MITIE Group PLC

A transformational 25th year, strong organic growth and a record order book

Full year results presentation
21 May 2012

Excellent financial performance

Revenue

+5.9%

£2,002.5m

(2011: £1,891.4m)

Operating profit before other items*

+7.2%

£111.7m

(2011: £104.2m)

Earnings per share before other items

+0.0%

22.6p

(2011: 22.6p)

Basic earnings per share

+10.2%

20.5p

(2011: 18.6p)

Dividend per share

+6.7%

9.6p

(2011: 9.0p)

Operating profit margin before other items*

5.6%

(2011: 5.5%)

2013 budgeted revenue secured

83%

(Prior year: 81%)

Order book

£8.6bn

+26%

(2011: £6.8bn)

Sales pipeline

£11.2bn

(2011: £11.4bn)

Net debt

£106.9m

0.81x EBITDA

(2011: £76.5m, 0.65x EBITDA)

Cash conversion

83.7%

(2011: 86.7%)

*excludes non recurring pension credit of £4.1m in 2011

Highlights of the year

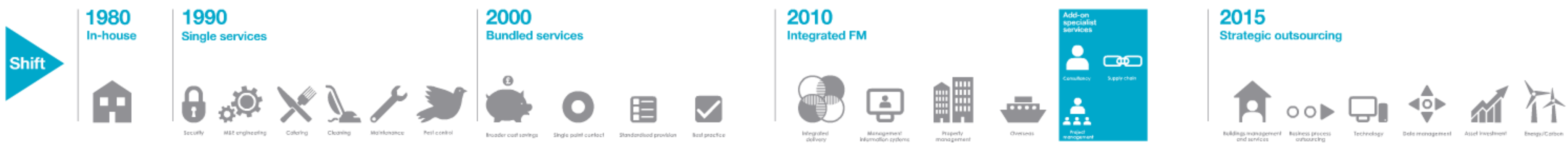
- Sector-leading organic revenue growth of 5.4%
  - Organic growth in operating profit before other items* 6.7%
- Delivered on our strategy with a series of transformational contract awards
  - Total potential value of six major contracts awarded ranges from £1.5bn to £2.2bn
    - Includes Lloyds Banking Group - total value £775m over five years
- Tremendous prospects for growth demonstrated by record order book and buoyant sales pipeline
  - Order book up 26%
  - 65% of revenues from private sector
- Margins increased to 5.6% (within target range of 5% to 6% - 2011: 5.5%*)
- Ranked as second largest energy services company in the UK
  - Energy services now a core part of client proposition - accounted for 34% of group revenues in the period
- Niche acquisitions have supported entry into new and specialist markets
  - Utilyx - a specialist energy and carbon consultancy
  - Direct Enquiries - the UK's leading access and disability consultancy

*excludes non recurring pension credit of £4.1m in 2011

Enablers for growth

- Significant order book and sales pipeline
  - 83% of 2013 budgeted revenues secured (prior year: 81%)
  - £8.6bn order book (up £1.8bn from 2011)
  - £11.2bn sales pipeline (2011: £11.4bn)
- Sector-leading integrated facilities and energy management proposition will underpin further organic growth
  - Excellent client relationships drive organic growth
  - Energy services capability transforms existing outsourcing model
  - Market-leading technology provides competitive edge
- Robust balance sheet
  - Low gearing and no significant pension deficit
  - Long-term committed financing facilities will support growth
- Incentives at all levels result in better performance and entrepreneurial culture

The outsourcing market evolves



Transformational contract awards

- Private Sector
  - Lloyds Banking Group
  - Cumbrian Collaboration
  - Diageo
- Public Sector
  - Ministry of Justice
  - Essex County Council
  - West Midlands Construction Framework
- Energy Services
  - Addenbrooke's
  - Cardenden
  - O-Gen Plymtrek

Private sector awards and renewals

- ## Key contracts retained and expanded

  Lloyds Banking Group: £775m to £930m over 5–6 years

  Integrated facilities, property and energy management
  One of our first clients in 1987
  c3,000 people transferring to MITIE (total c7,000 people)

  Cumbrian Collaboration: £200m to £280m over 5–7 years

  Integrated facilities and energy management
  Builds on our 11-year relationship with Sellafield Ltd
  500 buildings across a range of sites employing >500 people

  Diageo: £100m to £120m over 5 years

  Integrated facilities management, led by hospitality and catering services
  Significantly expanded a technical FM contract inherited with acquisition of Dalkia FM in Ireland
  70 sites across the UK and Ireland

- ## Other major contract awards

  Friends Life

  £28m over 5 years
  Integrated facilities and energy management

  LV=

  £20m over 4 years
  Manage and deliver building repair services

  Airline Operators Committee at Heathrow

  £17m over 3 years
  Hold baggage screening services

  Odeon Cinemas

  £14m over 3 years
  Cleaning and environmental services

Private sector opportunities

- 41% of the group's contracts are still single service contracts - expect a further shift to multi-service and integrated contracts
- Opportunities to repeat the growth achieved with Lloyds, Rolls-Royce and others, with a number of our existing clients over the short to medium term
  - Financial services, transport and retail markets in particular
- Energy services currently 34% of total group revenues
- International development driven by private sector relationships and shift towards pan-European procurement

Public sector awards and renewals

- **Key contracts awarded and retained/expanded**

  Ministry of Justice: £200m to £455m over 5–7 years

  Total facilities management contracts for HMCTS in the South of England + Brixton and Isis Prisons
  Appointed to the MoJ's Minor Works Framework in April 2011

  Essex County Council: £80m to £100m over 10 years

  Strategic outsourcing including facilities, energy, property and estates management
  500 people delivering services to over 350 sites across Essex

  West Midlands Construction Framework: £160m to £350m over 4-8 years

  Minor works and maintenance contract for all non-housing capital expenditure and maintenance
  Primarily within the Birmingham City Council South Area and available to 13 other Local Authorities

- **Other major new contracts awarded/expanded**

  Cambridge University: £11m over 18 months

  Mechanical, electrical and specialist services

  Luton Schools: £37m over 25 years

  Integrated FM for schools

  Lewisham Homes: £40m over 5 years

  Home improvement works as part of a major works programme
  Involves over 13,000 social housing tenants

  Office of Government Commerce NHS Framework

  TFM for St George's Healthcare NHS Trust: £10m over 5 years

Public sector opportunities

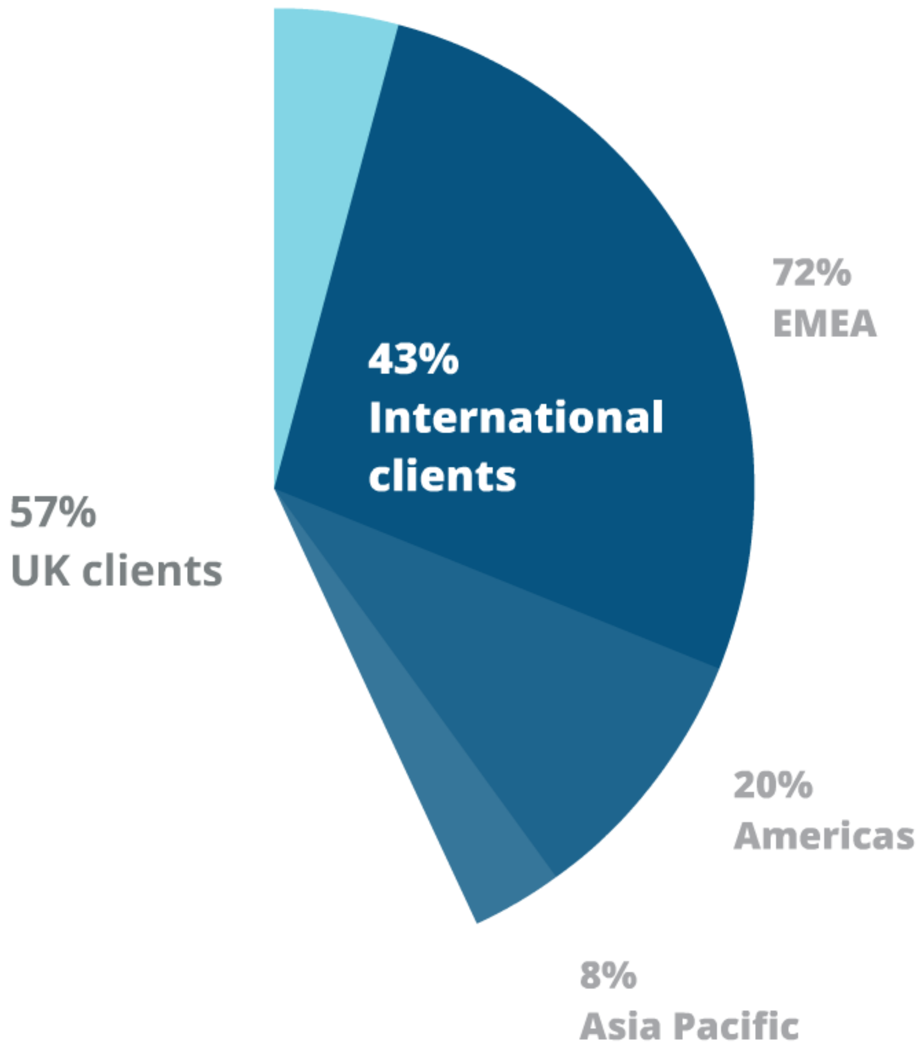
- **Justice**
  - MoJ pipeline of up to £1bn, markets include:
    - Total facilities management, prisons management, community payback, probation trusts
  - Home Office market opportunities: police services and immigration removal centres
  - Her Majesty's Prison Service: entered a partnership with HMPS in January 2012 to bid for the management of nine prisons
    - Signals a new approach to competition for the Prison Service and will allow us to compete for and manage 15-year prison contracts
- **Health**
  - Energy services framework agreement
- **Local authorities**
  - Trend to consolidate procurement across neighbouring authorities and use of frameworks
  - Bundling of adjacent services, eg. FM, utilities, estate management, work style, capital projects

