Mitie Group plc

The UK's leading Facilities Management business

Investor Presentation FY19/20

June 2020

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This announcement contains inside information.

Agenda

Strategic Update — Phil Bentley, CEO

FY19/20 Financial Review & Current Trading — Andrew Peeler, CFO

Summary & Q&A — Phil Bentley, CEO

Phil Bentley, CEO

Strategic Update

Phase I of our transformation has created a much stronger, stable business…

	From FY16/17…		… To FY19/20
Revenue[1]	£1.8bn	→	£2.2bn
Revenue[1] growth (3-year CAGR)	-1%	→	5.8%
EBIT[1] before other items	£76m	→	£86m
EBIT[1] margin before other items	4.2%	→	4.0%
Total Financial Obligations	£444m	→	£292m
Net Promoter Score	-27	→	+30
Employee engagement	25%	→	46%
Market Share (Technical & Business Services)	#4, #3	→	#3, #1[2]
Public sector share	~24%	→	~30%
Pipeline	£6bn	→	£7.9bn

Our transformation

Mitie has become a better run business:

- Improving financial strength
- Better customer service
- Rising employee engagement
- Growing market share

Mitie has built capability and momentum in recent years

[1] Continuing operations
[2] Source: Mintel

… and Phase II 'Accelerated Value Creation' is delivering results…

Strategic Pillar	Accelerated Value Creation	FY19/20 Achievement
Customer	• Market leadership and SAM[1] growth in core	• NPS increased 18 points to +30 • 5% revenue growth from top 50 customers • New SAMs won: GSK, BMW • VSG acquisition positioned Security as the market leader • Expanded presence on Government frameworks
Technology	• Distinctive customer facing technology	• 'Payment by Results' contract • 29 customers with chat bots • 32 customers receiving real-time MI[2] • Cyber resiliency • Self service for HR / straight through finance processes
Cost	• Further cost efficiencies to meet margin ambitions	• £5m savings including from the integration of cleaning and security (and VSG) • Further reinvestment in technology, procurement and SAM's
People	• Cementing cultural transformation	• 6th inclusive Top 50 Employers 2019/2020 • UK Top Employer (Top Employer's Institute) • Recognized as one of Britain's Most Admired Companies 2019 • 'Plan Zero' – eliminating carbon footprint by 2025

[1] Strategic Account Management
[2] Management Information

… However COVID-19 is impacting our business…

Implications	Responses
• Short term trading impact	• c.7,000 staff furloughed
• Delaying of transformation investment	• Functional support and back office operating without disruption
• Potential increase in bad debts and late payments	• c.£25m new cost savings
• Potential impact on strategy execution	• c.37,500 colleagues working on front-line
• Reduced pace of de-leveraging	• c.£30m of COVID-related new wins
• Challenge to new Revolving Credit Facility	

Our ambition to emerge as a stronger business to deliver our strategy, even through an extended second wave, requires greater flexibility and financial strength

… requiring a new equity and debt financing package to support the delivery of our long term vision

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Fully Underwritten Rights Issue

- Gross proceeds of £201m
  - 11 new shares for every 5 existing shares
  - Number of shares issued c.805m, representing 220% of existing share capital
  - Issue price of 25p (68.8% discount to current share price)
  - TERP of 42p (40.7% discount)
- Completion of rights issue 31 July
- £201m proceeds to strengthen balance sheet and fund accelerated growth strategy

RCF Extension and Covenants

- Agreement with lending banks for an extension of Mitie's £250m RCF to December 2022
- Agreement with the holders of its US Private Placement Notes and the lenders to its RCF to grant certain amendments and waivers to the terms of the financings, including leverage and interest covenant amendments, as follows:

Covenant	Previous	Sep-20	Mar-21	Sep-21	Mar-22	Sep-22
Interest Coverage	> 4.0x	> 3.0x	> 1.0x	> 2.5x	> 3.5x	> 4.0x
Leverage	< 3.0x	< 3.0x	< 4.0x	< 3.5x	< 3.0x	< 3.0x

Strong financial position and sufficient liquidity to provide resilience, even in extended COVID-19 impact scenario, and deliver long term growth

