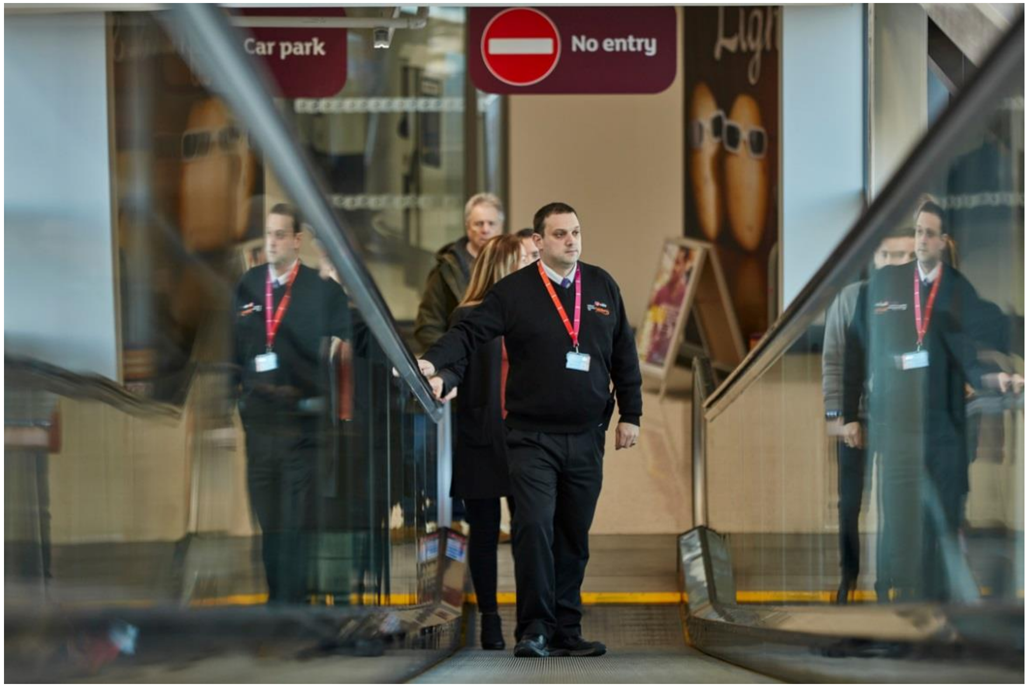
Presentation of half-yearly results for the six months to 30 September 2016

21 November 2016

Agenda

- Mitie trends & response
- Healthcare
- Finance update
- Mitie today
- Outlook



Mitie trends

FY17

1. National Living Wage pricing increases – accepted by clients this year but impact on discretionary spend in FM
2. FM projects delays due to ongoing uncertainty
3. No major IFM contract awards
4. Social housing rent reductions causing project delays
5. Domiciliary healthcare pricing and volume reductions
6. More clients adopting technology-led models
7. Increased FM work in public sector

Mitie response

Strategic

- Withdrawal from social care market
- Focus on our market-leading FM business

Cost efficiency programme

- IFM/ Technical FM combination
- Back office integration across support functions
- Restructure of front line and support functions in FM & restructure of mobile maintenance business
- Investment in technology to improve efficiency and effectiveness
- Enhanced customer proposition through technology and alternative models

Healthcare

- Chronic underfunding in market with limited sign of improvement
- Challenges in attracting care workers with unsustainable charge rates
- Mitie is withdrawing from the domiciliary healthcare market and business placed under strategic review
- Healthcare businesses will continue to fulfil all obligations but there will be no investment in new areas of this market
- Mitie will manage its withdrawal in an orderly and responsible manner
- All healthcare goodwill and intangibles have been written off

Suzanne Baxter
Group Finance Director

Financial performance

Revenue
£1,093.6m
(H1 16: £1,123.1m) **↓2.6%**

Operating profit before other items
£35.4m
(H1 16: £58.1m) **↓39.1%**

Operating profit margin
3.2%
(H1 16: 5.2%) **↓2.0ppt**

Basic earnings per share
6.2 pence
(H1 16: 11.1p) **↓44.1%**

Dividend per share
4.0 pence
(H1 16: 5.4p) **↓25.9%**

Net debt
£231.7m
1.9x EBITDA (H1 16: £221.8m)

Cash conversion
107.9%
(H1 16: 91.4%)

2017 budgeted revenue secured
94%
(Prior year: 97%)

Order book
£7.7bn
(March 2016: £8.5bn)

Sales pipeline
£9.3bn
(March 2016: £9.1bn)

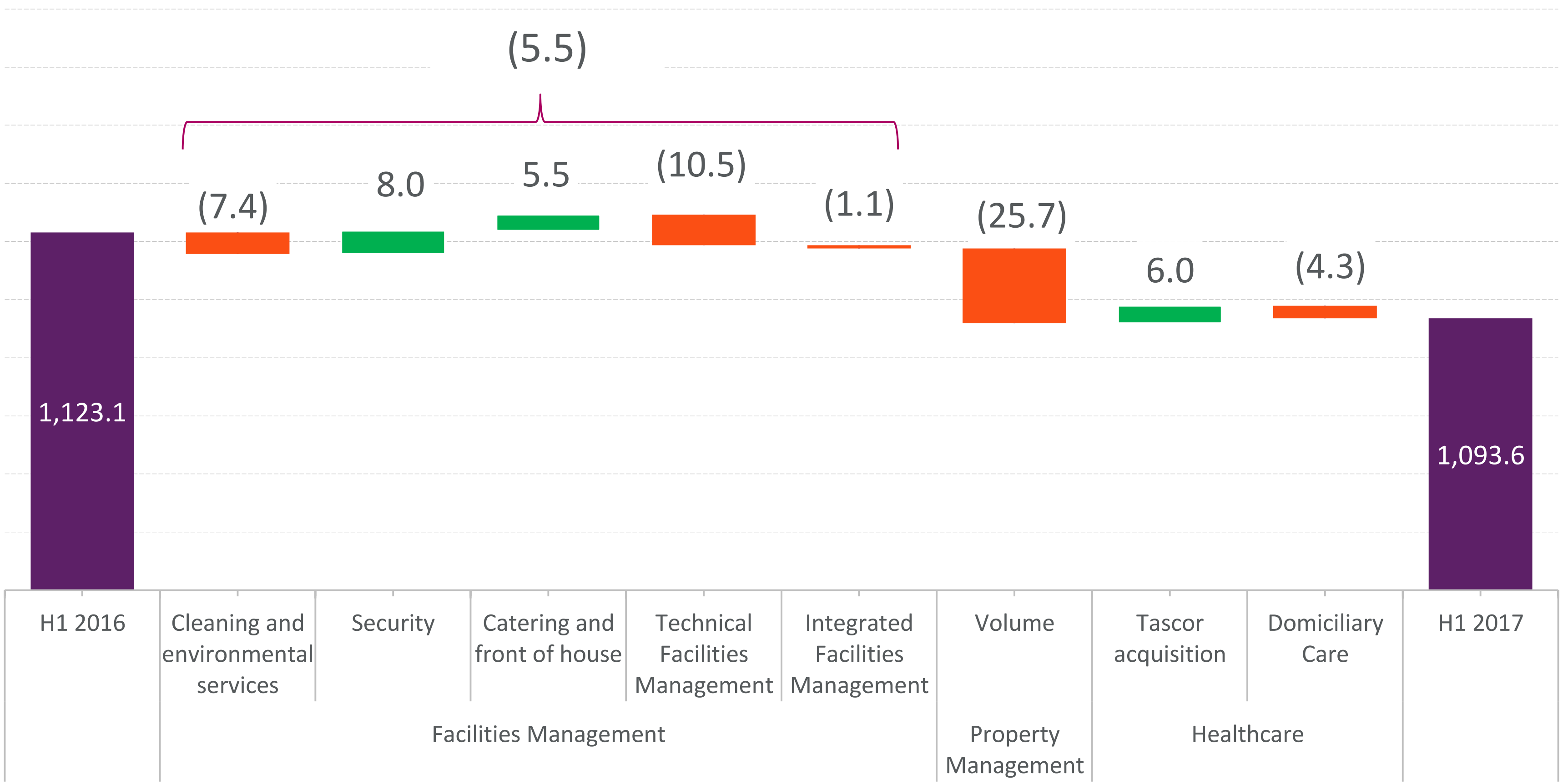
Income statement

£m	**2017 H1**	2016 H1	Change
Revenue	1,093.6	1,123.1	(2.6)%
Operating profit before other items	**35.4**	**58.1**	**(39.1)%**
Margin	3.2%	5.2%	(2.0)ppt
Other items	(128.1)	(5.0)	-
Operating profit	**(92.7)**	**53.1**	**-**
Net finance costs	(7.7)	(8.0)	(3.8)%
Profit before tax	**(100.4)**	**45.1**	**-**
Earnings per share before other items	6.2p	11.1p	(44.1)%
Dividend per share	4.0p	5.4p	(25.9)%

