Mitie Group plc

The UK's Leading Facilities Management Company

"Encouraging sales momentum and effective management of inflation in H1; increased interim dividend; increase to FY23 guidance"

Half year Results Presentation
17 November 2022

H1 FY23: Encouraging sales momentum in H1 with contract wins and pricing. Increase to FY23 guidance

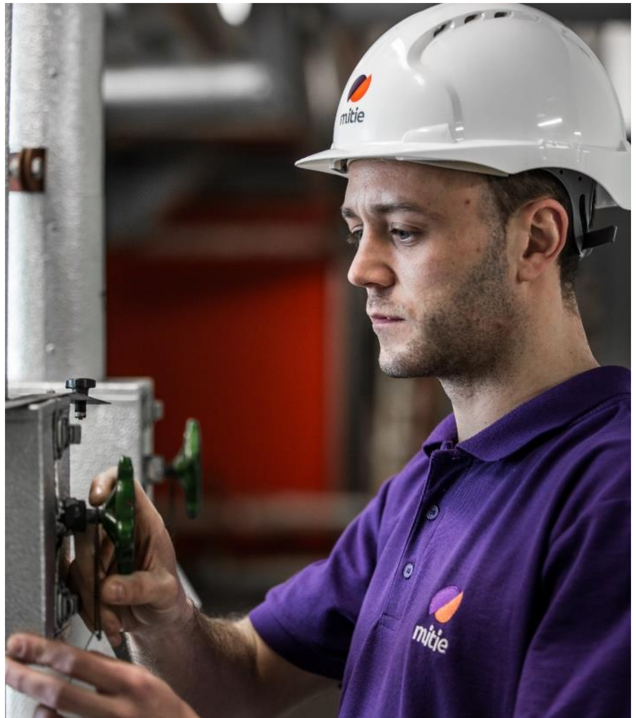
- **H1 revenue of £1,923m** as new contract wins, acquisitions and pricing replace revenue from short-term COVID-related contracts
- **H1 operating profit** of **£68.0m** (margin of 3.5%) underpinned by trading, cost efficiencies and good inflation management
- **H1 new contract wins/renewals/projects** of £1.5bn TCV (107% book to bill ratio)
- **H1 leverage 0.1x EBITDA** after acquisitions (£20m), dividends and share buybacks (£70m) and ending of Customer Invoice Discounting (£45m)
- **H1 increased interim dividend** of 0.7p (H1 FY22 0.4p)
- **H2 £10m Winter Support package**
- **FY23 guidance increased:** operating profit before other items **at least £145m**

Revenue including share of joint ventures and associated, excluding discontinued operations
Operating profit before other items and excluding discontinued operations
[1] Includes secured, variable and project work

Financial update

Simon Kirkpatrick

Chief Financial Officer



Headline P&L: Strong underlying revenue growth and savings delivery drives improved performance

Headlines (£m)	H1 FY23	H1 FY22	Change %
Revenue[1]	1,923	1,912	+1
Revenue ex. COVID contracts	*1,910*	*1,653*	*+16*
Operating profit before other items	68.0	85.3	(20)
Operating profit ex. COVID contracts[2]	*65.4*	*45.0*	*+45*
Operating profit margin	3.5%	4.5%	(1.0)ppt
Operating profit margin ex. COVID contracts	*3.4%*	*2.7%*	*+0.7ppts*
Profit after tax before other items	49.1	67.7	(27)
Basic earnings per share before other items	3.6p	4.9p	(27)
Dividend	0.7p	0.4p	+75
Free cash flow	(11)	86	nm
Average daily net debt	(62)	(60)	+3
Net assets	402	423	(5)

- Contract wins, pricing and acquisitions replace short-term COVID-related work
- Good underlying profit and margin growth supported by cost savings
- EPS reduction to 3.6p as short-term COVID-related contracts ended
- Interim dividend up 75% to 0.7p
- Free cash flow impacted by closure of customer invoice discounting facility
- BBB credit rating confirmed by DBRS

