

Thursday 28 January 2021

Mitie Group plc: Q3 trading update **Encouraging revenue growth in Q3 but Q4 likely to be softer due to current lockdown**

Mitie Group plc ("Mitie" or "Mitie Group" or "the Group") (LSE: MTO), the UK's leading facilities management company, today provides a trading update for the three-month period ended 31 December 2020 and gives guidance for the full year ending 31 March 2021.

Highlights

- Third quarter organic revenue¹ of £573.9m, 6.7% ahead of the same period last year
- Average daily net debt in third quarter improved to net cash position of £31m (£313m net debt in the same period last year)
- Year to date new contract wins and renewals are in excess of £770m
- Interserve Facilities Management ("Interserve") revenue including share of JVs and associates for December 2020 of £109.2m - the first month of ownership in this reporting period - highlighted resilience in many public sector contracts
- Operating profit before other items for FY20/21, including share of JVs and associates and including 4 months contribution from Interserve, is expected to be between £57m and £61m (current company compiled consensus £56m)

¹ Organic revenue is revenue from Mitie Group excluding the contribution from Interserve Facilities Management which was acquired on 30 November 2020.

Mitie Group achieved a strong performance in the third quarter of the year as the COVID-19 lockdown measures were eased, customers responded positively to Mitie's 'Getting back to business' initiative and revenue from providing critical services supporting the UK's battle against COVID-19 increased.

New contract wins in the period included Bravissimo, Magnox Ltd, QBE Insurance and Manchester City Council, with contract renewals including Cornerstone Telecoms and expanded contracts with existing customers including Primark, Toyota and Euro Car Parts. Year to date new contracts won and renewed are worth in excess of £770m. In addition, Mitie has been appointed to three new Crown Commercial Service agreements for Vehicle Charging Infrastructure Solutions, Heat Networks & Electricity Generation Assets and Building Cleaning Services.

Mitie has continued to win new awards during the period including being named a 'Top UK Employer' for the third year in a row with recognition for its continuous efforts to create a great place to work that promotes inclusion in the workplace and supports employees' health and wellbeing; the 2020 Real IT Awards for Artificial Intelligence & Machine Learning Project of the Year and Lockdown hero of the Year from Security and Fire Excellence Awards. Mitie has also received improved ESG ratings from CDP to A-, MSCI to AA and Sustainalytics to 9.8 positioning us as a global leader and the highest ranked facilities management company globally.

Organic revenue for the three months ended 31 December 2020 was £573.9m which was 6.7% ahead of the same period last year or 11.7% ahead when adjusting for the loss of the MOJ contract and reduced scope of the NHS Properties contract. Nine-month organic revenue of £1,546.4m was 4.3% cumulatively lower than the same period in the prior year, of which 4.0 ppts was due

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to the loss of the MOJ contract and the reduced scope of the NHS Properties contract from 31 March 2020.

For comparative purposes, the three business divisions described below reflect Mitie Group excluding Interserve. Interserve will be accounted for as a separate division for the full year ending March 2021. From 1 April 2021 Mitie Group will report across five business divisions; Business Services, Technical Services, Central Government & Defence, Communities and Specialist Services.

Business Services – strong performance continues

Business Services - representing 50% of group organic revenue - reported revenue of £287.1m, 14.8% ahead of the same third quarter period last year. The key driver of this growth was the provision of additional security and cleaning for our existing clients, particularly within food retail, logistics and non-aviation transport, as well as our work with the DHSC to help support the UK's efforts in the battle against COVID-19 and supporting HMRC at the ports following the UK's withdrawal from the EU. Our exposure to the property management and transport and logistics sectors, which accounts for 30% of this divisions revenue, as well as the Office Services business, continue to be impacted by COVID-19.

Technical Services – improved third quarter

Technical Services - representing 39% of group organic revenue – reported revenue of £226.4m, 0.6% lower than the same third quarter period last year. Overall, Technical Services continues to see the greatest impact from COVID-19 as discretionary variable work and demand for engineering projects has significantly reduced. However, the third quarter was encouraging as we saw some pickup in discretionary variable and project work in the period and as new customers were mobilised.

Specialist Services – new contracts support growth

Specialist Services - representing 11% of group organic revenue - reported revenue of £60.4m, 0.8% ahead of the same third quarter period last year. Care & Custody reported revenue of £28.2m, up 3.5% as three new contracts commenced in the period. Waste reported a 2.3% increase in revenue to £20.6m as variable projects picked up in the period. Landscapes saw a 5.7% decline in revenue to £11.9m as property managers, leisure and transport & logistics customers reduced services.