Divisional performance

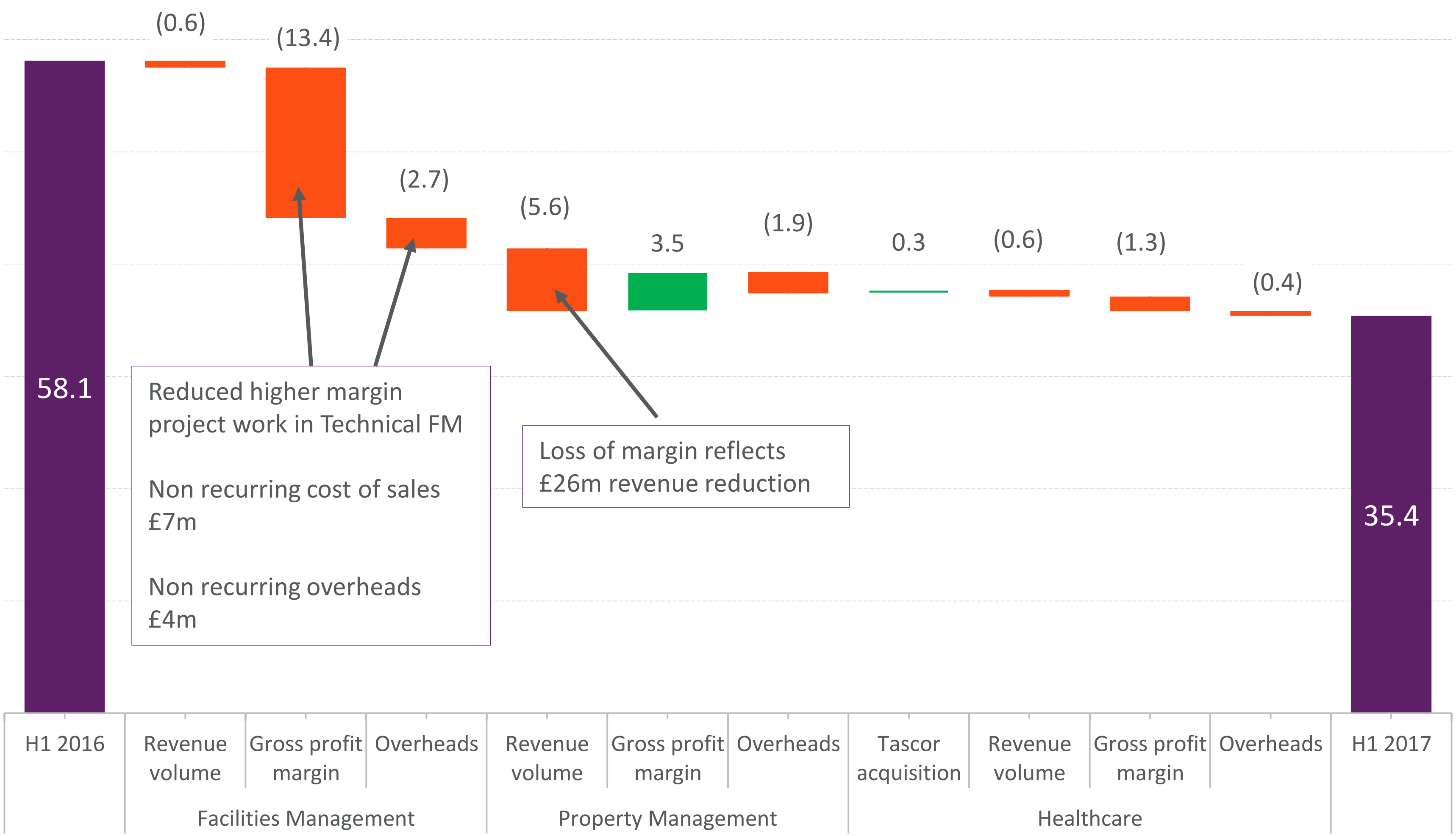
£m	2017 H1	2016 H1	Change
Revenue			
Facilities Management	922.6	928.1	(0.6)%
Property Management	130.3	156.0	(16.5)%
Healthcare	40.7	39.0	4.3%
Mitie	**1093.6**	**1,123.1**	**(2.6)%**
Operating profit before other items			
Facilities Management	35.0	51.7	(32.3)%
Property Management	4.5	8.5	(47.1)%
Healthcare	(4.1)	(2.1)	95.2%
Mitie	**35.4**	**58.1**	**(39.1)%**

Revenue evolution



- Revenue reduction principally in lower project and discretionary revenue in Technical FM and social housing volume in Property Management

Operating profit evolution



Other items

£m	2017 H1	2016 H1
Operating profit before other items	**35.4**	**58.1**
Impairment of goodwill and write off of acquisition related intangibles	(117.2)	-
Restructuring costs	(6.0)	-
Acquisition related items	(4.9)	(5.0)
Total other items	**(128.1)**	**(5.0)**
Statutory operating (loss)/profit	**(92.7)**	**53.1**

- Following the decision to withdraw from the domiciliary healthcare market we have undertaken an impairment review of the Healthcare goodwill and acquired intangible assets
- We have reassessed the long term financial plan for the Healthcare business
- Fully impaired the carrying value of the goodwill and acquisition related intangible assets for Healthcare
- Following this write off, the amortisation of acquired intangibles charge will be £2.5m in H2
- Restructuring costs for the full year expected to be up to £10m

Dividend per share

£m	2017 H1	2016 H1	Change
Earnings per share before other items	6.2p	11.1p	(44.1)%
Dividend per share	4.0p	5.4p	(25.9)%
Dividend cover	1.6x	2.1x	(0.5)x

- Mitie has a strong 27 year track record of annual dividend growth and the Board remains committed to the payment of dividends
- The reduction in interim dividend is reflective of current underlying performance
- Distributable reserves are £235.2m (£239.2m at 31st March 2016)