International strategy progress

- Rolls-Royce pan-European contract to deliver total facilities and energy management developing well
  - Total 2012 revenues were c£80m
- Acquired the remaining 50% of the equity share capital of Service Management International (SMI) in July 2011
  - Provides an improved ability to compete for pan-European integrated FM contracts
- SMI awarded contract for integrated FM contract with Givaudan in Europe: £23m over 4 years
  - Switzerland, Germany, Holland and Spain

Following our clients overseas

Top 100 clients



Energy awards

- ## Key development

NHS Carbon and Energy Fund: £200m framework

Accepted as a partner in the capital fund

Enables Trusts to upgrade their energy infrastructure to save energy, carbon, money

↓

May 2012 - appointed preferred bidder to develop a major new innovation centre to power the world famous Cambridge Biomedical Campus (Addenbrooke's Hospital)

- ## Key contract awards

O-Gen Plymtrek – 10 years

Developing an energy centre in Plymouth which will convert waste wood to renewable heat and power

Camden Council – 15 years

Innovative energy scheme providing surplus heat from a hospital energy plant to 1,500 council tenants

Cambridge University Hospitals NHS Foundation Trust

Developing an energy centre at Addenbrooke's Hospital

Saving 30,000 tonnes of CO2

Low carbon and energy efficient technologies eg. biomass, CHP

