



Mitie Group plc

The UK's Leading
Facilities Management Company

**A defining year of
strategic progress and
financial resilience**

Full Year 2021 Results Presentation

10 June 2021



- **Good trading resilience** during the COVID pandemic
- **Strengthened balance sheet** – rights issue, refinancing, **BBB** credit rating
- **Interserve FM acquisition** performing better than expected and accelerates value creation
- **Market leadership** in our three core markets: **Cleaning, Security** and **Technical Services**
- **Outlook for FY22** anticipated to be **materially ahead** of our prior expectations
- **New strategy** focused on **growth, margin enhancement and cash generation**

Simon Kirkpatrick

Chief Financial Officer



A resilient performance, with Interserve FM delivering ahead of expectations



Continuing operations (£m)	FY21	FY20	Change %
Revenue ¹	2,589	2,174	19.1%
Mitie standalone revenue ²	2,139	2,174	(1.6)%
Operating profit before other items	63.4	86.1	(26.4)%
Operating profit before other items margin	2.4%	4.0%	(1.6ppts)
Profit after tax before other items	37.5	58.0	(35.3)%
Basic earnings per share before other items ³	3.5p	8.3p	(57.8)%
Dividends per share ³	-	0.69p	
Interserve FM synergies in FY21	6.2		
Net assets	361.8	80.5	349%
Closing net debt ⁴	(86.7)	(153.0)	43%
Average daily net debt	(47.1)	(327.6)	86%
Order book	7,202	4,294	68%

- Headline revenue growth of 19.1%
- Operating profit ahead of expectations despite repayment of Mitie furlough and re-instatement of incentives
- Synergies of £6.2m captured in FY21
- Average daily net debt improved by £280.5m
- Order book increase due to Interserve acquisition

New public sector revenue in Business Services offset impact of COVID on Technical Services variable and project works

Continuing operations (£m)	FY21	FY20	Change %
Technical Services	820.7	947.2	(13.4)%
Business Services	1,085.0	986.9	9.9%
Specialist Services	233.6	239.6	(2.5)%
Mitie standalone	2,139.3	2,173.7	(1.6)%
Interserve FM	450.0		
Mitie Enlarged Group	2,589.3	2,173.7	19.1%

- Technical Services impacted by reduction in variable and projects works
- Public sector wins drive Business Services growth
- Specialist Services resilient in full year of pandemic
- Interserve FM revenue ahead of expectations

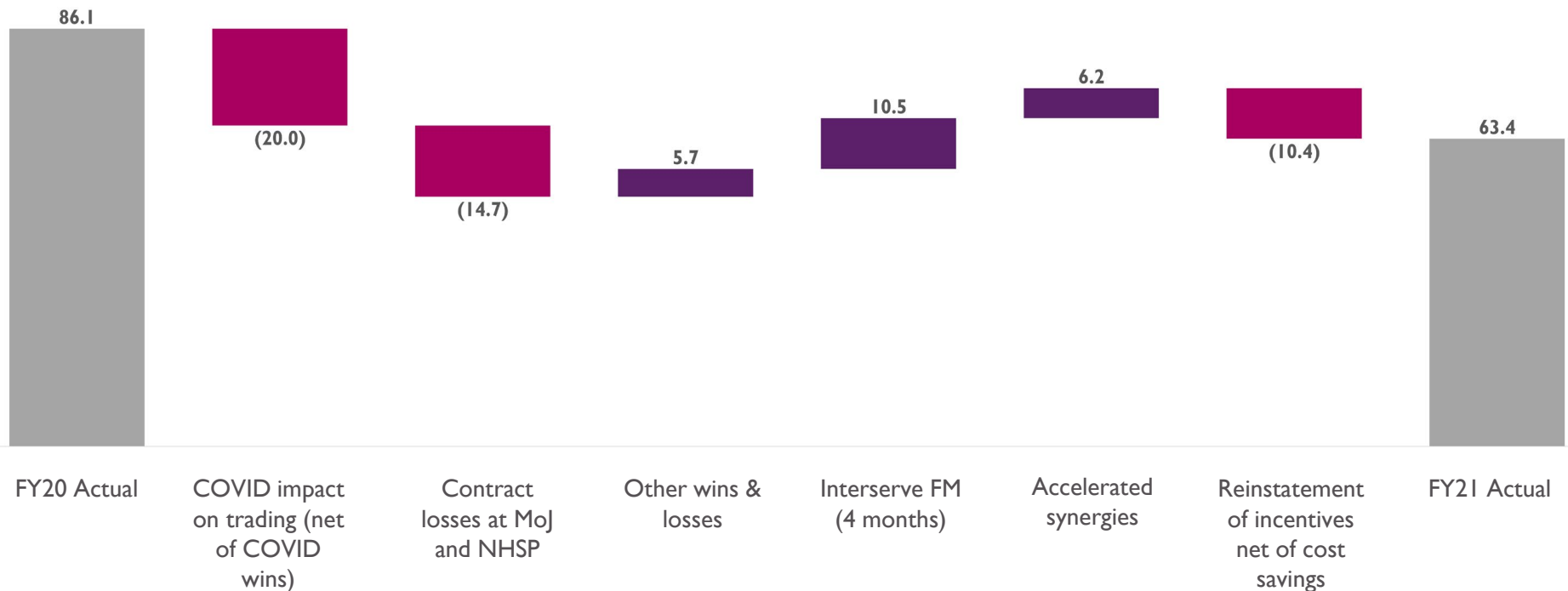
Operating profit impacted by revenue mix, reduced project work and re-instated incentives



Continuing operations, before other items (£m)	FY21	FY20	Change %
Technical Services	26.4	55.9	(52.8)%
Business Services	49.4	42.2	17.1%
Specialist Services	22.5	25.3	(11.1)%
Corporate centre	(48.2)	(37.3)	29.3%
Mitie standalone	50.1	86.1	(41.8)%
Interserve FM	13.3		
Mitie Enlarged Group	63.4	86.1	(26.4)%

- Technical Services impacted by reduction in higher margin works and loss of MoJ and NHS Properties contracts
- Business Services cost savings and operational efficiencies with additional public sector work
- Specialist Services affected by one off costs in Waste
- Central costs include repayment of furlough and re-instatement of incentives
- Interserve benefited from accelerated synergies and public sector project work

The Interserve FM acquisition and synergy capture does not fully mitigate the profit impact of COVID



£6.2m of synergies accelerated into FY21

£m	Early delivery in FY21
Removing functional overheads	2.2
Reducing the property portfolio	0.2
Leveraging our buying power	2.6
Total cost synergies	5.0
Revenue synergies	1.2
Total synergies	6.2