Balance sheet

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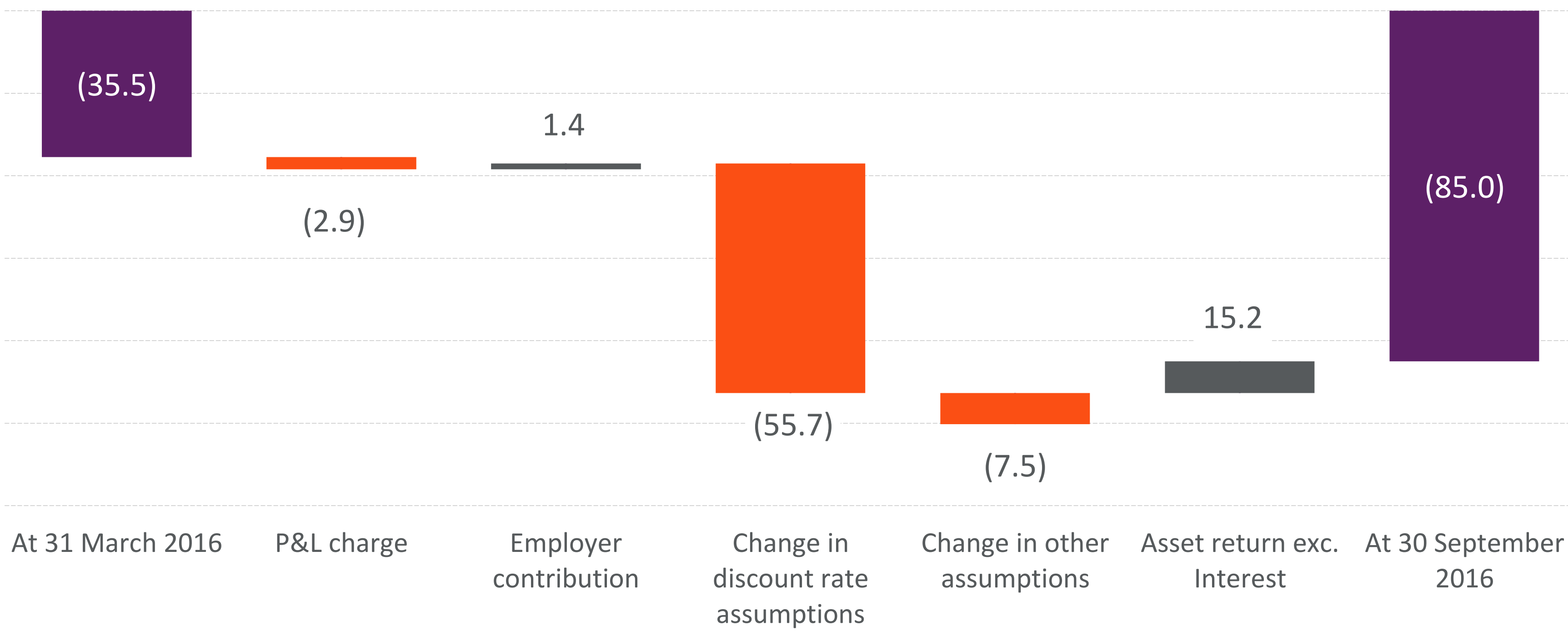
£m	**2017 H1**	2016 FY	2016 H1
Goodwill and intangibles	421.4	532.4	533.1
Property, plant and equipment	40.4	49.3	54.2
Non-current trade and other receivables	83.9	86.0	68.3
Current trade and other receivables	473.6	446.7	460.1
Other*	27.9	20.5	24.1
Total assets*	**1,047.2**	**1,134.9**	**1,139.8**
Current liabilities*	(500.0)	(498.6)	(479.2)
Retirement benefit obligation	(85.0)	(35.5)	(32.8)
Non-current liabilities*	(5.2)	(7.4)	(15.9)
Net debt	(231.7)	(178.3)	(221.8)
Net assets	**225.3**	**415.1**	**390.1**

** Excluding net debt components*

Retirement benefit obligation



- The reduction in market yields on high quality corporate bonds has driven a 120 basis point reduction in pension liability discount rate – shown in Changes in discount rate assumptions above.
- If current deficit remains as at March 2017 – additional funding commitments of £3m and thereafter c.£1.2m per annum until 2024 would be triggered
- Triennial valuation for the Mitie Group Pension scheme due in 2017. Mitie currently reviewing the risk and return targets for the scheme investment policy and considering future funding plan.

Trade and other receivables

£m	**2017 H1**	2016 FY	2016 H1
Trade receivables	190.4	209.7	176.0
AROCC	0.3	2.6	5.1
Mobilisation costs	30.1	28.6	29.9
Accrued income	282.4	236.2	254.6
Prepayments	38.4	36.4	41.8
Other debtors	15.9	19.2	21.0
Total	**557.5**	**532.7**	**528.4**
Included in current assets	473.6	446.7	460.1
Included in non-current assets	83.9	86.0	68.3
Total	**557.5**	**532.7**	**528.4**

Non-current receivables

£m	**2017 H1**	2016 FY	2016 H1
Mobilisation costs	17.9	17.3	17.5
Accrued income	66.0	68.7	50.8
Total	**83.9**	**86.0**	**68.3**

- Long term accrued income derives from 18 long term complex Integrated Facilities Management contracts with an annual revenue of £0.5bn where the Percentage of Completion methodology is applied
- Long term accrued income reduced compared to prior year in line with contract maturity profiles
- No material change in mobilisation costs since the year end

Trade receivables profile

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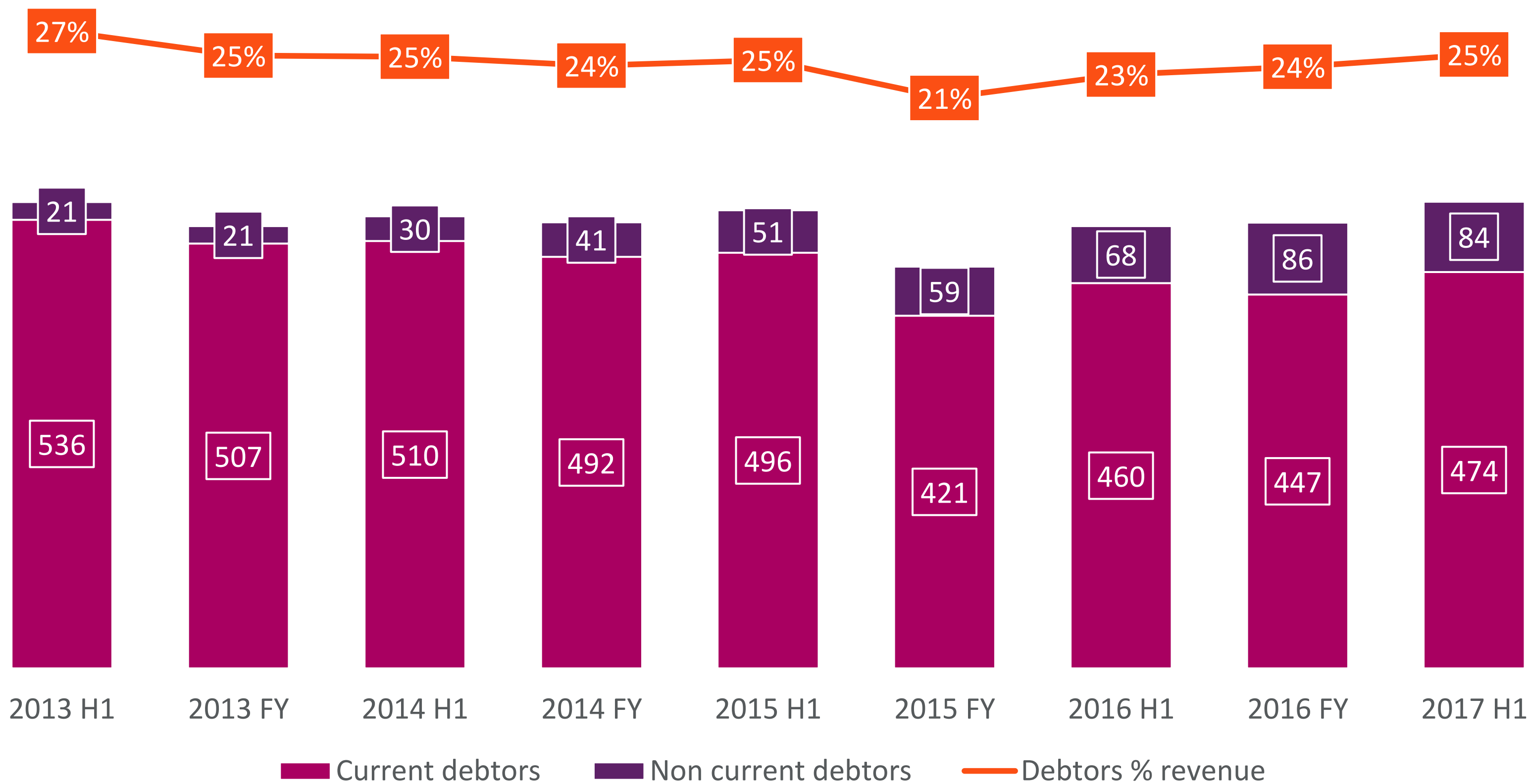


