



Mitie Group plc

The UK's leading Facilities Management business

Analyst Presentation FY 18/19
6 June 2019



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This announcement contains inside information.

Agenda



FY 18/19 Financial review

Paul Woolf, CFO

FY 18/19 Strategic review and outlook

Phil Bentley, CEO

Q&A



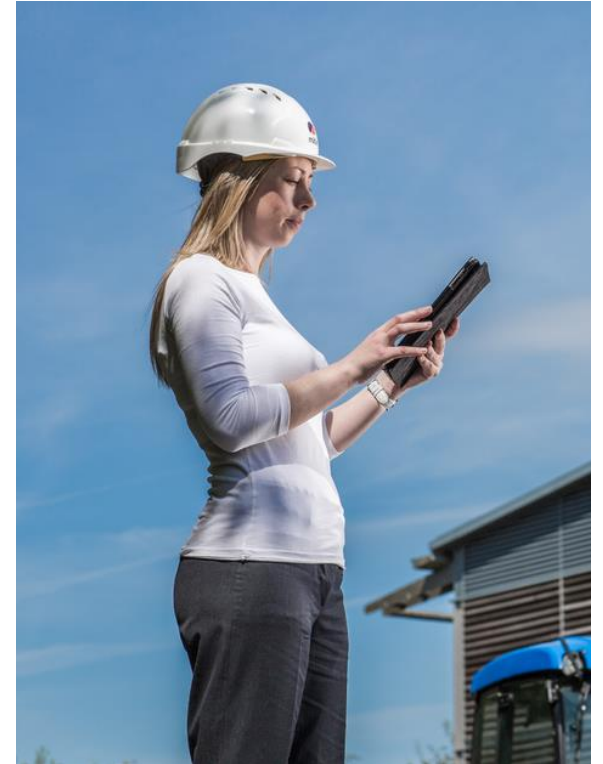
Financial review FY 18/19

Paul Woolf, CFO

FY 18/19 financial highlights



- **FY 18/19 results show continued growth momentum**
 - Organic revenue growth (excl. VSG) of 5.5%
 - Operating profit² growth of 6.0% to £88.2m
 - Order book stable and pipeline is growing
- **Balance sheet strengthened**
 - Net debt reduced to £141m (FY 17/18: £194m)
 - Leverage reduced to 1.3x EBITDA
 - Continued balance sheet normalisation as we pay our suppliers faster
 - Successful disposal of two businesses
- **Full year dividend of 4.0p (FY 17/18: 4.0p)**



Financial summary



	FY 18/19 ¹	FY 17/18 ¹	Movement	
	£m	£m	£m	%
Revenue	2,221.4	2,030.6	190.8	9.4
Operating profit ²	88.2	83.2	5.0	6.0
<i>Operating profit margin²</i>	4.0%	4.1%		(0.1) ppt
Profit before tax and other items	74.4	66.7	7.7	11.5
Other items	(38.0)	(82.1)	44.1	nm
Profit/(loss) before tax	36.4	(15.4)	51.8	nm
EPS before other items (basic)	16.8 p	15.2 p	1.6 p	10.5

Net debt	FY 18/19	FY 17/18	Movement
	£m	£m	£m
Period end	(140.7)	(193.5)	52.8
Average	(302.0)	(286.1)	(15.9)

Revenue



	FY 18/19 ¹	FY 17/18 ^{1,2}	Movement		<ul style="list-style-type: none"> • Organic revenue growth of 5% • Top 50 customers grew ~8%
	£m	£m	£m	%	
Engineering Services	905.7	886.3	19.4	2.2	Growth in top accounts including related project work offset prior year losses
Security	536.5	432.0	104.5	24.2	Strong organic performance (+6%) together with part year impact of VSG acquisition
Professional Services	131.4	131.2	0.2	0.2	Good growth in Waste offset exit from loss-making contracts in International
Cleaning	404.4	384.1	20.3	5.3	Growth driven by prior year contract wins
Care & Custody	107.3	59.9	47.4	79.1	Big impact from D&E win plus growth in underlying business
Catering	136.1	137.1	(1.0)	(0.7)	Core G&G growth offset by weaker performance in outside events
Mitie	2,221.4	2,030.6	190.8	9.4	
Mitie excl.VSG	2,141.8	2,030.6	111.2	5.5	

¹ Continuing operations

² Segments represented to reflect changes in management reporting implemented in FY 18/19