Ore Valley Housing Association

Delivering an energy centre in Cardenden, Fife

Creating Scotland's largest energy self-sufficient community

More than 1,200 homes will benefit

The converging forces are well established in the market

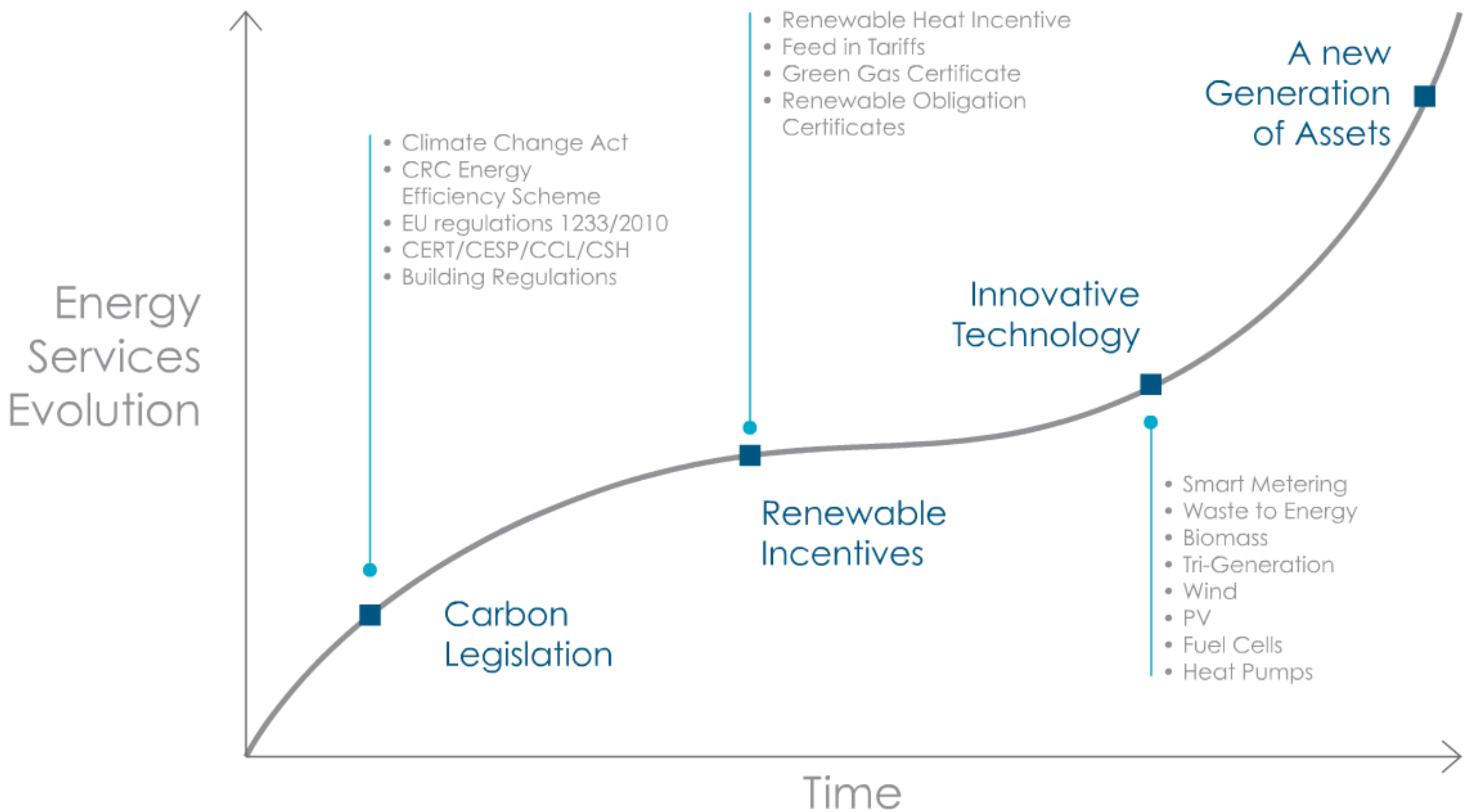
Efficiency
without loss

Security
of supply

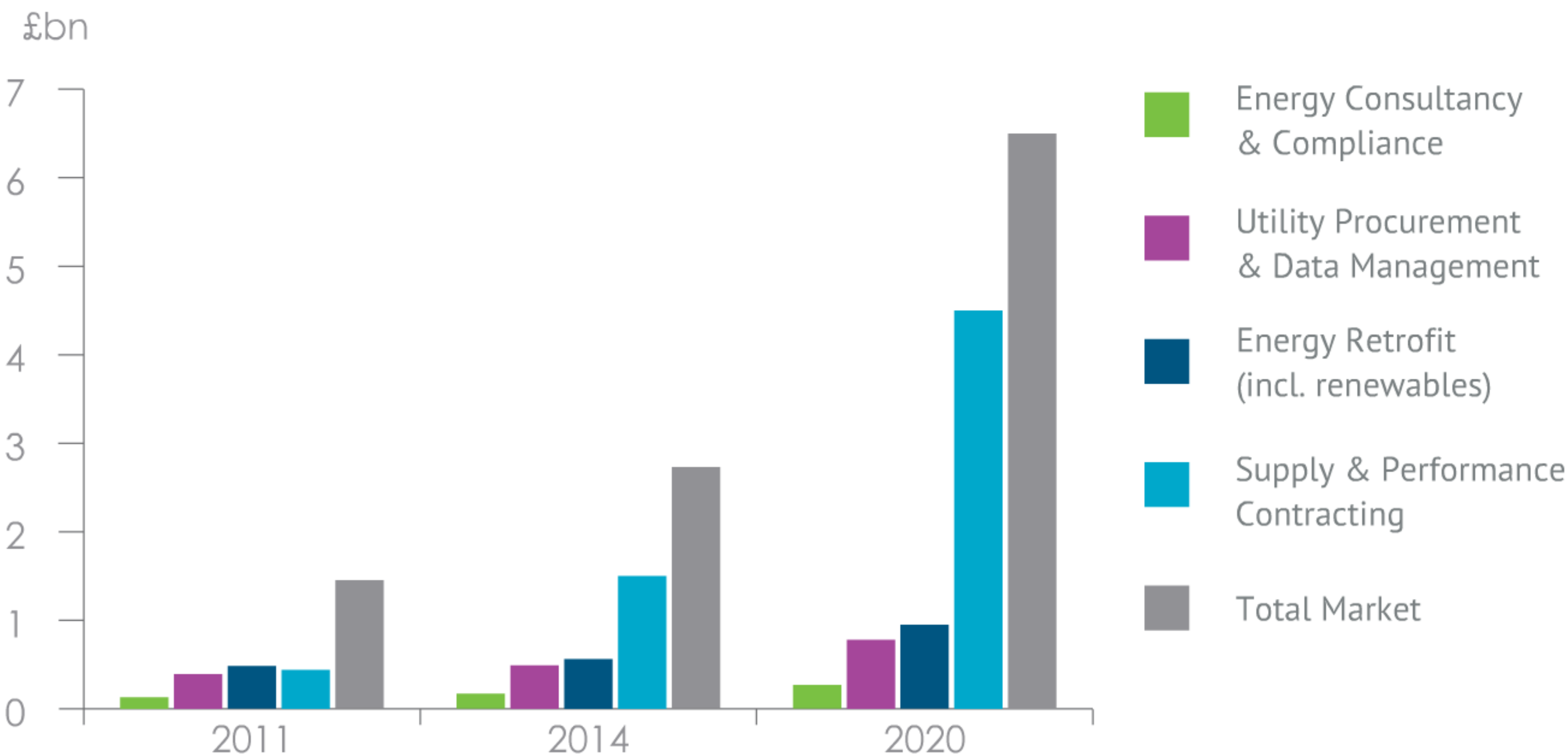
Low carbon
technology

Flexibility
to meet demand

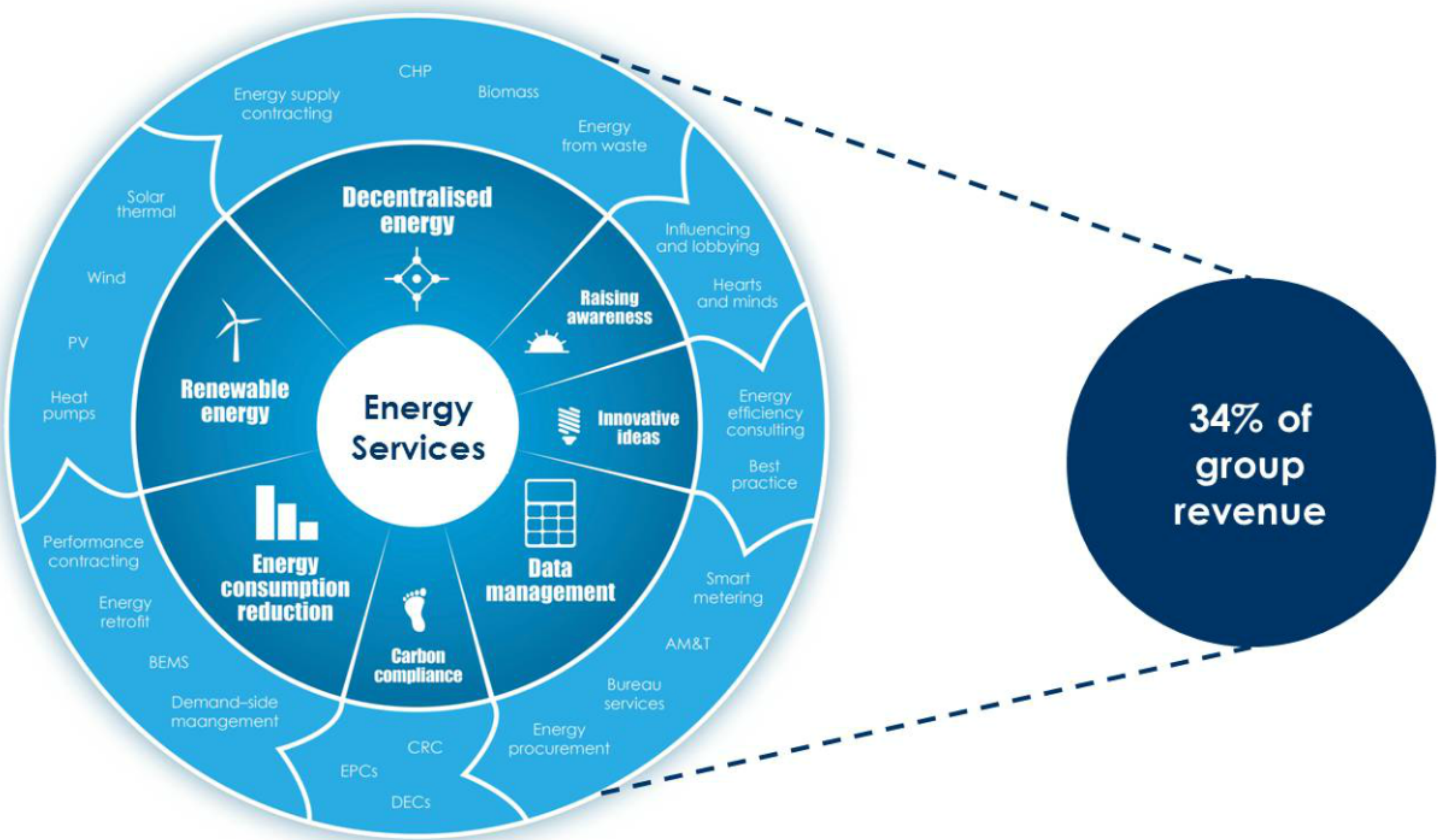
The drivers are in place for growth



The UK energy services market is forecast to grow rapidly



Our energy services proposition



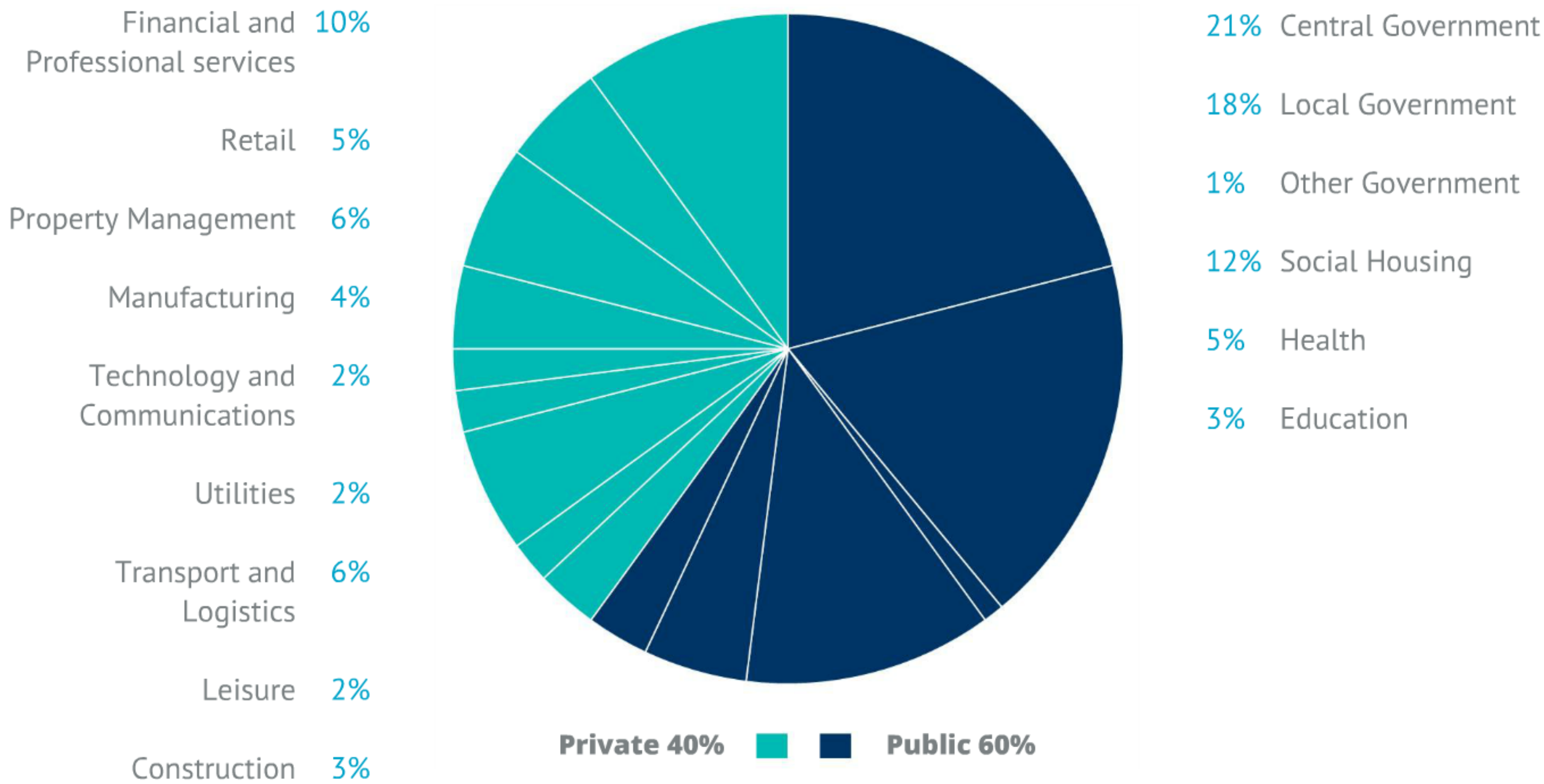
Order book

+£1.8bn

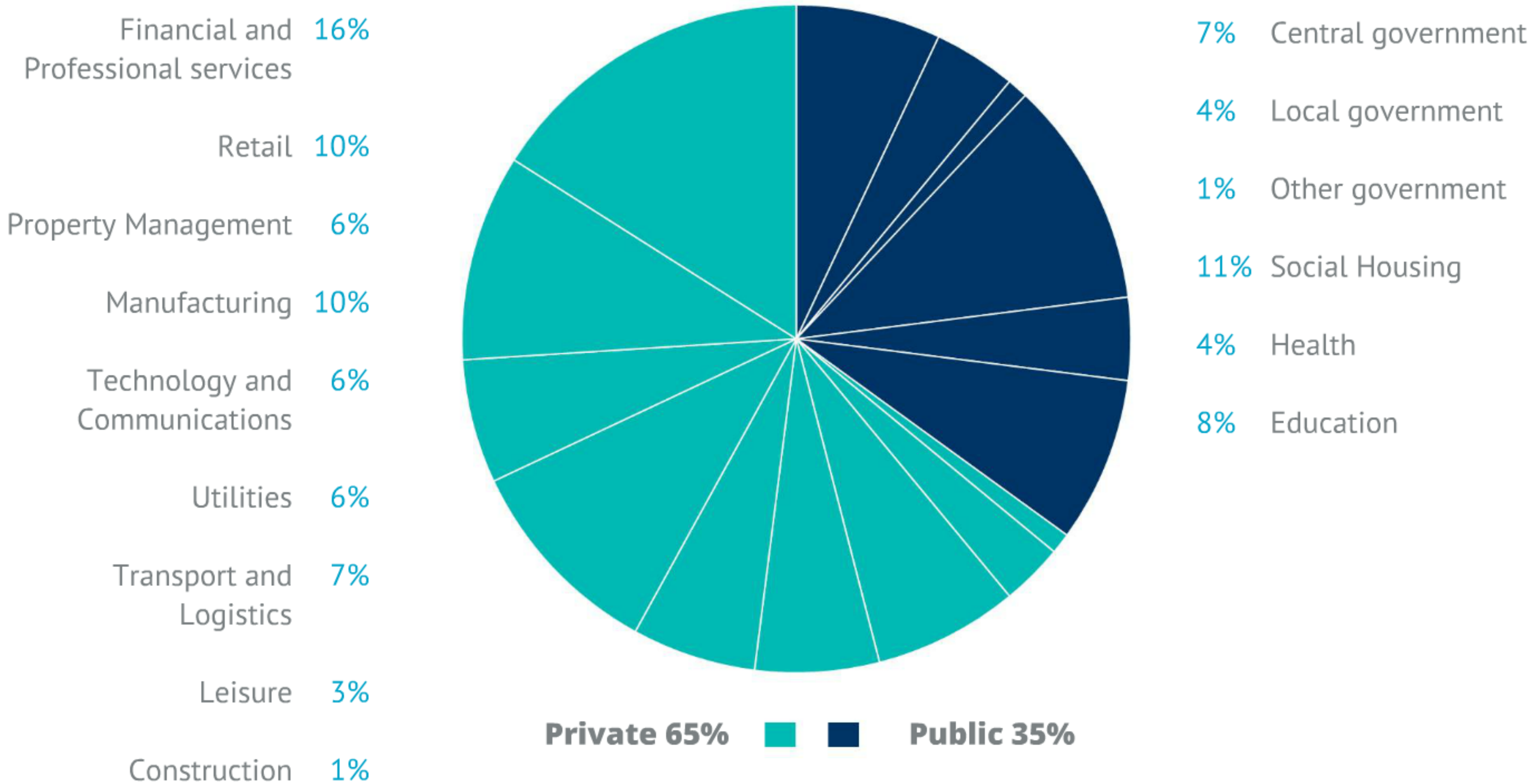
A series of transformational contract awards and retentions this year have increased our secured order book by:

+26% to £8.6bn

Sales pipeline of £11.2bn



Revenue by market sector



Technology

These developments are critical to MITIE and differentiate us within the market place

The MITIE Model

Equity models support growth and innovation

Launched a £10m Entrepreneurial Fund in January 2011 to expand the MITIE model - nearly £5m already invested:

- Technical Facilities Services
- Ireland
- Business Services outside London
- Events and Leisure
  - Awarded soft FM services contracts at O2 Arena and Ascot during the year

Acquisitions

Utilyx

- Acquired in January 2012