- Early delivery of synergies in FY21
- Functional overhead savings include 161 roles
- 5 property exits already completed, initial target of 3 by FY24
- Procurement savings of £2.6m from 110 re-negotiations
- £1.2m of revenue synergies sold from Specialist Services into Interserve contracts

Trading has significantly improved in the second half of the year



Continuing operations (£m)	FY21
Revenue ¹	2,589
Operating profit before other items	63.4
Net finance costs	(17.4)
Profit before tax and other items	46.0
Tax before other items	(8.5)
Profit after tax before other items	37.5
Basic earnings per share before other items	3.5p
Other items after tax	(47.6)
Loss after tax	(10.1)
Basic loss per share	(0.9)p

HI 21	H2 21	Change %
972	1,617	66%
21.5	41.9	95%
(7.5)	(9.9)	(32)%
14.0	32.0	129%
(3.3)	(5.2)	(58)%
10.7	26.8	150%
1.2p	2.3p	92%
(11.6)	(36.0)	(210)%
(0.9)	(9.2)	
(0.1)p	(0.8)p	

- Revenue and operating profit run rates improved in H2 through variable works and public sector wins
- Mitie standalone operating profit improved 33% half on half
- Finance costs increase due to debt re-financing
- Other items include £30.3m for Interserve FM, £10.6m for Forte and £11.3m for property rationalisation

New investment grade credit rating (BBB) reflects progress on balance sheet strengthening and lower net debt

£m	FY21	FY20
Net assets	362	81
Average daily net debt	47	328
Closing net debt ¹	87	153
Net debt / EBITDA	<0x	0.7x
Total Financial Obligations ¹	181	286
Closing debtor days ¹	30	30
Closing creditor days ¹	26	59
Free cash flow ¹	(24.5)	30.5

- Rights issue and Interserve acquisition have driven increase in net assets
- Closing-to-average net debt 'gap' significantly reduced
- Total Financial Obligations at record low
- Positive underlying free cash flow after excluding £52m of tax Time to Pay (TTP) benefit previously deferred
- DBRS Morningstar 'BBB' credit rating

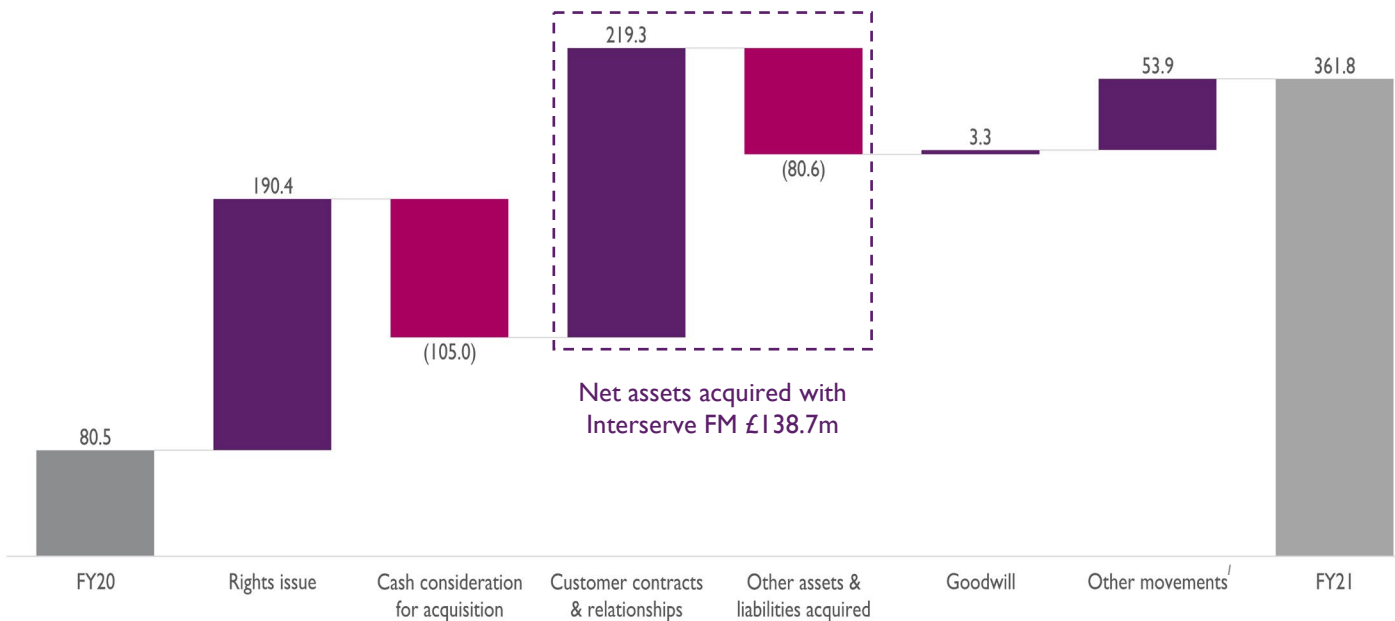
Acquisition of Interserve FM generates goodwill of £3.3m

£m	FY21
Cash paid to seller	105.0
Shares issued to seller	94.6
Provisional completion accounts estimate	(57.6)
Total consideration	142.0
Less: Net assets acquired	138.7
Goodwill	3.3

- Total consideration of £142.0m after adjusting for provisional completion accounts estimate of £57.6m
- Goodwill of £3.3m
- Net assets acquired include £219.3m of customer relationships and £66.7m of provisions

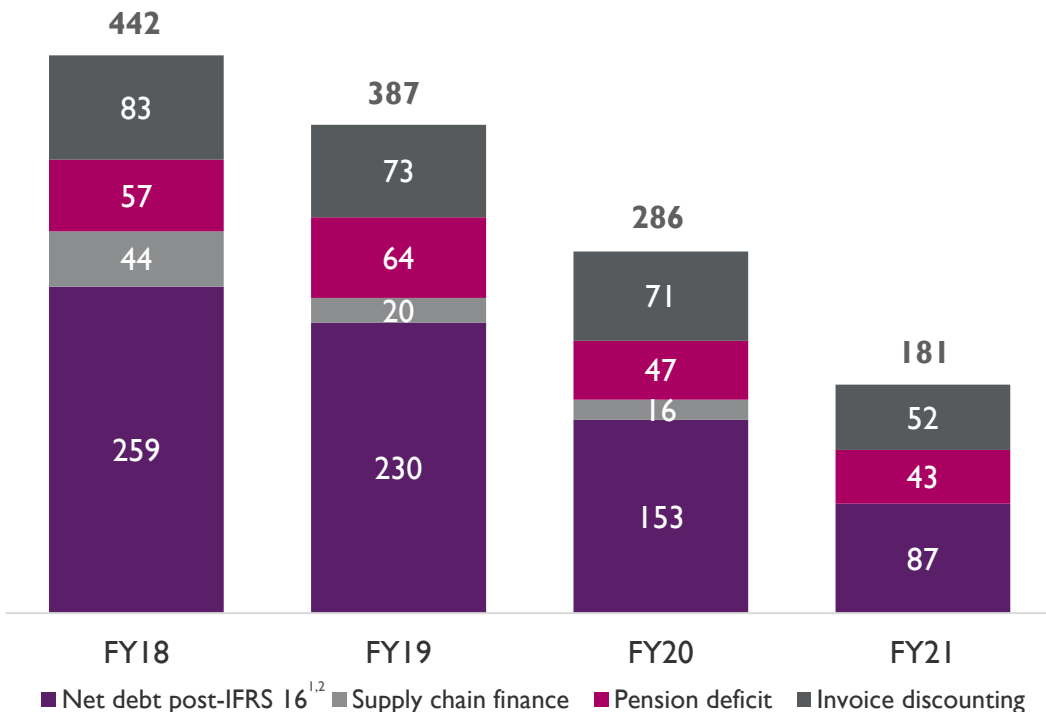
£m	
Customer contracts and relationships	219.3
Net working capital	(1.4)
Cash and cash equivalents	40.4
Deferred income	(59.4)
Provisions	(66.7)
Deferred tax liabilities – Customer contracts and relationships	(41.5)
Other net deferred tax assets	30.7
Other	17.3
Net assets acquired	138.7

