

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EU) NO 596/2014.

FOR IMMEDIATE RELEASE.

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Mitie Group plc

Final terms of Mitie Group's acquisition of Interserve Facilities Management

Mitie Group plc ("Mitie" or the "Company"), one of the UK's leading facilities management companies, announced on 25 June 2020 that it had signed a sale and purchase agreement ("SPA") to acquire Interserve's Facility Management business ("Interserve Facilities Management") on a cash free and debt free basis for a total consideration of approximately £271m¹, comprising £120m in cash and approximately 358m shares in the newly enlarged Mitie ("Enlarged Group") (representing approximately 23.4% of Enlarged Group share capital).

Mitie today announces that it has signed an agreement to amend the terms of the SPA so that it will acquire Interserve Facilities Management on a cash free and debt free basis for consideration of £120m in cash and approximately 248m shares in Mitie (representing approximately 17.5% of Enlarged Group share capital), valuing the transaction at approximately £190m based on Friday's closing share price.

Mitie expects to publish a Circular seeking shareholder approval for the acquisition of Interserve Facilities Management later today. The shareholder vote is expected to be held at a general meeting of Mitie on 23 November 2020.

Phil Bentley, Chief Executive of Mitie, commented:

"Reassuringly both Mitie and Interserve Facilities Management have traded better than expected during the COVID crisis.

"However, Mitie, in particular, has been successful at renewing strategic contracts and winning new business during this period. Recognising this momentum, we have renegotiated the terms of the Interserve Facilities Management transaction, reducing the vendor's consideration shares by 31% (110 million shares) to 248m shares (17.5% of the Enlarged Group), valuing the current consideration at £190m.² Mitie's existing shareholders will therefore hold a greater proportion (82.5%) of the Enlarged Group and enjoy a greater share of the benefits of the transaction.

"As we stated in June, the acquisition of Interserve Facilities Management accelerates the delivery of our technology-led strategy, expanding our scale and footprint to create the UK's largest facilities management company. The combination of these two businesses will transform our competitive positioning, unlock significant growth opportunities for both our business and our 77,500 colleagues and strengthen our financial profile, better balancing

¹ Assumed at TERP share price of 42.2p per share

² Based on share price of 28.2p per share at 30 October 2020

our public and private sector divisions and driving greater returns from the investments we have made in technology, systems and customer service over the past three years.

“In short, we will achieve significantly more together than we could as two separate companies. This deal will create improved service for our customers, better opportunities for our people and, with the revised terms, accelerate value creation for our shareholders.”

Highlights

- The transaction has been rebalanced reflecting Mitie’s recent relative performance in winning new business
- Mitie’s existing shareholders will hold an 82.5% shareholding in the Enlarged Group (formerly 76.6%)
- £5m additional cost synergies identified (total £35m); on track for run-rate delivery by end FY22/23
- Total consideration now valued at £190m³ (2019 pre-synergies EBITDA multiple 4.5 x’s; post-synergies 2.5 x’s)
- The acquisition will create the leading UK integrated facility management provider with market leading positions in Cleaning, Security and Technical Services, and market leading technology for a post-COVID world, with a balanced portfolio across public and private sectors.
- The Acquisition is expected to be accretive to earnings per share in FY21/22 with return on invested capital from the transaction projected to exceed cost of capital by the end of FY21/22
- Subject to Mitie shareholder approval and Competition and Markets Authority clearance the transaction is expected to complete 30 November 2020.

Strategic Fit

Mitie and Interserve Facilities Management’s customer portfolio and service capabilities are highly complementary and there is compelling strategic and commercial rationale for combining the businesses:

Enhances competitive positioning: greater scale, diversification, resilience

- The Enlarged Group will have over 50% more revenue than Mitie on a standalone basis
- Interserve Facilities Management has a large public sector presence - identified as a key focus of growth for Mitie - with its long-term client relationships and high contract retention rates.
- The Enlarged Group would generate around 50% of revenue from the public sector with the scale, capability and technologies to transform Mitie’s public sector positioning. In particular, Interserve Facilities Management has enviable expertise operating in complex and critically sensitive environments, including overseas, for the MOD
- Both businesses are proving resilient in a COVID world and we will be less economically exposed to any single client

³ Based on share price of 28.2p per share at 30 October 2020

Leverage technology investment to deliver Digital Transformation

- Introducing Mitie customer-facing technology to Interserve Facilities Management customers will significantly enhance customer experience and improve retention rates
- Introducing Mitie back office processes into Interserve Facilities Management will underpin cost savings and operational efficiencies

Unlocks significant growth opportunities

- Significant growth is expected from leveraging Interserve Facilities Management's strong customer relationships especially across defence, hospitals, schools and local authorities and bringing them up to the same level of cross selling and self-delivery as Mitie
- The acquisition will strengthen Mitie's management team with high-performing and experienced individuals focused on delivering exceptional customer service

£35m of cost synergies

- £35m run rate cost synergies will be delivered by end FY22/23, accelerating profit growth and bringing operating margin towards our medium-term margin target of 4.5-5.5%
- Majority of savings to come from support costs, IT and procurement efficiencies

Increases sustainable free cash flow, margin accretion and strengthens financial profile

- The deal will deliver sustainable growth, margin accretion and enhanced free cash flow to support long term value creation for shareholders
- The Enlarged Group is expected to have a stronger balance sheet with materially increased net assets and an average net debt/EBITDA ratio in line with long term targets of less than one

Financials

The Enlarged Group's pro forma financial information⁴ indicate revenue before other items of £3.5bn with £120m total operating profit before other items, adjusted EBITDA⁵ pre-IFRS 16 of £150m and a net debt/EBITDA in the region of 1x. This stronger financial profile will enable the Group to keep investing in award winning technology, secure long-term financing, deliver sustainable free cash flow and resume payment of dividends.