Operating profit

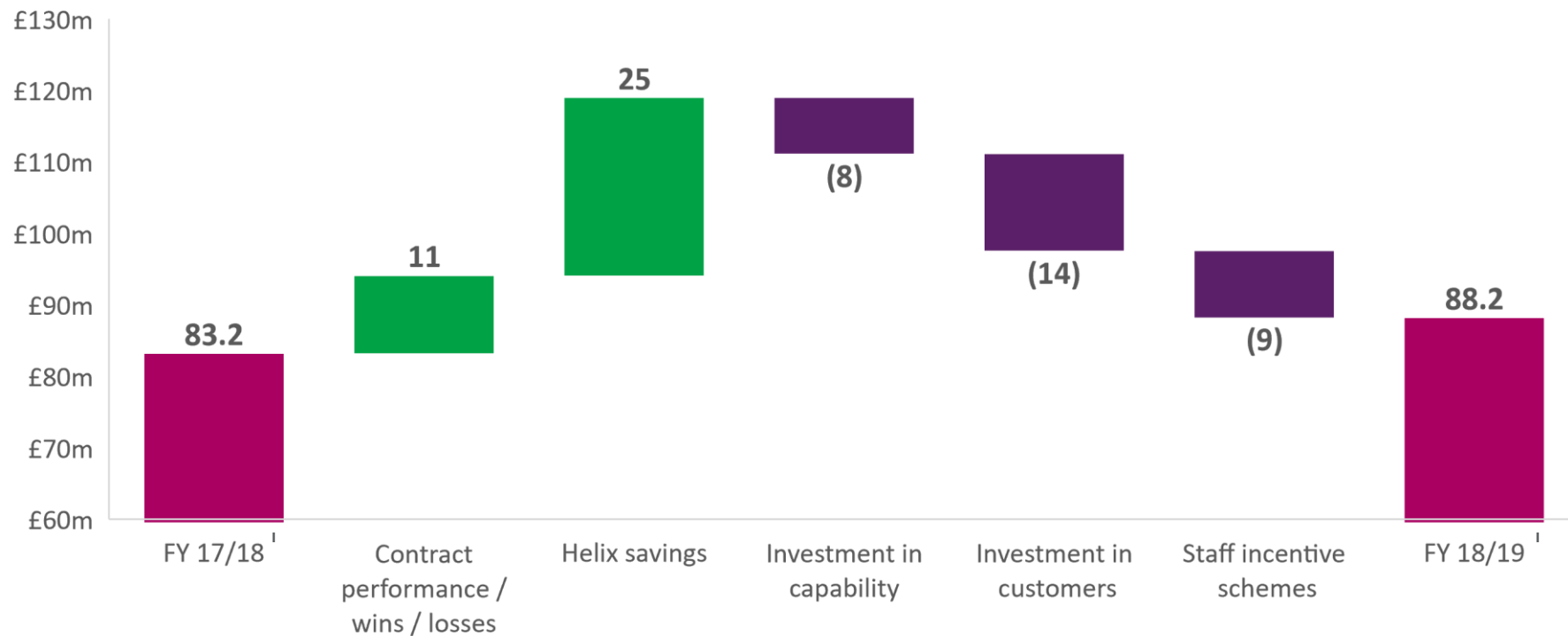


	FY 18/19 ¹	FY 17/18 ^{1,2}	Movement		
	£m	£m	£m	%	
Engineering Services	58.7	54.1	4.6	8.5	Strong performance in strategic accounts and efficiency savings partly offset by investment into customers
Security	30.7	27.5	3.2	11.6	Continued good growth in profitability of underlying business plus positive benefits from VSG
Professional Services	5.6	5.6	-	-	Benefits from focus on higher margin activities reinvested back into supporting Mitie strategic accounts
Cleaning	17.5	19.6	(2.1)	(10.7)	Margin drag from prior year contract wins
Care & Custody	3.9	1.9	2.0	105.3	Growth mainly from D&E contract even after expensing £3m mobilisation costs
Catering	5.2	5.6	(0.4)	(7.1)	Inflationary pressures largely offset through better buying, labour control and reduced consumables. Decline mainly due to outside events
Corporate centre	(33.4)	(31.1)	(2.3)	(7.4)	Reinstatement of staff incentive schemes and annualisation of prior year investments
Mitie	88.2	83.2	5.0	6.0	

¹ Continuing operations before other items

² Segments represented to reflect changes in management reporting implemented in FY 18/19

Operating profit bridge



Cash flow



Operating cash flow	FY 18/19	FY 17/18
	£m	£m
EBITDA continuing	107.7	106.2
Discontinued operations ^{1,2}	(20.0)	2.5
Pension deficit payments	(10.5)	(3.0)
Other & adjusting items	(37.7)	(38.5)
Operating cash flow before working capital	39.5	67.2
Working capital	8.0	(75.1)
Operating cash flow	47.5	(7.9)
Capex	(18.6)	(23.2)
Interest	(12.2)	(13.3)
Tax	4.7	11.6
Free cash flow	21.4	(32.8)

Free cash flow and movement in net debt	FY 18/19	FY 17/18
	£m	£m
Free cash flow	21.4	(32.8)
Acquisitions / disposals	43.5	(9.7)
Dividends	(14.4)	(4.8)
FX and other	2.3	1.0
Movement in net debt	52.8	(46.3)
Opening net debt	(193.5)	(147.2)
Movement in net debt	52.8	(46.3)
Closing net debt	(140.7)	(193.5)

¹ FY 18/19 = (2.0) EBIT + 0.4 D&A - 17.9 gain on disposal - 0.5 profit from JV and associates = (20.0)

² FY 17/18 = (9.4) EBIT + 0.8 D&A + 11.9 impairment of goodwill - 0.8 profit from JV and associates = 2.5

Underlying working capital reduced significantly in H2



Movement in underlying working capital	FY 18/19		
	H1	H2	FY
	£m	£m	£m
Movement in reported working capital	(34)	42	8
Reduced invoice discounting	1	2	3
Paying our suppliers quicker / (slower)	(19)	45	26
Increase in provisions*	(14)	(12)	(26)
M&A working capital timing	-	(10)	(10)
Impact of other items & discontinued operations	7	(2)	5
Movement in underlying working capital	(59)	65	6

	FY 18/19 ¹	FY 17/18 ¹
Trade receivable days	29	26
	FY 18/19 ¹	FY 17/18 ¹
Trade payable days	(50)	(58)

* Note: £40m unwind in provisions/accruals expected in FY20/FY21 relating to the now disposed Social Housing business and M&A related timing items