- Manages the business impact of energy consumption and rising energy costs - including strategic planning, procurement and risk management
- Purchases a significant proportion of the UK corporate energy market on behalf of clients across industrial, commercial and public sectors

Direct Enquiries

- Acquired a majority stake in December 2011
- UK's leading access and disability consultancy - provides a range of services which allows clients to minimise the risk and maximise the benefits of embracing equality
- Audits around access for disabled people, supported by compliance reviews covering fire as well as health & safety risk
- Operates free online directories - directenquiries.com, inclusivebritain.com and inclusivelondon.com - information for people with specific access requirements

Excellent financial performance

Revenue
+5.9%
£2,002.5m
(2011: £1,891.4m)

Operating profit before other items*
+7.2%
£111.7m
(2011: £104.2m)

Earnings per share before other items
+0.0%
22.6p
(2011: 22.6p)

Basic earnings per share
+10.2%
20.5p
(2011: 18.6p)

Dividend per share
+6.7%
9.6p
(2011: 9.0p)

Operating profit margin before other items*
5.6%
(2011: 5.5%)

2013 budgeted revenue secured
83%
(Prior year: 81%)

Order book
£8.6bn
+26%
(2011: £6.8bn)

Sales pipeline
£11.2bn
(2011: £11.4bn)

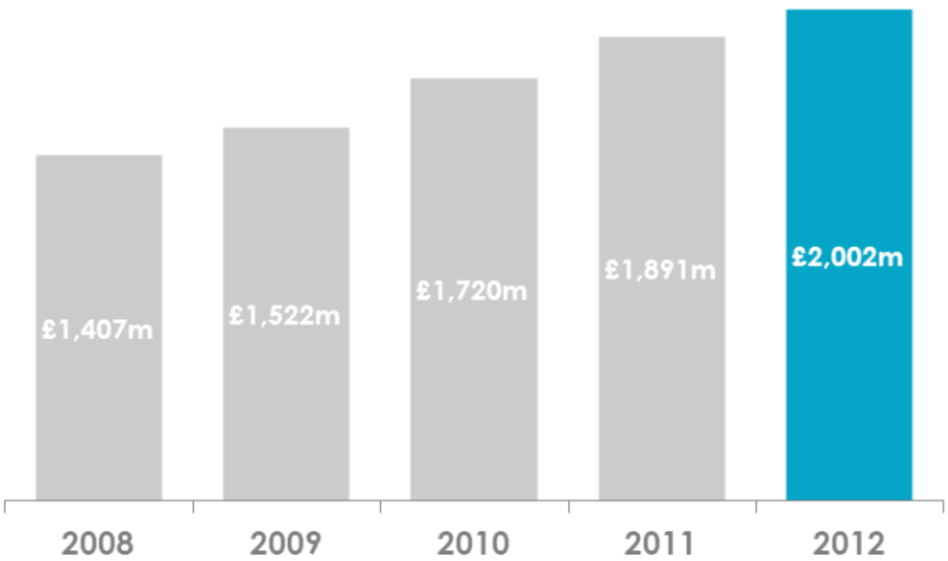
Net debt
£106.9m
0.81x EBITDA
(2011: £76.5m, 0.65x EBITDA)

Cash conversion
83.7%
(2011: 86.7%)