The new financing package will lead to a stronger Mitie with greater strategic options

- Phase I – Built Foundations
- Phase II – Accelerated Value Creation
- Portfolio re-shaping – Hard/Soft Core FM Leadership
- Technology investments can now be scaled up
- **Project Harlequin: transformational transaction to drive shareholder value through scale, public / private sector balance, synergies and operational leverage**

Project Harlequin: the acquisition of Interserve's Facilities Management division

Mitie to acquire Interserve Facilities Management for £271m[1]

Key Terms

- c.358m ordinary shares representing 23.4% of Mitie share capital post rights issue, currently valued at c.£151m[1]
- £120m cash consideration to repay Interserve's net debt
- Business delivered debt free / cash free with normalised level of working capital
- Class 1 transaction under FCA Listing Rules requiring shareholders vote; completion expected Q4 2020

Valuation

- Implied FY19A[2] EBITDA multiple of 6.3x pre-synergies
- Implied multiple reduces to 3.7x after factoring run rate synergies

Shareholder Returns

- Nil premium merger – therefore synergies retained
- Expected to be earnings per share accretive in the first full year following completion
- Return on invested capital projected to exceed cost of capital by FY21/22 (post tax and excl. synergies)
- Run rate synergies of c.£30m expected to be achieved by end of second full year of ownership (FY22/23)
- Enhanced free cash flow generation and stronger financial position with greater scale, resilience and leverage in line with strategic targets

[1] Valued at the Theoretical Ex-Rights Price post rights issue of c.42.2p per share; [2] 31 December year end

Timetable / process

Expected Timetable	
Dates	**Key event**
25 June 2020	• Rights Issue and Acquisition Announcement
13 July 2020	• Rights Issue GM
31 July 2020	• Completion of Rights Issue
Q4 2020	• Publish Class 1 Circular and Prospectus
Q4 2020	• Acquisition GM and Target Completion

Transaction Conditions

- Completion of the Acquisition is subject to certain conditions, including:
  a) Completion of the Rights Issue (underwritten);
  b) The approval of the Class 1 transaction by Mitie shareholders
  c) The approval of the CMA
  d) The approval of RCF lenders

Integration Plan

- Derisked through phased delivery via a 12 month TSA
- Fully resourced PMO
- Gradual contract migration to Mitie systems

Interserve FM: a leading UK Integrated Facilities Management provider

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Overview

FY19A Revenue: £1.4bn[1]

FY19A EBITDA: £43m[1]

- Leading UK provider of services to the **UK Government and other key public / quasi public sector and blue-chip private sector clients**
- Provision of critical outsourced services to its clients with a range of **hard, soft and specialist facilities management services** including **Integrated Facilities Management** and large complex contracts
- Core capabilities in **Hard** (Technical) and **Soft** (Cleaning & Security)
- 30,000 Employees

Core Business Divisions

Central Government & Defence (44% of FY19A Revenue)

- Provision of estate and infrastructure services, defence installations including power generation, provision of water supplies, aviation and ground fuel and critical data center management

Home Office | Ministry of Defence | Foreign & Commonwealth Office | Department for Environment Food & Rural Affairs

Communities (21% of FY19A Revenue)

- Provision of core FM services, project management and maintenance, supporting customers fulfill regulatory standards and health and safety requirements

NHS University College London Hospitals NHS Foundation Trust | NHS Maidstone and Tunbridge Wells NHS Trust | Metropolitan Police

Business & Industry (35% of FY19A Revenue)

- Core, complex service delivery with strong health and safety outcomes in critical environments and supporting just-in-time operations necessary in manufacturing and other regulated environments

TalkTalk Group | e.on | BBC | Nissan

1. Interserve financial data is unaudited

Project Harlequin: a unique opportunity to accelerate value creation and delivery of our long term strategic vision

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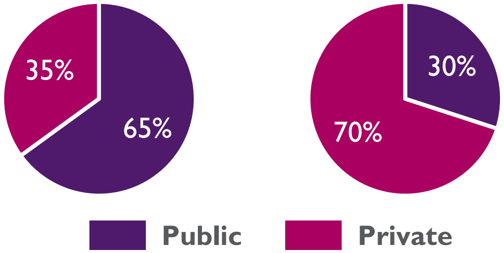
A more balanced business with scale…