¹ Continuing operations before other items

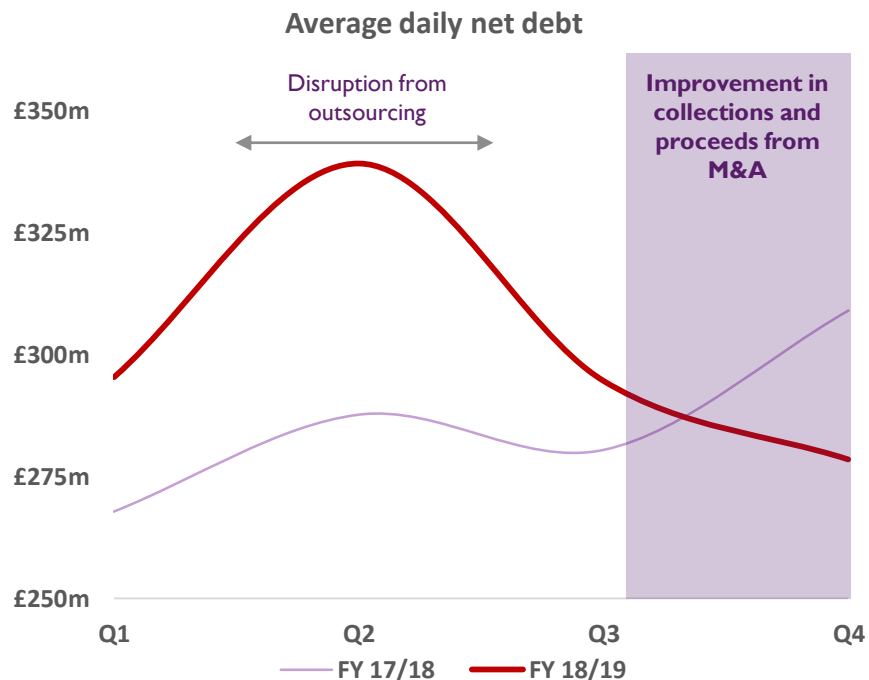
Average daily net debt improved significantly in Q4



Net debt	FY 18/19	FY 17/18	Movement
Period end	(140.7)	(193.5)	52.8
Average	(302.0)	(286.1)	(15.9)

- Average daily net debt higher for full year but significant improvement in Q4
- Q4 improvement even after paying suppliers >10 days quicker
- Continuation of positive trend into Q1 19/20
- Comfortable covenant headroom

Debt covenants	FY 18/19	FY 17/18	Covenant
Leverage	1.33x	1.98x	<3.0x
Interest cover	8.8x	6.8x	>4.0x



Financial scorecard



	FY 18/19	
Organic revenue	+5.5%	✓
Operating profit ¹	+6.0%	✓
Operating profit margin ¹	0.1 ppt down	~
Off balance sheet finance	> £30m reduction	✓
Successful M&A	2 disposals 1 acquisition	✓
Net debt - period end	(£141m)	✓
Net debt - average	(£302m)	~

Reporting schedule

Q1 update	At the AGM – 30 July
H1 results	November
Q3 update	January
FY results	June

Capital markets day at the end of the year



Strategic review and outlook

Phil Bentley, CEO



After 2 years – in a challenging market – our strategy is starting to deliver



CUSTOMER

- 2 years of like-for-like growth
- Top 50 strategic accounts revenue up 8%
- NPS +12 (up 39 points in 2 years)



PEOPLE

- Employee engagement up 12 ppts to 45%
- 2 top employer awards



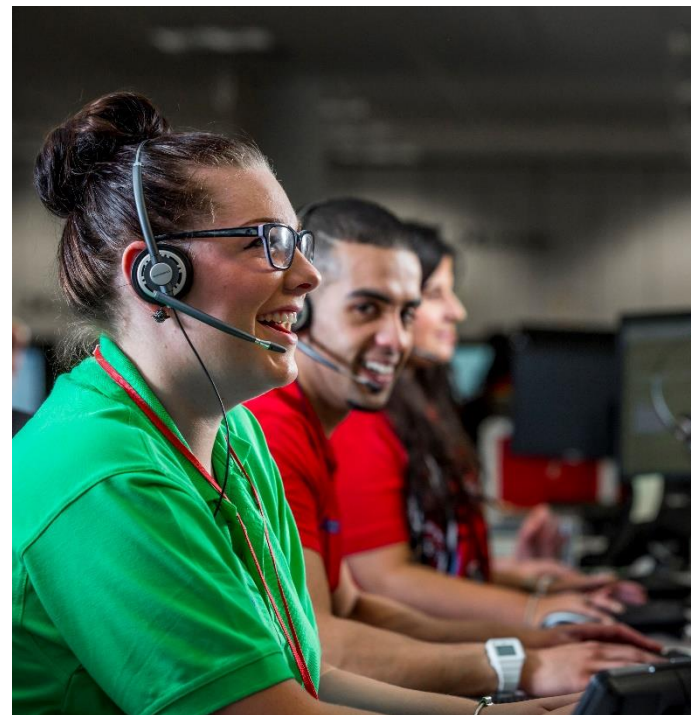
FINANCIAL STABILITY

- Project Helix – £45m savings
- Leverage down to 1.3x Net debt/EBITDA (covenant <3x)



TECHNOLOGY

- Created Connected Workspace category
- Increased share of technology-related revenue
- Real-time reporting to clients





Customer service has improved significantly...