Our net assets have been transformed by the rights issue and acquisition



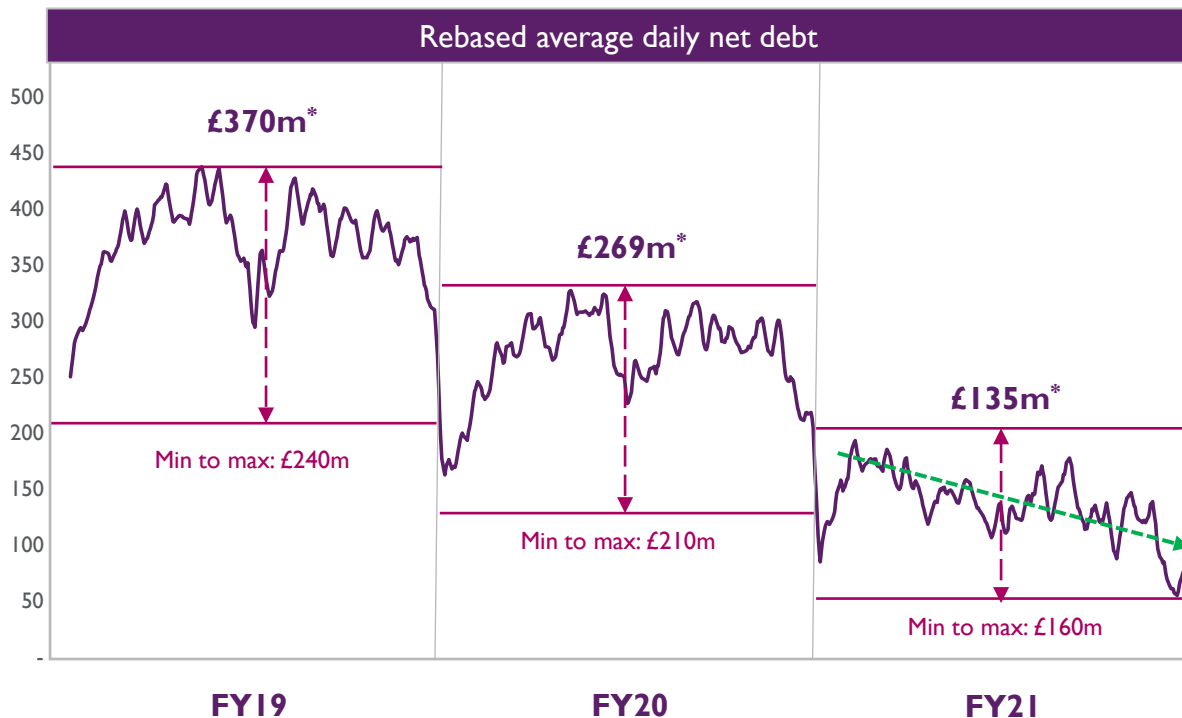
- Rights issue and acquisition materially strengthened the balance sheet
- Customer contracts and relationships valued at >£200m, more than the cost of the acquisition
- Goodwill of £3.3m assumes further recovery of £57.6m from the seller

Total Financial Obligations have fallen by c.60% over the last three years



- TFO reduced by £260m over last three years (c.60% decline)
- Supply chain financing facility closed; invoice discounting much reduced
- Leases now reported within net debt under IFRS 16
- Lower pension deficit (including Interserve FM) reflects increased deficit reduction contributions

Significant reduction in average net debt and reduced reporting period fluctuations



* Rebased average daily net debt

- Significant improvement in average net debt over last 2 years
- Period end cash management ceased, balance sheet normalised
- Working capital has driven reduction in underlying debt in FY21

Net debt (£m)	FY21	FY20
Closing net debt ¹	87	153
Headline average net debt	47	328
Average excluding TTP	139	328

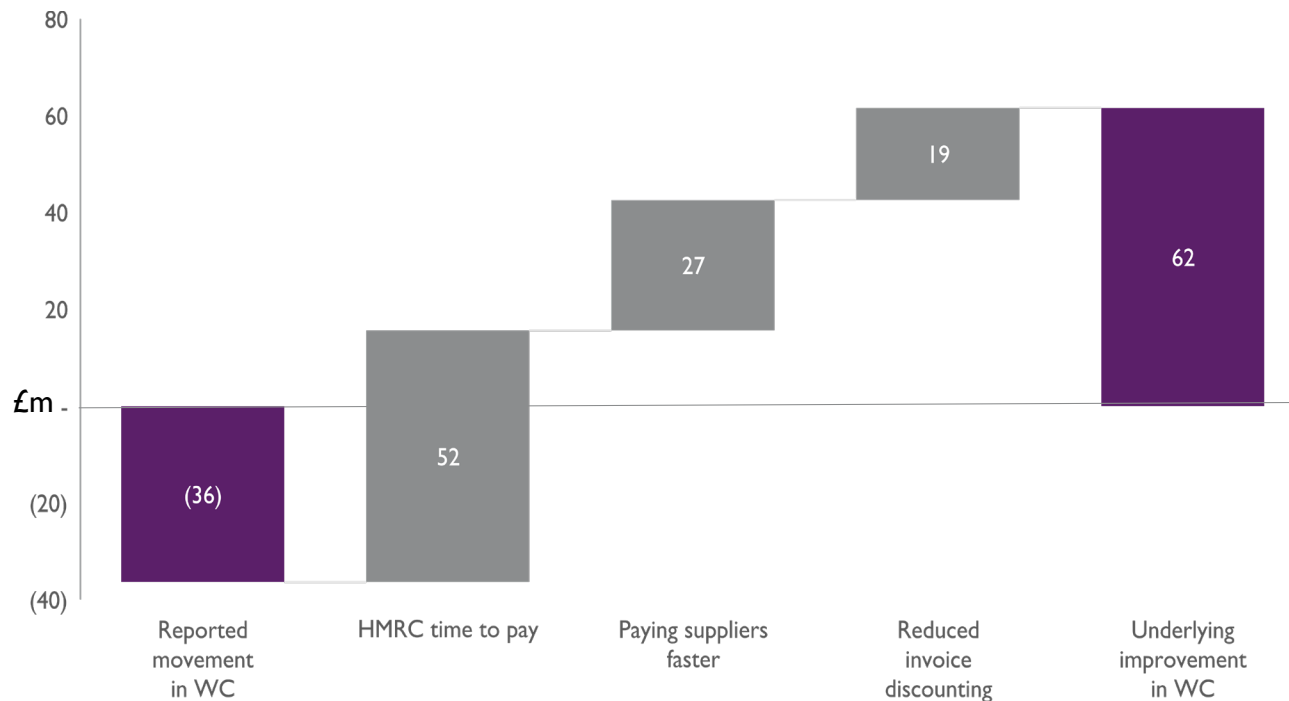
Despite the impact of COVID, positive cash performance underpinned by rights issue and underlying working capital improvement