[1]Revenue including share of joint ventures and associates and excluding discontinued operations
[2]Operating profit before other items, excluding COVID contracts

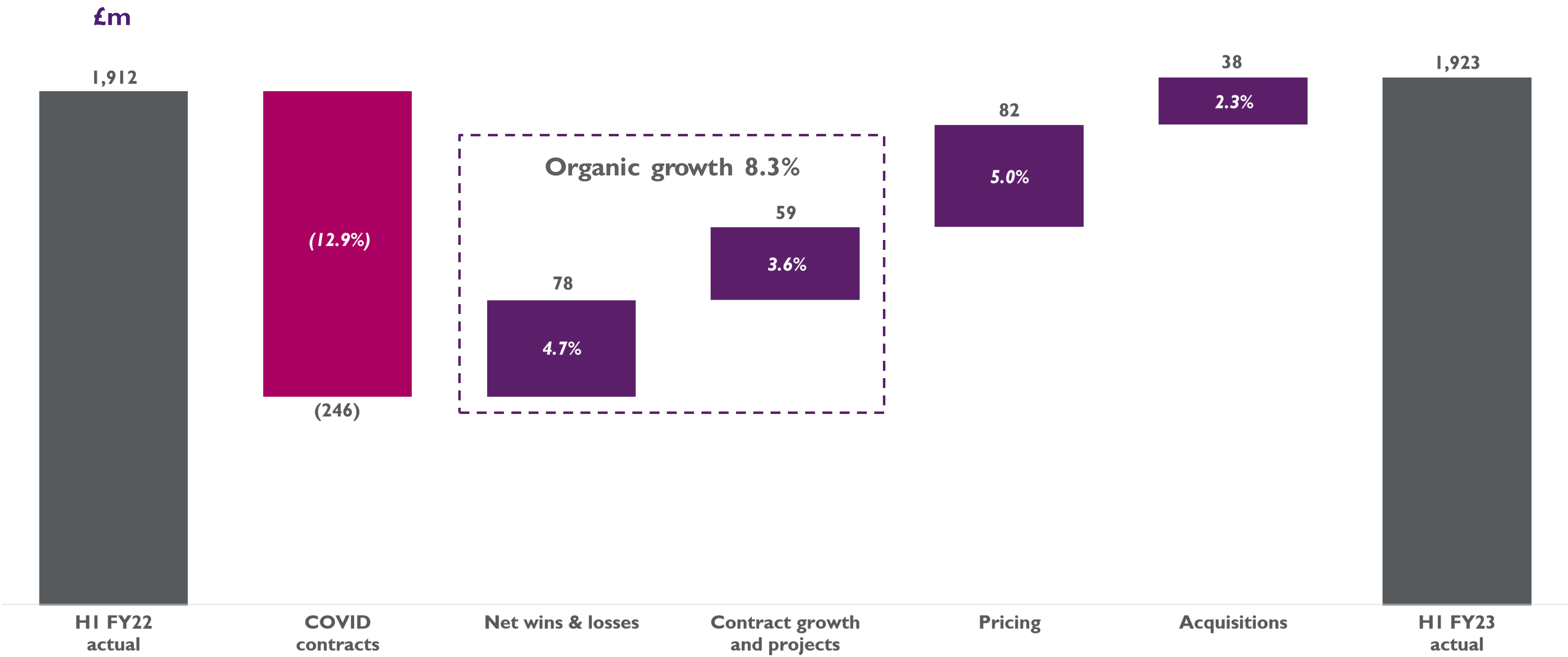
Excluding Covid contracts, all divisions contribute to 15.5% growth in Group revenue

Revenue (£m)	**H1 FY23**	**H1 FY22**	**Change %**
Business Services	592	775	(24)
Technical Services	526	445	+18
Central Government & Defence	355	288	+23
Communities	254	230	+10
Specialist Services	196	174	+13
Mitie Group	**1,923**	**1,912**	**+1**
Revenue from COVID-related contracts	*13*	*259*	*(95)*
Revenue ex. COVID contracts	*1,910*	*1,653*	*+15.5*