TOP 50 CUSTOMERS REVENUE UP **8%**



IMPROVEMENT

+22 points **over 1 year**

+39 points **over 2 years**



HIGH PROFILE WINS

St George's University Hospitals NHS Foundation Trust



PRIMARK



JOBS BACKLOG DOWN **90K** (-60%)*



STRONG RETENTION

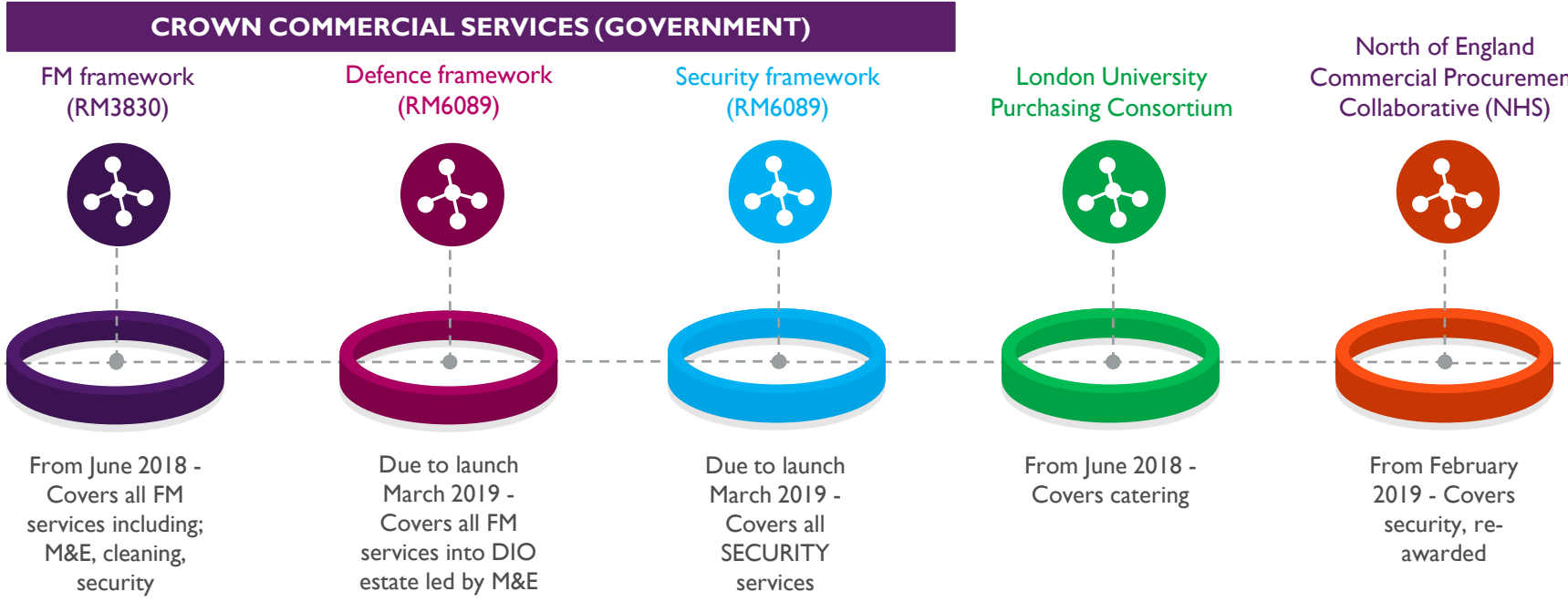


2019 NPS survey

“ Mitie’s customer service is excellent. They make sure they know their client and then tailor their service provision to match the needs, requirements and culture of their client base. ”



... with improved pipeline from major framework awards



PIPELINE UP 17% TO £10.2BN IN TWO YEARS



Project Helix has delivered the two-year targeted cost savings



£m	18/19 cumulative savings		In-year cost of change		Cumulative cost of change*	
	FY	Exit run-rate	Capex	Opex	Capex	Opex
Project Helix	38	45	(8)	(14)	(21)	(49)

RUN-RATE SAVINGS

£6M HUMAN RESOURCES

£7M FINANCE

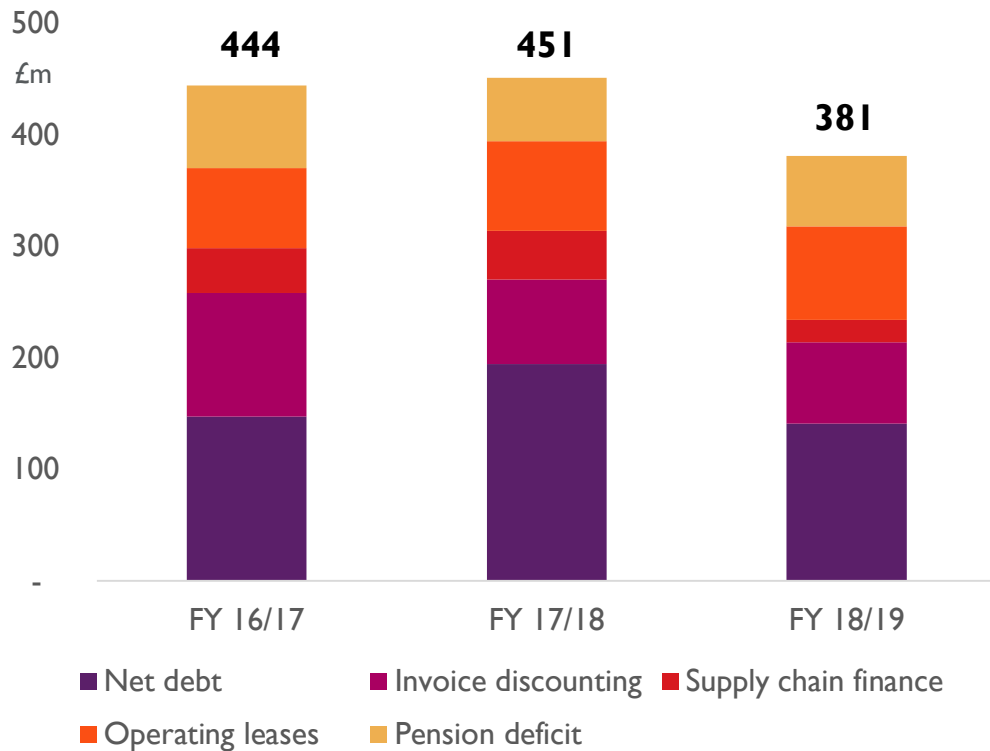
£9M ENGINEERING SERVICES

£5M INFORMATION SERVICES

£10M OTHER (Cleaning, procurement, property)
T200
£8M



... and improved our financial stability



- Leverage down from 1.8x to 1.3x
- Invoice discounting down by £38m to £73m
- Supply Chain Finance down £20m to £20m
- At the same time we invested c.£60m to pay our suppliers 22 days faster



We are creating a great place to work



Employee engagement improved to 45% from 33% last year following

- Executive roadshows
- ‘You Said, We Did’ campaign

We introduced:

- Single HR system: ‘People Hub’/SAP SuccessFactors
- Learning & development cloud-based hub
- Mitie behaviours supported by new Mitie Values
- Single portals for temporary and permanent recruitment

Refreshed rewards & recognition programmes



OUR BUSINESS

3,634 people received a MITIE STARS AWARD



2,226

people employed above the current UK retirement age of

66



3,106 Salary Finance beneficiaries



AVERAGE SAVING

£706

AVERAGE LOAN AMOUNT

£2,034

£400K

Total Savings for our employees on Mideals



800 APPRENTICES



52,500 people





Technology is supporting Security leadership ... with real-time MI improving NPS...



