



# FY2017 Preliminary Results

12 June 2017





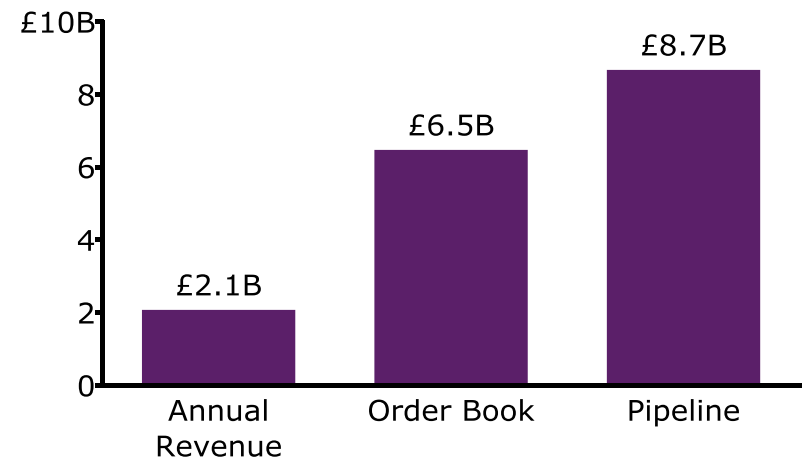
# Disclaimer

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*This announcement contains forward-looking statements. Such statements do not relate strictly to historical facts and can be identified by the use of words such as 'anticipate', 'expect', 'intend', 'will', 'project', 'plan', and 'believe' and other words of similar meaning in connection with any discussion of future events. These statements are made by the Directors of Mitie in good faith based on the information available to them as at 12 June 2017 and will not be updated during the year. These statements, by their nature, involve risk and uncertainty because they relate to, and depend upon, events that may or may not occur in the future. Actual events may differ materially from those expressed or implied in this document and accordingly all such statements should be treated with caution. Nothing in this document should be construed as a profit forecast. Except as required by law, Mitie is under no obligation to update or keep current the forward-looking statements contained in this report or to correct any inaccuracies which may become apparent in such forward-looking statements.*

# About Mitie

- Mitie is a FTSE 250 business providing a wide range of **facilities management** and **professional services**, from **real estate consultancy, project management, energy consultancy, compliance, risk assessment** and **security systems** to **cleaning, catering, engineering, technical** and **environmental services** and a range of **specialist services**
- We work in partnership with organisations to deliver **long-term savings**, managing and maintaining some of the nation's most recognised landmarks for a range of **Blue-chip** public and private sector customers, helping our clients move **"Beyond FM...to the Connected Workspace"**
- We are the UK's **largest** Facilities Management Company employing some **53,000** people across the country







# Agenda

- **FY2017 Summary (Phil Bentley)**
- FY2017 Financial Review (Sandip Mahajan)
- FY2018 Strategy Update & Outlook (Phil Bentley)

# FY2017 was a challenging year, but revenue held up

## LIKE-FOR-LIKE REVENUE

**£2.1B | +0.3%**

(FY2016 £2.1B)

## ORDER BOOK\*

**£6.5B | -1%**

(FY2016 £6.6B)

## PIPELINE\*\*

**£8.7B | +10%**

(FY2016 £7.9B)

## REPORTED OP. PROFIT

**-£6.3M | n/a**

(FY2016 £135M)

## LIKE-FOR-LIKE OP. PROFIT<sup>+</sup>

**£82.0M | -14%**

(FY2016 £95M)

<sup>+</sup>Before Balance Sheet adjustments

\*Adjusted for removal of non-contracted discretionary work (-£1.7B)

\*\*Adjusted to include estimated discretionary work (+£1.7B)



# Mitie competes in a large market across six main service lines...

Mitie addressable UK property FM Market: £45B



Cleaning & Environmental Services



Security



Catering



Engineering Services



Professional Services & Connected Workspace



Care & Custody

Property Mgmt.

Public Services

- **Low single digit growth** driven by increased outsourcing
- Market **typically resilient** through the economic cycle
- Highly **fragmented** market
- Customers seeking **value add & technology innovation**

# ...and is distinguished by having a strong, balanced position across all major service lines

Mitie share of addressable market ~4%



- **National footprint** and scale
- **Technical breadth** in engineering
- Leading **technology**
- **#1** for range of **Professional services**
- Distinctive catering offer with **wellbeing at the core**



# We have maintained our high quality client base...



# ... and since January, we have laid the foundations for Mitie's future growth...

## *Reset our strategy & leadership*

**"Beyond FM"**  
New strategic direction

**Disposal of Healthcare**

**Accounting Review completed**

**New Organisation & Leadership team**

## *Reshape our cost base*

**"T200"**  
~£10m in first wave of cost savings

**Working Capital discipline**

**"Project Helix"**  
launched to re-engineer Mitie's DNA

## *Rebuild our growth engine*

**New Group Sales function focused on Strategic Account Management**

**Contract discussions underway with major FTSE-100 companies**

**New contracts awarded**



# ...led by a new team for a new Mitie...

## Divisional Leadership



### **RICHARD COUZENS**

MD Cleaning & Specialist Services

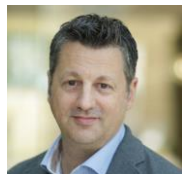
- ~10 years with Mitie
- Serco



### **JASON TOWSE**

MD Security

- ~5 years with Mitie
- Securitas
- Chubb



### **ALLISTER RICHARDS**

MD Catering

- ~6 years with Mitie
- Sodexo



### **CARLO ALLONI**

MD Engineering Services

- Cable & Wireless
- Ericsson



### **SIMON VENN**

MD Professional Services & Connected Workspace

- Royal Dutch Shell
- Cable & Wireless



### **DARRYN GIBSON**

MD Public Services

- 1 year with Mitie
- Serco

## Functional Leadership



### **SANDIP MAHAJAN**

CFO

- Balfour Beatty
- EY



### **DAVID COOPER**

CTIO

- British Gas
- Centrica
- Talk Talk
- 3



### **PETER DICKINSON**

Group General Counsel

- Mayer Brown
- Cable & Wireless
- Clifford Chance



### **GARY ELLIOTT**

HR Director

- Diageo

\* new in role



# ...and have set a new vision and strategic priorities: 'Beyond FM...to the Connected Workspace'...

## WHAT DO CUSTOMERS WANT TODAY?

- Modern facilities and services to attract top talent
- Joined-up, real time management of resources
- Enhanced security and risk management
- Delivery of Corporate Social Responsibility initiatives
- Improved productivity from the built environment
- "More for less" cost savings



Wellbeing



User experience



Secure environment



Sustainability



Infrastructure resilience



Portfolio utilisation

Customer

Cost

People

Technology

***Beyond FM...to the Connected Workspace***



# Agenda

- FY2017 Summary (Phil Bentley)
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- FY2018 Strategy Update & Outlook (Phil Bentley)

# FY2017 Financial review summary




- **Like-for-like revenue remained flat at £2.1bn**
- **Like-for-like operating profit decreased by £13m – from £95m to £82m**
- **Accounting Review completed, resulting in net £88m one-off adjustments in FY2017, and £61m PYA's**
- **Agreement reached with banks and USPP lenders to definition amendments for FY2017; no loan covenant breach**
- **Operating cash flow improved, leading to year end net debt reduction by £31m to £147m**



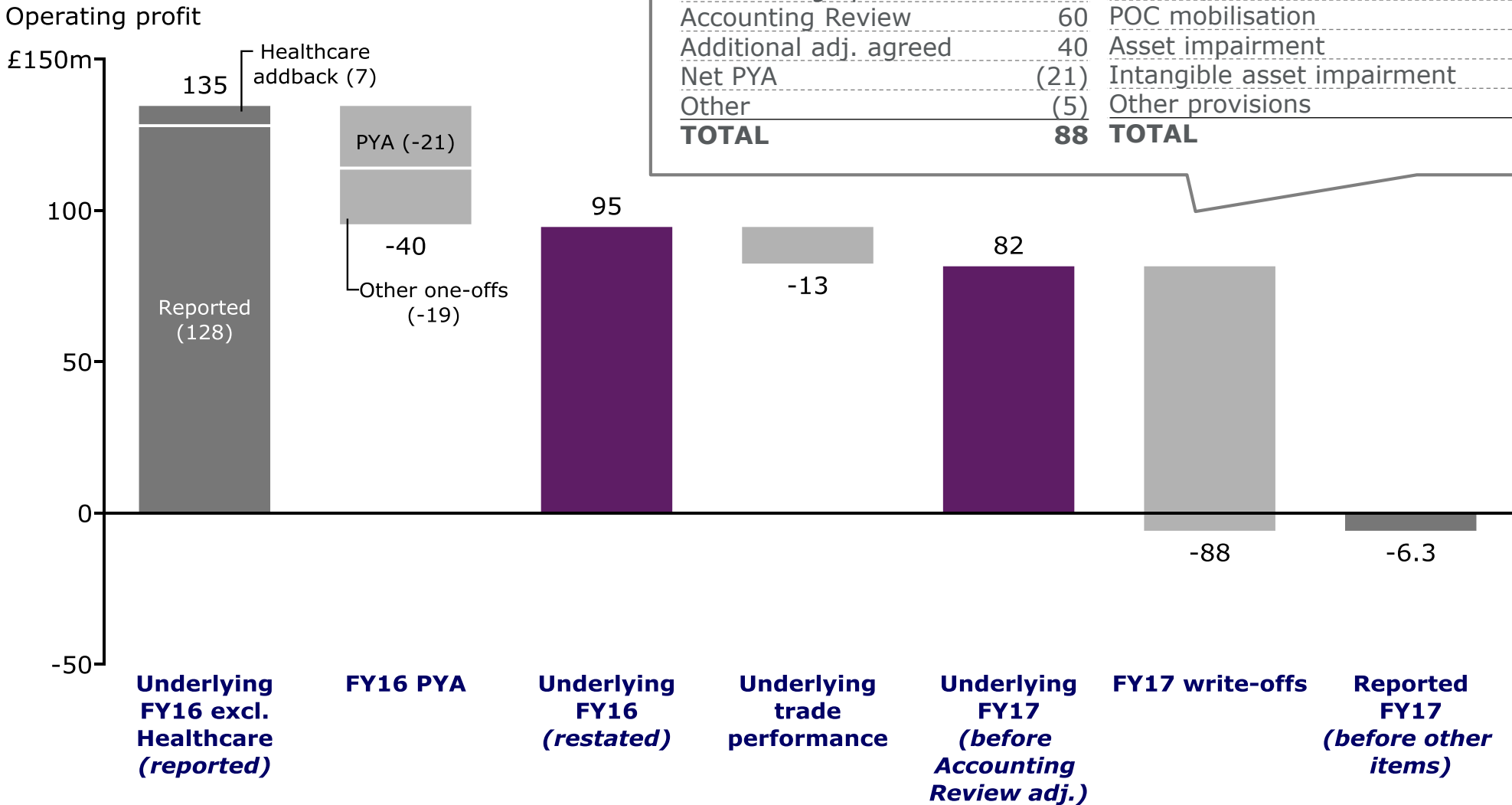
# Accounting Review identified 3 types of adjustments