- Business Services: excluding Covid contracts, underlying growth of 9% from wins and pricing
- Technical Services boosted by acquisitions and FY22 new wins
- CG&D strong performance boosted by FDIS win and ongoing project work
- Communities revenue uplift from pricing, and increased lifecycle and project work
- Specialist Services growth from wins and acquisition

NB: Revenue including share of joint ventures and associates and excluding discontinued operations

New contract wins, project work, pricing and acquisitions replace COVID-related revenues…



NB: Revenue from continuing operations. Percentage movements are calculated based on £1.9bn for COVID contracts, and £1.6bn (i.e. revenue excluding COVID contracts) for the other bridging items

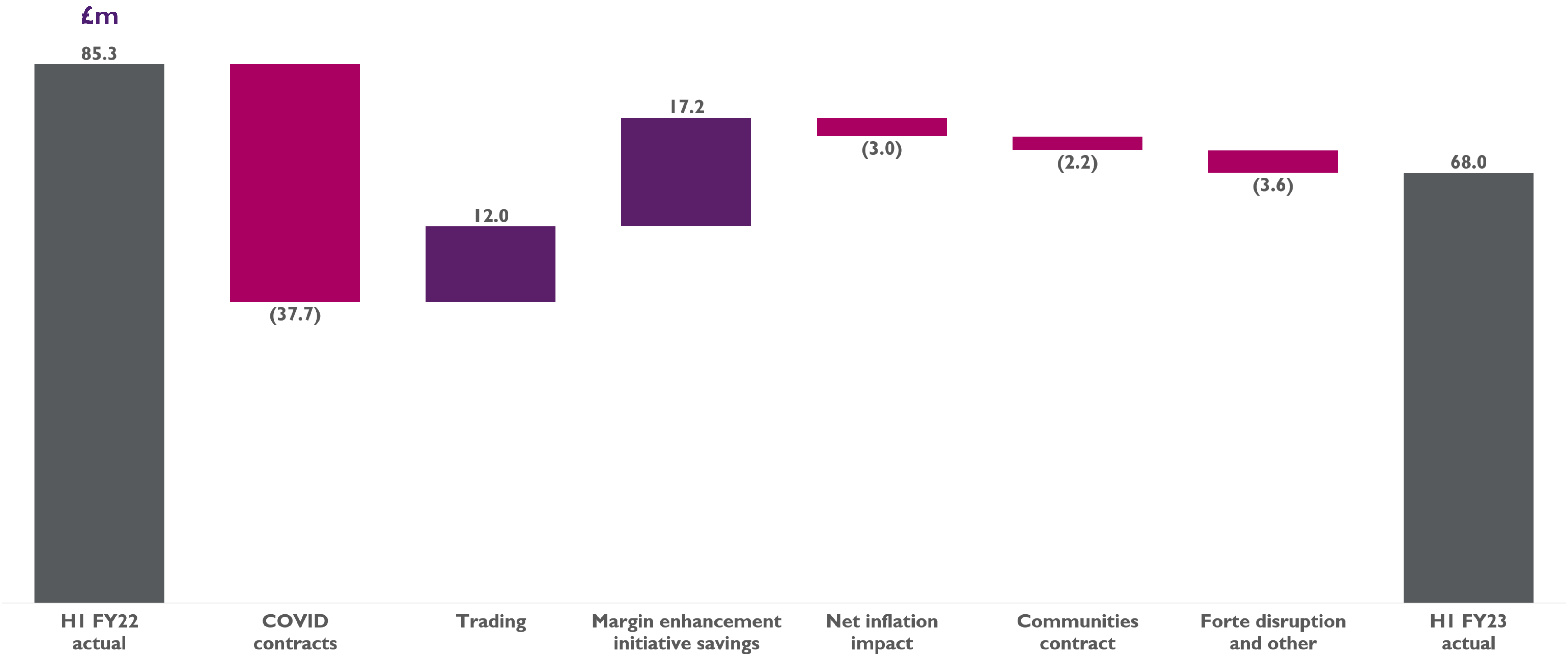
… which combine with cost savings to improve underlying profitability across all divisions