**>£50m revenue from
Security technology solutions**

**Real-time
MI dashboards launched**

MiTec*

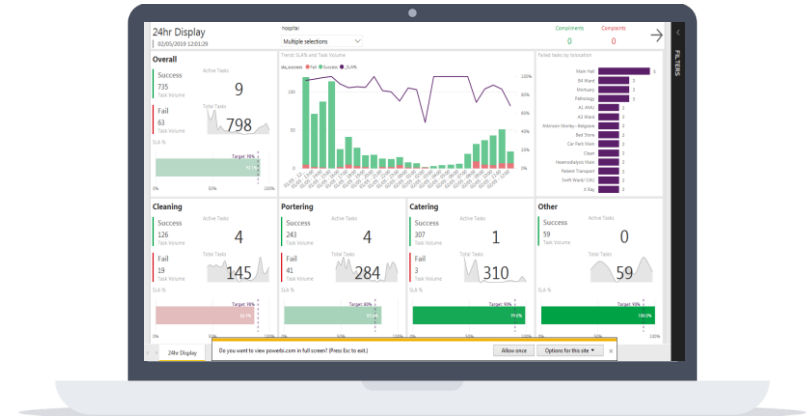
- Lone worker monitoring of **48,000+ devices**
- **180,000+ identities** managed through Sentinel competency management software

FIRE &
SECURITY

- Initial consultancy, design, installation
- Life-cycle maintenance & remote monitoring
- **c.13,000 customer sites** monitored across the UK and Europe with **35,000+ fire & security systems**

GSOC*

- Capture, translate, geolocate and alert when major incidents occur
- Intelligence and crisis communication, consultancy





... and enabling predictive maintenance and Monitoring-as-a-Service

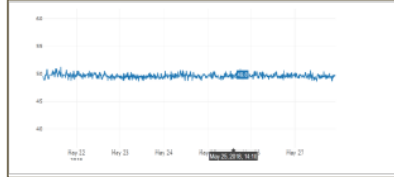


PRODUCT CATALOGUE

1. MaaS / Predictive Maintenance
2. Mitie Performance Index (MPI)
3. Workspace Management Solutions
4. Data science / MI

REAL LIFE EXAMPLE

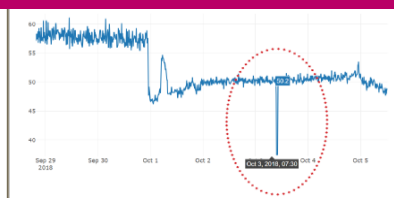
Normal functioning for a critical customer asset (stable low grade vibrations)



Abnormal functioning detected



Asset fails



Mitie's CW capabilities offer preventive/predictive analytics benefiting:

Customers

- 24/7 monitoring of any critical assets
- Increase assets/building uptime
- Reduced repair/replacement costs

Mitie

- Ability to target interventions more effectively
- Competitive differentiator
- Reduces cost-to-serve

Transformation learnings over past two years



- Complexity
- Talent
- Sales
- IT investment
- Client expectations
- Culture





Mitie Phase II: We are focusing on our larger businesses and strategic accounts to capture higher growth opportunities



Trusted partner for strategic accounts

- Embedding Connected Workspace technology
- Enhanced strategic account management leadership

Sales:

- Improved win rates / Sales Academy
- Bid library enhanced
- Marketing

Public sector Frameworks

- FM, Defence, Security
- £4.1bn of opportunities

M&A:

- Continue to simplify Mitie portfolio
- Reduce debt further
- In-fill to strengthen core

£ Mitie Phase II: Project Forte will drive a further £30m of gross cost savings



PROJECT FORTE: 2-year programme	Gross run-rate savings by March 2021	Cost
Engineering Services	£25m	(£25m)
Group-wide initiatives	£5m	(£5m)
TOTAL	£30m	(£30m)

Engineering Services

- Service desk modernisation
- Work order process digitalisation
- Supply chain savings
- Reduced revenue leakage
- Real time insights

Group-wide initiatives

- Account level overheads / MI savings
- Simplified operating model
- Robotic process automation and other back office initiatives
- Digital service model

PROJECT FORTE: TARGETING NET SAVINGS OF £10-15M BY FY 21/22

Outlook is improving as we move into “Mitie Phase II”



Firmly in the delivery and execution phase

- **Project Helix** delivered key transformation programmes in HR, IT, Commercial and Finance to lay foundation of a solid business
 - Gross run-rate savings of c.£45m at March 19 and c.£50m by March 20
- **Project Forte** entails full transformation of Engineering Services and group-wide initiatives to drive Group’s profitability
 - £30m of gross benefits at a cost of £30m
- Sharper focus on **core businesses and strategic clients** will drive growth in revenue and margins

FY 19/20 guidance

- Organic revenue growth of 3%-4% per annum
- EBIT growth at mid-single digits

Medium-term guidance reiterated

- 3%-4% organic revenue growth
- 4.5%-5.5% operating margin



Q&A

mitie.com



OUR BUSINESS

52,500 people

3,106 Salary Finance beneficiaries

AVERAGE SAVING **£706**

AVERAGE LOAN AMOUNT **£2,034**

CLEANING

370 bespoke vehicles to deliver grounds maintenance and winter services

4,000 mops purchased

130,000 pairs of safety gloves

CATERING

We sell 12m cups of coffee a year

We now buy over 30,000 litres per year of oat milk

ENGINEERING

Over 400,000m² of roofs refurbished

Replaced over 300,000 LIGHTS

CARE & CUSTODY

242,000 calls handled by the control centre of which were ANSWERED WITHIN 95% 30 SECONDS

SECURITY

CCTV, BMS & Alarm monitoring of over 10,000 systems for 500+ customers

We maintain over 35,000 fire and security systems

WASTE

By recycling 62,304 tonnes of card and paper, Mitie saved approximately 1,059,168 trees

Mitie has stopped a total of 92,698 tonnes of waste going to landfill. This would have used up to 278,094 m³

By recycling 4,178 tonnes of glass, Mitie saved approximately 564,030 litres of oil & 5,014 tonnes of virgin raw material.