- Debtors % revenue 2017 H1 in line with the closing FY 2016 position
- Long term debtors have fallen against the FY 2016 position

Cash flow and net debt

£m	**2017 H1**	2016 H1	Change
Opening net debt	(178.3)	(177.8)	(0.5)
EBITDA (before other items)	**40.2**	**70.2**	**(30.0)**
Movement in working capital	(16.5)	(63.5)	47.0
Tax & interest	(17.5)	(10.2)	(7.3)
Capex	(14.2)	(9.0)	(5.2)
Other	3.9	3.5	0.4
Free cash flow	**(4.1)**	**(9.0)**	**4.9**
Dividend	(23.3)	(23.1)	(0.2)
Shares issued	-	3.4	(3.4)
Purchase of own shares	0.5	(6.6)	7.1
Share buybacks	(24.3)	(4.4)	(19.9)
Other financing & investment	(2.2)	(4.3)	2.1
Net debt movement	**(53.4)**	**(44.0)**	**(9.4)**
Closing net debt	**(231.7)**	**(221.8)**	**(9.9)**
Cash conversion (Rolling 12 months)	**107.9%**	**91.4%**	**16.5ppt**

- £24.3m of share buybacks comprised £10.0m of the up to £20m Buyback programme announced in May 2016 and £14.3m to offset share issues for share schemes and the Mitie model

Banking facilities and covenants

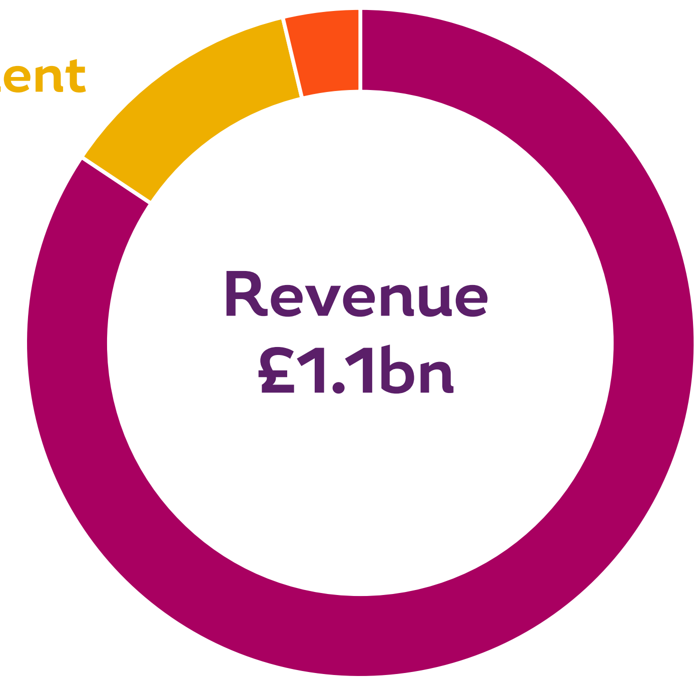
	2017 H1	Facility
Cash and cash equivalents	£(62.5)m	n/a
Revolving Credit Facility (RCF)	£35.4m	£275m
US Private Placement notes (Net of hedging)*	£255.7m	£252m
Obligations under finance leases	£3.1m	n/a
Uncommitted overdrafts	-	£41m
Total Net Debt	**£231.7m**	**£568m**
Net Debt:EBITDA (RCF Covenant basis)	1.7x	3.0x
Net Debt:EBITDA (As reported)	1.9x	n/a
Interest cover	9.8x	4.0x

- The RCF been extended by 2 years to July 2021
- Mitie's two key RCF covenant ratios are the leverage (ratio of net debt to EBITDA) and interest cover (ratio of EBITDA to net finance costs). In the twelve months to 30 Sept 2016 these ratios were 1.7x and 9.8x respectively, well within the covenant limits. The US Private Placements covenants do not differ materially from the RCF.
- *As per IAS 39 Accounting Standard

Ruby McGregor-Smith

Chief Executive Officer

Mitie today – 2017 H1



High quality client base

mitie

NetworkRail

Sainsbury's

LLOYDS BANKING GROUP

MAG

Ministry of JUSTICE

Home Office

vodafone

intel

JONES LANG LASALLE

sky

Heathrow
Making every journey better

The Scottish Government

ABInBev

RBS
The Royal Bank of Scotland

Ladbrokes

LinkedIn

CAPITA

O2

Sellafield Ltd

Santander

Bank of Ireland

Mitie strategy

Sustainable profitable growth, through a focus on six pillars:

1. Maintain our position as the leading provider of FM services in the UK
2. Increase the range and scale of services we provide to our top 200 clients, in the UK and internationally
3. Attract, retain and develop the best people in our industry
4. Increase the provision of technology-led services
5. Grow our public services businesses by continuing to develop relationships with key clients
6. Expand the scale and breadth of our higher value consultancy services

The UK's leading FM brand

Mitie voted **#1 overall service provider** in UK FM for 4 years running

We were voted most **innovative**

We are now **top 3** in **every service category**

Rankings	2014	2015	2016
Overall FM provider	**#1**	**#1**	**#1**
Integrated FM	#1	#1	#1
Hard FM	#1	#1	#1
Cleaning	#2	#2	#2
Security	#2	#2	#1=
Catering	#5	#3	#3=
Front of house	#2	#1	#1
Landscaping	#2	#1	#1
Waste	#2	#1	#1

Quality business with long-term contracts

- Integrated FM accounts for one-third of revenues and with no major rebids until 2019, these long-term contracts underpin future progress
- New contract awards:

1. **Sainsbury's**: additional £115m security services over 3 years
2. **Manchester Airport Group**: 5 year £60m FM contract awarded
3. **Network Rail**: Soft FM across all stations, £44m over 5 years
4. **Greater Manchester MPCC & HSCP**: £15m offender support over 3 years
5. **Scottish Police Authority and Scottish Fire & Rescue Service**: Technical FM, £52m over 5 years

Sainsbury's

- Substantial addition to a total security management contract
- Contract will integrate risk management, technology and manned guarding. Provides a risk-based solution incorporating data and trend mapping via Mitec to determine security strategy and provide flexibility and real time incident management

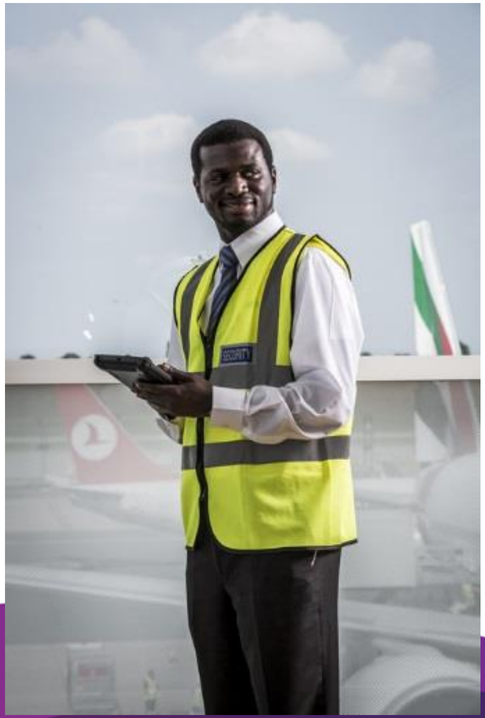
Sainsbury's	
Contract size	£150m+ (£115m extension)
Duration	3 years + 2
Start date	November 2016
Sites	1,800
Mitie employees	2,400