Operating profit (£m)	H1 FY23	H1 FY22	Change %
Business Services	32.9	65.2	(50)
Technical Services	14.1	12.7	+11
Central Government & Defence	25.5	14.9	+71
Communities	11.1	11.1	-
Specialist Services	12.3	11.1	+11
Corporate centre	(27.9)	(29.7)	(6)
Mitie Group	**68.0**	85.3	(20)
Profit from COVID-related contracts[1]	*2.6*	*40.3*	*(94)*
Operating profit ex. COVID contracts	*65.4*	*45.0*	*+45*

- Business Services underlying profit growth of 24% as a result of new wins and cost savings
- Technical Services: headwinds from Forte and inflation outweighed by positive impact of new wins and cost savings
- CG&D boosted by increased project work, savings delivery, and wins
- Communities loss-making contracts offset underlying trading improvement
- Specialist Services improvement from new wins, margin improvement in Spain, Biotecture
- Corporate centre costs reduced due to overhead savings

NB: Before other items from continuing operations
1. Almost all the short-term profit from COVID-related contracts is in Business Services

Operating profit: Excluding COVID contracts, 24% improvement from wins, project work and cost savings, underpinned by effective inflation management



NB: Before other items from continuing operations

Effective management of inflation in H1 leads us to revise our FY guidance on the expected impact – mitigating cost savings are well progressed

H1 FY23 cost inflation impact vs H1 FY22	
Labour cost	£(45)m
Non-labour cost	£(40)m
Total cost inflation	**£(85)m**
Revenue	£82m
H1 FY23 net P&L impact	**£(3)m**

FY23 cost inflation estimate vs FY22	
Cost base excl COVID	£3.6bn
Blended inflation	c.5%
Indicative cost impact	c.£180m
Contracted & other recovery	c.95%
Indicative revenue impact	c.£170m
FY23 net P&L impact	**<£10m**

H1 FY23 inflation
Wage & procurement cost inflation at c.5% is below the headline CPI inflation rate
Project and variable work priced at current costs
Labour market stable, but competitive
Recovery rates higher than expected
Offsetting cost savings delivered

Increase in net debt as a result of planned shareholder returns, and an expected working capital outflow