	Interserve (FM)[1]	mitie
Revenue	£1.4bn	£2.2bn
EBITDA	£43m	£107m[2]
# Employees	30,000	47,500

Private / Public Sector Split[1]



… Leader across services and sectors…

Technical Services

Security Services

Cleaning Services

Provider to Public Sector

Provider to Private Sector

… Accelerating Mitie's transformation towards its "1-2-3" vision

#1 Market Share

1x Net Debt / EBITDA

<2x TFO Leverage

£200m of EBITDA

£3bn of Revenue

Run rate synergies of c.£30m expected to be achieved by end of second full year of ownership (FY22/23) via rationalisation of overlapping headcount, improved supplier terms and integration of supporting infrastructure

[1] Interserve financial data is unaudited. Public / private sector split represent FY19 revenue mix as described in Mitie Prospectus dated [25] June 2020
[2] Adjusted Consolidated EBITDA pre-IFRS 16

Andrew Peeler, CFO

FY19/20 Financial Review & Current Trading

FY19/20 further progress against our strategy

- Revenue of £2,173m is 4% ahead of the prior year with flat organic revenue growth
  - Revenue growth from top 50 customers is 5%
  - Significant new customer wins including GSK and BMW
- Operating profit of £86.1m is 8% ahead of the prior year (FY18/19 £79.6m)
  - Cost synergies from the integration of VSG, Security and Cleaning operations
  - Operating margin increased by 20bps to 4%
- Order book increased by 4% to £4,294m (FY18/19 £4,121m)
- Earnings per share of 16.0p, 8% ahead of the prior year (FY18/19 14.7p)
- Average daily net debt[1] improved by £62m to £ 239.6m (FY18/19 £302.0m)
- No final dividend proposed for FY20. Full year dividend of 1.33p paid in respect of H1 (FY18/19 4.0p)

[1]Pre-IFRS 16

Modest growth in revenue despite economic uncertainty

£m	FY19/20	FY18/19	Movement	
			£m	%
• Maintenance	**762.9**	762.2	0.7	*0.1*
• Engineering Projects	**161.7**	173.9	(12.2)	*(7.0)*
• International	**22.6**	38.1	(15.5)	*(40.7)*
Technical Services	**947.2**	**974.2**	**(27.0)**	***(2.8)***
• Security	**562.7**	454.0	108.7	*23.9*
• Cleaning	**340.5**	357.6	(17.1)	*(4.8)*
• Office Services	**83.7**	82.4	1.3	*1.6*
Business Services	**986.9**	**894.0**	**92.9**	***10.4***
• Care & Custody	**110.2**	107.3	2.9	*2.7*
• Waste	**81.6**	63.1	18.5	*29.3*
• Landscapes	**47.8**	46.7	1.1	*2.4*
Specialist Services	**239.6**	**217.1**	**22.5**	***10.4***
Group Total	**2,173.7**	**2,085.3**	**88.4**	**4.2**

Top 50 customers reported growth of 5%

Technical Services

- Economic uncertainty led to an H2 revenue decline from discretionary variable works and engineering projects
- Managed exit from International

Business Services

- Security revenues increased with a much improved H2 on the back of new contract starts
- Cleaning focus on quality earnings – exiting lower margin contracts

Specialist Services

- Care & Custody growth in forensic medical examination and the full year benefit of detention and escorting
- Waste full year benefit of NHS clinical waste contract and increased variable work
- A mild winter held back further growth in Landscapes

1. *Continuing operations*
2. *Segments represented to reflect changes in management reporting implemented in FY19/20*