Manchester Airport Group

- Provided a range of FM services for Manchester Airport since 2008
- The new contract includes pest control and landscaping services at Manchester and soft services at Stansted and East Midlands
- We will also provide hard services - including M&E maintenance, fixed wire testing, plumbing, life safety systems, BMS and lightning protection systems across all 3 airports

Scope of services
Cleaning
Waste management
Gritting & snow clearance
Pest control
Landscaping
Hard services

MAG	
Contract size	£60m+ (£30m extension)
Duration	5 years + 3
Start date	December 16
Sites	3
Mitie people	370



Technology

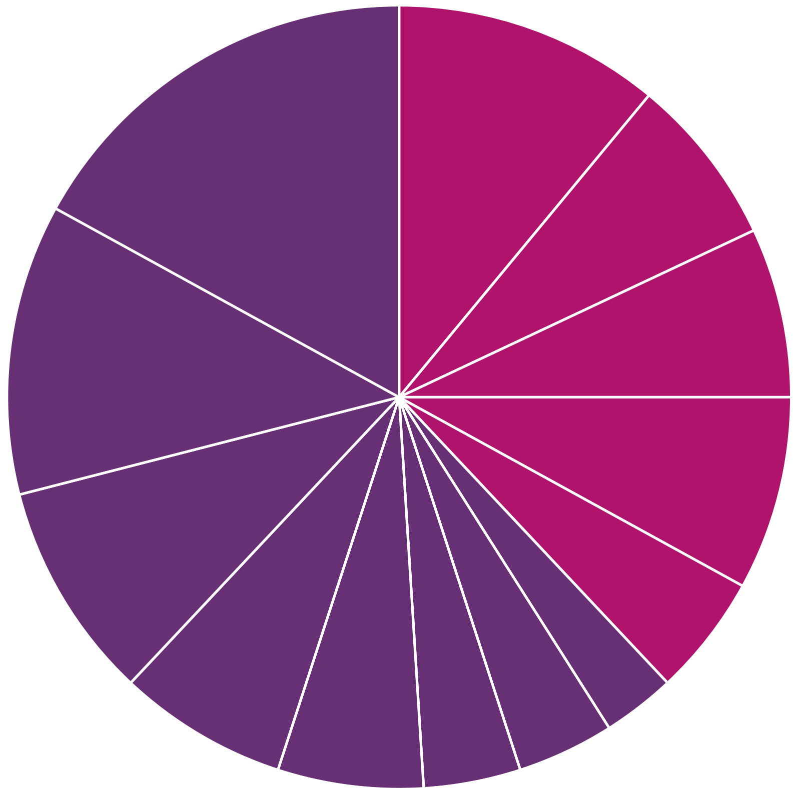
- Technology is enabling greater efficiency and smarter working as NLW labour costs increase
- Innovative technology enhances data, analytics and insight to improve decision making and performance, including:
  - MiWorld for management information
  - Wearable technology for cleaning
  - Audit and compliance for assets
  - Robotics in cleaning
  - Remote monitoring in security & maintenance
  - Pest Alert: paperless audit trial and real time reporting
  - Apps like Edison & MiColleague
  - Vetting and security screening

Diversified revenue base

2016 H1 Revenue by sector

Private sector 63%

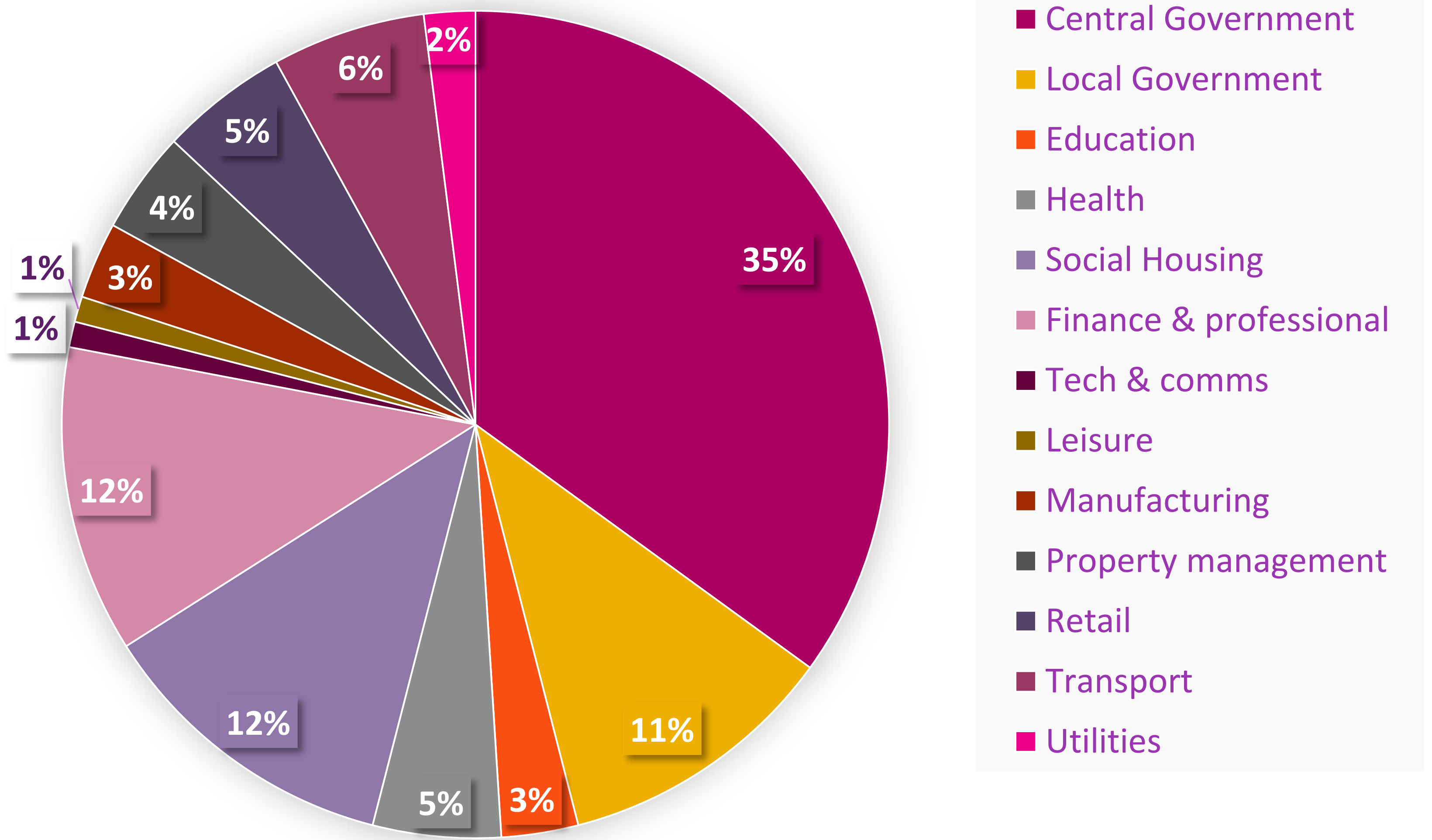
Finance and professional services	19%
Retail	7%
Manufacturing	9%
Transport and logistics	8%
Technology and communications	8%
Property management	5%
Leisure	4%
Utilities	3%