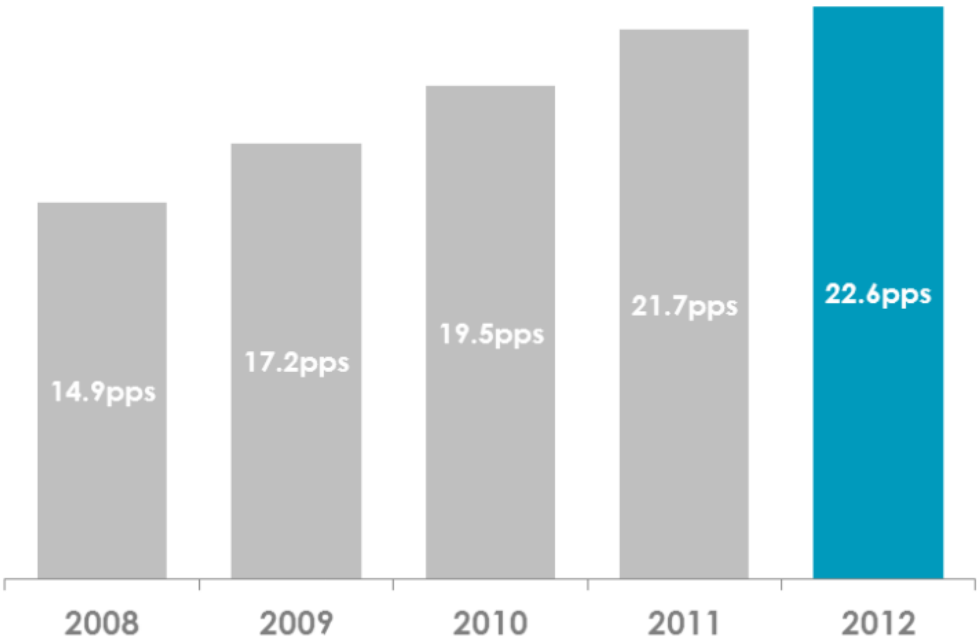
*excludes non recurring pension credit of £4.1m in 2011

Continuing track record of growth

Revenue (£m)



Basic EPS before other items* (p)



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Summary financial results

	FY 2012	FY 2011	Growth %
Revenue (£m)	**2002.5**	1891.4	5.9%
Operating profit before other items (£m)*	**111.7**	104.2	7.2%
Operating profit margin*	**5.6%**	5.5%	0.1pp
Profit before tax and other items (£m)	**104.5**	105.7	(1.1%)
Effective tax rate before other items	**23.8%**	25.0%	(1.2)pp
Basic EPS before other items (pence per share)	**22.6**	22.6	0.0%
Basic EPS (pence per share)	**20.5**	18.6	10.2%
Dividend (pence per share)	**9.6**	9.0	6.7%

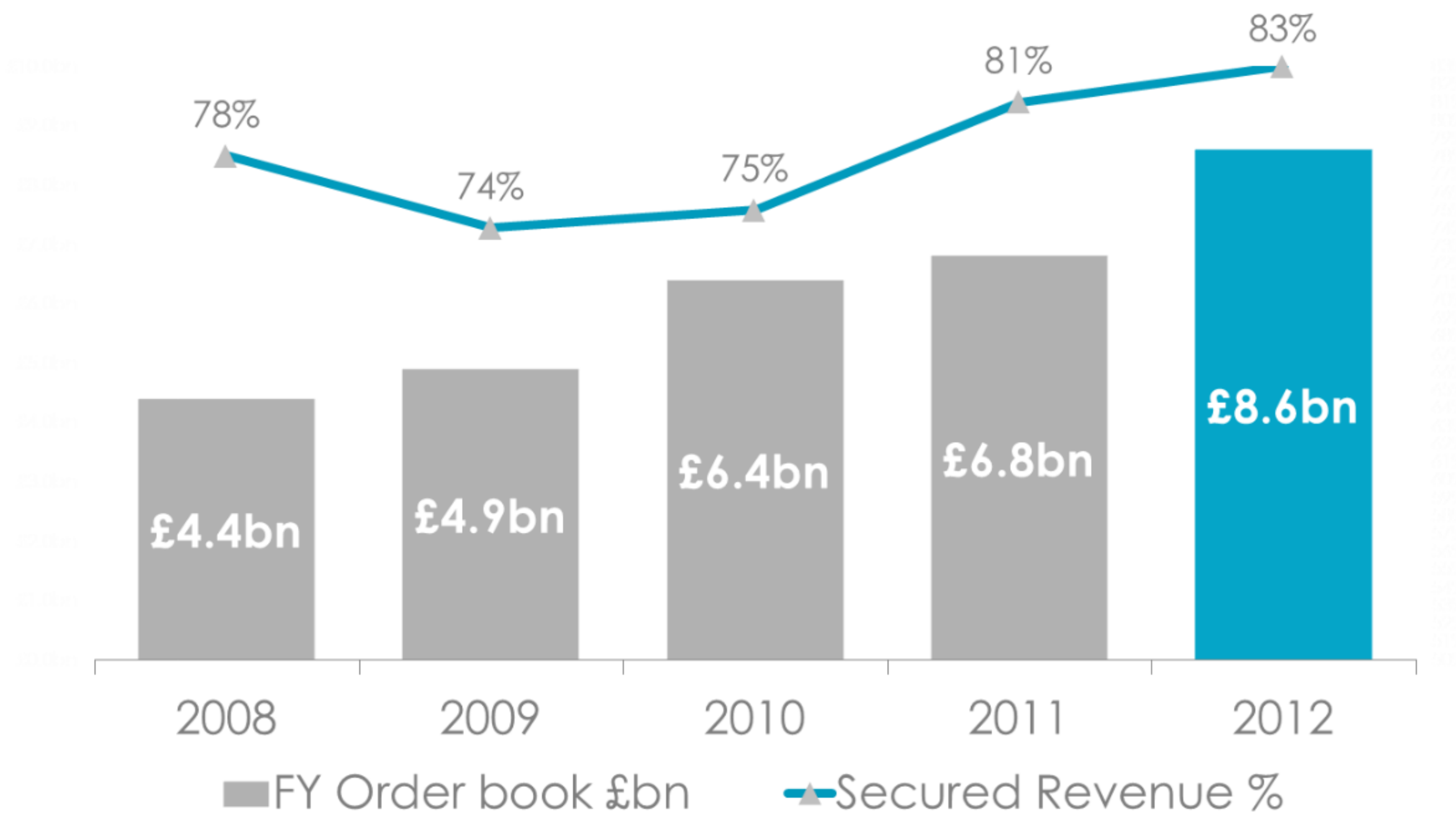
* Operating profit before other items in the year ended 31 March 2011 included non-recurring income of £4.1m arising from an amendment to the past service cost of certain defined benefit pension schemes following the change from RPI to CPI for the valuation of certain pension scheme liabilities. Operating profit before other items, margin, and related growth statistics stated exclude the £4.1m from the prior year result in order to reflect the underlying operational performance of the group

Financial indicators

KPI	Target	FY 2012	FY 2011
Conversion of EBITDA to cash	Over 80% of Group EBITDA converted to cash	**83.7%**	86.7%
Operating profit margin before other items*	Maintain operating margins between 5.0% - 6.0%	**5.6%**	5.5%
Capital expenditure	Maintain below 2.0%	**1.3%**	1.4%
Dividend growth	Broadly in line with the underlying earnings of the group	**6.7%**	15.4%
Order book	Growth in line with strategy	**£8.6bn**	£6.8bn
Secured revenue		**83%**	81%

*Excludes non recurring pension credit of £4.1m in 2011

£1.8bn growth to £8.6bn
Record order book, up by 26%



Strong growth of 5.9%
Segmental revenue

Revenue (£m)	FY 2012	FY 2011	Growth %
Facilities Management	**937.3**	882.2	6.2%
Technical Facilities Management	**472.8**	437.1	8.2%
Property Management	**524.3**	509.7	2.9%
Asset Management	**68.1**	62.4	9.1%
Total group	2,002.5	1,891.4	5.9%

