



26 January 2023  
**Mitie Group plc**

### Q3 trading update

**“Continued underlying revenue growth. On track to meet full year expectations”**

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 2022 (“Q3 FY23”).

#### Highlights

- Continued strong performance in FY23, with Q3 Group revenue<sup>1</sup> 3% above Q2 and 6% above Q1, benefiting from increased project revenues, acquisitions, new business wins, and effective pricing of cost inflation
- Group revenue of £1,005m was in line with the prior year (Q3 FY22 £1,008m), and underlying revenue was 12% higher when the £109m of revenue from short-term COVID-related contracts is excluded from Q3 FY22
- New contract wins and renewals of £163m total contract value (“TCV”) added in the quarter, with the renewals rate remaining above 90%
- Average daily net debt in Q3 FY23 of £103m (Q3 FY22 £0m), reflecting planned capital deployment actions
- As expected, the Competition and Markets Authority (“CMA”) announced the provisional closure of the investigation into Mitie, on the basis that there are “no grounds for action”
- On track to meet FY23 guidance, with operating profit before other items expected to be at least £145m

Mitie has delivered an encouraging performance in the third quarter of the year, with revenue growing sequentially each quarter during FY23. Third quarter revenue, including share of joint ventures and associates, of £1,005m was 3% ahead of Q2 FY23 (£978m), and 6% ahead of Q1 FY23 (£945m). This growth reflects increased project revenues across a number of our Central Government and Defence and Technical Services contracts, together with the contribution from acquisitions and contract wins in Technical Services, and effective pricing of cost inflation.

Q3 FY23 revenue was in line with the same period last year (£1,008m), and underlying revenue grew by 12% when the £109m of revenue from short-term COVID-related contracts is excluded from Q3 FY22. This underlying growth was a result of new contract wins, scope increases from existing customers, acquisitions, and effective pricing of cost inflation in Q3 FY23.

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<sup>1</sup> From continuing operations and including share of JVs and associates



Revenue for the nine months to 31 December 2022 of £2,928m was also in line with the same period last year (£2,920m), and underlying revenue was 14% higher when the revenue from short-term COVID-related contracts is excluded.

Consistent with our previously communicated expectations, we were pleased that the CMA announced on 7 December 2022 the provisional closure of its investigation into Mitie's participation in the ongoing procurement processes run by the UK Government, on the basis there are "no grounds for action".

### **New contract wins and renewals**

New wins and renewals of £163m TCV in the quarter were lower than usual, however there are a number of client decisions on major new opportunities expected in the fourth quarter. Total year-to-date new contract wins and renewals were £1.7bn.

Notable new and additional wins in the third quarter included Dublin Airport, where we won a new five-year contract, Asda, and Essex County Council. In addition to these wins, we have been appointed as 'preferred bidder' for two major new customers, NATS and a large utility company, with TCVs<sup>2</sup> of £132m and £90m respectively. The renewal and extension rate remained above 90%, with renewals or extensions from Deloitte, Ikea and Belfast City Airport in the quarter.

### **Divisional performance**

#### **Business Services**

Revenue of £295m was 24% lower than the same quarter last year (Q3 FY22 £390m). Excluding the Q3 FY22 COVID-related contracts, Business Services underlying revenue grew by 4% in Q3 FY23, boosted by the provision of additional Border Force services, and an inflationary pricing uplift.

#### **Technical Services**

Revenue of £287m was 16% ahead of the same quarter last year (Q3 FY22 £248m), benefiting from new acquisitions (including P2ML, 8Point8 and Custom Solar in H1 FY23), contract wins, and the continued steady recovery of the Projects business.

Progress was made in the quarter with the remediation of the short-term operational inefficiencies experienced following the 'go live' of Project Forté, with service level performance now back to pre-Forté levels.

#### **Central Government and Defence (CG&D)**

Revenue of £199m was 23% ahead of the same quarter last year (Q3 FY22 £162m), benefiting from a full period of revenue from the new Defence Infrastructure Organisation (FDIS (Scotland & Northern Ireland)) contract, which commenced on 15 December 2021, as well as growth in project revenues across a number of the largest CG&D contracts.

#### **Communities**

Revenue of £118m was 4% ahead of the same quarter last year (Q3 FY22 £113m) driven by the contribution from new contracts, including John Radcliffe Hospital and Kingston Council,

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<sup>2</sup> Subject to final contract signature



and the inflationary pricing uplift. This growth was partially offset by two contract losses, one of which we declined to re-bid, and a second which was insured.

### Specialist Services

Revenue of £106m was 10% ahead of the same quarter last year (Q3 FY22 £96m), driven primarily by increased Escorting Services in Care & Custody, and higher winter revenue in Landscapes.

### Net debt

Average daily net debt (post-IFRS 16) for the three months ended 31 December 2022 was £103m, compared to £0m for the three months ended 31 December 2021. Period end net debt was £92m, an increase of £28m from 30 September 2022, and £119m from 31 March 2022. This increase in net debt since 31 March 2022 reflects planned capital deployment activities, including the closure of the customer invoice discounting facility (£45m), the share buyback programme that completed in September 2022 (£50m), share purchases for the Employee Benefit Trust (£13m), the purchase of 8Point8, P2ML and Custom Solar (£20m), and dividend distributions (£20m).

### Outlook

We expect revenue momentum to continue over the balance of the year, albeit at a slower pace as we lap contracts won late in FY22. Q4 is typically our strongest quarter, as project work increases, and we complete seasonal winter work in Landscapes. This, combined with the ramp up of margin enhancement initiatives and ongoing effective management of inflation, provides the Board with confidence that the full year results will be consistent with the recently upgraded guidance for operating profit before other items of at least £145m.

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Revenue <sup>1</sup>	Q3: 3 months to 31 December 2022	Q3: 3 months to 31 December 2021	Increase /(decrease)	Q2: 3 months to 30 September 2022	Increase/(decrease) Q3 v Q2 FY23
<b>Mitie Group</b>	<b>1,005</b>	<b>1,008</b>	-	<b>978</b>	<b>3%</b>
Business Services	295	390	(24)%	288	2%
CG&D	199	162	23%	187	6%
Communities	118	113	4%	133	(11)%
Technical Services	287	248	16%	270	6%
Specialist Services	106	96	10%	100	6%
Covid-related contracts	0	109	(100)%	1	(100)%
<b>Underlying Group</b> (ex. Covid-related contracts)	<b>1,005</b>	<b>899</b>	<b>12%</b>	<b>977</b>	<b>3%</b>

### For further information

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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 the Public Sectors in Central Government and Defence and Communities (Healthcare, Education and Campus & Critical). Our Technical Services (Engineering Services, Energy, Water and Real Estate Services) and Business Services (Security, Cleaning and Office Services) divisions serve private sector customers in Telecoms, Financial & Professional Services, Transport and Industrials and increasingly to the public sector. Finally, our Specialist Services (Care & Custody, Landscapes, Waste Management and Spain) division serves both the public and private sectors.

Mitie acquired Interserve's facilities management business on 30 November 2020 and now employs 68,000 people. We are the champion of the 'Frontline Heroes' who have kept Britain working during the COVID pandemic. We take care of our customers' people and buildings, through the 'Science of Service', and we are transforming facilities to be more flexible, safe, sustainable, and attractive to all. The business continues to execute its technology-led strategy and in the past twelve months has received multiple awards. Find out more at [www.mitie.com](http://www.mitie.com).