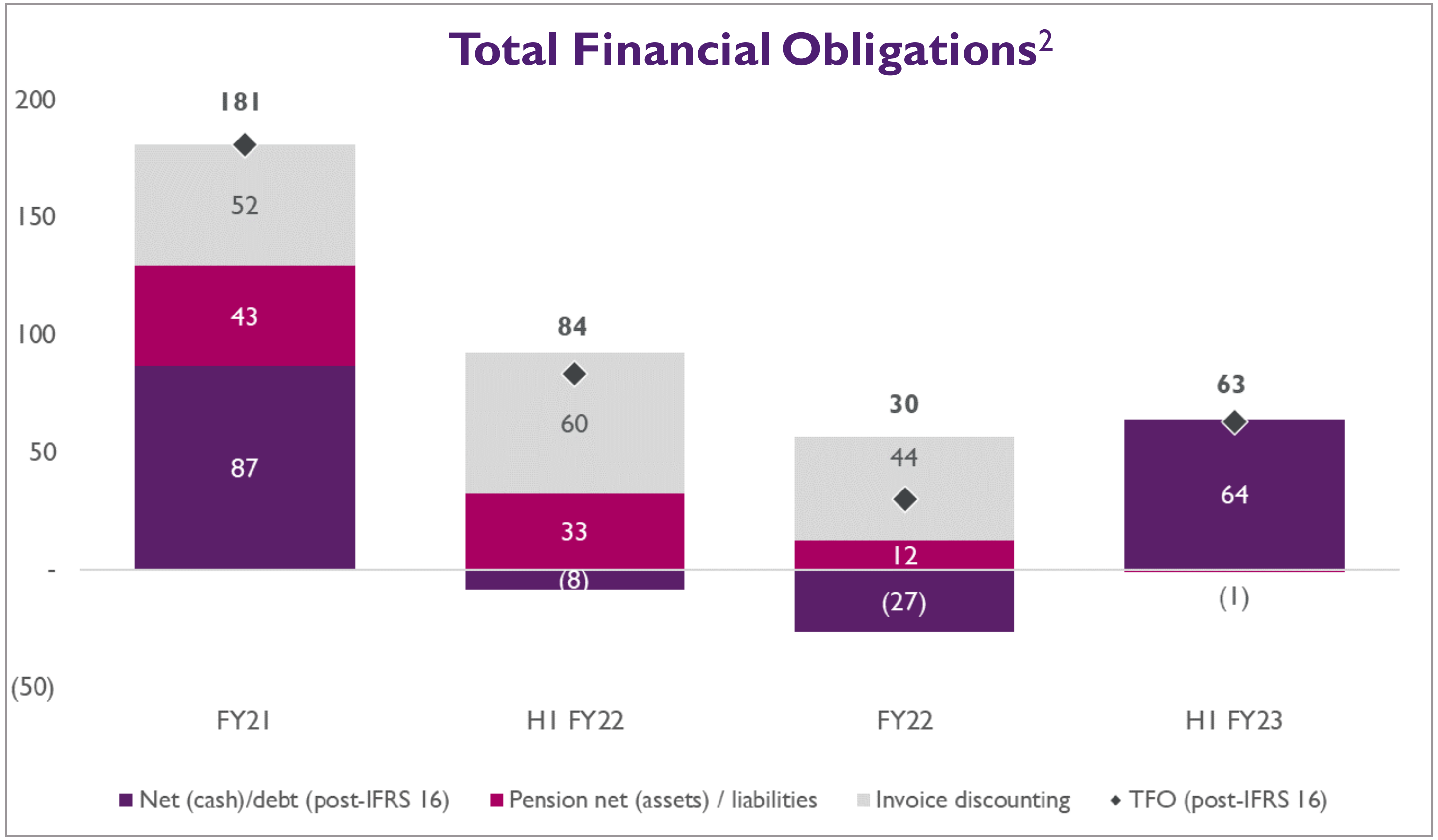
Cash flow (£m)	H1 FY23	H1 FY22
Operating profit before other items[1]	68.0	85.3
Add back: depreciation, amortisation & impairment	24.6	24.0
Other operating movements (including other items)	(8.1)	(10.9)
Cash generated from operations before movements in working capital	**84.5**	**98.4**
Working capital movements[2]	(47.4)	30.3
Capex, capital leases, interest & other	(47.8)	(42.8)
Free cash (outflow) / inflow	**(10.7)**	**85.9**
Acquisitions & disposals	(20.2)	17.1
Share buybacks	(50.7)	-
Dividends paid	(19.5)	-
Lease liabilities and other[3]	10.4	(7.8)
(Increase) / decrease in net debt in the period	**(90.7)**	**95.2**

- Strong cash flow from profits despite ending of higher margin COVID-related work
- Cash other items of £6.9m, majority related to latter stages of Forte and DSP
- H1 FY23 working capital outflow from closing invoice discounting facility, Forte, Covid contracts, Projects, partially offset by timing difference
- Capex £13.8m, interest £7.7m, tax £9.0m, leases £16.9m, share incentive scheme purchases £5.7m
- Shareholder returns of £70m via buyback and dividend

[1] Operating profit before other items and excluding discontinued operations
[2] Adjusted to exclude movements in restricted cash and other adjustments which do not form part of net debt
[3] Includes £6.0m which was received in May 2022 in respect of the expert's determination on the Interserve acquisition completion accounts

TFO now comprises only net debt, following the cessation of 'off balance sheet' financing

£m	H1 FY23	FY22	H1 FY22
Closing net (debt) / cash	(64)	27	9
Average daily net (debt)	(62)	(25)	(60)
Leverage ratio (average daily net debt / EBITDA)[1]	0.1x	0.1x	0.2x
Debtor days	30	28	27
Creditor days	31	23	28