Improved operating profit from Business Services and Specialist Services…

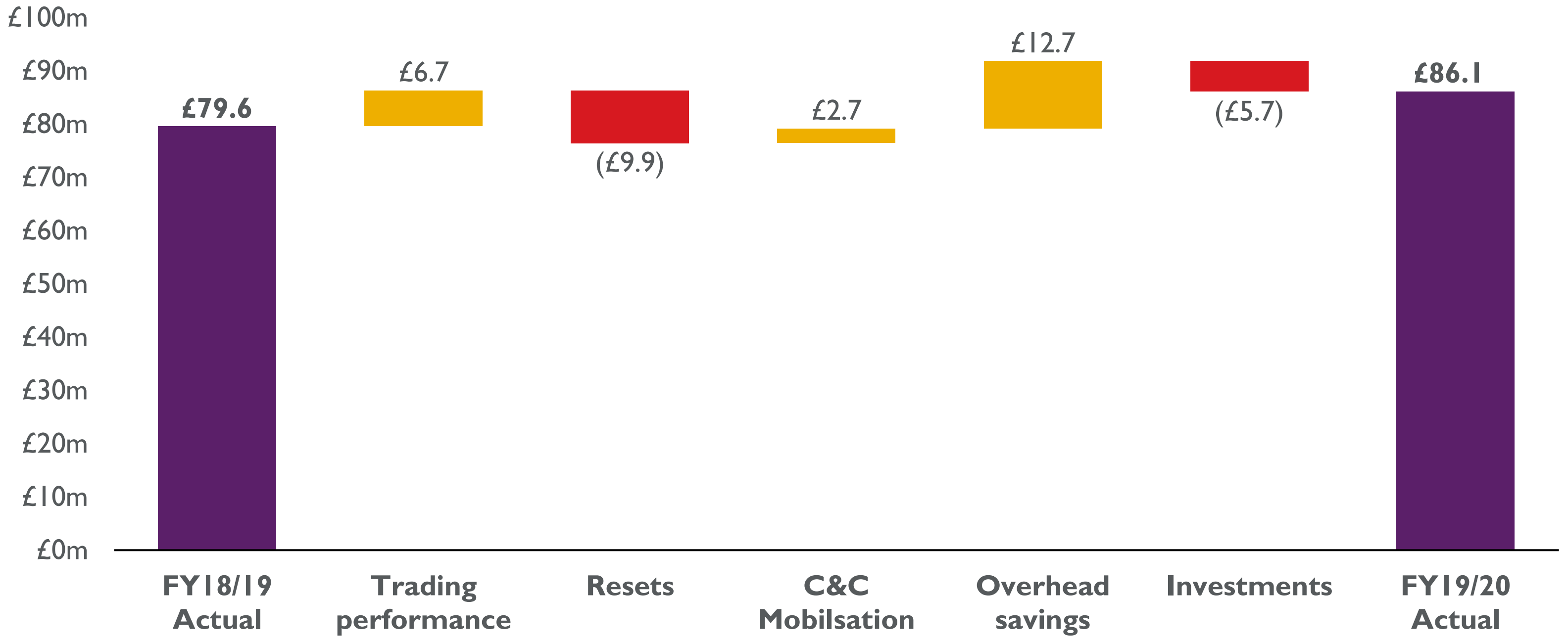
£m	FY19/20	FY18/19	Movement £m	Movement %
• Maintenance	**42.7**	43.8	(1.1)	*(2.5)*
• Engineering Projects	**13.8**	14.9	(1.1)	*(7.4)*
• International	**(0.6)**	(1.8)	1.2	*66.7*
Technical Services	**55.9**	**56.9**	**(1.0)**	***(1.8)***
• Security	**26.6**	22.3	4.3	*19.3*
• Cleaning	**7.0**	8.1	(1.1)	*(13.6)*
• Office Services	**8.6**	8.6	-	-
Business Services	**42.2**	**39.0**	**3.2**	***8.2***
• Care & Custody	**7.7**	3.9	3.8	*97.4*
• Waste	**9.0**	7.2	1.8	*25.0*
• Landscapes	**8.6**	9.3	(0.7)	*(7.5)*
Specialist Services	**25.3**	**20.4**	**4.9**	***24.0***
Corporate centre	(37.3)	(36.7)	0.6	*(1.6)*
Group Total	**86.1**	**79.6**	**6.5**	***8.2%***

1. *Continuing operations*
2. *Segments represented to reflect changes in management reporting implemented in FY19/20*
3. *Organic growth excludes the impact of VSG*
4. *Underlying growth excludes the impact of VSG and International*

