on those business lines where we can secure a market-leading position. Our four strategic pillars – customer, cost, people, and technology – underpin our strategy of growing customer lifetime value by offering technology-backed propositions to ensure long-term sustainable growth and deliver our vision of “The Exceptional, Every Day” by:

- Creating market-leading positions through focusing on our core competencies and investing in higher growth opportunities;
- Embedding technology into the heart of our offering and increasing customer NPS;
- Strengthening our balance sheet and maintaining cost disciplines to remain competitive; and
- Creating a “Great Place to Work” for our employees.

Outlook

Mitie is well-positioned for future growth despite a challenging backdrop in the industry and political uncertainty. We remain confident that we will emerge as an industry leader in our chosen service lines.

We expect to continue to grow revenue organically at 3-4%. We have successfully renewed a number of significant contracts in FY 18/19 albeit, in the first year of operation, at lower margins. Notwithstanding these margin headwinds we still expect to achieve our margin target of 4.5-5.5% over the medium term. For FY 19/20 we expect operating profit to show moderate growth – with revenue growth and cost savings partially offset by the contract renewals and continued reinvestment in our business.

Full-year 18/19 results

Mitie expects to publish its financial and operational results for the fiscal year ending on 31 March 2019 on Thursday, 6 June 2019.

Analyst and investor conference call

Mitie will be hosting a conference call at 9:00am GMT on Thursday, 28 March 2019 for analysts and investors with Phil Bentley, CEO, and Paul Woolf, CFO.

Dial-in details are as follows:

UK: +44 (0) 333 300 0804

Access code: 14850244#

Playback details:

UK: +44 (0) 333 300 0819

Access code: 301245120#

For international dial-in and playback numbers please contact Anna Gavrilova on anna.gavrilova@mitie.com.

For further information please contact:

Anna Gavrilova

Head of Investor Relations

T: +44 (0) 203 123 8675

M: +44 (0) 738 443 9112

E: Anna.Gavrilova@mitie.com

Claire Lovegrove

Head of Media Relations, Corporate Affairs

T: +44 (0)203 123 8716

M: +44 (0)790 027 6400

E: Claire.Lovegrove@mitie.com

Notes for editors

About Mitie Group

Founded in 1987, Mitie is the UK's leading facilities management and professional services company. It offers a range of specialist services, including Engineering Services, Security, Professional Services, Cleaning and Environmental Services, Care and Custody, and Catering.

Mitie employs 54,000 people across the country, looking after a large, diverse, blue-chip customer base, from banks and retailers, to hospitals, schools and government offices. It takes care of its customers' people and buildings, by delivering the basics brilliantly and by deploying advanced technology. It is pioneering the Connected Workspace, using smart analytics to provide valuable insight and deliver efficiencies to create outstanding work environments for customers.

Find out more at www.mitie.com.