By recycling 3,834 tonnes of aluminium cans, Mitie saved approximately 30,672 tonnes of bauxite ore & 15,336 tonnes of chemical products.

By recycling 4,450 tonnes of plastic, Mitie has saved approximately 89 million 2-litre drinks bottles or 534 million carrier bags from being produced

By recycling 12,794 tonnes of food waste, Mitie helped produce enough electricity to provide approximately 12,794 UK households with electricity for one month and save 278,909 kg of CO² per month.

CONNECTED WORKSPACE

5 large new IFM contracts and involved in 10 other deals

12 NEW projects in FY18/19

3,000 additional sensors installed 1.1 sq ft covered

ENERGY

Total cost of bills validated **£704,959,675.**

Customer SAVINGS and cost avoidance **£3,031,033**

1,252 air conditioning audits and report



Appendices

Mitie.com

Mitie Group plc | The exceptional, every day

Engineering Services

Summary	FY 18/19 ¹	FY 17/18 ^{1,2}	Movement	
	£m	£m	£m	%
Revenue	905.7	886.3	19.4	2.2
Operating profit	58.7	54.1	4.6	8.5
<i>Operating profit margin</i>	6.5%	6.1%		0.4 ppt

- Revenue driven by growth in top accounts and related project work which offset the impact of contracts lost during the prior year
- Operating profit up due to strong performance in our largest accounts together with efficiency savings from Helix, partly offset by investment in customers
- Next stage of transformation for Engineering Services (Project Forte) focused on engineer productivity, deployment centre consolidation and supply chain savings



MAIN SERVICE LINES

- Maintenance
- Fabric repair
- Lighting
- Electrical and gas installation

EMPLOYEES

8,400

Security

Summary	FY 18/19 ¹	FY 17/18 ¹	Movement	
	£m	£m	£m	%
Revenue (Excl.VSG)	456.9	432.0	24.9	5.8
Revenue	536.5	432.0	104.5	24.2
Operating profit	30.7	27.5	3.2	11.6
Operating profit margin	5.7 %	6.4 %		(0.7) ppt

- Underlying revenue growth following new sales wins and higher volumes of project and variable work
- EBIT higher on the back of new contract wins and operational efficiency initiatives as well as sooner than originally anticipated positive contribution from VSG
- Positive EBIT progression across all major operating units
- Technology solutions are driving the overall profit growth of the division and account for 11% of the revenue and 22% of the division's contribution



MAIN SERVICE LINES

- Security
- Document Management
- Technology Services inc. Vetting

EMPLOYEES

18,300

Professional Services

Summary	FY 18/19 ¹	FY 17/18 ^{1,2}	Movement	
	£m	£m	£m	%
Revenue	131.4	131.2	0.2	0.2
Operating profit	5.6	5.6	-	-
Operating profit margin	4.3 %	4.3 %	-	-

- Rebalancing of portfolio towards higher-margin accounts:
 - Withdrew from loss-making International contracts and redirected divisional focus to - supporting Group key accounts
 - Connected Workspace activities targeted towards Mitie's largest customers
 - Successful mobilisation of high-profile NHS waste contract
- Professional Services' activities will transfer into other divisions from 1 April 2019 to improve alignment with key customers



MAIN SERVICE LINES

- Waste management
- Sustainability
- Occupier services
- Risk and Resilience

EMPLOYEES

1,300

Cleaning

Summary	FY 18/19 ¹	FY 17/18 ^{1,2}	Movement	
	£m	£m	£m	%
Revenue	404.4	384.1	20.3	5.3
Operating profit	17.5	19.6	(2.1)	(10.7)
Operating profit margin	4.3 %	5.1 %		(0.8) ppt

- Prior year contract wins drove the top line performance within Cleaning and Healthcare
- EBIT declined due to impact from an unfavourable contract mix versus last year partly offset by savings from Project Helix
- Landscapes delivered a solid performance in the face of a particularly mild winter thanks to a well-balanced portfolio of work



MAIN SERVICE LINES

- Cleaning
- Landscaping
- Healthcare

EMPLOYEES

20,000

Care & Custody

Summary	FY 18/19 ¹	FY 17/18 ¹	Movement	
	£m	£m	£m	%
Revenue	107.3	59.9	47.4	79.1
Operating profit	3.9	1.9	2.0	105.3
Operating profit margin	3.6 %	3.2 %		0.4 ppt

- Strong growth both at revenue and EBIT levels following the win and successful mobilisation of the D&E services contract and good underlying growth from existing contracts
- EBIT growth delivered despite over £3m of mobilisation investment
- As the division grows its core competencies and expands into adjacent services, its pipeline is expanding significantly



MAIN SERVICE LINES

- Immigration detention and escorting
- Forensic Medical Examiner
- Custody support services

EMPLOYEES

2,000

Catering

Summary	FY 18/19 ¹	FY 17/18 ¹	Movement	
	£m	£m	£m	%
Revenue	136.1	137.1	(1.0)	(0.7)
Operating profit	5.2	5.6	(0.4)	(7.1)
Operating profit margin	3.8 %	4.1 %		(0.3) ppt