Cash flow (£m)	FY21	FY20
Operating profit before other items (continuing operations)	63.4	86.1
Add back: depreciation, amortisation & impairment	46.9	43.9
Other movements (including other items)	(34.1)	(25.0)
Working capital movements ¹	(36.4)	(12.9)
Cash generated from operations	39.8	92.1
Capex, capital leases, dividends from JVs, interest & tax, & movement in restricted cash	(64.3)	(61.6)
Free cash (outflow)/inflow	(24.5)	30.5
Rights issue	190.4	-
Acquisitions & disposals ²	(84.0)	64.2
Dividends & other ³	(15.6)	(14.1)
Reduction in net debt	66.3	80.6

- Reduction in net debt in FY21, after acquiring Interserve FM, of £66.3m
- Working capital outflow of £36.4m after £52m repayment of tax TTP and £46m of balance sheet 'normalisation'
- Rights issue, net of Interserve FM acquisition, adds £106m to cash flow in year
- No dividend declared in FY21

Underlying working capital improvement driven by billing process efficiency and automation



- Underlying working capital improvement of £62m
- Tax TTP of £52m repaid in year
- Balance sheet 'normalisation' of £46m in year

FY21 financial summary

- **Resilient performance** during COVID with Mitie standalone revenue¹ decline of only 1.6%
- **Better than expected operating profit²** of £63.4m after bonus and share based payments and furlough repayment
- **Delivered £6.2m synergies ahead of schedule** in FY20/21
- **Continued working capital improvement** to align average to closing debt and clean TFO with low leverage
- **Going into FY22 with a robust balance sheet** and normalised working capital

FY22 priorities



Technology: productivity and efficiency

- Driving performance, productivity, reducing 'waste'
- Automated contract reporting, robotics



Free cash flow generation

- Reduction in other items
- Increased profitability



Credit rating and refinancing

- Investment grade credit rating
- RCF and term debt refinancing



Cost: accelerated and increased synergies

- Maximise cost and procurement synergies
- Continued focus on overhead savings

FY22 will be materially ahead of prior expectations due to new contract wins and in-year synergies increase to £23m

Phil Bentley

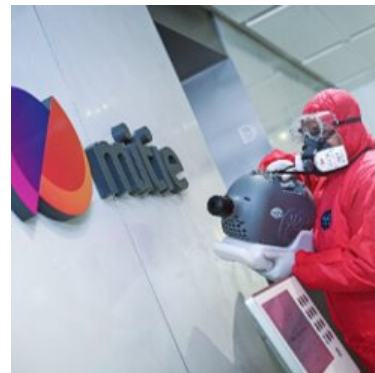
Chief Executive



Our response to COVID was immediate and extensive



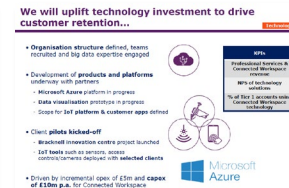
- 65,000 Frontline Heroes attending essential sites throughout the Pandemic
- Nightingale Hospitals in Cardiff, ExCeL and Manchester
- Testing Centres – 200 locations and 7,500 staff directly employed
- Brexit Project – Security at 6 ports (1,500 FTEs)
- DWP expansion – 100 new sites (+17%) and 2,000 additional FTEs
- Project Amber – 1,000 security officers per day



Our strategic focus remained unwavering



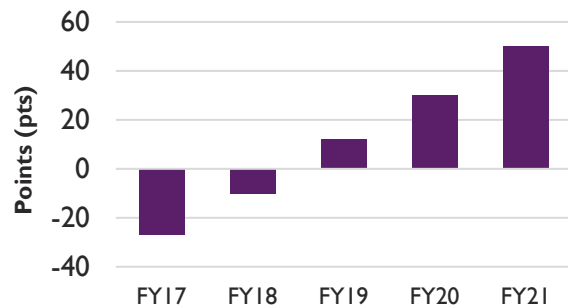
- Putting **Customers** at the heart of our business
- Building a winning culture and showing our **People** that we care
- Leading the Digital Transformation of our industry through **Technology**
- Transforming our **Cost Base** and strengthening our **Balance Sheet**



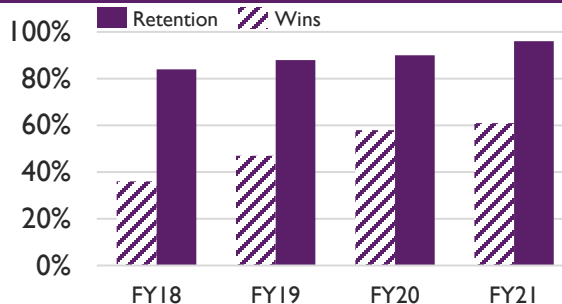
Customer: Great NPS and retention rates



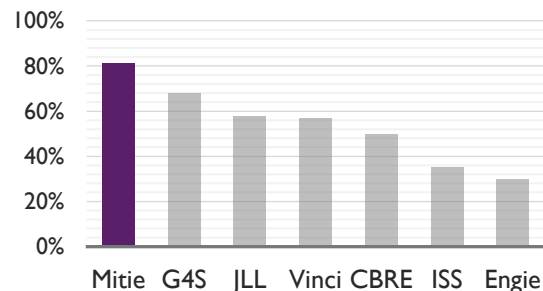
NPS at record high



Improving retention and win rates

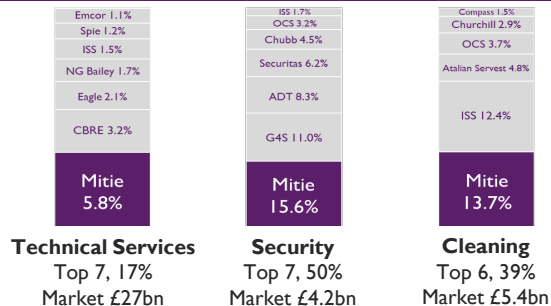


Mitie attracts a high level of market awareness



Source: Verdantix

Leadership positions in our three key market segments



Source: Mintel

Key retentions:



New contract wins:



- Award-winning marketing capabilities
- SAMs have transformed strategic account performance

Customer: Interserve FM service lags Mitie – progress started



- ISV FM NPS
– 18ppts
- SAM assessments completed with new incentives
- ‘Mitie First’
- Re-set client relationships
- Strategic Account Plans developed

Wins, renewals and extensions (since 1 December 2020)	Annual Value £m
PFI	21
Hospitals	29
Local Authorities	10
Central Government	100
Defence*	112
B&I	26
Total	298

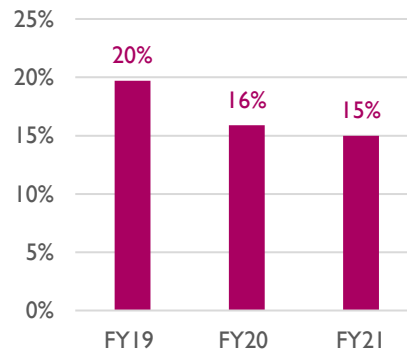
**Includes our share of revenue from Joint Ventures and Associates*

People: Investing in people to create a great place to work

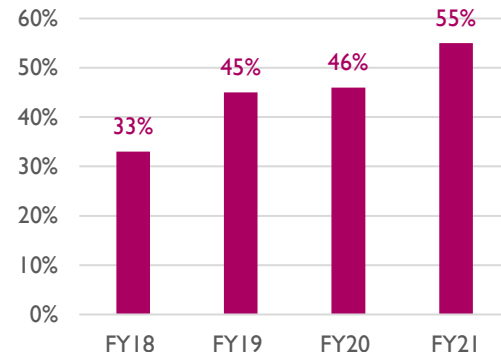


	FY21	FY17
Number of hourly paid colleagues above Minimum Wage	81%	31%
Number of apprentices	843	502
Apprentice Levy spend	£2.1m	£0.4m
Learning & Development take up (hours)	135,416	9,108
Mitie 'Stars' recognised	14,003	7,000
Number completing Annual Survey	31,000	10,000

Staff attrition



Employee engagement



Industry-leading Benefits Package for frontline colleagues

- 100 free shares
- Life Assurance
- Salary Finance
- Access to virtual GP
- Extra day's holiday
- Employee Assistance Programme
- SAYE/Salary Sacrifice

People: Diversity & Inclusion is a key value



50% Mitie Board female

13% Board racially diverse

38% work force female

21% work force racially diverse

16% over 60 years old



The New Mitie Group Executive Team (MGX)



Phil Bentley
Chief Executive



Simon Kirkpatrick
Chief Financial Officer



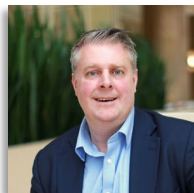
Jasmine Hudson
Group HR
Director



Cijo Joseph
Chief Technology &
Information Officer



Peter Dickinson
Chief of Staff and
General Counsel



Simon Venn
Chief Government
& Strategy Officer



Alice Woodward
Managing Director
Communities



Jason Towse
Managing Director
Business Services



Brian Talbot
Managing Director
Central Gov't &
Defence



Carlo Alloni
Managing Director
Technical Services

Technology: Accelerating roll out across Interserve customers



34 customers



MOZAIC

94 customers



Driving automation



CONNECTED WORKSPACE

380 buildings
45,000 assets



Connects 40,000
colleagues to payroll
and billing

Systems comparison: Mitie vs ISV

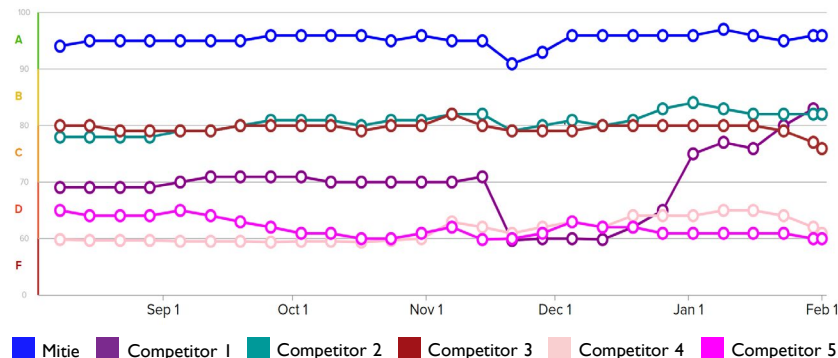
IT Capabilities	ISV	Mitie
24x7 Support	✗	✓
CE+ (company wide)	✗	✓
Cyber Security Scorecard	C78	A99
IT Audits	✗	Annual
IT Risks Managed	✗	✓
Security Cleared resources	✓	✗
API gateways	✗	✓
Integrated systems	✗	✓
Single Sign on	✗	✓
Near real time reporting (Data Lake, Mosaic)	✗	✓
Modern Technology Stack (Aria, Esme - AI/ML)	✗	✓
Cloud enabled	✗	✓
Fully Microsoft O365 Enabled	✗	✓
Fully Microsoft Teams Enabled	✗	✓
Infra and network security	Lacking	Secure
Board approved IT strategy	✗	✓

Technology roll out

- 3,500 laptops
- AX12 migration to SAP commenced
- Migration to Mitie HR/Payroll systems
- Cyber resilience in place – CE+ compliant
- G-Cloud for Government