Strong growth of 7.2%

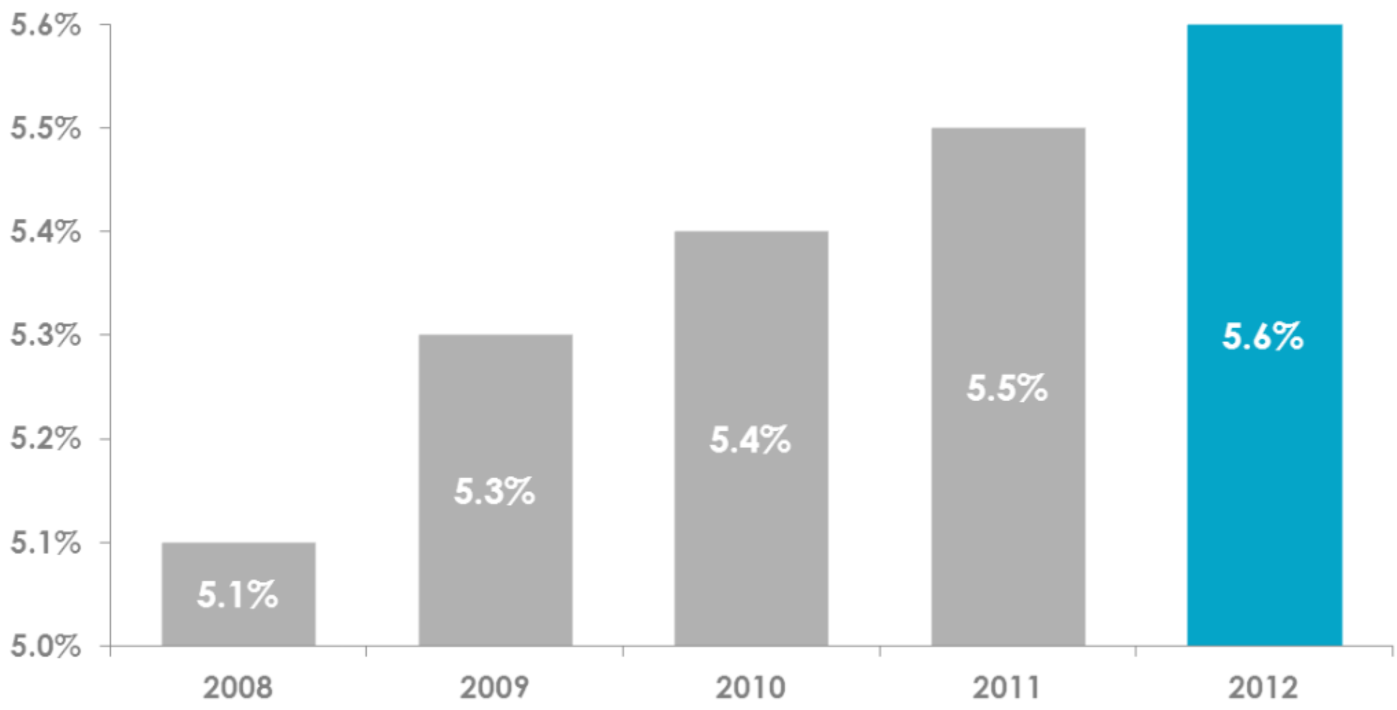
Segmental operating profit

Operating profit before other items (£m)*		FY 2012	FY 2011	Growth %
Facilities Management	Operating profit	61.9	56.2	10.1%
	Margin %	*6.6%*	*6.4%*	*0.2pp*
Technical Facilities Management	Operating profit	26.9	24.6	9.3%
	Margin %	*5.7%*	*5.6%*	*0.1pp*
Property Management	Operating profit	20.2	21.4	(5.6%)
	Margin %	*3.9%*	*4.2%*	*(0.3)pp*
Asset Management	Operating profit	2.7	2.0	35.0%
	Margin %	*4.0%*	*3.2%*	*0.8pp*
Total group before other items*	***Operating profit***	**111.7**	**104.2**	**7.2%**
	Margin %	***5.6%***	***5.5%***	***0.1pp***
Pension credit	Operating profit		4.1	
Total group	**Operating profit**	**111.7**	**108.3**	**3.1%**
	Margin %	***5.6%***	***5.7%***	***(0.1)pp***

* Excludes non recurring pension credit of £4.1m in 2011

Developing margin

Operating profit before other items* margin remains strong



* Excludes non recurring pension credit of £4.1m in 2011

Finance costs

£m	FY 2012	FY 2011
Interest on bank deposits	0.4	0.2
Other interest receivable	-	0.2
Total interest received	**0.4**	**0.4**
Interest on bank loans	2.0	1.7
Interest on PP	3.7	1.1
Facility Fees	1.5	0.3
Funding costs	**7.2**	**3.1**
Finance lease Interest	0.4	0.3
Movement in respect of derivative financial instruments	0.2	(0.1)
Unwinding of discount on deferred contingent consideration		0.1
Total interest expense	**7.8**	**3.4**
Less: amounts included in the cost of qualifying assets	(0.2)	(0.3)
Finance Costs	**7.6**	**3.1**

Other items

£m	FY 2012	FY 2011
Amortisation (acquisition related)	9.1	8.9
Integration costs	-	4.8
Acquisition costs	1.8	0.3
Restructuring cost of Property Management	-	4.8
Deferred consideration not paid	(0.9)	-
Total Other items included in operating profit	**10.0**	18.8
Unwinding of discount on deferred contingent consideration	-	0.1
Total Other items included in profit before tax	**10.0**	18.9

Acquisitions

- Acquisition of 100% of Utilyx Holdings Limited, an energy consultancy, for total consideration of up to £16.4m
- Earn out of five minority companies for £14.6m, paid in 5.3m MITIE shares and £2.0m cash. New shares issued were offset by a share buyback
- Increased stake in Service Management International Limited to 100% for total cash consideration of £1.5m
- Acquisition of 51% of the share capital of Direct Enquiries Holdings Limited, with the option to acquire the remaining 49% for consideration of up to £8.3m

Strong balance sheet

£m	FY 2012	FY 2011
Goodwill and other intangible assets	**413.5**	397.7
Other non-current assets*	**105.1**	80.0
Current assets*	**512.8**	475.6
Current liabilities*	**(475.8)**	(454.2)
Non-current liabilities*	**(32.4)**	(24.6)
Net debt	**(106.9)**	(76.5)
Net assets	**416.3**	398.0

* Excluding cash and funding balances

Provisions

£m	Deferred contingent consideration	Insurance Reserve	Total
At 1 April 2011	4.5	8.2	12.7
Amounts recognised in the income statement	(0.9)	(1.1)	(2.0)
Deferred contingent consideration settled during the period	(3.8)	-	(3.8)
Utilised within the captive insurance subsidiary	-	(2.7)	(2.7)
Amounts recognised through goodwill	1.4	-	1.4
At 31 March 2012	**1.2**	**4.4**	**5.6**
Included in current liabilities			1.2
Included in non-current liabilities			4.4
Total			**5.6**

No significant pension deficit

£m	Group scheme	Other schemes	Total
Pension assets	120.7	10.7	131.4
Pension obligations	(137.9)	(10.6)	(148.5)
Contract adjustment	-	(0.2)	(0.2)
Deficit	(17.2)	(0.1)	(17.3)
% of group net assets			4.2%

- Triennial review and actuarial valuation of the group's principal defined benefit pension scheme was completed as at 1 April 2011; with no lump sum top up requirement
- Driver of change has been the movement in discount factors driven by bond yield curves

Mobilisation costs
Investment in organic growth

		H1 11/12		H2 11/12		
£m	2011	Additions	Recognised in income statement	Additions	Recognised in income statement	**2012**
	15.4	2.8	(2.6)	9.2	(3.8)	**21.0**