- Positive revenue growth in G&G but overall division held back by weaker performance of external events and venues
- Lower EBIT is mainly due to external events
- Small decline in margin after input cost inflation partially mitigated and savings made in labour control and consumables
- Growth expected in FY20 on the back of annualisation of significant recent wins such as Dropbox and Yorkshire Building Society



MAIN SERVICE LINES

- Catering
- Hospitality

EMPLOYEES

2,500

Operating profit margin



	FY 18/19 ¹	FY 17/18 ^{1,2}	Movement
	%	%	ppt
Engineering Services	6.5	6.1	0.4 ppt
Security	5.7	6.4	(0.7) ppt
Professional Services	4.3	4.3	-
Cleaning	4.3	5.1	(0.8) ppt
Care & Custody	3.6	3.2	0.4 ppt
Catering	3.8	4.1	(0.3) ppt
Divisional total	5.5	5.6	(0.1) ppt
Corporate centre	(1.5) ppt	(1.5) ppt	-
Mitie	4.0	4.1	(0.1) ppt

¹ Continuing operations before other items

² Segments represented to reflect changes in management reporting implemented in FY 18/19

Balance sheet

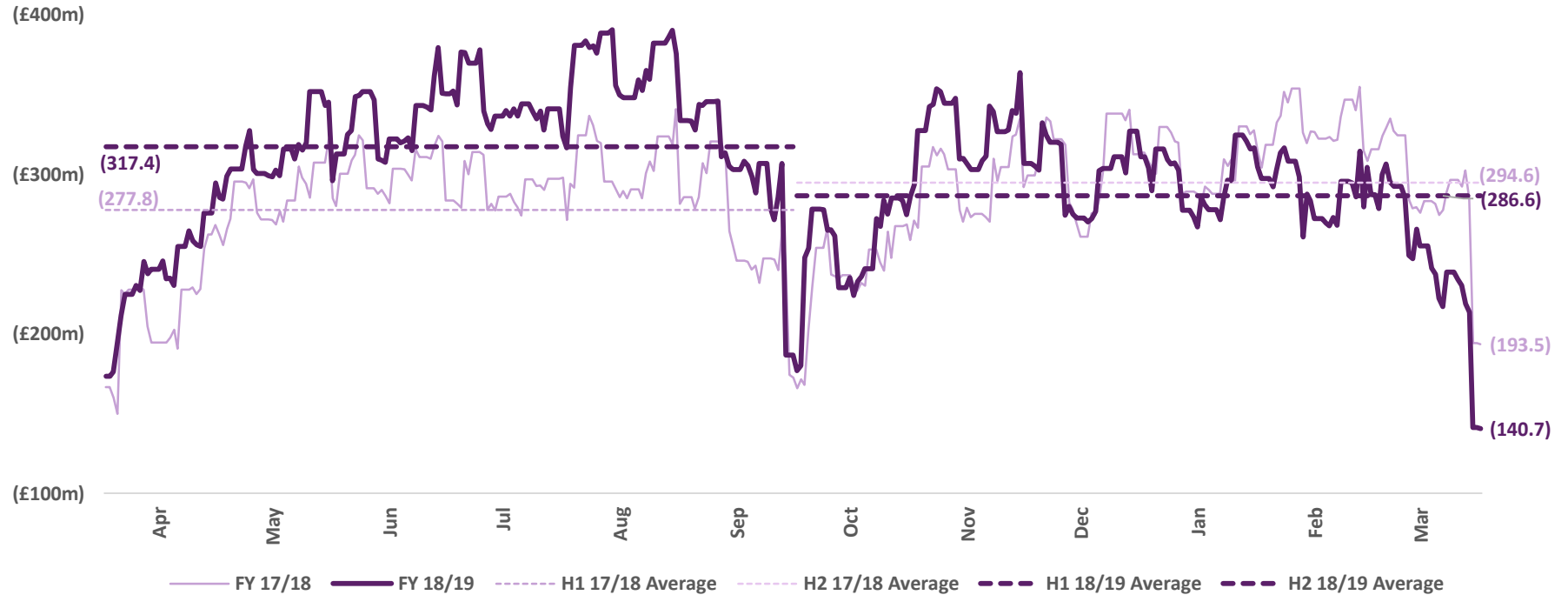


	FY 18/19	FY 17/18	Movement
	£m	£m	£m
Working capital assets	446.9	395.1	51.8
Working capital liabilities	(663.8)	(593.3)	(70.5)
Working capital balances	(216.9)	(198.2)	(18.7)
Goodwill and intangibles	344.5	347.9	(3.4)
Property plant & equipment	29.0	33.6	(4.6)
Net debt	(140.7)	(193.5)	52.8
Retirement benefit liabilities	(63.8)	(56.8)	(7.0)
Deferred tax	35.8	35.9	(0.1)
Other (liabilities) / assets	(0.3)	7.1	(7.4)
Net assets	(12.4)	(24.0)	11.6

Notes

- FY 18/19 and FY 17/18 individual balances are not directly comparable due to impact of acquisitions and discontinued operations
- FY 17/18 includes balances relating to discontinued operations (Pest Control and Social Housing)