[1]Leverage ratio calculated on a rolling 12-month basis
[2]Total Financial Obligations comprise net cash/(debt) and net retirement benefit obligations. Invoice discounting facility (CID) was terminated in Q1 FY23

Financial summary: Strong financial performance in H1 positions Mitie for improved FY profitability

FY23 outlook

- Average net debt will increase; FY free cashflow expectations are unchanged
- Mid-single digit revenue growth, excluding Covid contracts and inflation
- Inflation will continue to be well managed through pricing and cost savings, with FY impact expected to be at lower end of previous range
- Cost saving initiatives will ramp up in H2, improving operating profit margin, with FY23 operating profit[1] now expected to be at least £145m

[1] Operating profit before other items

Strategic update

Phil Bentley

Chief Executive

We are making good progress against our four strategic drivers

Accelerate growth	Enhance margins	Generate cash	Capability enablers
• New wins • Retention • Upsell/cross sell • Develop pipeline • Infill acquisitions	• ISV synergies • Operational excellence • Digital supply chain • Fix ISV healthcare contracts • Workflow automation (Project Forte/Mitie Shared Services)	• Improved profitability • Working capital management • Reduce cash drain from "other items" • Tighten capex spend • Tax management	• "Science of Service" • "Great Place to Work" • "Decarbonisation Delivered"

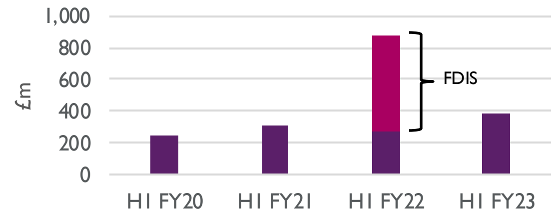
Returns to shareholders

Dividend pay-out progressing towards 30-40% of earnings	27%[1]
Share buyback programme	£50m[1]
Return on Invested Capital > 20%	23%[1]

1. Last twelve months calculated using H2 FY22 and H1 FY23

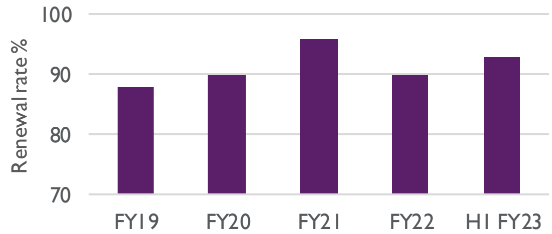
Accelerate growth: Good organic and acquisition growth plus increased pipeline

£382m TCV new contract wins[1]



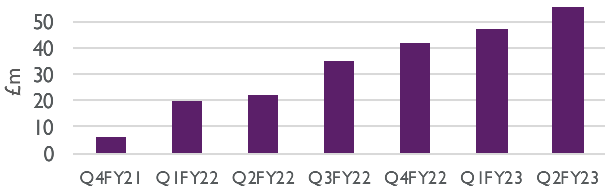
- H1 FY23 new wins add £111m of new revenue in FY23
- Wins from Birmingham Airport, John Lewis, Sky Studios, US Visiting Forces
- Win rate of 44%

£1.1bn TCV contract retentions/extensions[1]



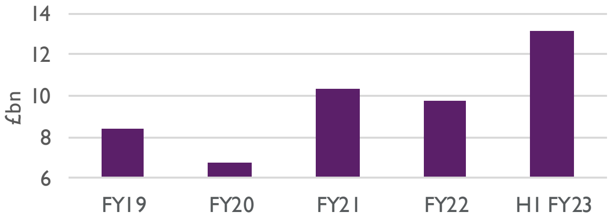
- 93% renewal/extension rate
- Renewals from DWP, Hammerson, DIO, Sainsbury's, Vodafone

£57m Mitie cross-sell into ISV



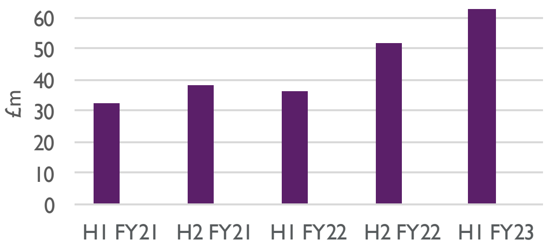
- £57m cross-sell including contracts for Waste, Landscapes, Security and TS projects