## REVIEW CONCLUSIONS

## FINANCIAL IMPACT

- |   |   |   |
|---|---|---|
| <p><b>1</b> • <b>Material errors</b></p> <ul style="list-style-type: none"><li>- Expenses booked in FY17, relating to prior periods</li><li>- Irrecoverable debtor balances reported at FY16 as recoverable</li><li>- Healthcare Goodwill</li></ul> |    | <ul style="list-style-type: none"><li>• £21m PYA</li><li>• FY2016 operating profit restated from £135m to £114m</li><li>• £26m Healthcare Goodwill write-off</li></ul>  |
| <p><b>2</b> • <b>Trading asset balances for which insufficient support to carry value at 31 March '17</b></p>   |    | <ul style="list-style-type: none"><li>• £60m write-off in addition to £14m announced in January</li></ul>   |
| <p><b>3</b> • <b>Application of PoC accounting and costs of mobilisation less conservative than peers</b></p>   |  | <ul style="list-style-type: none"><li>• Lender waiver agreed for additional ~£40m write-off</li><li>• IFRS 15 likely to require restatement of PoC asset (£50m) and a reduced mobilisation balance (£21m) in FY18</li></ul> |

# Like-for-like operating profit decreased by £13m from £95m to £82m



# Like-for-like revenue has remained flat but operating profit declined

£m	FY2017	FY2016 restated	YoY change	
			£	%
Underlying revenue	2,140.0	2,133.4	6.6	0.3
Cost of sales	(1,862.4)	(1,845.1)	(17.3)	0.9
Underlying gross profit	277.6	288.3	(10.7)	(3.7)
Business overhead	(172.3)	(173.1)	0.8	(0.5)
Corporate Centre overhead	(23.3)	(20.0)	(3.3)	16.5
Underlying operating profit	82.0	95.2	(13.2)	(13.9)
<i>Op. profit %</i>	<i>3.8%</i>	<i>4.5%</i>		



# Like-for-like revenue – divisional analysis

£m	FY2017	FY2016 restated	YoY change	
			£	%
Cleaning & Environmental Services	399.0	407.1	(8.1)	(2.0)
Security	404.2	364.4	39.8	10.9
Catering	132.7	126.6	6.1	4.8
Engineering Services	809.0	788.4	20.6	2.6
Professional Services & Connected Workspace	90.9	97.9	(7.0)	(7.2)
<b>Core FM total</b>	<b>1,835.8</b>	<b>1,784.4</b>	51.4	2.9
Property Management	257.7	313.5	(55.8)	(17.8)
Care & Custody	46.5	35.5	11.0	31.0
<b>Public Services total</b>	<b>304.2</b>	<b>349.0</b>	(44.8)	(12.8)
<b>Group total</b>	<b>2,140.0</b>	<b>2,133.4</b>	6.6	0.3

# Like-for-like operating profit – divisional analysis

£m	FY2017	FY2016 restated	YoY change	
			£	%
Cleaning & Environmental Services	20.3	23.6	(3.3)	(14.0)
Security	19.9	19.8	0.1	0.5
Catering	5.3	5.3	0.0	0.0
Engineering Services	37.9	42.0	(4.1)	(9.8)
Professional Services & Connected Workspace	6.7	5.6	1.1	19.6
<b>Core FM total</b>	<b>90.1</b>	<b>96.3</b>	<b>(6.2)</b>	<b>(6.4)</b>
Property Management	12.3	16.2	(3.9)	(24.1)
Care & Custody	2.9	2.7	0.2	7.4
<b>Public Services total</b>	<b>15.2</b>	<b>18.9</b>	<b>(3.7)</b>	<b>(19.6)</b>
<b>Group total before overhead</b>	<b>105.3</b>	<b>115.2</b>	<b>(9.9)</b>	<b>(8.6)</b>
Corporate overhead	(23.3)	(20.0)	(3.3)	16.5
<b>Group total</b>	<b>82.0</b>	<b>95.2</b>	<b>(13.2)</b>	<b>(13.9)</b>

# Cleaning & Environmental Services

## –FY2017 Financials

£m	FY2017	FY2016 restated	YoY change	
			£	%
Underlying revenue	399.0	407.1	(8.1)	(2.0)
Underlying gross profit	57.1	55.4	1.7	3.1
Gross profit %	14.3%	13.6%		
Underlying op. profit	20.3	23.6	(3.3)	(14.0)
Op. profit %	5.1%	5.8%		
Order book	811	894	(83)	(9)
Sales pipeline	607	538	69	13

## Key facts

- Key business segments:
  - Cleaning
  - Landscape
  - Pest
- ~26,500 total employees
- No. of clients:
  - Cleaning 800
  - Landscape 575
  - Pest 4,800
- Client sites:
  - Cleaning 14,000
  - Landscapes 7,500
  - Pest 42,500

## –FY2017 Financial highlights

- Strong revenue growth in both Landscape and Pest (~£12m), offset by Cleaning
  - Cleaning: Impact of carry forward contract losses from FY15/16 (~£20m)
  - Landscape: mobilisation of major wins in NHS and utilities contracts, offset by lower than expected revenue in gritting due to mild winter
  - Pest: sales driven by 'Intelligent Pest Management' sales and technology proposition
- Gross margins improved due to mix of higher margin contracts; operating profit decreased as overhead resizing lagged behind contract loss
- Restructured and invested in sales and business development team to gain top-line momentum



# Security

## –FY2017 Financials

£m	FY2017	FY2016 restated	YoY change	
			£	%
Underlying revenue	404.2	364.4	39.8	10.9
Underlying gross profit	44.3	42.6	1.7	4.0
Gross profit %	11.0%	11.7%		
Underlying op. profit	19.9	19.8	0.1	0.5
Op. profit %	4.9%	5.4%		
Order book	876	776	100	13
Sales pipeline	1,220	651	569	87

## Key facts

- Key business segments:
  - Total Security Management (TSM)
  - Fire and Security Systems
  - Front of House
  - Document Management
  - Employee screening & vetting (Procius)
- ~13,800 total employees
- No. of clients: ~1,100
- Client sites: ~10,600

## –FY2017 Financial highlights

- Record year on sales, winning over £100m of business in FY17, supplemented with 10% improvement in client retention
- Technology continues to grow in the Security business, delivering year-on-year growth
- Change of Management to stem Front of House losses
- Boost in order book driven by major contract wins, notably Sainsbury's, NHS Property Services, and BNP Paribas

# Catering

## –FY2017 Financials

£m	FY2017	FY2016 restated	YoY change	
			£	%
Underlying revenue	132.7	126.6	6.1	4.8
Underlying gross profit	12.9	13.9	(1.0)	(7.2)
Gross profit %	9.7%	11.0%		
Underlying op. profit	5.3	5.3	0.0	0.0
Op. profit %	4.0%	4.2%		
Order book	458	463	(5)	(1)
Sales pipeline	836	284	552	194

## Key facts

- Key business segments:
  - Gather and Gather
  - Creative Events
- ~2,500 total employees
- No. of clients: ~90
- Client sites: ~300

## –FY2017 Financial highlights

- Broadly flat year-on-year revenue with some growth in Ireland's catering business
  - Gather and Gather £5m up on revenue
  - Creative Events down £2m, with lower outdoor catering revenues in FY2017
- Gross margin compression due to some food cost inflation
- Overhead in Creative Events was reduced at the year end to assure return to profitability in FY2017

# Engineering Services

## –FY2017 Financials

£m	FY2017	FY2016 restated	YoY change	
			£	%
Underlying revenue	809.0	788.4	20.6	2.6
Underlying gross profit	83.7	92.0	(8.3)	(9.0)
Gross profit %	10.3%	11.7%		
Underlying op. profit	37.9	42.0	(4.1)	(9.8)
Op. profit %	4.7%	5.3%		
Order book	3,259	3,325	(66)	(2)
Sales pipeline	1,432	3,035	(1,603)	(53)

## Key facts

- Key business segments:
  - Building maintenance
  - Heating/cooling
  - Lighting
  - Water treatment
  - Building controls
- ~8,000 total employees
- No. of clients: ~1,000
- Client sites: ~12,000