- Technical Services
  - Reduced variable projects revenue and contract resets impact margin for Maintenance and Engineering projects
  - Savings in International and other Divisional costs offset some margin
- Business Services
  - Profitability improvement in H2 with VSG integration benefits, exit from loss making cleaning contracts and workforce optimisation implemented
- Specialist Services
  - Improved margin on detention and escorting services as we lap prior year mobilisation costs
  - Benefit from growth in NHS clinical waste contract
  - Mild winter held back profit growth in Landscapes

… with continued investment in strategic capabilities

Operating profit waterfall – FY18/19 Actual to FY19/20 Actual



1. *Continuing operations*

Positive net assets and lower net debt

£m	FY19/20 Post-IFRS 16	IFRS 16 impact on FY19/20	FY18/19 Pre-IFRS 16
Goodwill and intangible assets	329.5		344.5
Property, plant and equipment	110.8	87.0	29.0
Working capital balances	(176.0)	4.1	(216.9)
Net debt	(167.9)	(93.0)	(140.7)
Retirement benefit liabilities	(46.7)		(63.8)
Deferred tax	29.7		35.8
Other net assets/(liabilities)	1.1	0.4	(0.3)
Total net assets/(liabilities)	80.5	(1.5)	(12.4)

Continued cash flow generation

	FY19/20 £m	FY18/19 £m
Operating cash flow before WC[1]	105.0	39.5
Working capital movements	(33.2)	8.0
Cash generated in operations[1]	**71.8**	**47.5**
Lease payments including interest paid (reclassified under IFRS 16)	(23.7)	-
Capital expenditure	(19.0)	(18.6)
Interest and tax[2]	(18.3)	(7.5)
Free cash inflow	10.8	21.4
Dividends	(14.4)	(14.4)
Acquisitions and disposals	64.2	43.5
Other	(0.3)	2.3
Net cash movement	**60.3**	**52.8**

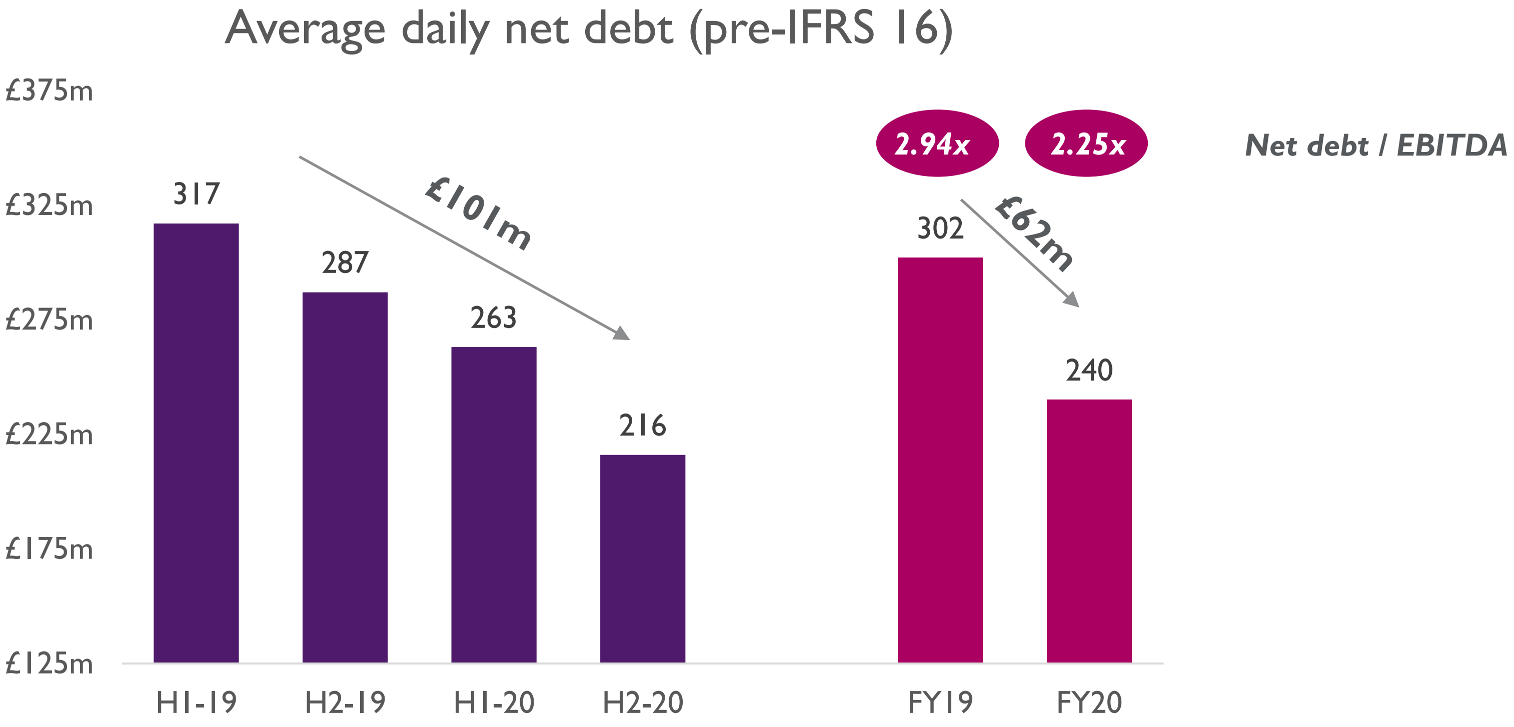
[1] FY19/20 reported cash used in operations includes a net benefit of £11.6m from the reclassification of lease payments under IFRS 16
[2] FY19/20 reported interest includes £1.5m additional finance charges under IFRS 16