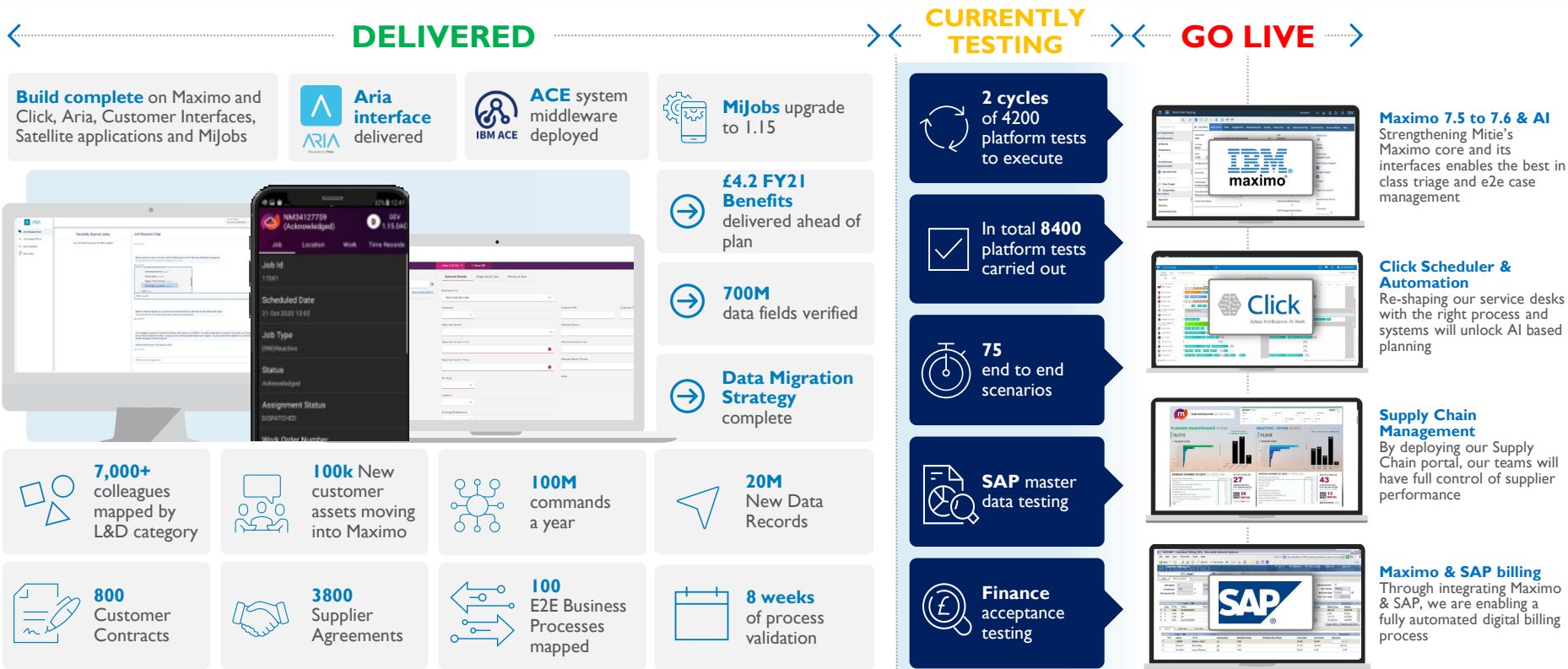
Interserve customers	Interest	Engagement	In Delivery
Mozaic	26	15	11
Aria	10	7	2
Digital Workplace	8	7	0
Connected Engineer	2	2	0
Digital Maintenance /MaaS	9	9	0

Mitie cyber security score: 'excellent' A(99)



Source: SecurityScorecard

Technology: Project Forte - £4.2m benefits in FY21; go-live in December 2021, on budget £48m with benefits profile £25m on track

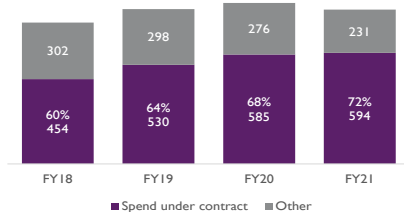


Costs: Procurement, Back Office, HR and IT are the key to the £42m synergy target upgrade

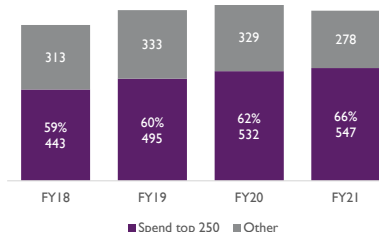


Procurement

Spend under MFA contract

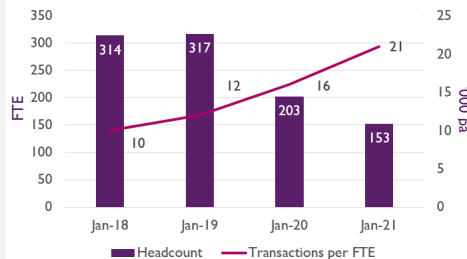


Spend top 250



Back Office

Headcount reduction enabled by productivity growth



HR

- Payroll errors reduced by 80%

IT

- Move to WIPRO, saving £8m p.a.

Back Office

- STP for PTP from 4% to 85% in 2 years

Cost savings £m	Total	£m	In year savings	Exit run rate
IT	5.5	FY21	6.2 ¹	16.2
Finance and back office	3.4	FY22	23.0	30.0
HR	1.9	FY23	35.2	42.0
Property	4.1			
Procurement	15.2			
Operational integration	8.7			
Other functional savings	3.2			
FY23 exit run rate	42.0			