## –FY2017 Financial highlights

- Revenue increase driven by growth in Ireland and Europe, with two major contract wins (CTIL Cornerstone, NHS Property Services) in the UK business
- Gross profit decreased as margin and volume of discretionary works has declined; efforts to reduce overhead costs by restructuring the business mid-year (~£4m annualised)
- Order book remains in line through a combination of new wins & contract extensions with values up to £40m; fall in pipeline reflects unsuccessful IFM bids

# Professional Services & Connected Workspace

## –FY2017 Financials

£m	FY2017	FY2016 restated	YoY change	
			£	%
Underlying revenue	90.9	97.9	(7.0)	(7.2)
Underlying gross profit	15.6	16.7	(1.1)	(6.6)
Gross profit %	17.2%	17.1%		
Underlying op. profit	6.7	5.6	1.1	19.6
Op. profit %	7.4%	5.7%		
Order book	221	190	31	16
Sales pipeline	115	137	(22)	(16)

## Key facts

- Key business segments:
  - Real estate consultancy (Source8)
  - Energy (Utiylx)
  - Waste management
- ~500 total employees
- No. of clients: ~350
- Client sites: ~8,000

## –FY2017 Financial highlights

- Revenue decline largely driven by Waste, including a couple of significant lost contracts (~£10m impact), partially offset by Source8 revenue growth
- Overheads were successfully reduced, with some office consolidation and restructuring to maintain net profitability
- Professional Services has won a number of new framework contracts to deliver strategic consultancy, real estate and design services. Waste secured contracts with JLL, a large national leisure operator and expanded existing contracts with Network Rail and Manchester Airport Group.

# Property Management

## –FY2017 Financials

£m	FY2017	FY2016 restated	YoY change	
			£	%
Underlying revenue	257.7	313.5	(55.8)	(17.8)
Underlying gross profit	57.8	63.2	(5.4)	(8.5)
Gross profit %	22.4%	20.2%		
Underlying op. profit	12.3	16.2	(3.9)	(24.1)
Op. profit %	4.8%	5.2%		
Order book	663	639	24	4
Sales pipeline	1,566	1,665	(99)	(6)

## Key facts

- Key business segments:
  - Social housing
  - Painting
  - Roofing
- ~2,200 total employees
- No. of clients: ~1,000
- Client sites: ~350,000

## –FY2017 Financial highlights

- Exit sales performance of discretionary work at the end of FY2016 was very low, leading to low volumes in FY2017; coupled with 3 longer term housing contracts coming to their natural end of term
- To help offset the reduction in revenue and improve competitiveness, a full overhead review resulted in a reduction of 80 FTE and savings in discretionary spend (e.g., travel, client entertainment, etc.)
- Order book has significantly increased in 4Q'17 following appointment of new General and Sales Manager



# Care & Custody

## –FY2017 Financials

£m	FY2017	FY2016 restated	YoY change	
			£	%
Underlying revenue	46.5	35.5	11.0	31.0
Underlying gross profit	6.2	4.5	1.7	37.8
Gross profit %	13.3%	12.7%		
Underlying op. profit	2.9	2.7	0.2	7.4
Op. profit %	6.2%	7.6%		
Order book	244	310	(66)	(21)
Sales pipeline	2,926	1,600	1,326	83

## Key facts

- Key business segments:
  - Immigration detention
  - Medical forensics
- ~950 total employees
- No. of clients: ~20
- Client sites: ~60

## –FY2017 Financial highlights

- Revenue increase driven principally by a full year of trading in Care and Custody Health (Tascor acquisition) - £10m incremental revenue year-on-year
- Underlying net margin increase due to full year trade of acquisition, offset by a higher level of investment in business development overheads
- Investment in business development resulted in almost doubling the sales pipeline

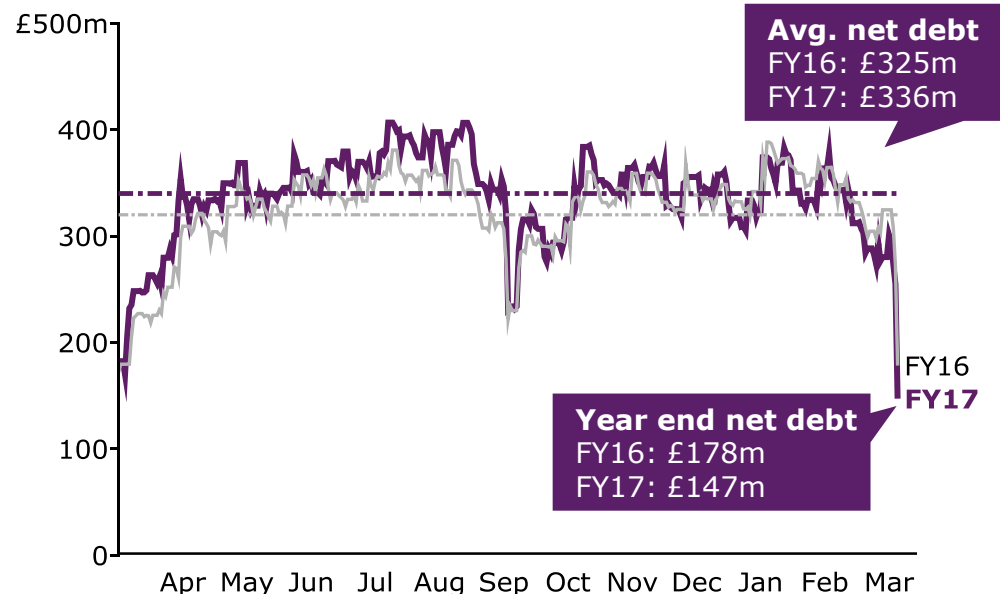
# Cash flow

£m	FY2017	FY2016 restated	YoY Change	
			£	%
Opening net debt	(178.3)	(177.8)	(0.5)	(0.3)
EBITDA	(5.0)	139.7	(144.7)	(104)
Other	14.1	(3.0)	17.1	570
Operating cash flow before movements in working capital	9.1	136.7	(127.6)	(93)
Payables	37.9	5.0	32.9	658
Receivables	(19.9)	14.3	(34.2)	(239)
Other working capital	104.3	(55.1)	159.4	(289)
Working capital movement	122.3	(35.8)	158.1	442
Operating cash flow	131.4	100.9	30.5	30
Invoice Discounting	28.5	23.1	5.4	23
Free cash flow	159.9	124.0	35.9	29
Cash from discontinued activities	(8.8)	(9.4)	0.6	6
Dividends and share buybacks	(66.7)	(63.8)	(2.9)	5
Interest, tax, capex	(53.8)	(51.5)	(2.3)	4
Cash flow	30.6	(0.7)	31.3	-
Foreign exchange impact	0.5	0.2	0.3	150
Closing net debt	(147.2)	(178.3)	31.1	(17)

# Net debt and leverage

## NET DEBT

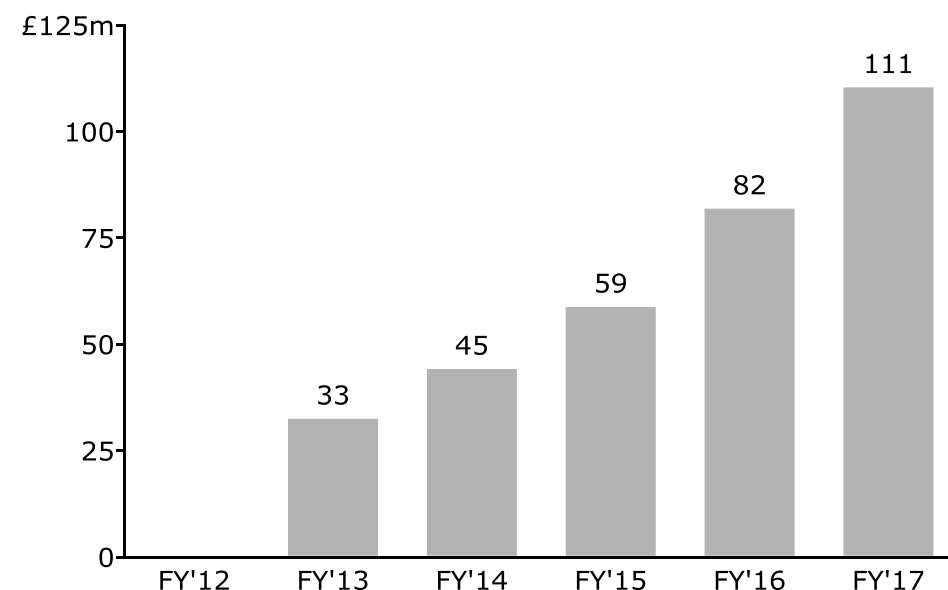
Daily net debt (£m)



- Net debt remained within RCF leverage covenant ratio limits
- Agreed with lenders to exempt £40m of non-cash write-offs from covenant calculation at March 2017 and September 2017

## INVOICE DISCOUNTING PROGRAMME

Receivables purchase agreement (£m)



- Invoice discounting increased from £82m to £111m, driven primarily by major new contract (on extended credit terms)
- Plan is to reduce this source of funding from free cash flow