For the year to 31 December 2019 Interserve Facilities Management had revenue before other items of £1.3bn including its share of revenue from joint ventures and associates, total operating profit before other items of £34m and EBITDA⁵ of £42m. The Group is currently split into three main divisions with Central Government and Defence (CG&D) representing the largest group with FY2019 revenue of £531m, Communities with revenues of £297m and Business and Industry (B&I) with revenues of £459m. Interserve Facilities Management's top 50 customers in 2019 contributed 69% of revenue and include the BBC, Defra, DWP and the MOD via the Landmarc joint venture.

Mitie Trading Update

In a separate announcement published today, Mitie issued a trading update for the first six months of the year to 30 September 2020 reporting a much improved second quarter performance over the first quarter.

- Second quarter revenue was up 12% on the first quarter with monthly sequential improvements in sales particularly across Cleaning, Security and fixed Technical Services contracts.

⁴ The pro forma financial information in the circular is intended to illustrate the impact of the acquisition and the Rights Issue on the combination of Mitie's financial results for the 12 months to 31 March 2020 and Interserve's financial results for the 12 months to 31 December 2019, after appropriate adjustments.

⁵ EBITDA pre-synergies, pre other items (pre IFRS 16) and excluding share of JVs and associates depreciation, interest and tax.

- Public sector contracts showed good resilience during this challenging period with strong performances from our food retail, online retail, healthcare and pharmaceuticals customers.
- Group revenue from continuing operations for the second quarter was £514m versus £458m in the first quarter of FY20/21.
- For the six months ended 30 September 2020 revenue was £972m, which was 9.8% lower than the same period in the prior year.

For the six months to 30 September 2020 average daily net debt on a post IFRS16 basis was £69.3m (£351m for the six months to 30 September 2019). During this period, we received £191.8m from the net proceeds of the Rights Issue and benefitted by £130.3m from the HMRC 'Time to Pay' tax deferral scheme.

Interim results

We expect to report our financial results for the six months to 30 September 2020 on Thursday 19 November 2020.

As stated in the trading update of 27 March 2020, due to the ongoing uncertainties of the impact of COVID-19 on the business, we will not be providing guidance for the year ending 31 March 2021 at this time. In this context the Board does not expect to declare an interim dividend for HY20/21 (interim dividend FY19/20 was 0.69p⁶).

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Interserve Facilities Management Acquisition Announcement and Circular

The Circular in relation to the acquisition of Interserve Facilities Management will be available on Mitie's website during the course of today following approval by the Financial Conduct Authority. www.mitie.com/investors.

Analyst Presentation and Q&A

Phil Bentley (CEO) and Andrew Peeler (CFO) will host a presentation and Q&A session today (4 November) at 9.30am via Zoom. For dial in details please contact Fiona.lawrenceIR@mitie.com. The presentation will be available from 7.00am on the Company website at www.mitie.com/investors.

The person responsible for making this announcement on behalf of Mitie is Peter Dickinson, Chief of Staff and General Counsel.

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⁶ Interim dividend FY19/20 was 1.33p; the subsequent 11 for 5 Rights Issue adjusts the dividend to 0.69p

About Mitie

Founded in 1987, Mitie is one of the UK's leading **facilities management** and **professional services** companies. It offers a range of services including **Technical Services** (Engineering Services, Energy, Water and Real Estate Services), **Business Services** (Security, Cleaning and Office Services) and **Specialist Services** (Care & Custody, Landscapes and Waste Management).

Mitie employs 48,500 people across the country, looking after a large, diverse, blue-chip customer base, from banks and retailers, to hospitals, schools and critical government strategic assets. It takes care of its customers' people and buildings, by delivering the basics brilliantly and by deploying advanced technology. It is pioneering technology, using smart analytics to provide valuable insight and deliver efficiencies to create outstanding work environments for customers.

Find out more at www.mitie.com.

The business continues to execute its technology-led investment strategy and in the past 6 months has received the following awards:

Corporate

- Armed Forces Covenant signatory
- Best Website, UK Digital Experience Awards
- Bronze Award, Fleet Operator Recognition Scheme
- CIPS Procurement Excellence Award
- Gold Award, Defence Employer Recognition Scheme
- Inhouse Legal Team of the Year, LexisNexis Legal Awards
- Institute of Internal Communications National Awards for Best News Magazine and Best Video Animation
- IWFM COVID-19 Response Award: Keeping Good Work Going

Technology

- Computing Digital Technology Leaders Award for Big Data / IoT Project of the Year
- Data Into Insight and Artificial Intelligence & Machine Learning Project of the Year, Real IT Awards
- Mitie Fire & Security Systems - Outstanding Security Installer/Integrator
- Merlin Protect 24/7 – Mitie Security - Outstanding New Security Product
- Mitie Security - Outstanding Contract Security Company
- National British Security Awards: Best use of Technology
- Verdantix Smart Building Innovation Award for Facilities Management Services

ESG

- FTSE4Good Developed Index
 - Green Fleet of the Year
 - 'Low Risk' ESG rating from Sustainalytics
 - Most Inclusive Top 50 Company
 - Most Admired Companies
 - RE100, EPI100 and EVI100, The Climate Group
 - RoSPA Gold - Royal Society for the Prevention of Accidents
 - Top Employer, recognized by Top Employers' Institute
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