£13bn high quality pipeline[2]



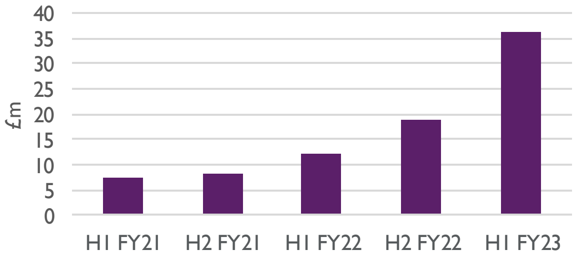
- £3bn increase in pipeline from increase in CG&D opportunities
- Pipeline includes £0.8bn at BAFO
- Excludes 5 new frameworks (up to £21bn)

£63m Decarbonisation revenue[3]



- 24 Net Zero pathways completed
- Acquired Custom Solar, a leading commercial Solar PV specialist
- Strong order book :- £70m
- 90,000 sq m of solar panels

£36m Telecoms revenue



- 3 acquisitions completed
- Upgrading 3600 cell sites for Vodafone, BT and Telefonica, Cellnex, and Ericsson
- Order book £140m

1. *Includes secured, variable and project work. H1 FY20 and H1 FY21 excludes variable work*
2. *Pipeline has been restated to reflect new and additional work only, excluding renewals and extensions*
3. *Technical Services share of decarbonisation revenue only*

Enhance margins: £17.2m delivered in H1 FY23, despite some project delays

On track to deliver cost savings in FY23 | **Delays in FY23 delivery: delivery in FY24**

Interserve synergies	Operational Excellence	Digital Supplier Platform	Overhead savings	Communities contract turnaround	Forté
Cost synergies increase to £50m[1]	**On track to deliver £10m by FY24**	**On track to deliver £10m by FY24**	**Additional savings identified for H2**	**Reduce £15m[3] losses**	**Run rate savings of £15m by FY24**
• Ingenuity House property exit • Further 60 roles exited • IT savings from end of TSA agreement • Fleet savings through transition to EV	• 51 SAM accounts with OE programme • Pool M&E resources into mobile teams • Reduce agency cleaning hours • Yellow belt training to 327 colleagues	• Coupa in 3 divisions (60% third party spend) • Category Management/e-Auctions/VBD mitigates 8% supply chain inflation • Supplier consolidation from 11,000 to 6,000	• Outsourcing in HR/Payroll/IT/Fleet • CG&D and Technical Services headcount reduction	• OE programme implemented • 4/8 contracts showing improved financial performance • Delay in resolution of commercial dispute • Performance penalties reducing from CAFM rationalisation	• Forte went live in July 2022 • Process & data issues impacted straight through processing and technician productivity • Anticipate system working fully by end Q3 FY23
£11m in H1 FY23[2]	**£2m in H1 FY23**	**£2m in H1 FY23**	**£2m in H1 FY23**	**£2m worse in H1 FY23**	**£1m in H1 FY23[4]**

Margin enhancement initiatives will deliver more cost savings in H2

1. End FY23 Run-rate
2. H1 FY23 savings are incremental to savings delivered in FY21 and FY22
3. Before provision releases (c.£6m). Full turnaround by FY25
4. Forte delivered £8m of savings by end FY22

We are making good progress against our four strategic drivers

mitie

Accelerate growth	Enhance margins	Generate cash	Capability enablers
• New wins • Retention • Upsell/cross sell • Develop pipeline • Infill acquisitions	• ISV synergies • Operational excellence • Digital supply chain • Fix ISV healthcare contracts • Workflow automation (Project Forte/Mitie Shared Services)	• Improved profitability • Working capital management • Reduce cash drain from "other items" • Tighten capex spend • Tax management	• "Science of Service" • "Great Place to Work" • "Decarbonisation Delivered"