# Balance sheet

£m	FY2017 reported	FY2016 restated	YoY change	
			£	%
Goodwill	343.9	439.5	(95.6)	(22%)
Acquisition related intangibles	6.6	23.2	(16.6)	(72%)
Software and development intangibles	46.6	41.4	5.2	13%
Property, plant and equipment	32.3	49.3	(17.0)	(34%)
Non-current trade & other receivables	50.3	84.8	(34.5)	(41%)
Current trade and other receivables	381.0	432.1	(51.1)	(12%)
Other	41.7	20.9	20.8	100%
<b>Total assets</b>	<b>902.4</b>	<b>1,091.2</b>	<b>(188.8)</b>	<b>(17%)</b>
Current liabilities	(580.3)	(508.5)	(71.8)	14%
Retirement benefit liabilities	(74.2)	(35.5)	(38.7)	109%
Non-current liabilities	(10.9)	(7.4)	(3.5)	47%
Net debt	(147.2)	(178.3)	31.1	(17%)
<b>Net assets</b>	<b>89.8</b>	<b>361.5</b>	<b>(271.7)</b>	<b>(75%)</b>

# EPS and DPS

	FY2017 reported	FY2016 restated	YoY change	
Weighted avg. share count for basic EPS	351.0m	355.4m	(4.4)m	• No final dividend recommended for FY2017
EPS – from continuing operations	(14.7)p	20.1p	(34.8)p	• Company's distributable reserves are £137.3m (£237.6m at 31 March 2016)
EPS – from continuing and discontinued operations	(52.4)p	9.2p	(61.6)p	• Future dividend policy to be determined by Board at a later date
DPS	4.0p	12.1p	(8.1)p	



# FY17 Financial Performance summary

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## Like-for-like revenue

**£2,140m**

↑ **0.3%** (FY16: £2,133m)

## Net debt

**£147m**

↓ **-17.4%** (FY16: £178m)

## Like-for-like operating profit

**£82.0m**

↓ **-14%** (FY16: £95m)

## Order book

**£6.5bn**

↓ **-1.0%** (FY16: £6.6bn)

## Like-for-like operating profit margin

**3.8%**

↓ **0.7 pts** (FY16: 4.5%)

## Sales pipeline

**£8.7bn**

↑ **10%** (FY16: £7.9bn)

## Reported basic earnings per share

**-14.7p**

↓ **34.8p** (FY16: 20.1p)

## Dividends per share

**4.0p**

↓ **8.1p** (FY16: 12.1p)



# Agenda

- FY2017 Summary (Phil Bentley)
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- **FY2018 Strategy Update & Outlook (Phil Bentley)**

# We have launched a new strategy:

## Beyond FM...to the Connected Workspace

### Customer

Put **customers** at the heart of our business

### Cost

Transform our **cost base** and restore balance sheet strength

### People

Build a winning culture and team, to retain & develop our **people**

### Technology

Uplift investment in **technology** to improve customer insights & ease of doing business with

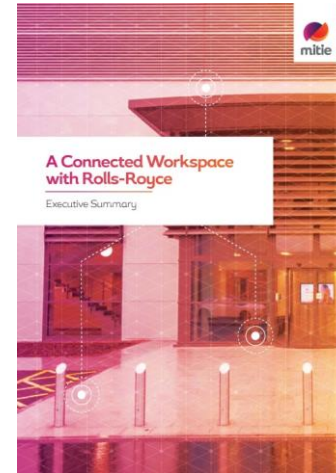


**Objective: Grow customer lifetime value, by offering compelling propositions and delivering the basics brilliantly, to help customers save money**

# Putting customers at the heart of our business...

Customer

- **Life time value** analysis by customer/segment
- **Strategic Account Management** for 1st tier accounts
- **New Group Sales Director** and further sales capability additions
- New sales incentive scheme to **drive cross-sell**
- **NPS** as key incentive measure
- Improved **CRM** capabilities
- New **Product Development** by sector
- **Integrated bids** with **unitary management** in field



KPIs
Bid win rate
Revenue and cross-sell from Tier 1 accounts
Gross margin per salesforce FTE
NPS
UK FM market share

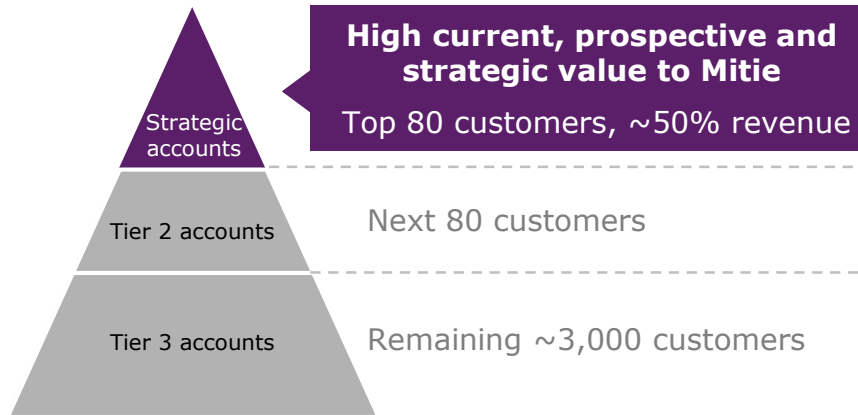




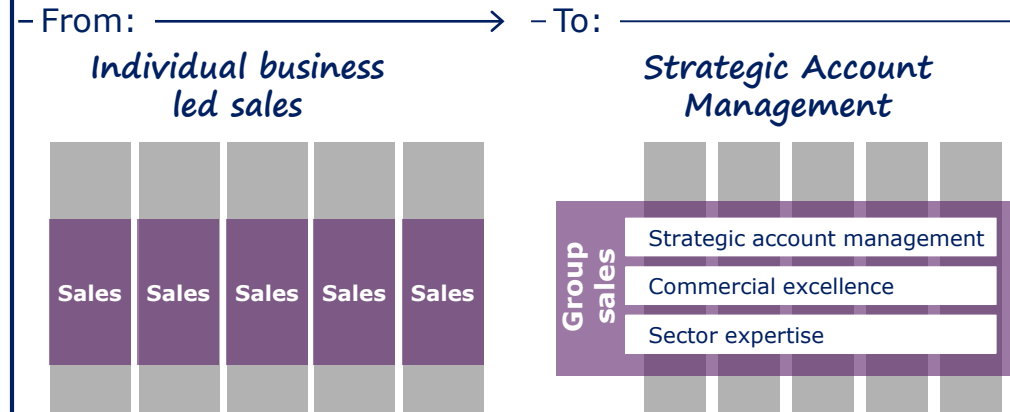
# ...by focusing on customer lifetime value

Customer

We have identified **customers/segments with high LTV**



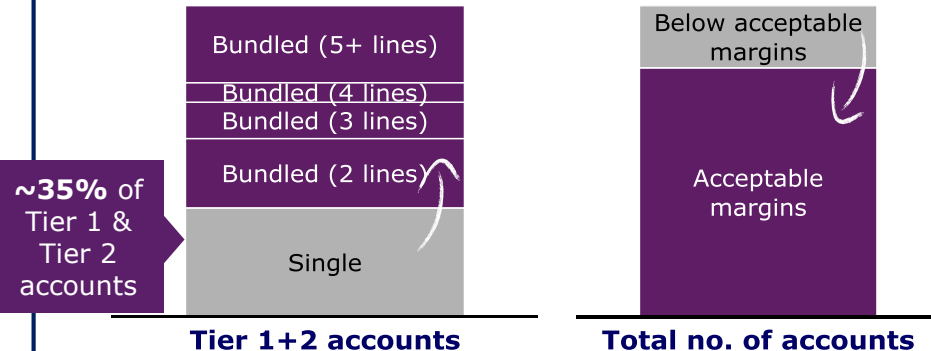
We are introducing **Strategic Account Management**



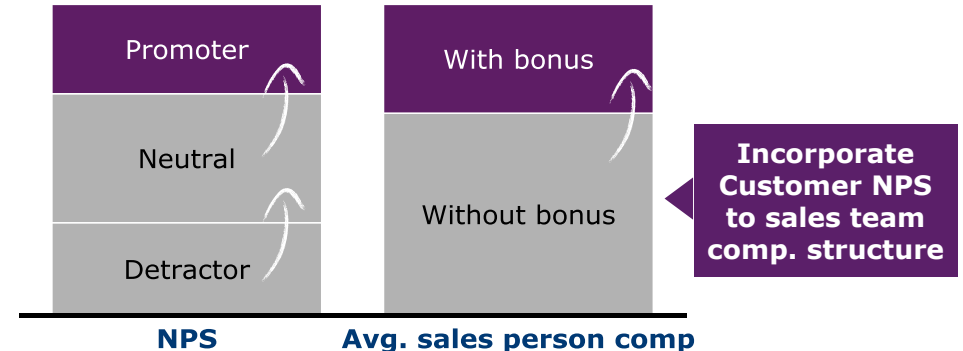
We will **capture additional opportunities** to drive our top line...

**DRIVE CROSS-SELL**

**IMPROVE MARGINS**



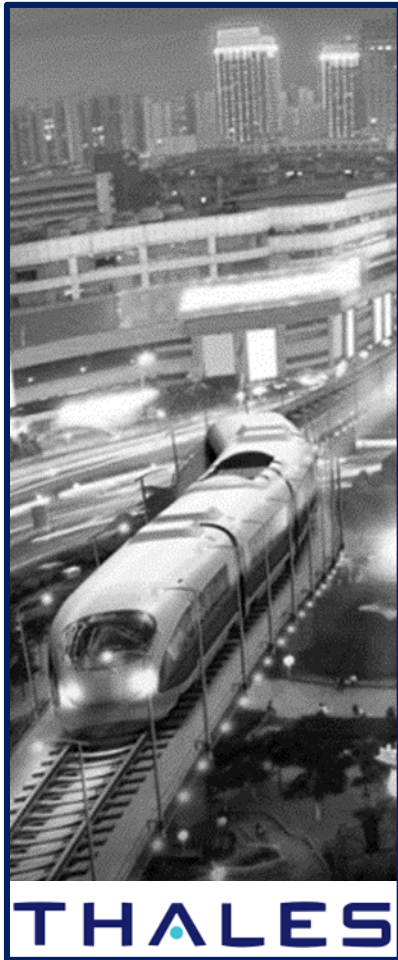
...and target an **NPS improvement** of 5 ppt





# Strategic Account Management in action - expanding Mitie's partnership with Thales

Customer



## What we did:

- **Strategic Account Manager** as single point of contact across ~8 services
- **Centralised performance management** and **integrated MI** achieved cost savings through reduced management layers
- **Targeted cross-selling** across all sites
- Developed **tailored asset management tool**

## 2016

### Contract length

Expires 2020

### Revenue

£7m p.a.