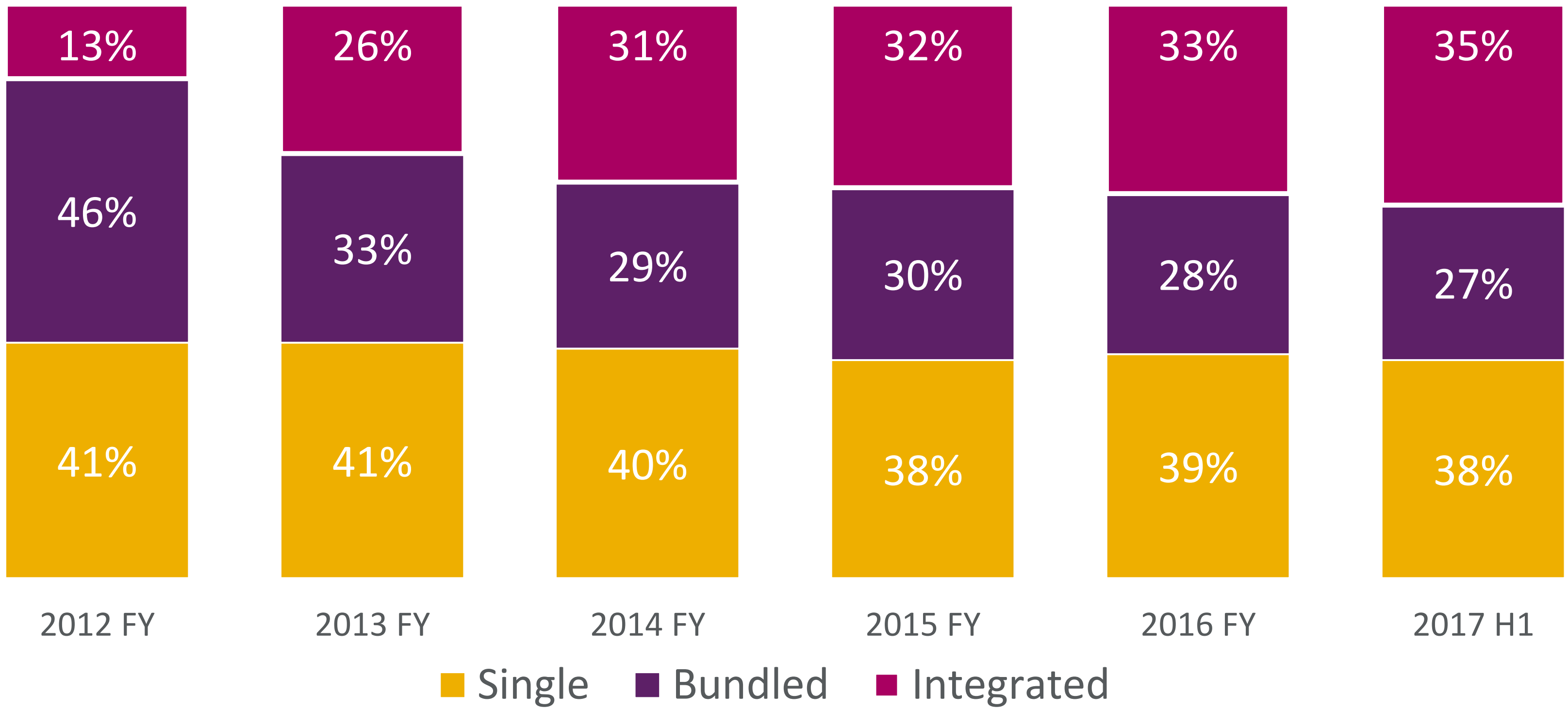
Public sector 37%

9%	Social housing
5%	Local government
8%	Central and other government
10%	Health
5%	Education

£9.3bn sales pipeline



Contract mix



- 57% of revenues derived from top 100 clients (2015: 50%)
- Single service contracts continue to feed strong pipeline of bundled and integrated contracts

Business update

- Security making good progress with risk-based technology approach
- Cleaning market tough with pricing pressure but environmental services growing
- Catering growing but lower discretionary spend hitting margins
- Technical FM impacted by lower H1 project work
- IFM flat with low level of contracts starting in H1 and clients de-scoping
- Property Management cyclical project revenues down £25m in H1 from delays
- Healthcare losses higher due to increased wage costs and agency spend

Outlook for H2

- Major steps taken to improve financial performance
- New contract awards in H1 will commence operation in H2
- Incremental seasonal and project revenues in FM and Property Management expected in line with historic experience
- H1 non recurring cost of sales costs £7m
- Incremental benefit of savings programme in H2 c.£10m
- Withdrawal from the domiciliary healthcare market commenced

Outlook

- Macroeconomic environment presents both challenges and opportunities
- Major steps taken to improve financial performance
- Project flows improving but uncertainty remains
- Focus on growth in FM
- Significant opportunity to transform outsourcing models with technology
- Sales pipeline high with a range of good outsourcing opportunities across our key markets
- Improvement in H2 performance and confident in future prospects for Mitie

Appendices

Segment prior year restatement

Roofing moved from Hard FM to Property Management from 1 April 2016

	6 months to 30 September 2016				6 months to 30 September 2015			
	Revenue £m	Operating profit before other items £m	Operating Profit Margin %	Profit before tax £m	Revenue £m	Operating profit before other items £m	Operating Profit Margin %	Profit before tax £m
Presentation as at 30 September 2016								
New organisation - Roofing in Property Management								
Facilities Management	922.6	35.0	3.8%	29.8	928.1	51.7	3.8%	46.1
Property Management	130.3	4.5	3.5%	4.4	156.0	8.5	5.4%	8.4
Healthcare	40.7	(4.1)	-10.1%	(6.5)	39.0	(2.1)	-5.4%	(4.4)
Other items				(128.1)				(5.0)
Total	1,093.6	35.4	-2.8%	(100.4)	1,123.1	58.1	3.8%	45.1
Presentation as at 30 September 2015								
Old organisation – Roofing in Hard FM								
Facilities Management					946.2	52.9	3.8%	47.3
Property Management					137.9	7.3	5.3%	7.2
Healthcare					39.0	(2.1)	-5.4%	(4.4)
Other items								(5.0)
Total					1,123.1	58.1	3.8%	45.1

The roofing business was moved from Hard FM to Property Management on 1 April 2016. £18.1m of revenue and £2.1m of operating profit has been moved from Hard FM to Property Management to restate the 2015 comparative H1 numbers.

EPS and dividend per share

£m	2017 H1	2016 H1	Change
Earnings per share before other items	6.2p	11.1p	(44.1)%
Interim dividend per share	4.0p	5.4p	(25.9)%
Dividend cover	1.6x	2.1x	(0.5)x
EPS calculated from:			
PAT before other items	22.0	40.0	(45.0)%
Less non-controlling interests	(0.5)	(0.7)	(28.6)%
Net profit before other items attributable to equity holders of the parent	**21.5**	**39.3**	**(45.3)%**
Weighted average number of Ordinary shares for the purpose of basic EPS	348.7	355.4	(1.9)%

Healthcare Goodwill

£m	Goodwill	Acquired Intangible Assets
Carrying value at 31 March 2016	107.2	11.3
Amortisation of acquired intangibles	-	(1.2)
Review of acquisition accounting as per IFRS 3	(0.1)	-
Impairment charge to Other Items	(107.1)	(10.1)
Carrying value at 30 September 2016	**nil**	**nil**

- Following the decision to withdraw from the domiciliary healthcare market we have undertaken an impairment review of the Healthcare goodwill and acquired intangible assets
- We have reassessed the long term financial plan for the Healthcare business
- Concluded to fully impair the carrying value of the goodwill and acquisition related intangible assets for the Healthcare segment
- Following this write off, the amortisation of acquired intangibles charge to the income statement is anticipated to be £2.5m in H2

Mobilisation costs

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£m	**2017 H1**	2016 FY	2016 H1
Opening balance	28.6	30.6	30.6
Costs capitalised	7.3	12.0	6.9
Costs amortised	(5.8)	(14.0)	(7.6)
Closing balance	**30.1**	**28.6**	**29.9**
Included in current assets	12.2	11.3	12.4
Included in non-current assets	17.9	17.3	17.5
Total	**30.1**	**28.6**	**29.9**

