

Mitie Group plc: H1 FY20/21 trading update Much improved second quarter performance

In conjunction with the publication of the circular to shareholders in connection with the proposed acquisition of Interserve Facilities Management, Mitie has today provided a trading update for the six-month period ended 30 September 2020 ("period").

Trading has continued to be more resilient than expected. Second quarter revenue was up 12% on the first quarter, with monthly sequential improvements in sales particularly across Cleaning, Security and fixed Technical Services contracts. Our public sector contracts have shown good resilience during this challenging period and we have also seen strong performances from our food retail, online retail, healthcare and pharmaceuticals customers. However, demand from our property and finance & professional services clients remained weak, although the second quarter was somewhat better than the first quarter as office space reopened.

Group revenue from continuing operations for the second quarter was £514m versus £458m in the first quarter of FY20/21. For the six months ended 30 September 2020 revenue from continuing operations was £972m, which was 9.8% lower than the same period in the prior year. This revenue decline includes 3.8ppts from the known loss of the MOJ contract and the reduced scope of the NHS Properties contract.

During the six-month period we have won or renewed contracts worth c.£500m largely in security and cleaning. About a quarter of this business was directly attributable to COVID-19 and included the provision of public services in support of the DHSC and NHS as well as the provision of a number of related services for private sector customers to counter the impact of the pandemic and to get British business back up and running.

We have also extended the term of eight of the nine strategic accounts up for renewal in FY20/21 with one remaining contract being subject to ongoing extension discussions.

Business Services

Business Services - representing c. 51% of Group revenue - reported revenue in the first six months of £500m, up 2.0% against the same period last year with a strong performance attributable to an increased demand for public services, security, deep cleaning and our specialist cleaning service using 'Citrox Protect' to counter COVID-19, particularly in the second quarter. Business Services has won or renewed contracts worth over £300m in the period through the provision of COVID-19 related public services, NHS Nightingale hospitals and from new long-term contracts including HMRC, Hammerson, M&S and Co-op. Excluding the MOJ contract which ended on 31 March 2020, Business Services would have a 5% increase in revenue.

Technical Services

Technical Services - representing 38% of Group revenue - has seen the greatest impact from COVID-19 as discretionary variable work and demand for engineering projects has significantly reduced. Reported revenue in the first six months was £367m, down 22% against the same period last year, however second quarter revenue grew by 25% versus the first quarter of FY20/21. Excluding the known loss of the MOJ and NHS Properties contract, the more resilient fixed maintenance contracts were 5% ahead year on year reflecting strong relationships and the vital services provided to our customers. Discretionary variable works and projects contracted 33% and 38% respectively in the first half of the year, as clients' capital budgets were put on hold. During the same period Technical Services won or renewed contracts worth c.£100m.

Specialist Services

Specialist Services - representing 11% of Group revenue - reported revenue in the first six months of £105m, 10.1% lower than the same period last year. **Care & Custody** reported revenue of £51m, down 8.7% reflecting a reduction in Escorting Services. **Waste Management** reported a 15.6% decline in revenue to £34m, as customers within the finance & professional services, leisure and

transport sectors had less need for Waste's services, partially offset by some additional NHS work. Although **Landscaping** revenue declined by 3.2% to £21m in the first half, second quarter revenue was up 16% versus the first quarter of FY20/21.

Operating profit

Management actions to mitigate the impact of the revenue decline due to COVID-19 included voluntary salary reductions from April to August, overhead savings and additional self-help measures. In addition, we furloughed 7,196 employees most of whom had returned to their roles by the end of September.

Traditionally, second half profitability is materially higher due to Winter Services and greater project work, although there is continued uncertainty with the impact of COVID-19.

Net debt* and working capital

For the six months to 30 September 2020 average daily net debt on a post IFRS16 basis was £69.3m (£351m for the six months to 30 September 2019). During this period we received £191.8m from the net proceeds of the Rights Issue and benefitted by £130.3m from the HMRC 'Time to Pay' tax deferral scheme.