### Eng. Services focused

## TODAY

### Contract length

Expires 2025

### Revenue

£14m p.a.

+ Integrated offer  
+ Catering  
+ Energy mgmt.  
+ New added sites

# Our current cost base is £2.1B and growing, driven by internal complexity and inefficiencies

Cost

## Total cost base of £2.1B (FY2017)

### COS

**£1,862m**  
(+£17m)

Direct labour costs and  
purchased goods & services

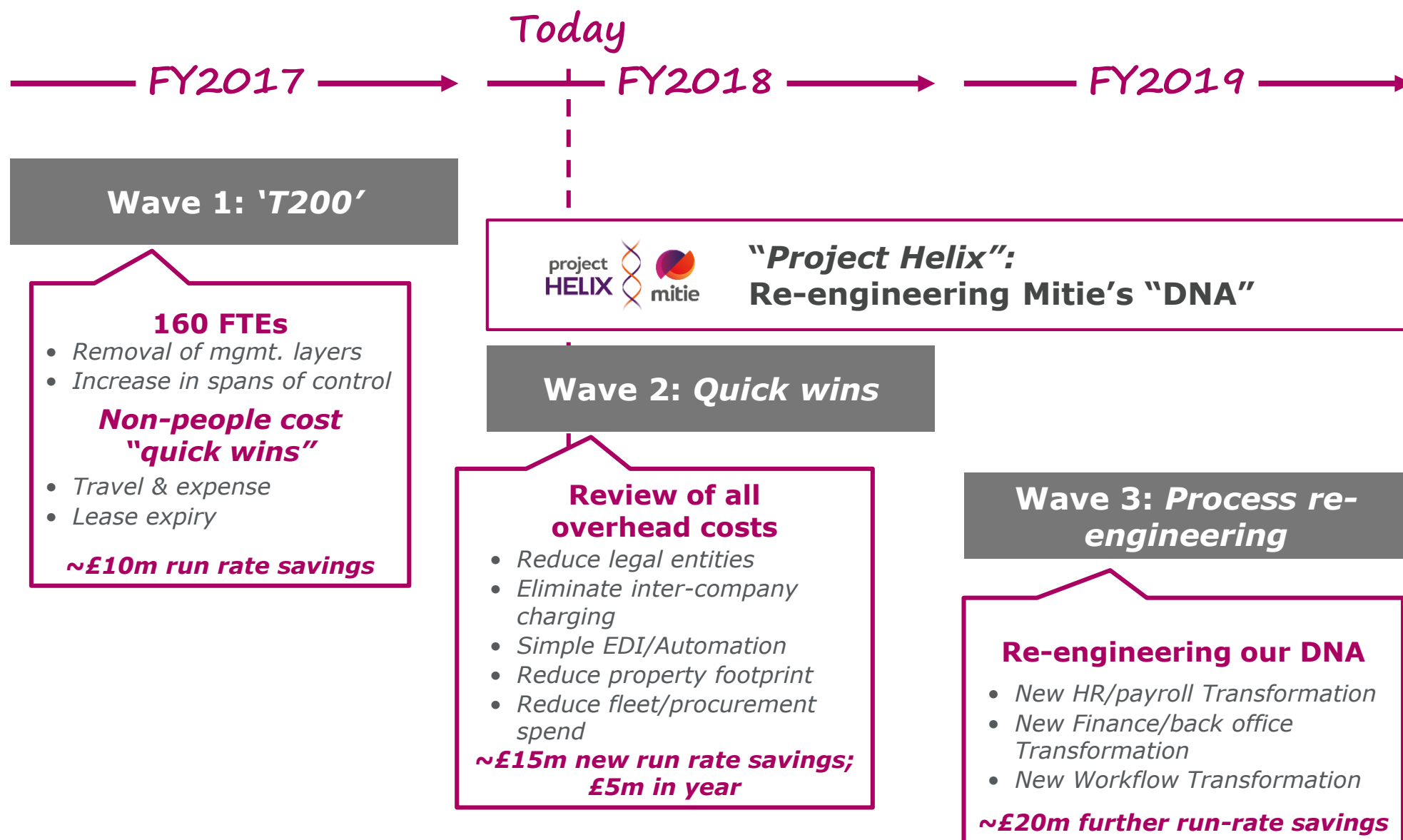
### OPEX

**£196m**  
(+£3m)

Overhead costs

# We have launched three waves of cost initiatives

Cost



# Our HR transformation programme will standardise and simplify our HR processes across Mitie

Cost

## Current State

Resource Planning	~10 FTE	<ul style="list-style-type: none"><li>20,000 recruitments p.a.: Inconsistent resourcing standards; multiple external agencies</li><li>Undesirable employee attrition</li></ul>
Employee Relations	~50 FTE	<ul style="list-style-type: none"><li>~3,000 p.a. employment grievances &amp; disciplinary actions closed</li><li>Inconsistent management of absenteeism</li></ul>
HR Operations	~50 FTE	<ul style="list-style-type: none"><li>No consistent policies (e.g. absence, 40,000 sick notes) and lack of systems</li></ul>
Training	~50 FTE	<ul style="list-style-type: none"><li>Inconsistent investment in leadership and development programmes</li><li>Low satisfaction with learning opportunities</li></ul>
Business Partnering	~20 FTE	<ul style="list-style-type: none"><li>Inconsistent involvement in commercial bids</li><li>Inconsistent input on talent development and organisation effectiveness</li></ul>
Talent & Rewards	~5 FTE	<ul style="list-style-type: none"><li>~0.1 FTE per 1000 employee to manage talent</li><li>Inconsistent grading system and reward policies</li></ul>
Internal Communication	~10 FTE	<ul style="list-style-type: none"><li>Low quartile employee satisfaction</li></ul>

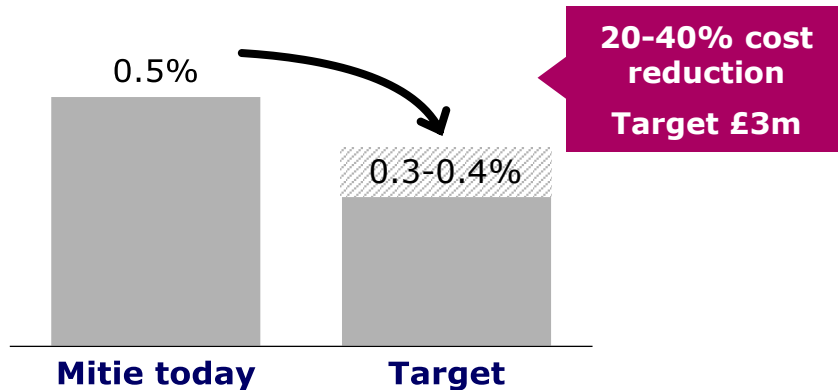
**Today we have ~200 FTEs mainly performing transactional HR activities**