Cash conversion 12 month rolling

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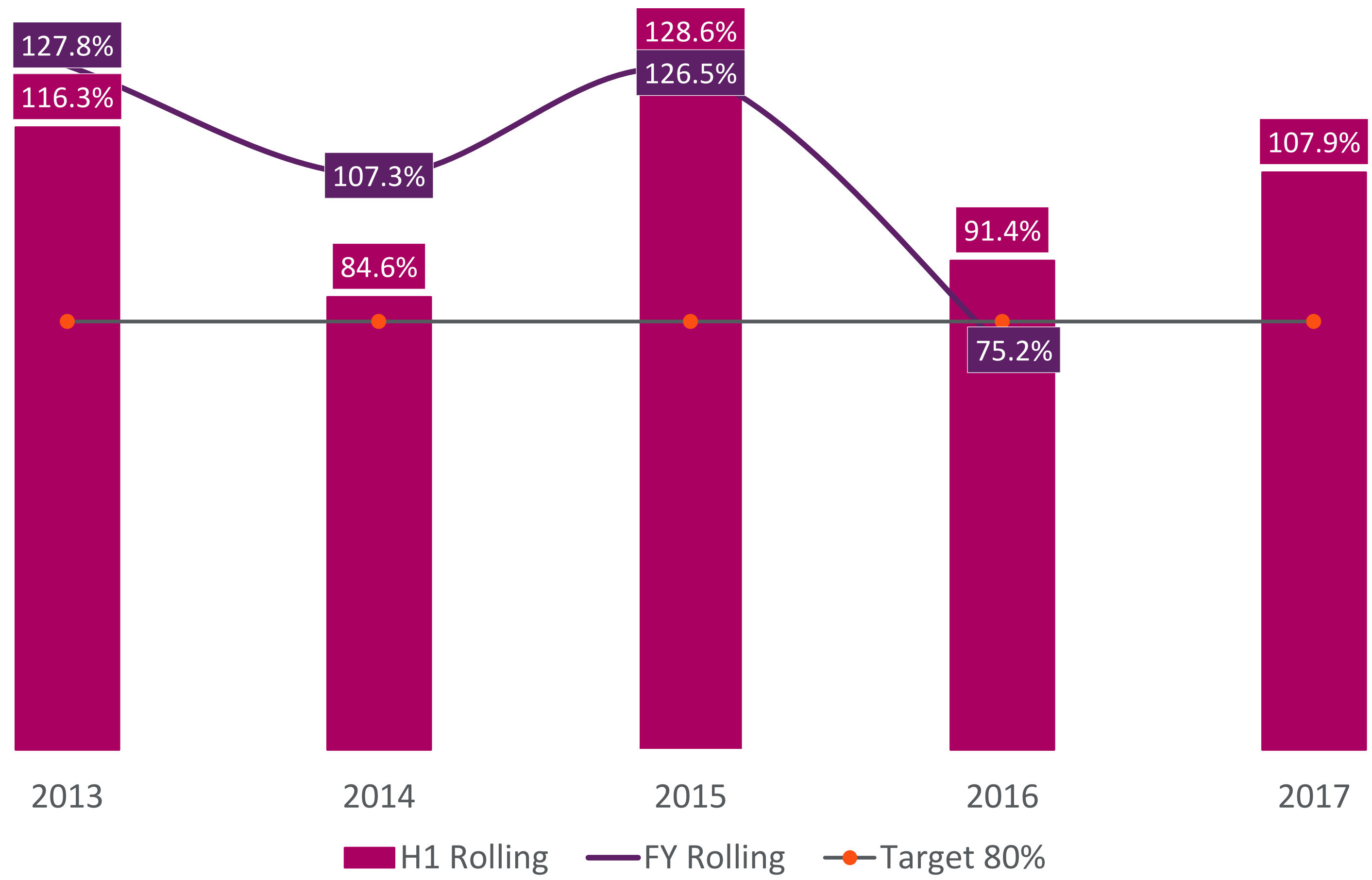
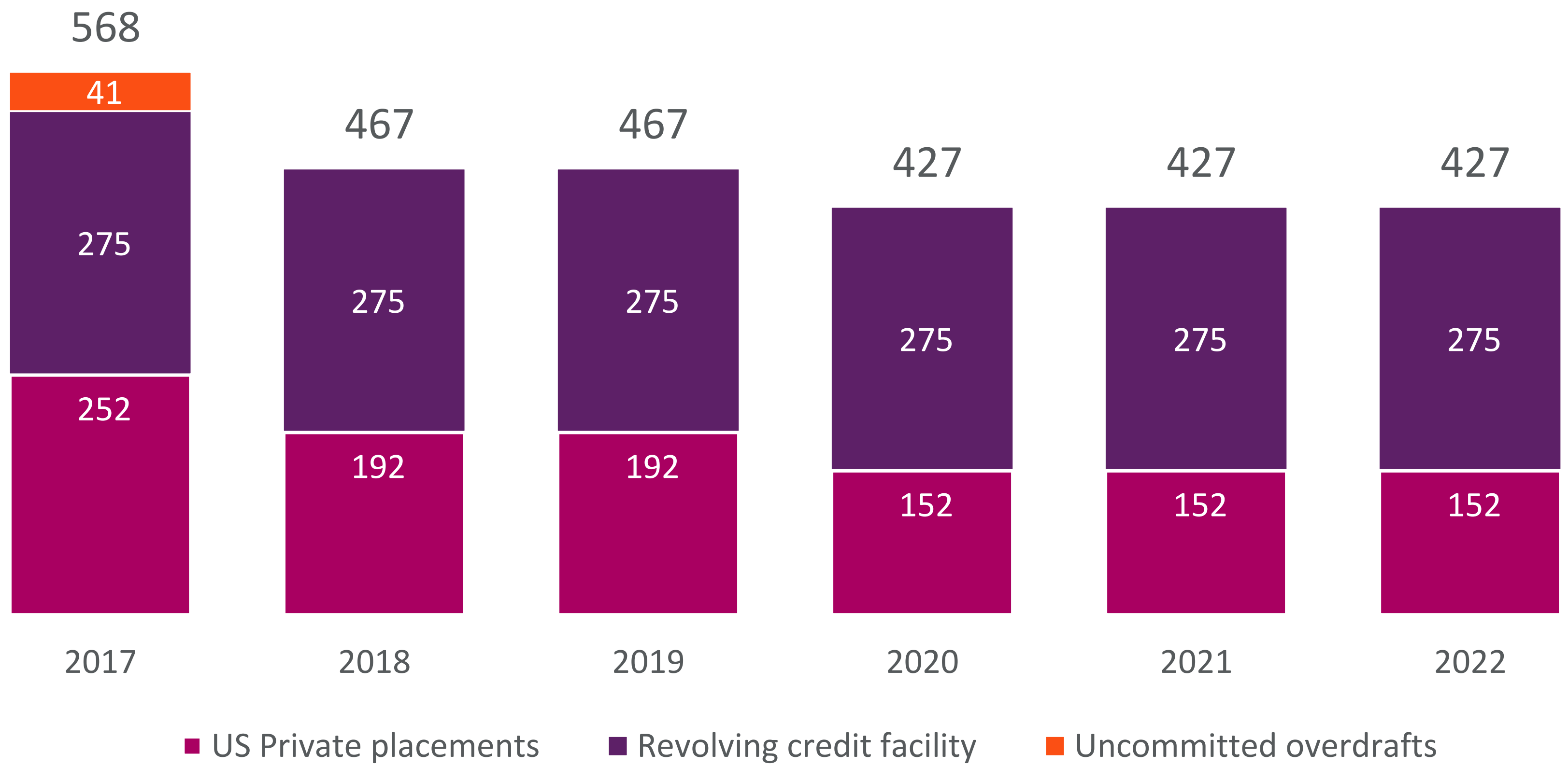
£m	2017 H1	2016 H1	Change
Operating profit before other items	106.2	122.5	(16.3)
Other items	(139.5)	(19.3)	(120.2)
Operating profit	**(33.3)**	**103.2**	**(136.5)**
Depreciation	14.1	19.0	(4.9)
Amortisation	18.1	15.0	3.1
Intangible asset write off	16.3	-	16.3
Goodwill write off	107.1	-	107.1
EBITDA	**122.3**	**137.2**	**(14.9)**
Other non cash movements	6.2	7.8	(1.6)
Working capital	3.5	(19.6)	23.1
Cash generated from operations	**132.0**	**125.4**	**6.6**
Cash conversion %	107.9%	91.4%	16.5ppt