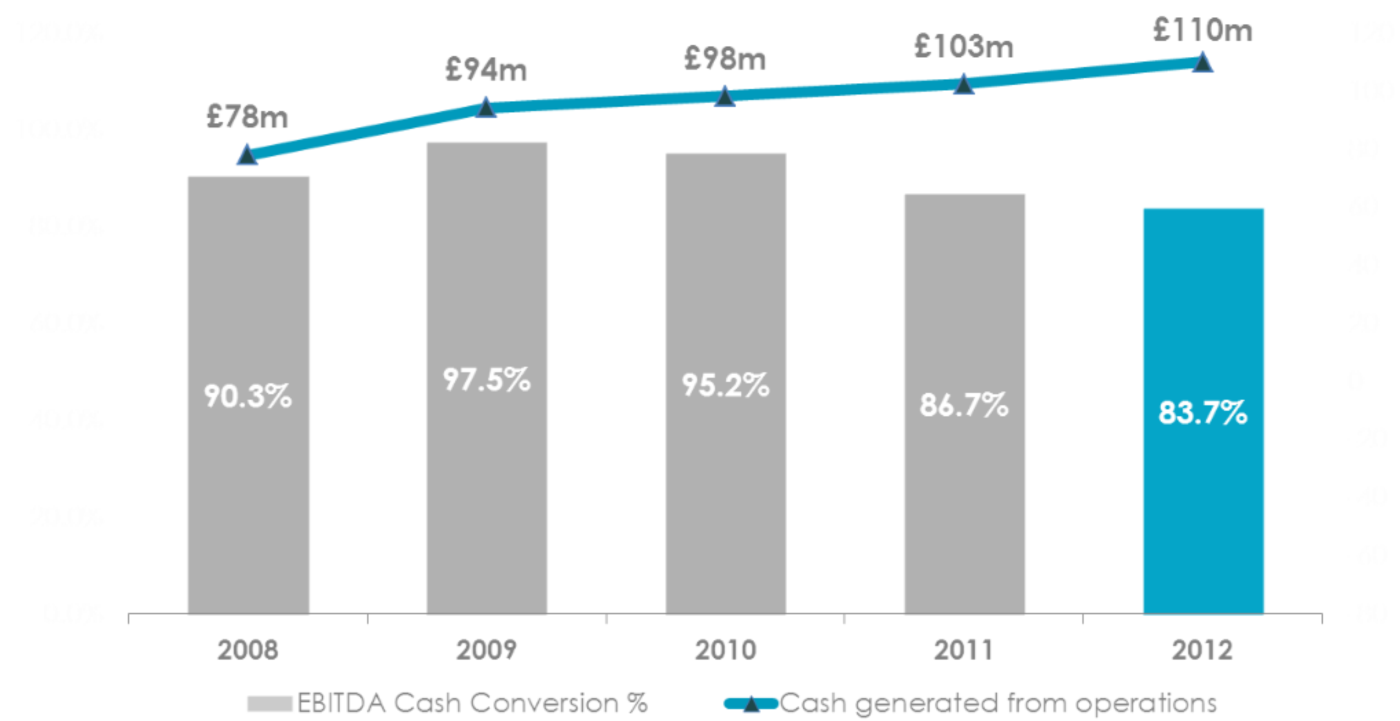
Ageing £m	2012
< 1 year	7.3
1 – 5 years	12.7
> 5 years	1.0

- MITIE defines mobilisation costs as those costs incurred after appointment of preferred bidder but prior to commencement of services
- Costs must relate directly to the contract, be separately identifiable and reliably measured
- Amounts capitalised must be less than estimated future net cash flows
- Costs are amortised over the life of the contract
- If the contract becomes loss making, any unamortised costs are written off immediately
- Full accounting policy can be found within the Annual Report and Accounts 2012

Cash conversion

Excellent conversion of 83.7%

- Above the stated KPI of 80% cash conversion*



*Cash conversion is defined as the conversion of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) to operating cash on a rolling 12-month basis

Cash flow and net debt

Low leverage with net debt of £106.9m, at 0.81x EBITDA

£m	FY 2012	FY 2011
Opening net debt	**(76.5)**	(86.6)
Operating cash flows	133.5	112.9
Movement in working capital	(23.3)	(10.4)
Cash generated by operations	**110.2**	102.5
Tax and other operating items	(34.4)	(16.8)
Acquisitions	(23.9)	(11.8)
Other investing activities	(36.1)	(22.8)
Financing activities*	(46.2)	(41.0)
(Increase)/decrease in net debt	**(30.4)**	10.1
Closing net debt	**(106.9)**	(76.5)
Net debt to EBITDA multiple (rolling 12 months)	***0.81x***	*0.65x*
Cash Conversion %	**83.7%**	86.7%

*Adjusted for movement in bank loans, private placement notes, loan notes and finance leases

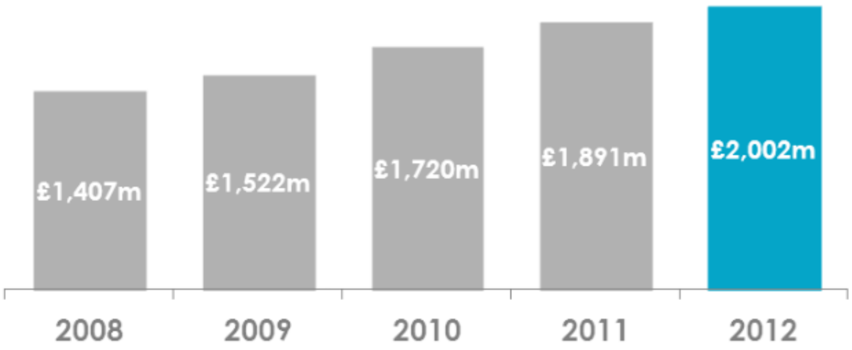
Long-term facilities to fund growth

Facility maturity profile

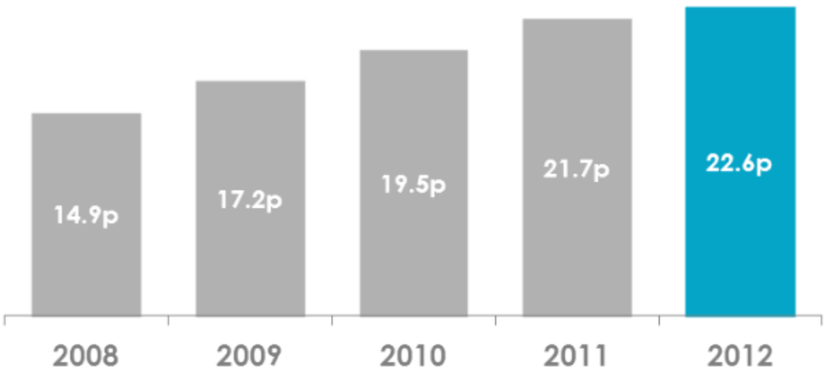
	Amount	Cost	Repayment
Core banking facilities			
- from July 2011	£250.0m	LIBOR +130-225bp	Sep-15
Overdraft	£40.0m	Base rate + 100-175bp	On demand
US private placement loan notes	$96.0m	$48.0m fixed at 3.88% $48.0m at £ LIBOR + 126bp	Dec-17
	£40.0m	Fixed at 4.38%	Dec-19