# We are creating a world class HR team that is focused on enabling our people to perform & prosper

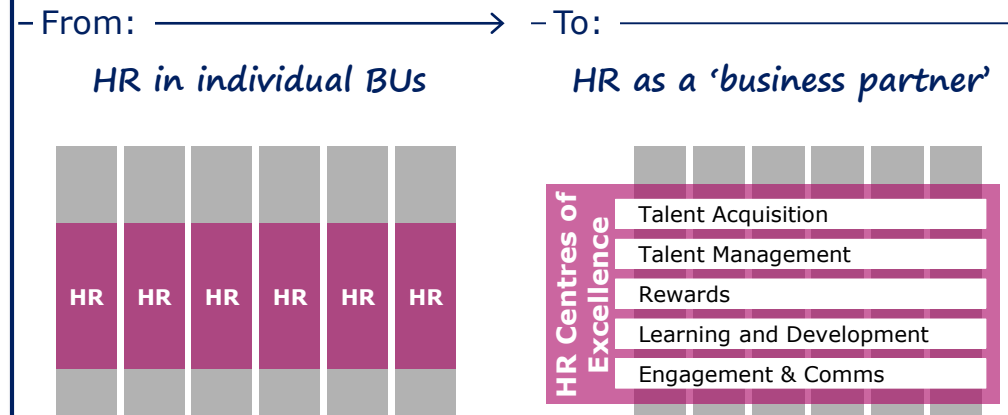
Cost

## We will **right-size** our HR function

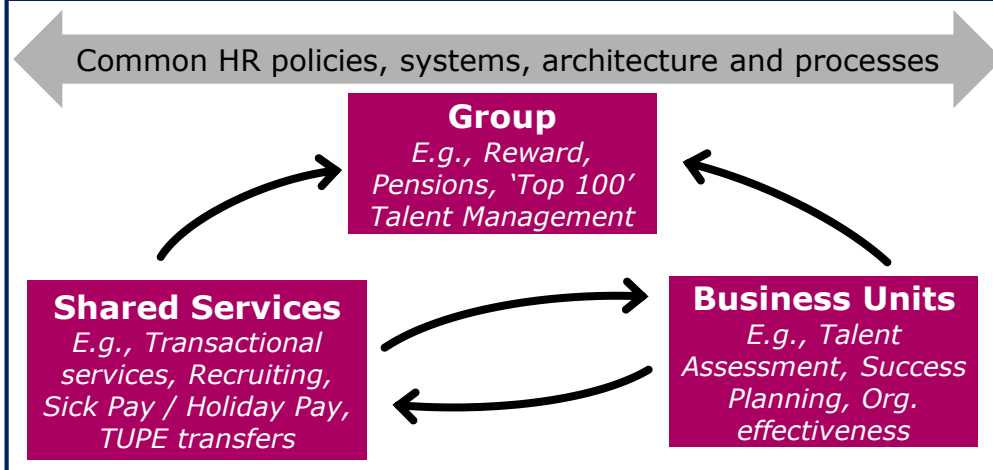
HR cost as % of revenue



## We will better leverage our teams and **centralise** our HR function



## We are rolling out a **consistent HR approach and process** across the organisation



## We will **streamline & automate** systems & processes to reduce complexity and cost

### 4 new or improved systems

**HRIS**  
HR Information System

**CMS**  
Case Management System

**TAS**  
Talent Acquisition System

**LMS**  
Learning Management System



# Most HR plans will be launched this year, with benefits following in FY2018

Cost

FY2018

£3m run-rate savings  
£2m capex  
£2m cost of change

FY2019

FY2020

## PEOPLE SERVICES

- Move to new operating model
- Embed Case Management System



## LEARNING & DEVELOPMENT

- Roll out new training systems and courses



## TALENT ACQUISITION

- Move to new Talent Acquisition model
- Embed new systems



## BUSINESS PARTNERING

- Roll out new job roles
- Move to new HRBP structure



## PERFORMANCE & REWARDS

- Roll out job grading structure
- Implement rewards strategy



## TALENT & ENGAGEMENT

- Embed succession planning processes
- Roll out employee eng. & culture champions



## KPIs

Headcount reduction

Staff turnover

Absenteeism

Employee engagement

Spans of control

# Our Finance transformation will standardise and simplify our finance processes across Mitie

Cost

## Current State

Transactional activity	Order to cash	~150 FTE	<ul style="list-style-type: none"><li>No standardised policy &amp; process to resolve aged overdue/unbilled</li><li>Lack of integrated workflow between billing &amp; credit control</li></ul>
	Purchase to pay	~100 FTE	<ul style="list-style-type: none"><li>Multiple, duplicative manual approval requirements</li><li>High volume of intercompany accounts payable activity</li></ul>
	Record to report	~200 FTE	<ul style="list-style-type: none"><li>10k journals at month end from 3 finance systems</li><li>3 weeks from period close to produce management reports</li></ul>
	Payroll	~100 FTE	<ul style="list-style-type: none"><li>75 payrolls run each month</li><li>High % of re-work and payroll queries due to poor timesheet data</li></ul>
Budgeting & planning; and decision support	Budgeting, planning & forecasting	~100 FTE	<ul style="list-style-type: none"><li>Many onerous, non-value add components e.g. frequent inter-company cash flow reporting</li></ul>
	MI reporting	~50 FTE	<ul style="list-style-type: none"><li>Inefficient and inconsistent manual reporting across BUs</li><li>Focus on financial rather than underlying performance drivers</li></ul>

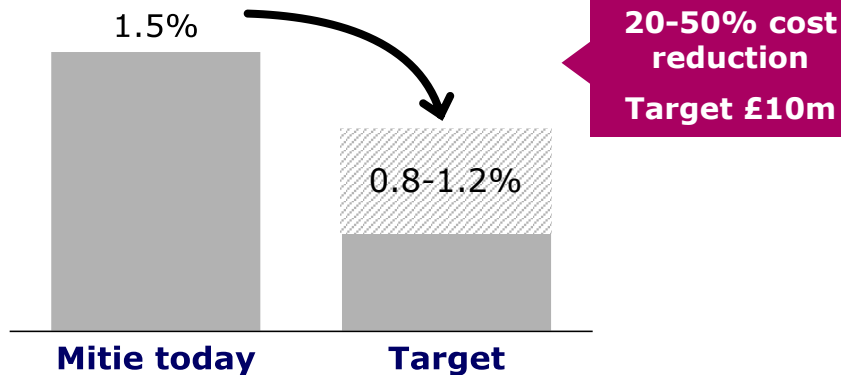
Today we have >700 Finance FTEs, mainly focused on lower value-add activities

# We are creating a world-class Finance team, that is more efficient and robust

Cost

## We are **right-sizing** our Finance function

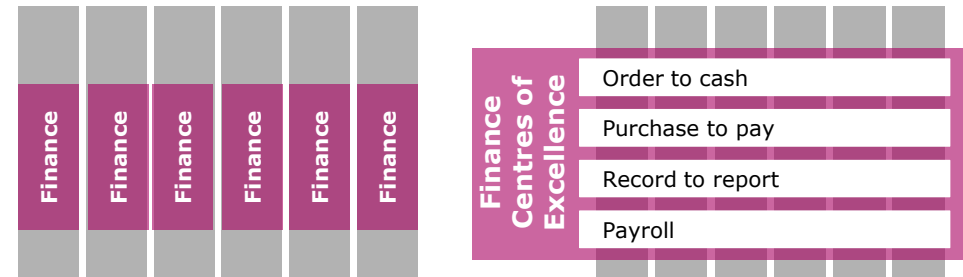
Finance cost as % of revenue



## We will better leverage our teams and **centralise our Finance function**

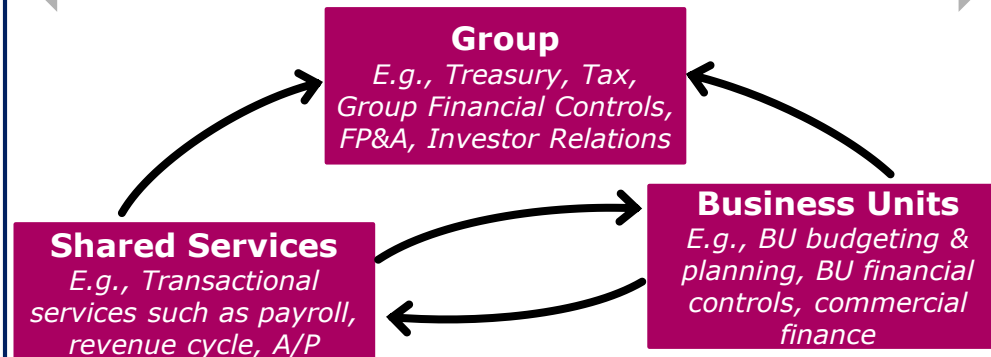
- From: \_\_\_\_\_ - To: \_\_\_\_\_

*Finance in individual BUs*      *Finance as a 'business partner'*



## We will have **clearly defined roles and responsibilities** to deliver finance activities

Common finance policies, systems, architecture and processes



## We are **simplifying and streamlining** our systems, processes and structures

- From: \_\_\_\_\_ - To: \_\_\_\_\_
- Multiple, manually produced mgmt. reports
  - Proliferation of intercompany recharges (~£850m)
  - 68 active legal entities
  - Standardised, automated mgmt. reports
  - No intercompany recharges
  - Reduced trading entities

# We expect in-year cost savings from Finance in FY18, with strong exit run-rate performance

Cost

£10m run-rate savings  
£2m capex  
£10m cost of change

**FY2018**

**FY2019**

**FY2020**

## STRUCTURE & ORG

- Introduce the "Mitie Way"
- Reduce complexity



## FINANCE 2.0

- Refresh Finance role & ambition
- Re-align service delivery model



## POTENTIAL OUTSOURCING

- Evaluate opportunity to centralise all transaction processing activity



## LEGAL ENTITIES

- Simplify number of trading entities
- Stop non-value adding interco. activity



## MI REPORTING

- Increase visibility and speed of MI



## BUSINESS PARTNERING

- Improve commercial support & FP&A capabilities



## REVENUE CYCLE

- Improve invoicing, cash collection & debt mgmt.



## PAYROLL

- Ensure right first-time payroll



## CONTROLS ENVIRONMENT

- Enhance controls environment, with improved group-wide standards



## KPIs

Finance cost as % revenue

% automated transactions

Number of UK trading legal entities

Level of intercompany transfers

# Our Workflow transformation will standardise and simplify Mitie's operational processes

Cost

## Current State: Engineering Services

Up to 28 touch points	Contract set-up	~200 FTE	<ul style="list-style-type: none"><li>• Inconsistent storage of asset data</li><li>• No standard contract set-up</li></ul>
	Job receipt		<ul style="list-style-type: none"><li>• 10 support centres; standardisation of processes ongoing</li><li>• Inconsistent triage of jobs coming in</li></ul>
	Plan & schedule	~250 FTE	<ul style="list-style-type: none"><li>• Suboptimal ratio of planner:engineer</li><li>• Database of engineer capabilities not automated</li></ul>
	Execute	~4,000 FTE	<ul style="list-style-type: none"><li>• ~25% of engineer time spent travelling</li><li>• No standardised productivity measures</li><li>• Inconsistent use of handheld devices</li><li>• Inconsistent first time fix rate</li></ul>
	Back office. admin	~400 FTE	<ul style="list-style-type: none"><li>• 35% of admin time spent inputting manual timesheets</li><li>• Duplication and re-keying is prevalent</li></ul>
	Billing & payments	~150 FTE	<ul style="list-style-type: none"><li>• 30% of time spent resolving internal queries</li><li>• Revenue leakage due to inconsistent record keeping</li></ul>

