



## Mitie Group plc: Q3 trading update

### Continued revenue growth in Q3 FY22 FY22 profit guidance increased to £160m-£165m

Mitie Group plc ("Mitie" 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 2021 (Q3 FY22) and gives guidance for the full year ending 31 March 2022 (FY22).

#### Highlights

- Third quarter revenue including share of joint ventures and associates of £1,008m was 51% ahead of the same period last year (Q3 FY21 £667m), and 1% ahead of Q2 FY22
- Revenue from COVID-19 (COVID) related contracts was greater than expected at £109m in the quarter, albeit a reduction of £40m from Q2 FY22 (£149m)
- Excluding COVID-related contracts, Q3 FY22 revenue of £899m was 6% ahead of Q2 FY22 (£846m), due to growth in the legacy Mitie and Interserve businesses
- New contract wins and renewals in the quarter of over £550m total contract value (TCV)
- Average daily net debt for the three months ended 31 December 2021 was nil. Net cash of £31.2m in the same period last year included the benefit of payments deferred under HMRC's Time to Pay (TTP) programme. Excluding the benefits of TTP, average net debt in Q3 FY22 improved over the same period last year by £78m
- The delivery of £42m of Interserve synergies by the end of FY23 remains on track, and delivery of the margin enhancement initiatives set out in November is progressing well
- FY22 revenue and operating profit before other items are now expected to be in the region of £3.8bn-£3.9bn and £160m-£165m respectively (up from £145m-£155m)

Mitie has performed strongly in the third quarter of the year, with revenue growing sequentially each quarter during FY22, despite short-term COVID-related revenue reducing by £40m in Q3. This growth reflects new contract revenue and increased public sector project works. Excluding COVID-related revenue, Q3 FY22 revenue of £899m was up 6% on Q2 FY22 (£846m).

Third quarter revenue, including share of joint ventures and associates, of £1,008m was 51% ahead of the same period last year, although the comparator period only included one month of revenue from Interserve. Excluding Interserve revenue of £336m, revenue in the quarter was 20% ahead of Q3 FY21, and 11% ahead if both Interserve and COVID-related contract revenues are excluded.

Revenue for the nine months to 31 December 2021 was £2,920m, 81% ahead of the same period last year (nine months to 31 December 2020 £1,610m).

Over £550m TCV of new wins and renewals in the quarter take our total year to date new contract wins and renewals to £2.3bn TCV. In the third quarter there were new wins at Lincolnshire Police Force, John Radcliffe Hospital, and IFM services wins with a major British



manufacturer and Hitachi Rail. Our contract renewal and extension rate has remained over 90%, with renewals or extensions from Co-Op, Heathrow and Deutsche Bank in the quarter.

### **Business Services**

Third quarter revenue of £390m was down 5% compared to Q2 FY22 due to the reduction in COVID-related revenue. The provision of security services at bridging hotels for Afghan refugees boosted growth, along with increased demand for hygiene services, and new contract wins and enhanced service offerings for customers.

### **Technical Services**

Third quarter revenue of £248m was 8% ahead of Q2 FY22, reflecting the continued, steady recovery in the business. The maintenance contracts performed well in the quarter, but the higher margin variable and project works are still behind expectations as customers defer their capital expenditure budgets.

DAEL Telecoms and Rock Power Connections, which were integrated into the Technical Services division in the quarter, are both performing in-line with expectations, contributing £8.7m of revenue in the quarter.

### **Central Government and Defence (CGD)**

Revenue in the third quarter was £162m, up 13% compared to Q2 FY22, due to additional project works delivered for the Home Office, MOJ and DWP. Mobilisation costs in respect of the new Defence Infrastructure Organisation (FDIS (Scotland & Northern Ireland)) contract, which commenced on 15 December 2021, were incurred in the quarter.

### **Communities**

Third quarter revenue of £113m was down by 7% versus Q2 FY22. Revenue growth from new contracts (John Radcliffe NHS Trust mobilised in the quarter) and increasing project work was offset by a reduction in seasonal revenue, as works in the education sector typically peak in Q2, and the exit of an underperforming hospital contract.

### **Specialist Services**

Third quarter revenue of £95m was 3% above Q2 FY22 driven by Police Service wins and increased Escorting Services in Care & Custody.

### **Net debt**

Average daily net debt, post-IFRS 16, for the three months ended 31 December 2021 was nil. This compares to £31.2m net cash for the three months ended 31 December 2020, and £59.9m of net debt for H1 FY22. The prior year comparative for Q3 FY21 included the benefit of the Rights Issue, net of the cash paid in relation to the Interserve acquisition, and deferred tax payments under the HMRC TTP scheme, which was repaid in January 2021. Average net debt in Q3 FY22 improved by £78m compared to Q3 FY21 excluding the benefits of TTP.



## Outlook

Incorporating the higher-than-expected contribution of revenue from COVID-related contracts in the third quarter and our revised expectation for additional revenue from these contracts in the final quarter of the year, Mitie's FY22 revenue, including share of joint ventures and associates, and operating profit before other items is expected to be higher than previously guided. Revenue is now expected to be in the region of £3.8bn-£3.9bn with operating profit before other items of £160m-£165m (up from £145m-£155m).

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Revenue inc. joint ventures and associates from continuing operations	Q3: 3 months to 31 December 2021	Q3: 3 months to 31 December 2020	% Increase	Q2: 3 months to 30 September 2021	% Increase/decrease Q3 v Q2 FY22
<b>Mitie Group</b>	<b>1,008</b>	667	51%	995	1%
Business Services	390	273	43%	409	-5%
Technical Services	248	210	18%	230	8%
CGD	162	50	224%	143	13%
Communities	113	66	71%	121	-7%
Specialist Services	95	68	40%	92	3%

This announcement contains inside information. The person responsible for arranging the release of this announcement on behalf of the Company is Peter Dickinson, Chief of Staff and General Counsel.

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## About Mitie

Founded in 1987, Mitie's job is to look after places where Britain works and is the leading facilities management company in the UK. We offer a range of services to **Central Government and Defence** customers; **Communities** (Healthcare, Education and Local Authorities); and **Technical Services** (Engineering Services, Energy, Water and Real Estate Services) and **Business Services** (Security, Cleaning and Office Services) to private sector clients in Financial Services, Manufacturing, Transport, Retail and Telecoms and increasingly to the public sector. Finally, our **Specialist Services** (Care & Custody, Landscapes, Spain and Waste Management) division serves both the public and private sectors in these niche businesses.

Mitie acquired Interserve's FM business on 1 December 2020 and now employs 75,000 people. We are the champion of the 'Front-Line Heroes' who have kept Britain working during the COVID-19 pandemic. We take care of our customers' people and buildings, through the 'Science of Service', delivering essential services and deploying industry-leading technology to create safe and effective workspaces.

Find out more at [www.mitie.com](http://www.mitie.com).