Reported cash conversion trend



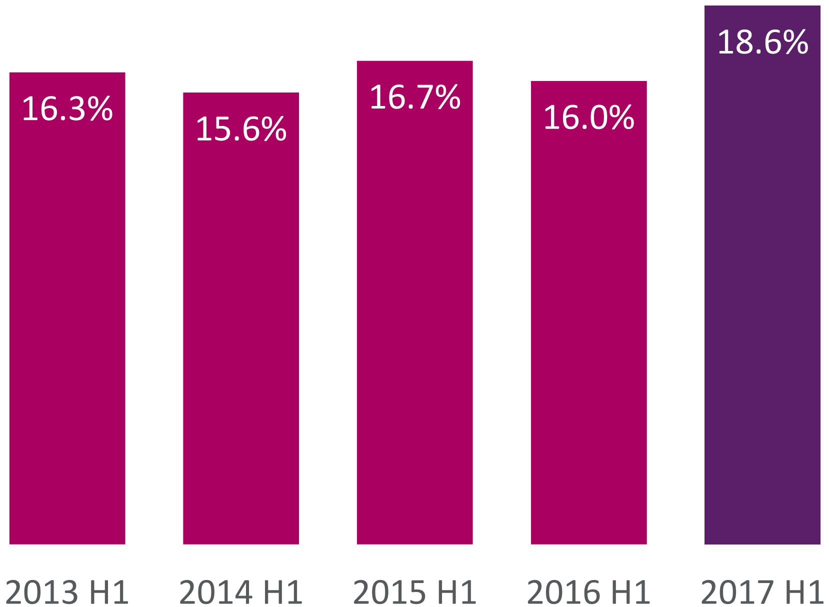
Banking facility maturity profile



RCF Extended in September to July 2021

Return on capital employed

ROCE



- ROCE over 2x WACC
- Continued strong performance driven by low capital requirements and strong operating profit
- ROCE is taken into consideration when we invest to maximise the profitability of the Group

ROCE = Post Tax Operating Profit Before Other Items/(Net Assets + Net Debt - Non Controlling Interests)
Adjusted for the proforma full year effect of acquisitions

Increasing NLW & associated costs

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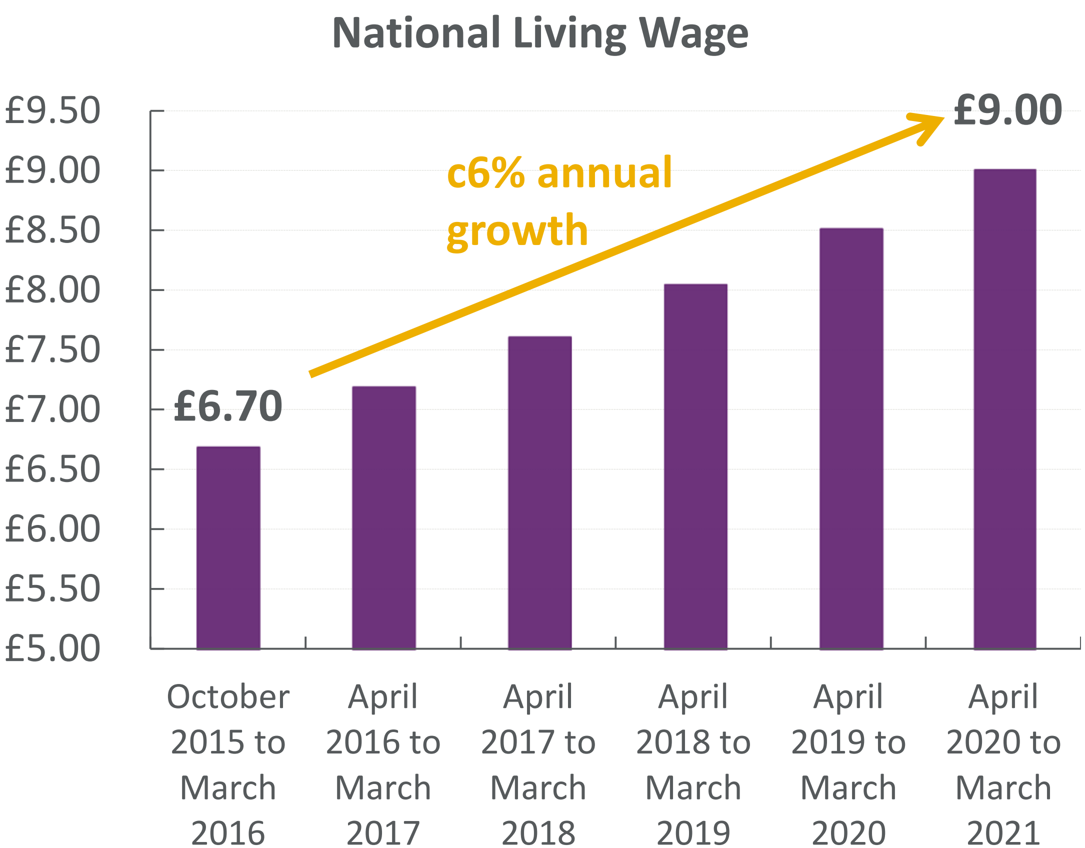

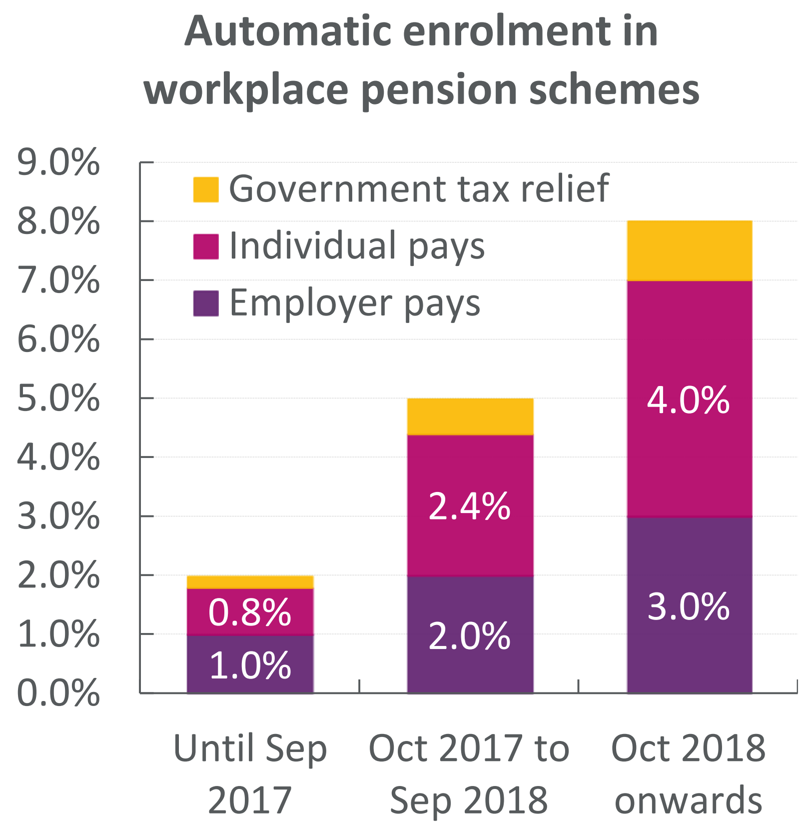

- Apprentice levy of 0.5% of payroll expected to commence in April 2017
- Cumulative 33% increase in costs of labour over four years

Legal disclaimer

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