Continued working capital normalisation

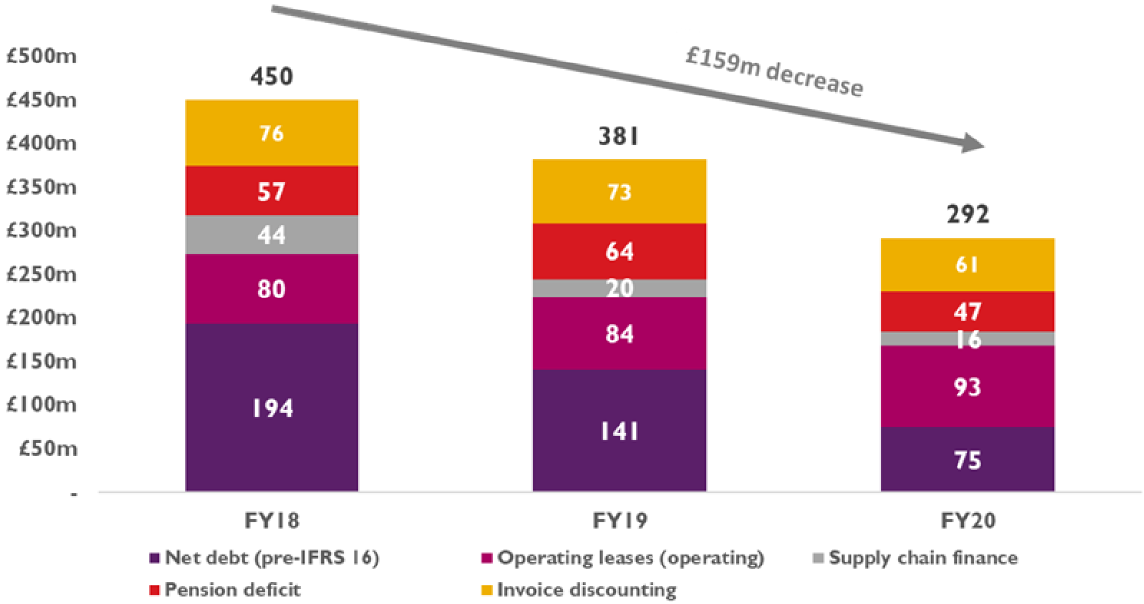
	2020 £m	2019 £m
Movement in Reported working capital	**(33)**	**8**
Reduced invoice discounting	(12)	(3)
Deferred income	(24)	5
Paying our suppliers (quicker) / slower		(26)
Increase in provisions	(3)	26
M&A impact	(34)	10
Impact of other items & discontinued operations		(5)
HMRC time to pay	33	
Total non underlying movements	(39)	7
Movement in underlying working capital	**6**	**1**