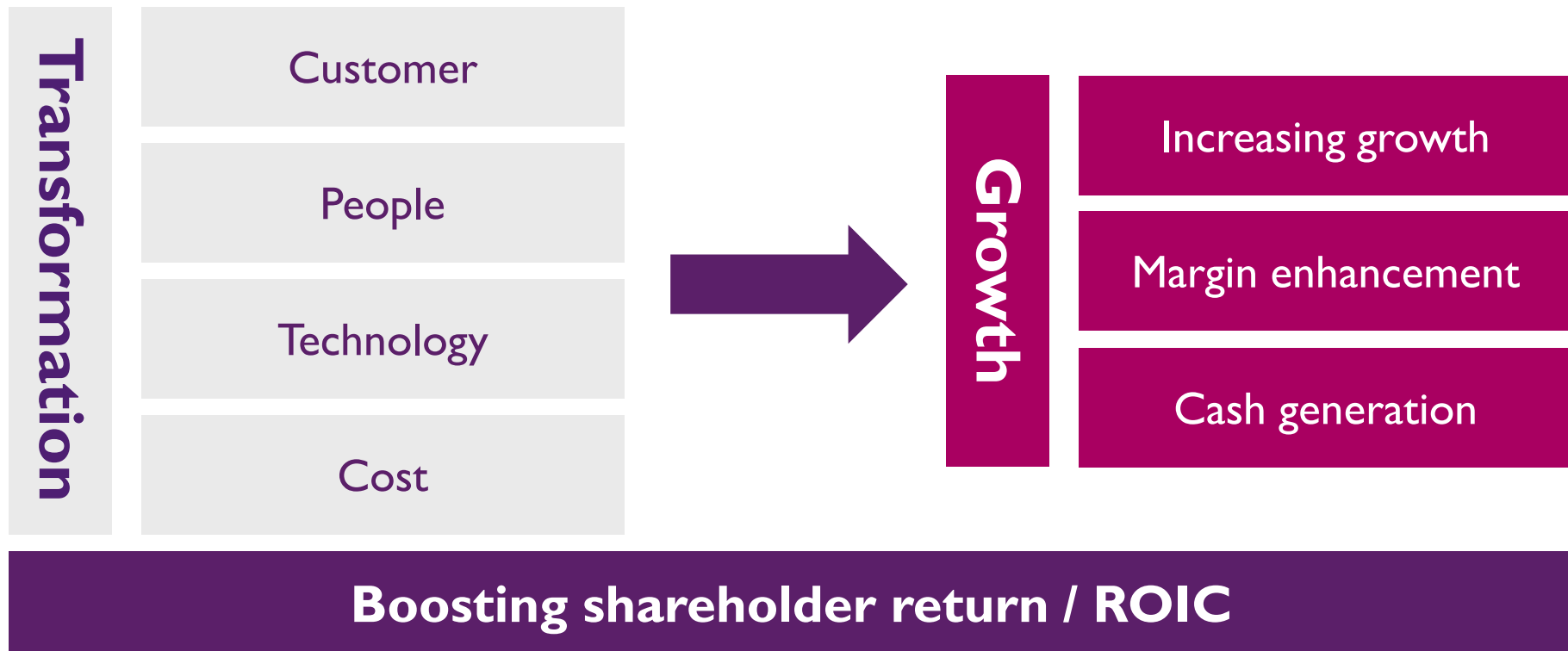
¹ Includes £1.2m of revenue synergies

The future: The 'Science of Service' for effective workspaces



- Greater appreciation for **hygiene, security** and **remote monitoring**
- Increased value attributed to the use of **technology**
- Focus on **Wellbeing** and **hybrid working**
- **Decarbonisation** imperative driving technology uptake
- **New product development** – air filters, desk sensors, 'green economy'
- **T-SOC/G-SOC/CCE**

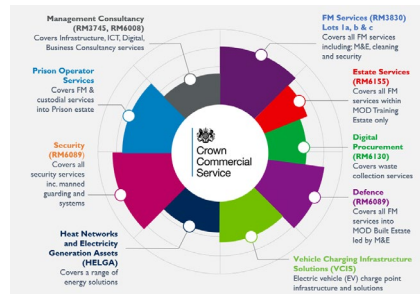




New Mitie, New Strategy: Revenue growth



- Leveraging scale to win **market share**
- **‘One Mitie’** driving cross-selling
- Positioning as **‘strategic partner’**
- Focused **sector specialisation**
- Innovation and **new product development**
- Increasing presence on **Government Frameworks**
- Targeting **‘capital budgets’** especially around decarbonisation and sustainability



Medium term target: Mid single digit revenue growth

- Contract **profitability** review
- Productivity '**league tables**'
- Standard **Digital Automation**
- '**Mitie First**'
- Strategic **Supplier Management**
- **Renewal** margin management



Medium term target: Operating margin of 4.5-5.5%

We start in a stable position

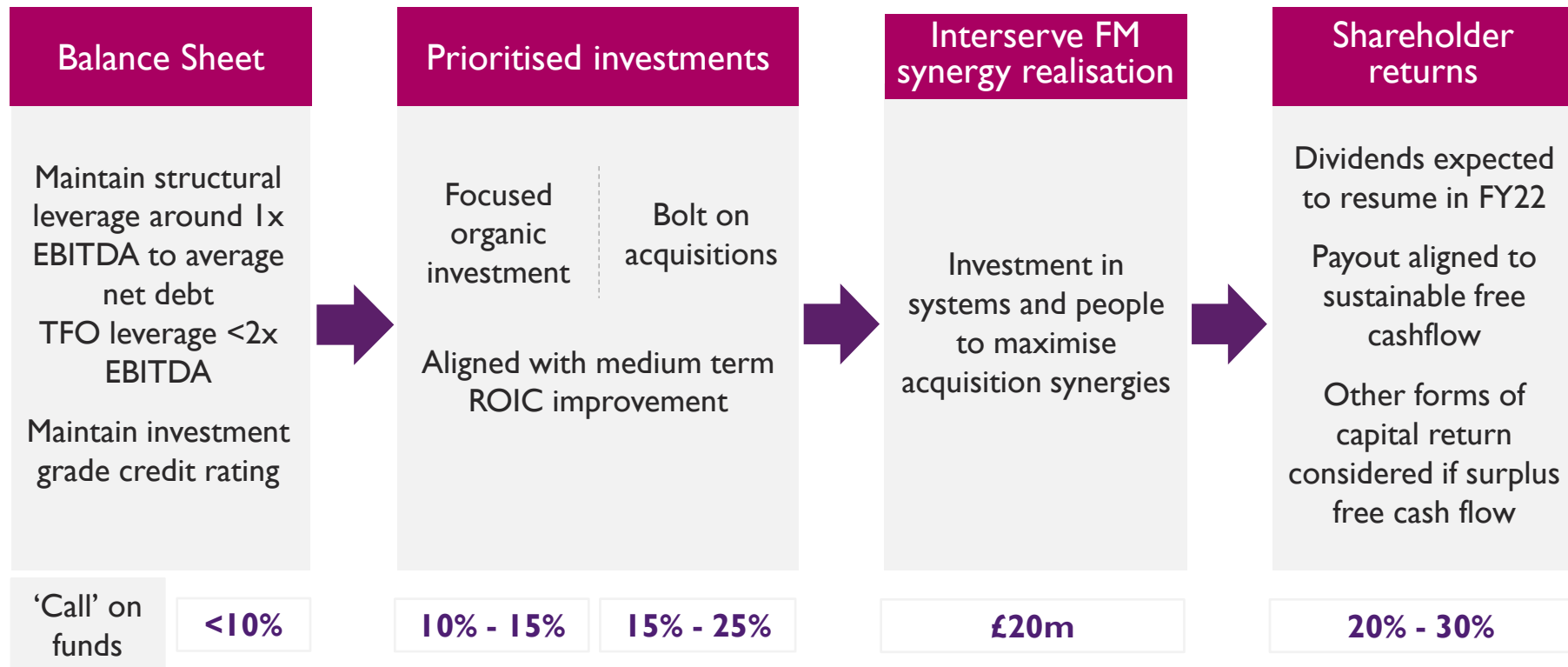
- Leverage is at target levels
- Pension deficit is falling
- Technology transformation ends in FY22
- Interserve FM transformation ends in FY23
- 'Other Items' reduced by end FY23

Management Initiatives

- Improve billing & working capital conversion
- Reduce client credit terms
- Discounts for timely supplier payment
- Reduction in cost of financing
- Significant reduction in capex