Returns to shareholders

Dividend pay-out progressing towards 30-40% of earnings	27%[1]
Share buyback programme	£50m[1]
Return on Invested Capital > 20%	23%[1]

1. *Last twelve months calculated using H2 FY22 and H1 FY23*

Capability enablers: Creating a ***"Great Place to Work"*** with our new Employee Value Proposition (EVP) and **Winter Support package**

Employee Value Proposition

MyMitie

Where me and Mitie come together

Together we will thrive

MyStory

Where we can share our inspirational stories

Together we help others

MySlice

Where we access all our Mitie benefits

Together we all benefit

MyCommunity

Where we make a difference

Together we belong

MyAchievement

Where we are recognised and rewarded for our effort

Together we stand proud

MyCareer

Where there are no limits to our future

Together we accomplish more

MyVoice

Where our input drives progress

Together we engage

£10m Winter Support package launched

- **Cycle to work**
- **£50 MiDeals voucher**
- **Salary finance – fee waived**
- **Cash bonus £125**
- **100 free shares**

Capability enablers: "Decarbonisation Delivered"

Solar PV

- Acquired **Custom Solar**, a leading commercial Solar PV Installer
- 5-year framework agreement with Morrisons providing end-to-end solution for **98MW** portfolio across **260 sites**
- **Won** Solar & Storage Live Award 2022 for 'Commercial Solar Project of the Year'

EV Charging and Electrical Upgrades

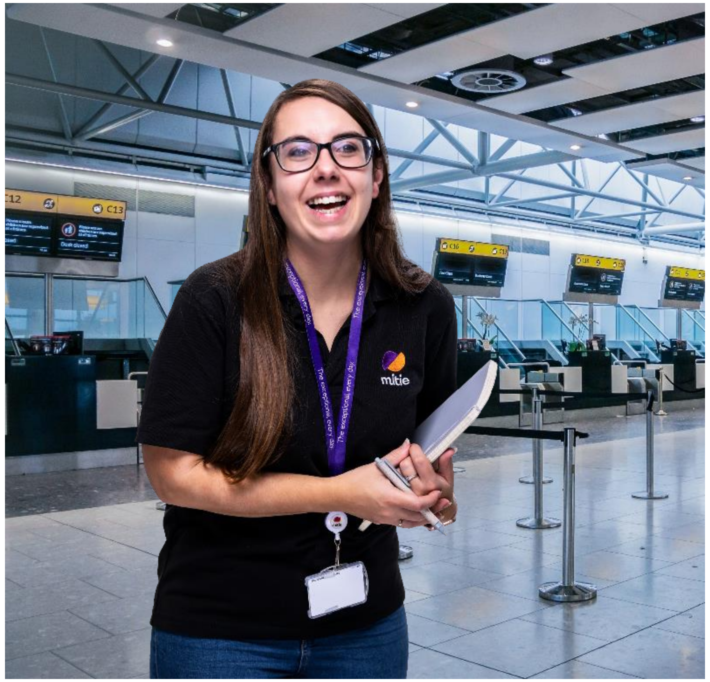
- EV charging delivery partner for Defra for **multi £m** roll-out across **91 sites**
- Upgrading chargers at **47** sites across the UK motorway network as well as installing additional rapid charging hubs with associated electrical infrastructure

Heat Pumps

- **Estate wide** deployment of heat pumps across Essex County Council
- Developed and implementing innovative **Ground Source Heat Pump** solution for major UK Financial Institution

Summary: Better than expected first half; increasing FY23 guidance

- **Encouraging momentum** in the first half of the year from contract wins, acquisitions and pricing
- **Margin enhancement initiatives** generate greater savings in H2
- **Strong balance sheet** with low leverage and long term debt
- **Interim dividend up 75%** to 0.7p (H1 FY22 0.4p)
- **Increased guidance for FY23** with operating profit before other items at least £145m
- **Confidence in FY23/FY24 outlook**, despite macro challenges



Mitie Group plc

The UK's Leading
Facilities Management Company

Half Year Results Presentation

17 November 2022