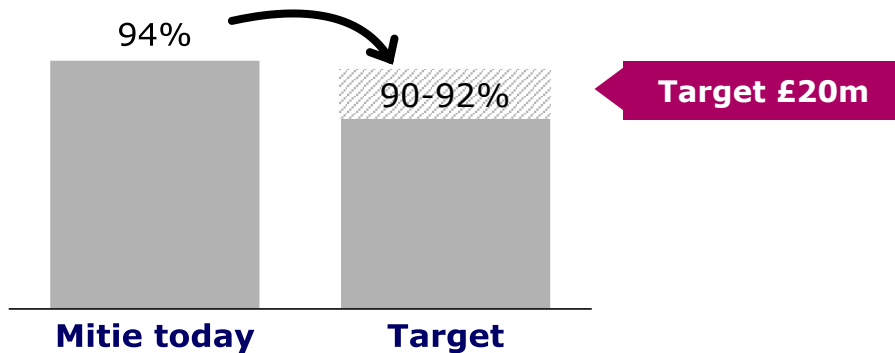
**Today we have ~5,000 operational FTEs in Engineering Services**

# We are standardising, automating and simplifying our operational delivery to be more efficient

Cost

## We are **right-sizing** our operational cost base

Engineering Services operations costs as % of Engineering revenue

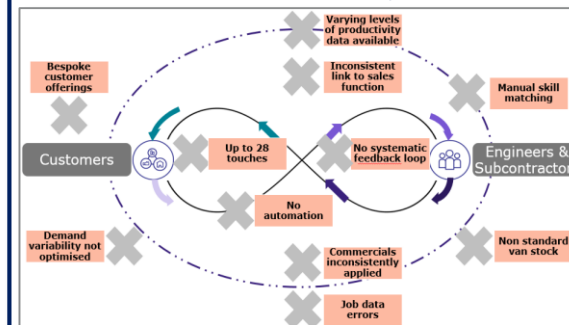


## We will **simplify and standardise** our operational delivery model

From: *Contract by contract delivery*



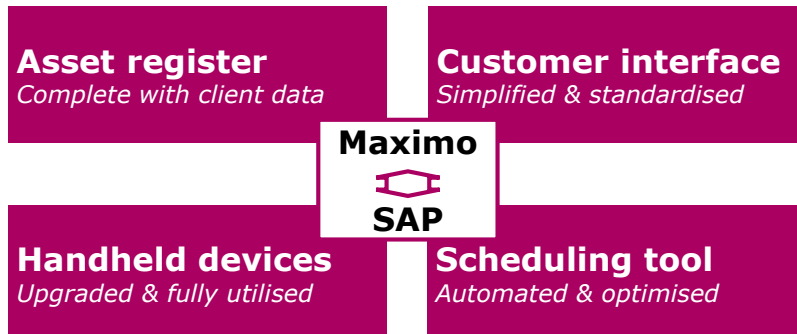
To: *Standardised, simplified delivery*



- *Right diagnosis*
- *Right scheduling*
- *Right capabilities*
- *Right tools*
- *Right quality*

## We will **automate systems & processes** to reduce complexity and cost

### New or upgraded systems



## We will **improve operational data quality** to improve efficiency and reduce subcontractor costs

- | - From:  | → | - To:  |
|--|---|--|
| <ul style="list-style-type: none"> <li>• ~25% engineer time spent travelling</li> <li>• Manual timesheets</li> <li>• Varied productivity measures</li> </ul> |   | <ul style="list-style-type: none"> <li>• ~20% engineer time spent travelling</li> <li>• 100% handheld usage</li> <li>• Standardised productivity measures</li> <li>• Reduced engineering work subcontracted</li> </ul> |



# Workflow Transformation benefits will require more investment and longer lead time to deliver

Cost

£20m run-rate savings;  
£10m capex,  
£7m cost of change

FY2018

FY2019

FY2020

## AUTOMATE PROCESSES

- Improve handheld usage
- Remove manual timesheets
- Asset data register



## RESOURCE MANAGEMENT

- Align skill & number of FTEs with demand
- Review reward & recognition



## STANDARDISE DELIVERY MODEL

- Simplify planning & scheduling process
- Standardise contract offerings
- Standardise van stock and job timings
- Implement supply chain process



## AUTOMATION OF PLANNING & SCHEDULING SYSTEMS

- Design technical solution
- Implement new scheduling systems & process
- Cleanse asset data
- Integrate SAP
- Automate planning



## SIMPLIFY OPERATING MODEL

- Design future state
- Consolidate physical locations



## KPIs

First time fix rate

Jobs completed per day

% completed in-house vs. subcontracted

Revenue billed at point of delivery

Customer NPS

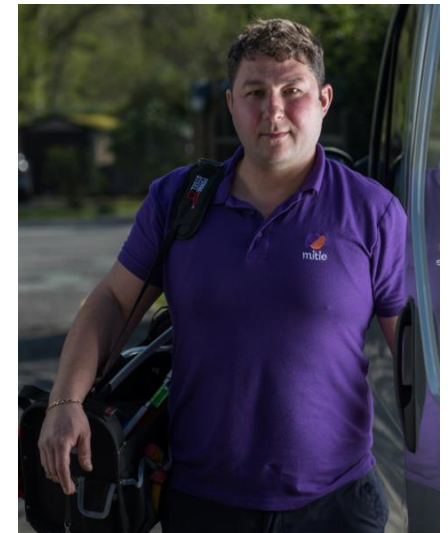
TACTICAL QUICK WINS

STRATEGIC ACTIVITIES

# We will build a winning culture and develop our People

People

- **Employee Engagement** embedded in incentives
- New Mitie **vision, values** and **behaviours**
- **'Mitie Way'** of **Performance Management** including incentives/consequence management
- **'Mitie Way'** of being a **Team Leader**
- Consistent **objective** setting process
- **'Mitie Way'** of **Talent management** and high potential leadership programme



# We will uplift technology investment to drive customer retention...

Technology

- **Organisation structure** defined, teams recruited and big data expertise engaged
- Development of **products and platforms** underway with partners
  - **Microsoft Azure** platform in progress
  - **Data visualisation** prototype in progress
  - Scope for **IoT platform & customer apps** defined
- Client **pilots kicked-off**
  - **Bracknell innovation centre** project launched
  - **IoT tools** such as sensors, access controls/cameras deployed with **selected clients**
- Driven by incremental opex of £5m and **capex of £10m p.a.** for Connected Workspace

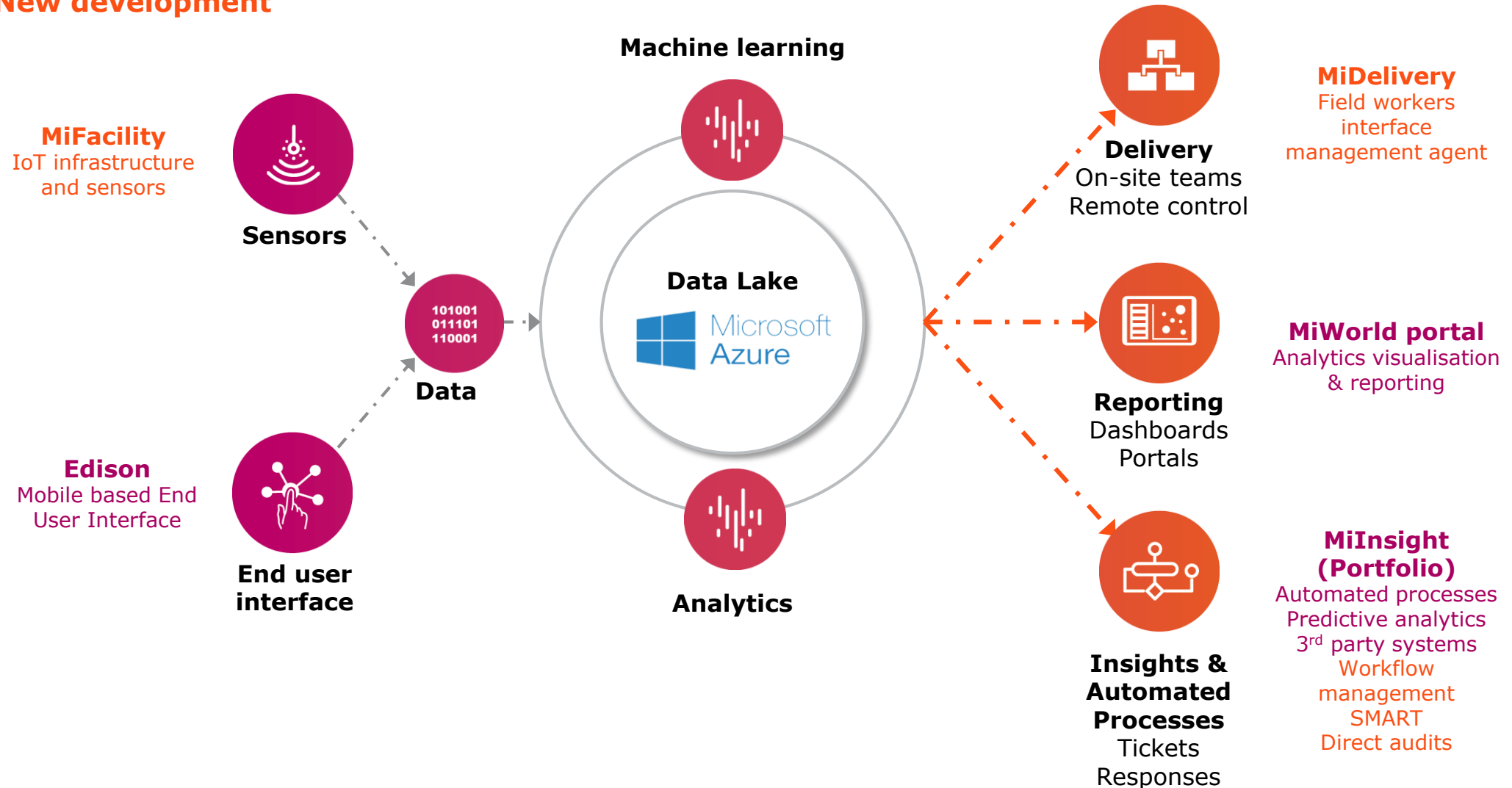


KPIs
Professional Services & Connected Workspace revenue
NPS of technology solutions
% of Tier 1 accounts using Connected Workspace technology