Strong sustainable profitable growth

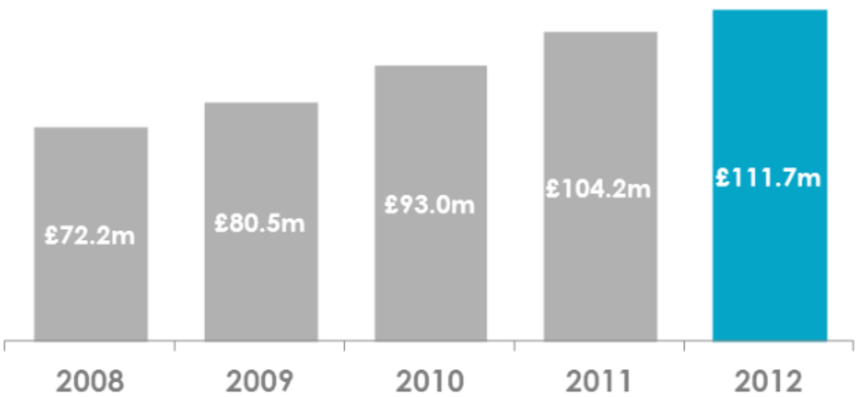
Revenue



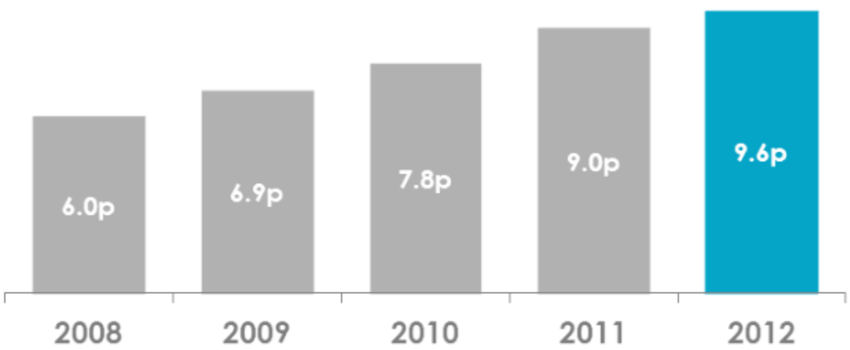
Basic EPS before other items*



Operating profit before other items*

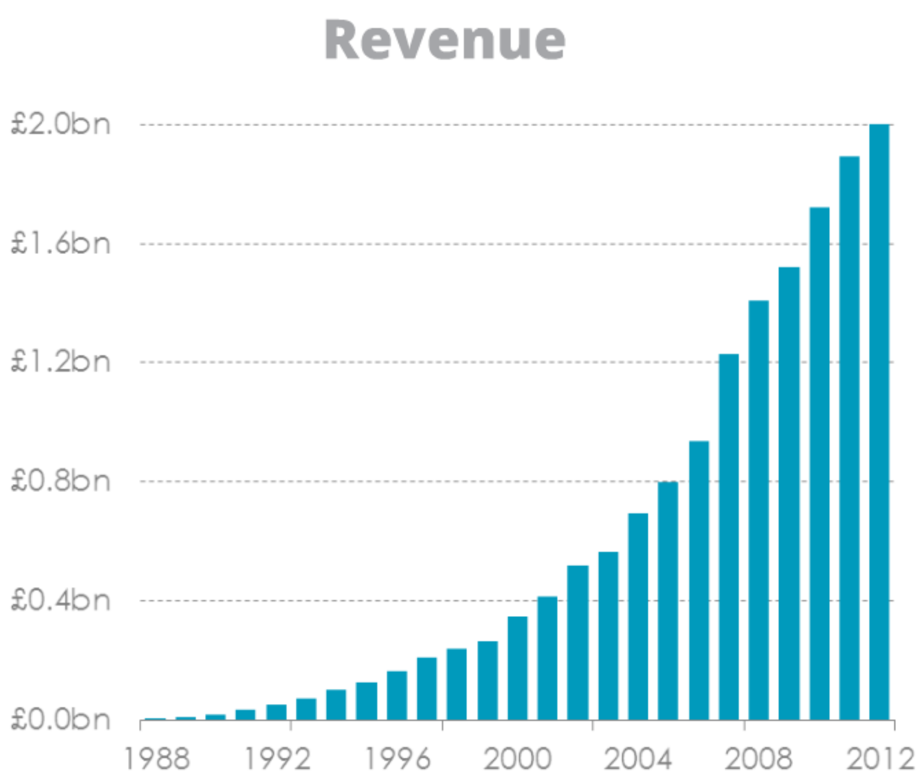


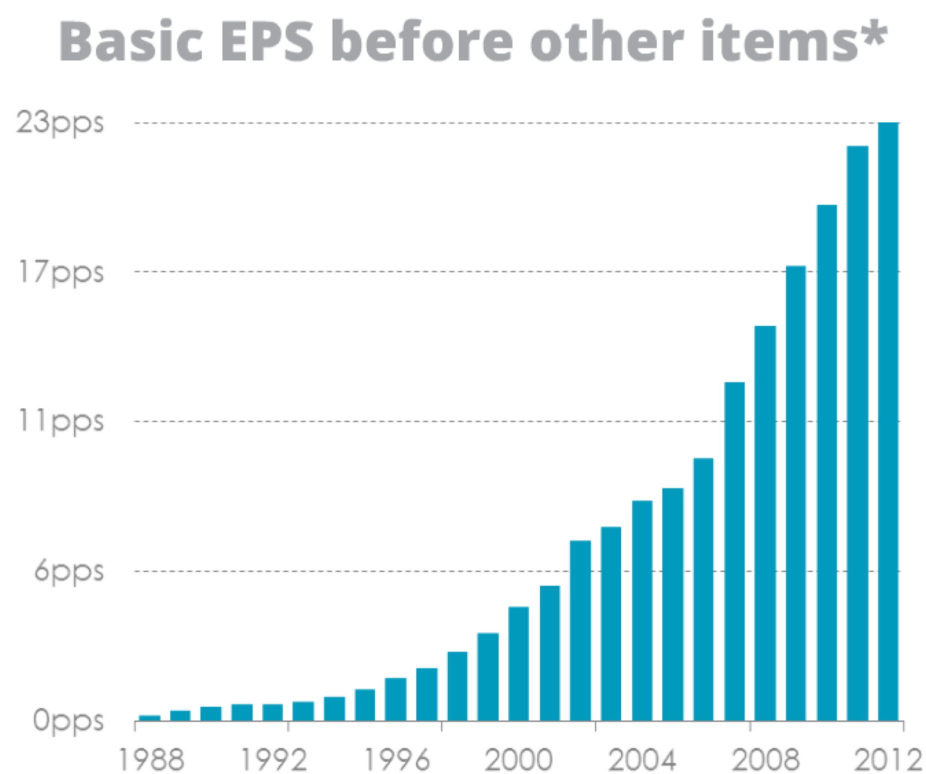
Dividend per share



* Excludes non recurring pension credit of £4.1m in 2011

Outstanding track record of growth





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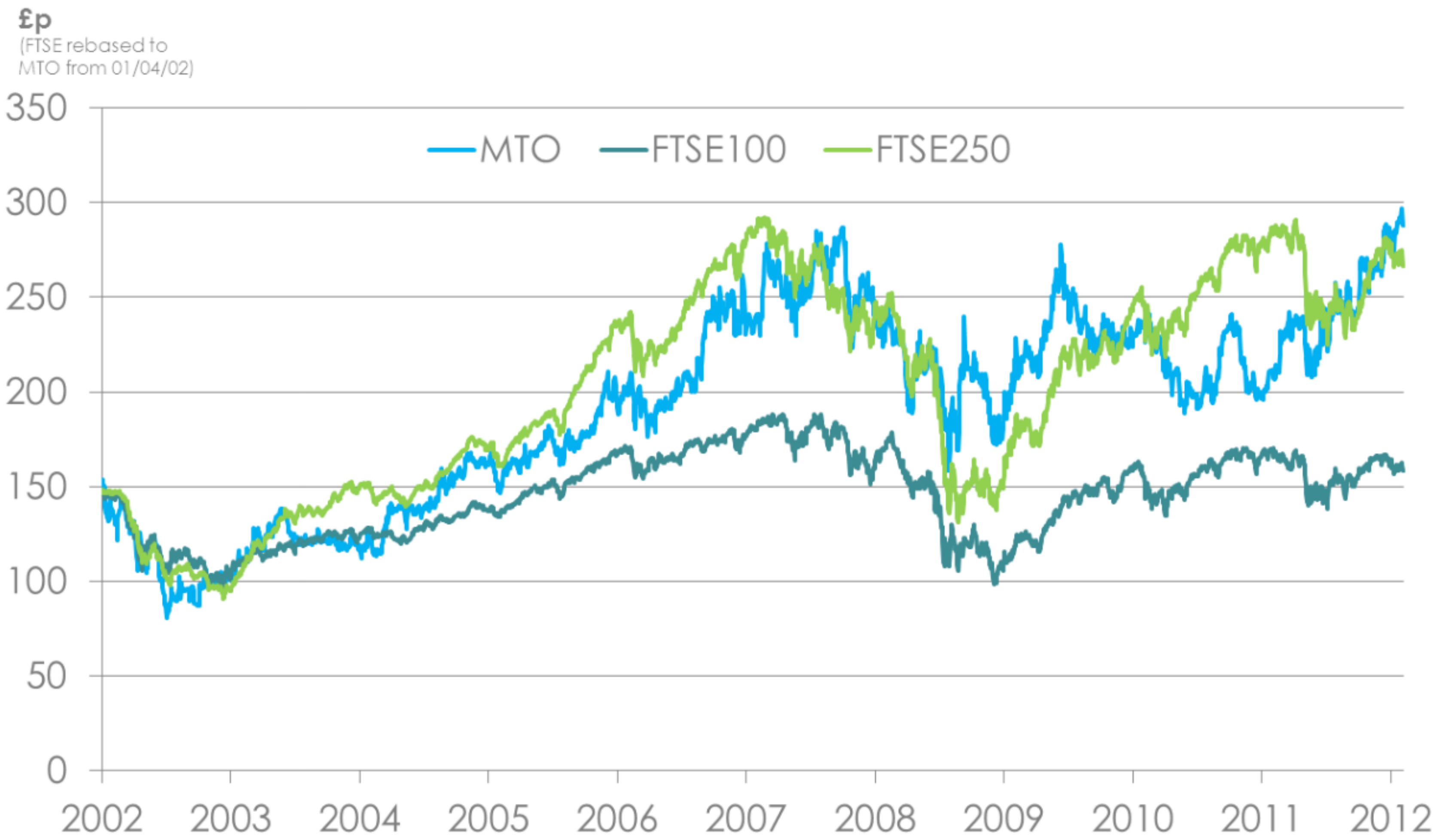
Share price growth well ahead of FTSE 100



Highlights of the year

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  - Organic growth in operating profit before other items* 6.7%
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  - Energy services now a core part of client proposition - accounted for 34% of group revenues in the period
- Niche acquisitions have supported entry into new and specialist markets
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Outlook

- Well-positioned to increase market share in outsourcing and energy services
  - Market-leading integrated FM capabilities will drive further organic growth with existing client base
  - Energy proposition supports every key energy issue faced by our clients
  - Selective international expansion over the next five years
  - Focus on delivering better quality services, innovation and efficiency differentiates us in the marketplace
- Excellent visibility of revenues, record order book and substantial pipeline of opportunities
- Financial strength provides platform for acquisitions to enhance capabilities
  - Focus on areas such as energy, healthcare and justice
- Confident of continued, sustainable profitable growth