- Invoice discounting reduced as part of our strategy to reduce off-balance sheet finance
- Deferred income reduced as less early payments in March 2020
- £34m M&A related to timing difference on VSG transition payments, social housing liabilities and disposal of Catering
- HMRC 'Time to Pay' helped cashflow by £33m

Consistently good performance in delivery of average net debt reduction…



… and total financial obligations (TFO[1]) continue to reduce and consistent performance on other metrics



Tracking materially head of key covenants:

Debt covenants	FY 19/20	FY 18/19	Cove-nant[2]
Leverage	0.7x	1.3x	<3.0x
Interest cover	9.3x	8.8x	>4.0x

Working capital	FY19/20	FY18/19
Trade debtor days	28	29
Trade creditor days	(50)	(50)

[1]Total Financial Obligations is measured at period end and includes: net debt, invoice discounting, supply chain finance, operating leases and pension deficit
[2]See refinancing slide 9

Current trading – 12% YoY revenue decline but tracking towards a more positive outturn

Group results, %	2 months Ended 31 May FY20/21	
	Revenue growth, %	Drop through to profit
Group	**(12%)**	**c.20%**
Technical Services	(24%)	c.25-30%
Business Services	(3%)	c.10%
Specialist Services	(10%)	c.10%

Net Debt Pre-IFRS 16 £m	FY20/21	FY19/20
31-May Closing	(69.5)	(275.9)
May YTD Average	(85.9)*	(217.4)

*incl. £103m HMRC deferrals

1. *Continuing operations*
2. *Organic growth excludes the impact of VSG*
3. *Before other items*
4. *Pre-IFRS 16*

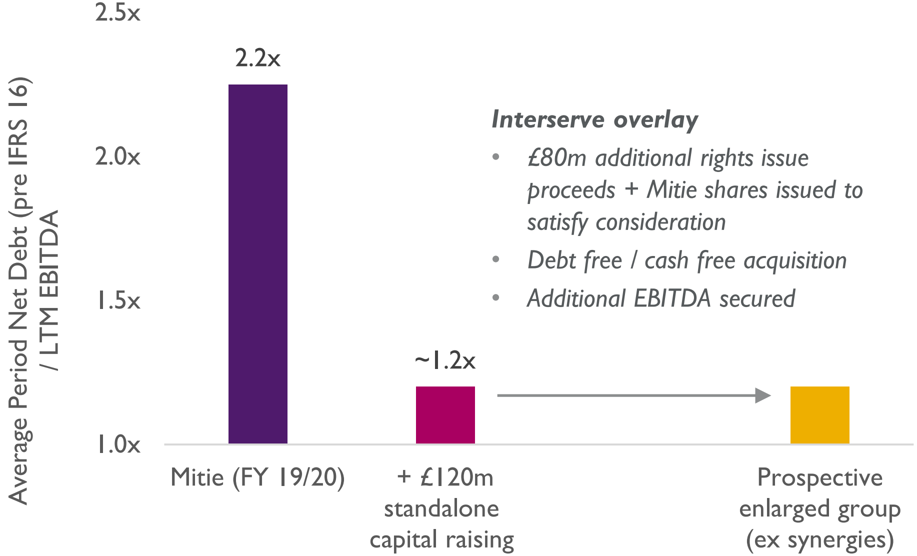
- Public sector contracts performing well
- Non-COVID impact of MOJ and NHS Property was a quarter of the revenue decline
- Debt improved in comparison to last year (incl. £103m HMRC deferrals)*
- Overdue debtors c.10-15% better than last year, working capital under control
- Annualised revenue from additional Nightingale / COVID drive-in tests centres of c.£30m

A broad package of management actions being rolled out to prepare Mitie for the longer term