Excluding the benefit of both the Rights Issue proceeds and the Time to Pay benefit, our underlying average daily net debt would be at a comparable level of £253m, with the c. £100m improvement in the period a result of better working capital management and the net proceeds from M&A.

Closing net cash on a post IFRS 16 basis as at 30 September 2020 was £89.7m (31 March 2020 net debt post IFRS 16 was £167.9m).

*Note: Adoption of IFRS 16 has added c. £90m of additional lease liabilities to net debt.

Interim results

We expect to report our financial results for the six months to 30 September 2020 on Thursday 19 November 2020.

As stated in the trading update of 27 March 2020, due to the ongoing uncertainties of the impact of COVID-19 on the business, we will not be providing guidance for the year ending 31 March 2021 at this time. In this context the Board does not expect to recommend an interim dividend for FY20/21 (interim dividend FY19/20 was 0.69p¹).

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Interserve Acquisition Announcement and Circular

Alongside the HI Trading Announcement there is an Announcement in relation to the Acquisition of Interserve Facilities Management available via RNS and on our website. The Circular in relation to the acquisition of Interserve Facilities Management will be available on Mitie's website during the course of today (Wednesday 4 November) at www.mitie.com/investors.

Analyst Presentation and Q&A

Phil Bentley (CEO) and Andrew Peeler (CFO) will host a presentation and Q&A session at 9.30am today (Wednesday 4 November) via Zoom. For dial in details please contact Fiona.lawrence@mitie.com. The presentation will be available from 7.00am on the Company website at www.mitie.com/investors.

¹ Interim dividend FY19/20 was 1.33p; the subsequent 11 for 5 Rights Issue adjusts the dividend to 0.69p

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About Mitie

Founded in 1987, Mitie is one of the UK's leading **facilities management** and **professional services** companies. It offers a range of services including **Technical Services** (Engineering Services, Energy, Water and Real Estate Services), **Business Services** (Security, Cleaning and Office Services) and **Specialist Services** (Care & Custody, Landscapes and Waste Management).

Mitie employs approximately 48,500 people across the country, looking after a large, diverse, blue-chip customer base, from banks and retailers, to hospitals, schools and critical government strategic assets. It takes care of its customers' people and buildings, by delivering the basics brilliantly and by deploying advanced technology. It is pioneering technology, using smart analytics to provide valuable insight and deliver efficiencies to create outstanding work environments for customers. Find out more at www.mitie.com.

The business continues to execute its technology-led investment strategy and in the past 6 months has received the following awards:

Corporate

- Armed Forces Covenant signatory
- Best Website, UK Digital Experience Awards
- Bronze Award, Fleet Operator Recognition Scheme
- CIPS Procurement Excellence Award
- Gold Award, Defence Employer Recognition Scheme
- Inhouse Legal Team of the Year, LexisNexis Legal Awards
- Institute of Internal Communications National Awards for Best News Magazine and Best Video Animation
- IWFM COVID-19 Response Award: Keeping Good Work Going

Technology

- Computing Digital Technology Leaders Award for Big Data / IoT Project of the Year
- Data Into Insight and Artificial Intelligence & Machine Learning Project of the Year, Real IT Awards
- Mitie Fire & Security Systems - Outstanding Security Installer/Integrator
- Merlin Protect 24/7 – Mitie Security - Outstanding New Security Product
- Mitie Security - Outstanding Contract Security Company
- National British Security Awards: Best use of Technology
- Verdantix Smart Building Innovation Award for Facilities Management Services

ESG

- FTSE4Good Developed Index
- Green Fleet of the Year
- 'Low Risk' ESG rating from Sustainalytics
- Most Inclusive Top 50 Company
- Most Admired Companies
- REI100, EPI100 and EVI100, The Climate Group
- RoSPA Gold - Royal Society for the Prevention of Accidents
- Top Employer, recognized by Top Employers' Institute