Medium term target: Growing free cash flow/increasing ROIC

New Mitie, New Strategy: Capital Allocation Policy



- The **transformation** of Mitie is **complete**
- The integration of **Interserve FM** is **progressing well**
- Outlook for FY22 anticipated to be **materially ahead** of our prior expectations
- The '**Science of Service**' is at the heart of our vision for new Mitie
- New strategy focusing on **increasing growth, margin enhancement and cash generation**
- Medium term targets will deliver **superior shareholder returns**

Appendix



Customer: We have built award-winning Marketing Capabilities



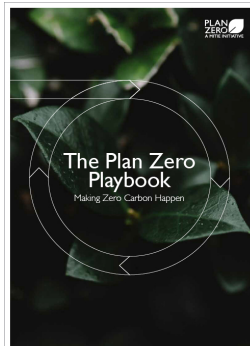
- 100,000 followers on LinkedIn and Twitter, 23% year on year increase
- Mitie Corporate profiles viewed 4.5 million times



- Hubspot marketing automation tool – outbound direct marketing click through 43% (vs industry average 3-5%)



- New website has generated:
 - c.1.9m visitors with c.3.6m page views
 - c.2,000 enquiries, of which, c.500 were sales enquiries



- 500 downloads
- 1.8 million content views
- 225k video views



- 700 downloads
- Exceptional click through rate (c.55%)



- 1,400 downloads
- Exceptional download rates (c.50%)



- 1,000 downloads content / podcast



Maintenance



Cleaning



Hard Services



Security



Landscapes



Cleaning & Landscaping



Cleaning



Landscaping



Soft Services

Customer: SAMs have transformed account performance

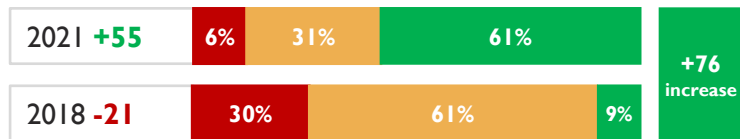


SAM accounts
outperform overall
Mitie NPS results
by 5 ppts

Unitary management approach
through SAM accounts positively
impacting customer satisfaction

Investments in **customer** (customer service), **people** (SAM programme), **technology** (Aria, Mozaic, CW) and **innovation** through CitroX, Plan Zero etc

KEY: ■ detractors ■ passives ■ promoters



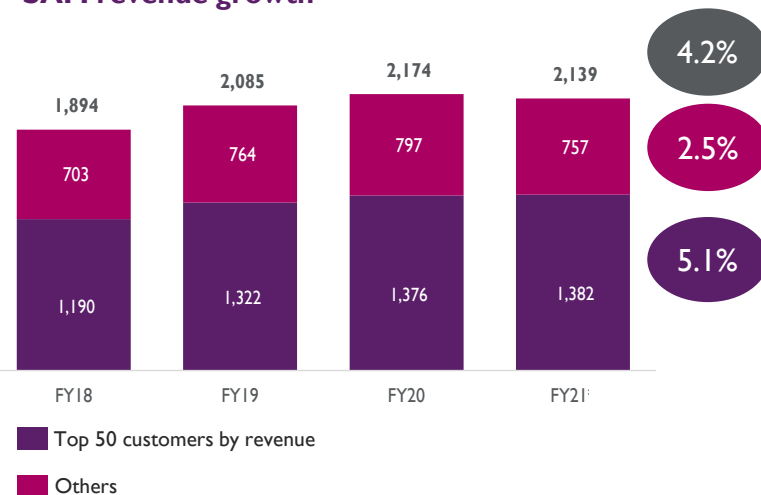
87%
of customers agree
that we are **easy**
to do business with

93%
of customers feel
we work with them
in **collaboration**

85%
of customers feel we
are **flexible** and **agile**
at meeting their needs

SAM revenue growth

CAGR 2018-21



ESG: We have set ambitious industry-leading targets



OUR ESG STRATEGY



Net Zero Carbon Emissions by 2025



Eliminate carbon emissions from power and transport



Eradicate non-sustainable waste



Enhance inefficient buildings to meet the highest environmental standards



Largest EV fleet in the UK

Social Value Framework

Our people are our assets, focus on upskilling and creating a great place to work



Number 1 Business Support Services Company Globally (Jan 2021)



A-Rating "Leadership" Leading UK based Facilities Management Business

Create sustainability solutions for our customers

Consulting • Energy • Projects • Waste • Landscapes

DO
it ourselves

DRIVING GROWTH

- Supports customer retention and winning new bids
- Increasingly clients evaluate ESG as part of the bid criteria

"If Mitie wasn't in top quartile [of sustainability] they wouldn't have got a look in"

Recent Customer

"EV vehicle commitment was key on award"

City Council

LEAD
the industry

RE 100 EP 100 EV 100 | °C

BUSINESS AMBITION FOR 1.5°C



RACE TO ZERO

DELIVER
for clients

- Opportunity to create a revenue stream from our customers as they focus on sustainability / decarbonisation macro-economic trend

£m	FY21	FY20	Change £m	Change %
Maintenance	697	790	(93)	(11.7)%
Engineering Projects	124	157	(33)	(21.5)%
Total revenue	821	947	(126)	(13.4)%
Operating profit before other items	26.4	55.9	(29.5)	(52.8)%
Margin	3.2%	5.9%		(2.7)ppts

£m	FY21	FY20	Change £m	Change %
Cleaning	349	340	9	2.6%
Security	669	563	106	18.9%
Office Services	67	84	(17)	(20.3)%
Total revenue	1,085	987	98	9.9%
Operating profit before other items	49.4	42.2	7.2	17.1%
Margin	4.6%	4.3%		0.3ppts

£m	FY21	FY20	Change £m	Change %
Care & Custody	109	110	(1)	(1.3)%
Landscapes	50	48	2	5.0%
Waste	74	82	(8)	(8.6)%
Total revenue	233	240	(7)	(2.5)%
Operating profit before other items	22.5	25.3	(2.8)	(11.1)%
Margin	9.6%	10.6%		(1.0)ppts

£m	FY21 (4 months under Mitie ownership)
Central Government & Defence	230
Communities	96
Business & Industry & Other	124
Total revenue¹	450
Operating profit before other items ²	13.3
Margin	3.0%

Return on invested capital

£m	FY21
Net assets	361.8
Add:	
Non-current liabilities	406.5
Current provisions	48.3
Amortisation of acquisition-related intangibles including JVs & associates related to Interserve	6.7
Deduct:	
Non-current derivative financial assets	(14.6)
Current derivative financial assets	-
Non-current deferred tax assets	(32.0)
Cash & cash equivalents	(196.2)
Invested capital	580.5
Continuing operating profit before other items	63.4
Tax	(11.7)
Continuing operating profit before other items after tax	51.7
ROIC	8.9%