Management actions as a result of COVID-19	
Self-help	• Salary reductions of £2.5m for three months – fees and salaries of the Board and CEO, and the Executive team reduced by 30% and 20% respectively • Deferral of pay rises of £5m • Overhead savings £25m • Capex deferral of £5m – deferral of non-essential and uncommitted capex • No final dividend this year, saving £10m
Government support	• As a top 30 strategic supplier to the Government, we are in regular dialogue with the Cabinet Office • We are taking advantage of the 'Coronavirus Job Retention Scheme', allowing us to 'furlough' colleagues • The Government's 'Time to Pay' scheme allowing delay of taxes (VAT, PAYE, NIC and Corporation tax)

£201m rights issue ensures the business is suitably capitalised to deliver strategic ambitions post transformational acquisition of Interserve FM

Illustrative leverage impact (FY 19/20 basis)[1]



- Mitie standalone and prospective enlarged group on strong financial footings and well positioned for the long-term, post £201m rights issue
- Post completion of acquisition of Interserve, proforma leverage expected to be in line with Mitie standalone post £120m rights issue proceeds
- £400m+ financing facilities in place, maturing Dec 2022 (inter-conditional with £120m rights issue fundraising) provide significant financial resources
- Mitie well positioned to access debt capital markets in 2021 and secure long-term funding platform

Compelling shareholder package: (i) B/S and financing risk materially reduced; (ii) Highly accretive acquisition contemplated with immediate payback; and (iii) Platform provided for Mitie to capture long-term opportunity, trading through the COVID-19 pandemic

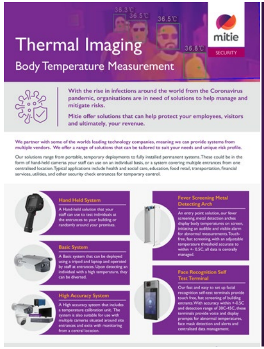
[1] *Including transaction costs*

Phil Bentley, CEO

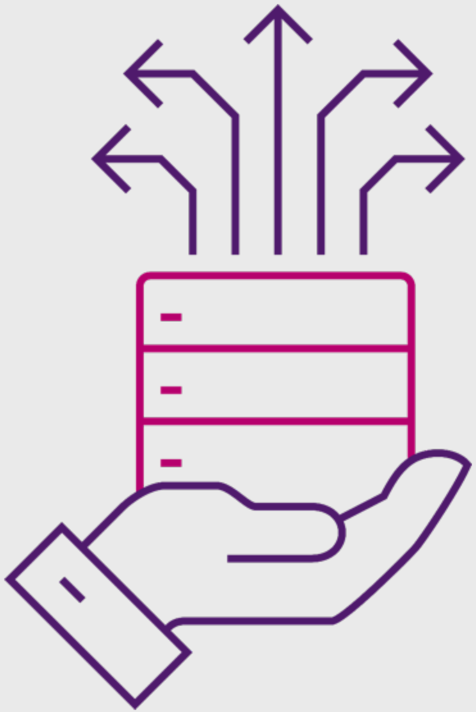
Summary & Q&A

Summary

- Mitie has completed its third year of transformation
- FY19/20: continued financial progress
- Major improvement in customer service and product development
- Continued de-leveraging
- Improving sector focus – and good SAM wins
- Strong business resilience through COVID-19 with better trading in April and May than anticipated
- New financing package to ensure Mitie is well capitalised through COVID-19 and beyond
- Project Harlequin: a unique opportunity to accelerate Mitie's "1-2-3" transformation



Appendix



Project Harlequin: unlock significant cost synergies

Run rate synergies of c.£30m expected to be achieved by end of second full year of ownership (FY22/23)

£30m Cost Synergies

1 Rationalisation of overlapping headcount: £15m

- Back office
- Sales and business development
- Finance
- Human resources
- Operational support
- Procurement functions

2 Improved supplier terms: £10m

- Leveraging the enlarged scale and enhanced financial position of the Enlarged Group
- Making greater use of strategic sourcing

3 Integration of supporting infrastructure costs: £5m

- IT
- Real estate
- Streamlining of the IT application estate and office consolidation

Enlarged Group would have c.77,500 employees and contracted workers

- Fewer than 600 employees across the enlarged Group are anticipated to be rationalized in the next three years

Additional Synergies Potential

- Additional revenue synergies targeted from upselling and cross-selling of bundled services to existing customers
- Improve technology offering to non-overlapping clients, thus improving service quality and increasing customer retention