Interserve Facilities Management – an encouraging start

On 30 November 2020 Mitie completed the acquisition of Interserve Facilities Management (“Interserve”) creating the UK's largest facilities management company. Integration planning to deliver the £35m synergies target is being delivered by seasoned Mitie and Interserve leaders and progress is being accelerated. Integrating Interserve's Business & Industry and Service Operations divisions into Mitie's Technical and Business Services, and Mitie's Hospital and Schools PFI business into Interserve's Communities division has released a first wave of savings. New laptops are being delivered to Interserve's salaried employees and new systems to communicate directly with Interserve's 29,000 employees are working well. Good progress is being made to streamline Procurement and transition Interserve sub-contractors

to Mitie’s Master Framework Agreements. A key Interserve client – out for retender – has been retained.

Interserve’s contribution to Mite Group’s full year 2021 results will be for the four months of December 2020 to 31 March 2021.

Revenue in December, including share of JVs and associates, was £109.2m. For the twelve months to 31 December 2020, Interserve delivered revenue, including share of JVs and associates of £1,245m, 5.0% below the prior year². This reflects a resilient performance during COVID-19 in particular from both the Central Government & Defence and Communities divisions.

Net debt

Average daily net debt, post-IFRS 16, for the three months ended 31 December 2020 was much improved to an average net cash position of £31.4m. This compares to the three months ended 31 December 2019 of average net debt of £313.6m and reflects the benefits of the Rights Issue, net of the cash paid in relation to the Interserve acquisition and the benefit of the HMRC ‘time to pay’. The HMRC ‘time to pay’ tax deferral now stands at £78m and it is intended to repay all outstanding deferred taxes early before the end of January 2021. Interserve has settled its ‘time to pay’ tax deferrals.

Closing net debt was £72.4m on a post-IFRS 16 basis as at 31 December 2020 (31 December 2019 £338.1m).

Outlook

Although the performance in the third quarter of the year was encouraging, the new national lockdown measures currently in place are likely to result in flat growth in the fourth quarter. Overall, second half performance will be stronger than the first half.

The underlying acquired Interserve business is holding up well and synergy benefits are starting to be realised. Therefore Mitie Group’s FY20/21 revenue and operating profit before other items, including share of JVs and associates, will be higher than previously thought with revenue (including Interserve for December 2020 to March 2021) in the region of £2.4-2.5bn and operating profit before other items in the region of £57-61m. Full year margin will be ahead of the 2.2% we reported for the first half of the year, but significantly lower when compared to pre-COVID-19 levels.

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Organic revenue	9 months to 31 December 2020	9 months to 31 December 2019	% increase/ (decrease)	Q3: 3 months to 31 December 2020	Q3: 3 months to 31 December 2019	% increase/ (decrease)
Mitie Group	£1,546m	£1,616m	(4.3%)	£574m	£538m	6.7%
Business Services	£787m	£740m	6.2%	£287m	£250m	14.8%
Technical Services	£593m	£698m	(15.0%)	£226m	£228m	(0.6%)
Specialist Services	£165m	£176m	(6.5%)	£60m	£60m	0.8%

- Interserve’s December 2020 revenue, including share of JVs and associates, of £109.2m is not included in the numbers in the table above

For further information please contact:

² 2019 revenue for Interserve of £1,310.1m, including share of JVs and associates is as reported in the Acquisition Circular dated 4 November 2020.

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About Mitie

Founded in 1987, Mitie is the UK's leading facilities management (FM) and professional services company. We offer a range of services to Central Government & Defence and Communities (Hospitals, PFI schools and Local Authorities to the Public Service); and Technical Services (Engineering Services, Energy, Water and Real Estate Services) and Business Services (Security, Cleaning and Office Services) to mainly Private Sector clients in Financial Services, Manufacturing, Transport, Retail and Telecoms; and Specialist Services (Care & Custody, Landscapes and Waste Management) both Public and Private Sectors.

Mitie, which includes Interserve's FM business from 1 December 2020, employs 77,500 people and is the champion of the 'Front-Line Heroes' who have kept Britain running during the COVID-19 pandemic. Our mission to take care of our customers' people and buildings, by delivering essential services and deploying industry leading technology to create safe and effective workspaces, has never been more important.

The business continues to execute its technology-led strategy and in the past six months has received multiple awards.

Find out more at www.mitie.com.