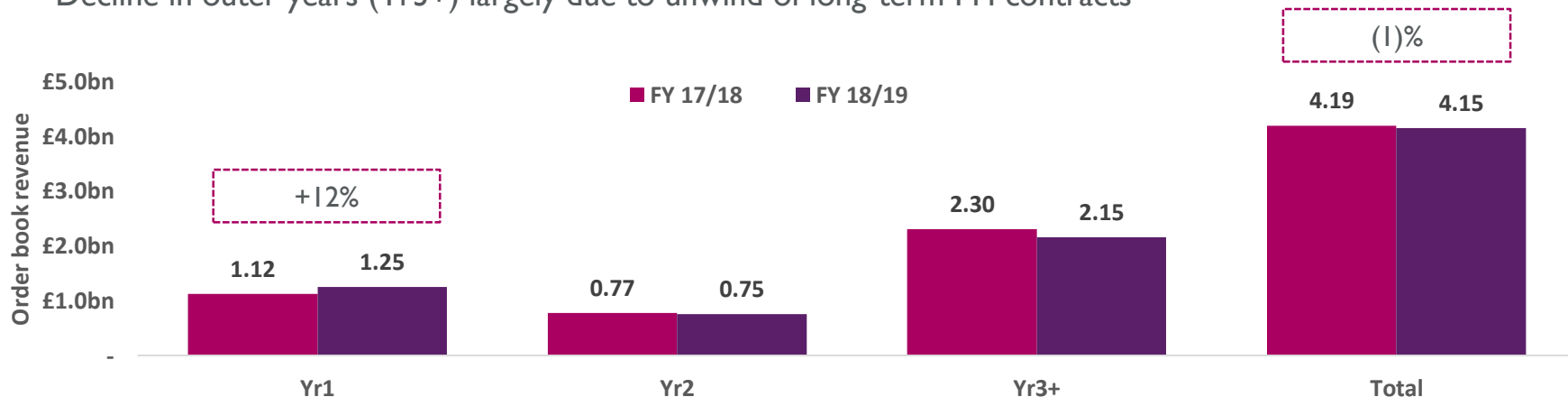
Daily net debt improved in H2



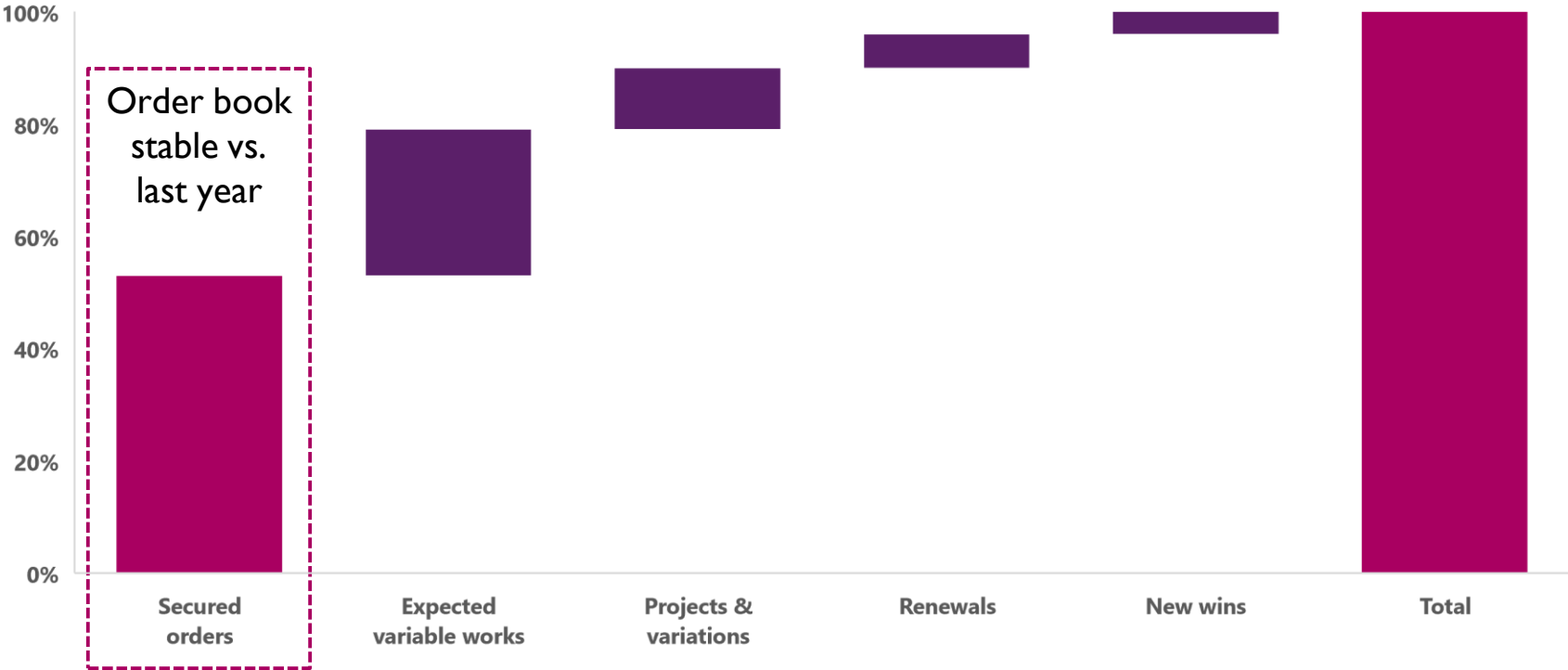
Order book



- Order book stable at £4.1bn (includes £0.2 bn from VSG acquisition)
- Good visibility on FY 19/20 budget with mid-term supported by continued sales momentum and strong pipeline (including government work)
- Improved near-term visibility: Yr1 order book 12% higher than prior year
- Decline in outer years (Yr3+) largely due to unwind of long-term PFI contracts



Revenue visibility FY 19/20



Other items



Other items	FY 18/19
	£m
<i>Redundancy payments</i>	(4.2)
<i>Cost of change team</i>	(0.7)
<i>Expenditure and provisions in respect of property closures</i>	(0.2)
<i>Dual running, outsourcing, costs of change, retention</i>	(10.0)
Restructuring costs	(15.1)
Pension scheme s75 provision	(20.0)
Acquisition and disposal related costs	(8.7)
Gain on bargain purchase	8.8
Other exceptional items	(3.0)
Continuing operations	(38.0)
Redundancy payments	(0.8)
Gain on disposal of Pest Control and Social Housing	15.9
Healthcare indemnity	2.0
Social Housing indemnity	(2.6)
Contractual disputes – costs and provision	(20.5)
Discontinued operations	(6.0)
Group total (before tax)	(44.0)



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