# ...through development of a consistent customer-facing technology...

Technology

Upgrade/integration of the existing product  
New development



# ...with fully integrated value propositions

Technology



## Wellbeing

Environmental monitoring, notification on employee nutritional info. to:

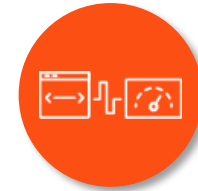
- Improve the wellbeing of users
- Optimise catering options



## Portfolio utilisation

Sensors, integrated desk, room and equipment booking to:

- Optimise space and portfolio
- Drive cost reductions



## Infrastructure resilience

Real time monitoring & predictive maintenance to:

- Optimise infrastructure performance
- Reduce maintenance cost



## Secure environment

Real time integrated visibility of the facility to:

- Reduce the risk for clients
- Move to risk based security



## Sustainability

Data driven management to:

- Minimise physical wastage
- Optimise energy/other utilities



## User experience

Connected workspace to:

- Simplify interactions
- Enable timely access to right resources
- Improve productivity

**Est. ~25B connected devices worldwide by 2020 from ~10B devices today**



# We have a roadmap and a clear vision for FY2020

**FY2018**

**FY2019**

**FY2020**

## COST INITIATIVES

**Project Helix**



## SALES GROWTH

- Technology led, Strategic Account Management, Sector propositions



## SECURITY

- Strong growth prospects
- Good technology



## ENGINEERING

- Workflow automation



## CATERING

- Good top line, especially tech co's



## CARE & CUSTODY

- Major bid opportunities



## CLEANING

- Opex and overhead focus



## INTERNATIONAL

- Corp Real Estate
- Managing agent model



## SOCIAL HOUSING

- Determine strategic fit



## PROF'L SERVICES & CONNECTED WORKSPACE

- Investment in capabilities, sales and technology



## STRATEGIC VISION

**Strategic relationships driving top line growth**

**Step change in customer NPS**

**Totally re-engineered cost base**

**Step change in employee engagement**

**Best in class technology**

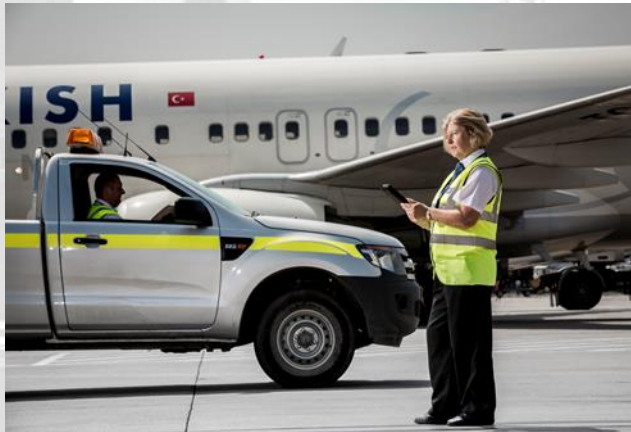
**Improved Total Shareholder Return**



# Guidance for FY2018 and medium term

**Initial progress with operational improvements under way;  
FY2018 performance to date in-line with expectations**

<b>Revenue growth</b>	Expect <b>flat</b> revenue growth in FY2018, with low single digit growth over medium term
<b>Opex savings (net of £5m investment)</b>	Expected in-year <b>net savings of £10m in FY2018</b> and further incremental <b>£15m in FY2019</b>
<b>Margin</b>	Medium term target range of <b>4.5-5.5%</b>
<b>Dividend/ share buybacks</b>	FY2018 dividend expected to be <b>flat</b> , Board will confirm medium term policy at later date; no share buybacks
<b>Capex</b>	Maintenance capex <b>£5-10m p.a. over medium term</b> Project Helix <b>£5m in FY2018 and £10m FY2019</b> Connected Workspace to be <b>£10m p.a.</b>
<b>Cash cost of change (restructuring cost)</b>	<b>£15m for FY2018</b> and <b>£10m for FY2019</b>
<b>Leverage reduction target</b>	Targeting <b><u>average</u></b> net debt: EBITDA of <b>2.0 times over medium term</b>



Q&A



# Appendix

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# List of abbreviations (1/2)

Abbreviation	Term
<b>A/P</b>	Accounts Payable
<b>Adj.</b>	Adjustment
<b>BU</b>	Business Unit
<b>CID</b>	Confidential Invoice Discounting
<b>Comp.</b>	Compensation
<b>CRM</b>	Customer Relationship Management
<b>DPS</b>	Dividends Per Share
<b>EDI</b>	Electronic Data Interchange
<b>Eng.</b>	Engineering
<b>EPS</b>	Earnings Per Share
<b>FM</b>	Facilities Management
<b>FP&amp;A</b>	Financial Planning & Analysis
<b>FTE</b>	Full Time Employee
<b>FX</b>	Foreign exchange
<b>FY</b>	Financial Year
<b>HRBP</b>	Human Resources Business Partner

## List of abbreviations (2/2)

Abbreviation	Term
<b>HSE</b>	Health and Safety Executive
<b>IFRS</b>	International Financial Reporting Standard
<b>IoT</b>	Internet of Things
<b>KPI</b>	Key Performance Indicator
<b>LTV</b>	Lifetime Value
<b>MI</b>	Management Information
<b>NLW</b>	National Living Wage
<b>NPS</b>	Net Promoter Score
<b>OH</b>	Overhead
<b>Op. profit</b>	Operating profit
<b>P.a.</b>	Per annum
<b>PoC</b>	Percentage-of-Completion
<b>PYA</b>	Prior Year Adjustment
<b>RCF</b>	Revolving Credit Facility
<b>YoY</b>	Year-on-Year

# Changes in business segments FY2016 vs FY2017

## FY2016

Soft FM	Environmental	Cleaning
	Specialist Services	Waste management
		Landscape
		Pest
	Security	Total Security Management (TSM) Employee screening & vetting (Procius)
	Catering and Front of House	Gather and Gather CreativEvents Front of House
	Document management	
Hard FM		Building maintenance
		Heating/cooling
		Lighting
		Water treatment
		Building controls
		Roofing
		Fire and Security Systems
		Energy (Utilyx)
Integ rated FM	Integrated FM	
	Source8	Real estate consultancy (Source8)
Property Mgmt.		Social housing Painting
Care & Custody		Immigration detention Medical forensics
Healthcare		



## FY2017

Core FM	Cleaning & Environmental Services	Cleaning
		Landscape
		Pest
	Security	Total Security Management (TSM)
		Fire and Security Systems
		Front of House
		Document Management
		Employee screening & vetting (Procius)
	Catering	Gather and Gather CreativEvents
	Engineering Services	Building maintenance Heating/cooling Lighting Water treatment Building controls
Public serv.	Professional Services & Connected Workspace	Real estate consultancy (Source8) Energy (Utilyx) Waste management
	Property Management	Social housing
		Painting
		Roofing
	Care & Custody	Immigration detention
		Medical forensics



# FY2016-2017 Order Book

£m	FY2017	FY2016	YoY change	
			£	%
Cleaning & Environmental Services	811	894	(83)	(9)
Security Services	876	776	100	13
Catering Services	458	463	(5)	(1)
Engineering Services	3,259	3,325	(66)	(2)
Professional Services & Connected Workspace	221	190	31	16
Property Management	663	639	24	4
Care & Custody	244	310	(66)	(21)
<b>Total</b>	<b>6,532</b>	<b>6,597</b>	<b>(65)</b>	<b>(1)</b>

# FY2016-2017 Sales pipeline

£m	FY2017	FY2016	YoY change	
			£	%
Cleaning & Environmental Services	607	538	69	13
Security Services	1,220	651	569	87
Catering Services	836	284	552	194
Engineering Services	1,432	3,035	(1,603)	(53)
Professional Services & Connected Workspace	115	137	(22)	(16)
Property Management	1,566	1,665	(99)	(6)
Care & Custody	2,926	1,600	1,326	83
<b>Total</b>	<b>8,702</b>	<b>7,910</b>	<b>792</b>	<b>10</b>

# Cost guidance summary table

£m	FY2018					FY2019				
	In year savings	Run rate savings	Opex investment	Capex	Cost of change	In year savings	Run rate savings	Opex investment	Capex	Cost of change
<b>Project Helix</b>										
HR Transformation		3	-	2	2	3	3	-	-	-
Finance Transformation	3	10	-	2	10	10	10	-	-	-
Workflow Transformation		-	-	-	-	5	20	-	10	7
Other	2	2	-	1	3	2	2	-	-	3
<b>Other</b>										
T200	10						10			
Connected Workspace			5	10				5	10	
Maintenance				10					10	
<b>TOTAL</b>	<b>15</b>	<b>15</b>	<b>5</b>	<b>25</b>	<b>15</b>	<b>20</b>	<b>45</b>	<b>5</b>	<b>30</b>	<b>10</b>

**£45** Total Project Helix cost programme realised in FY2020

