# A record year and continued strategic progress; entering FY24 with confidence

Results presentation for the year ended 31 March 2023

8 June 2023

THE EXCEPTIONAL, EVERY DAY

# FY23 highlights: A record year for the Group

| | | |
|---|---|---|
| **£4,055m** Revenue | **9.5p** Basic EPS | **£66m** Free cash flow |
| **£117m** Returned to shareholders | **2.9p** FY23 dividend | **£9.7bn** Total order book |
| **+42** Customer NPS | **57%** Employee engagement | **£10m** Winter Support package |

# Financial update

## Simon Kirkpatrick

Chief Financial Officer

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# FY23 headlines: Record revenue and growth in earnings per share; cash generation underpins dividend growth

| Headlines (£m) | FY23 | FY22 | Change % |
|---|---|---|---|
| Revenue[1] | 4,055 | 3,997 | +1.5 |
| *Revenue ex. COVID contracts* | *4,040* | *3,548* | *+13.9* |
| Operating profit before other items | 162.1 | 166.9 | (2.9) |
| *Operating profit ex. COVID contracts[2]* | *155.0* | *107.3* | *+44.5* |
| Operating profit margin | 4.0% | 4.2% | (0.2)ppt |
| *Operating profit margin ex. COVID contracts* | *3.8%* | *3.0%* | *+0.8ppt* |
| Profit after tax before other items | 128.0 | 128.1 | (0.1) |
| Basic earnings per share before other items | 9.5p | 9.2p | +3.3 |
| Dividend[3] | 2.9p | 1.8p | +61.1 |
| Free cash flow[4] | 66 | 147 | (55.2) |
| Average daily net debt | (84) | (25) | (241.3) |
| Net assets | 422 | 426 | (1.0) |

- Headline revenue growth of 1.5%, underlying growth of 13.9%
- Good momentum on cost savings drives underlying margin improvement
- 3.3% improvement in EPS from refinancing actions and share buybacks
- Dividend at target range (30% payout)
- Free cash flow of £66m reflects closure of invoice discounting facility (£45m)
- Average daily net debt of £84m, after planned capital deployment. Credit rating confirmed (BBB)

*[1] Revenue including share of joint ventures and associates and excluding discontinued operations*
*[2] Operating profit before other items, excluding COVID contracts*
*[3] Interim dividend of 0.7p paid on 1 February 2023. Final dividend of 2.2p recommended by the Board.*
*[4] Adjusted to exclude movements in restricted cash and other adjustments which do not form part of net debt, in addition to EBT share purchases which are presented below free cash flow (consistent with HY FY23)*

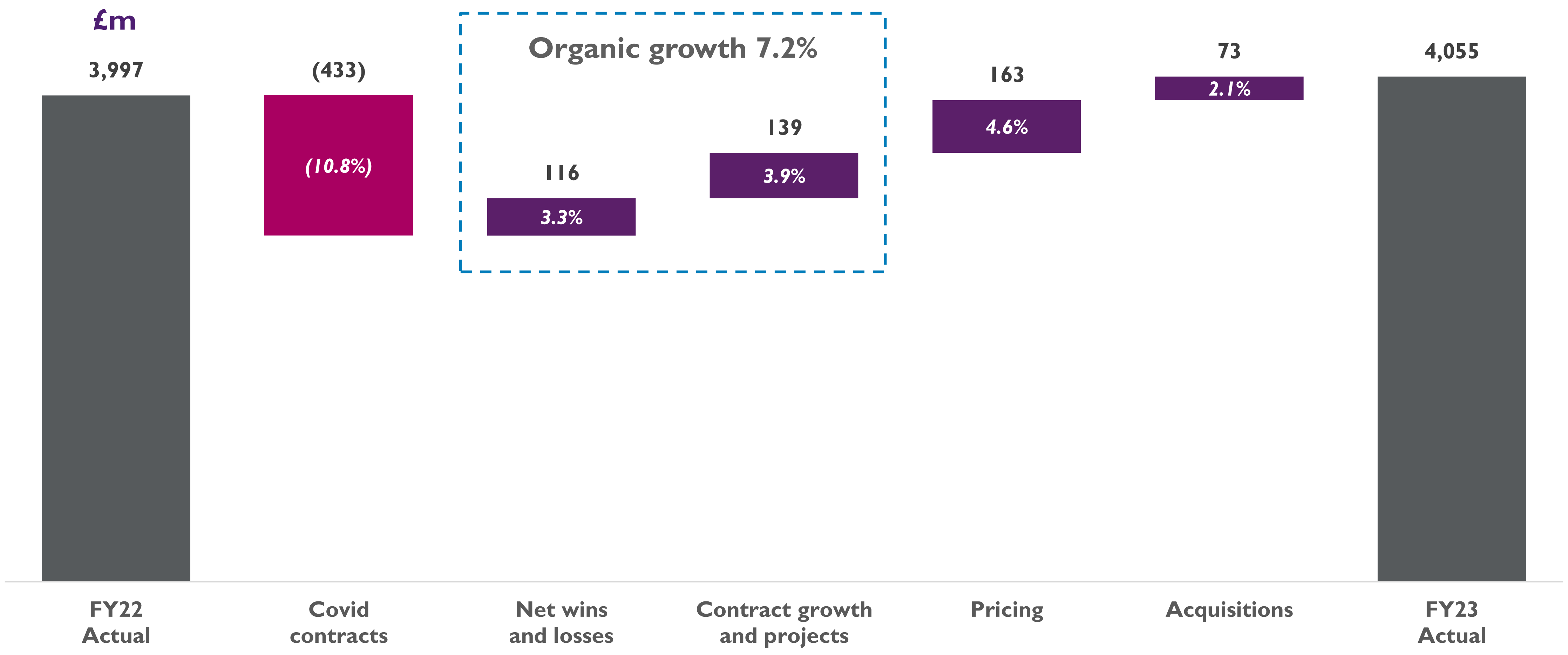
# Revenue: Good performance across all Divisions

| Revenue[1] (£m) | FY23 | FY22 | Change % |
|---|---|---|---|
| Business Services (BS) | 1,172 | 1,522 | (23.0) |
| Technical Services (TS) | 1,154 | 973 | +18.6 |
| Central Government & Defence (CG&D) | 828 | 669 | +23.7 |
| Communities | 490 | 460 | +6.6 |
| Specialist Services | 411 | 373 | +10.3 |
| **Mitie Group** | **4,055** | **3,997** | **+1.5** |
| *Revenue from COVID-related contracts*[2] | *15* | *448* | *(96.6)* |
| *Revenue ex. COVID contracts* | *4,040* | *3,548* | *+13.9* |

- BS decrease due to completion of Covid work; underlying revenue growth of 6%
- TS boosted by strategic acquisitions, projects recovery and new wins
- CG&D growth from FDIS, and increased fixed and project work
- Communities uplift from wins and pricing
- Specialist Services growth from wins and cross-selling

*[1] Revenue including share of joint ventures and associates and excluding discontinued operations*
*[2] Almost all the short-term revenue from Covid-related contracts is in Business Services*

# Revenue: Organic growth, pricing, and acquisitions more than replace revenue from Covid work




*NB: Revenue from continuing operations. Percentage movements are calculated based on £4.0bn for COVID contracts, and £3.5bn (i.e. revenue excluding Covid contracts) for the other bridging items*

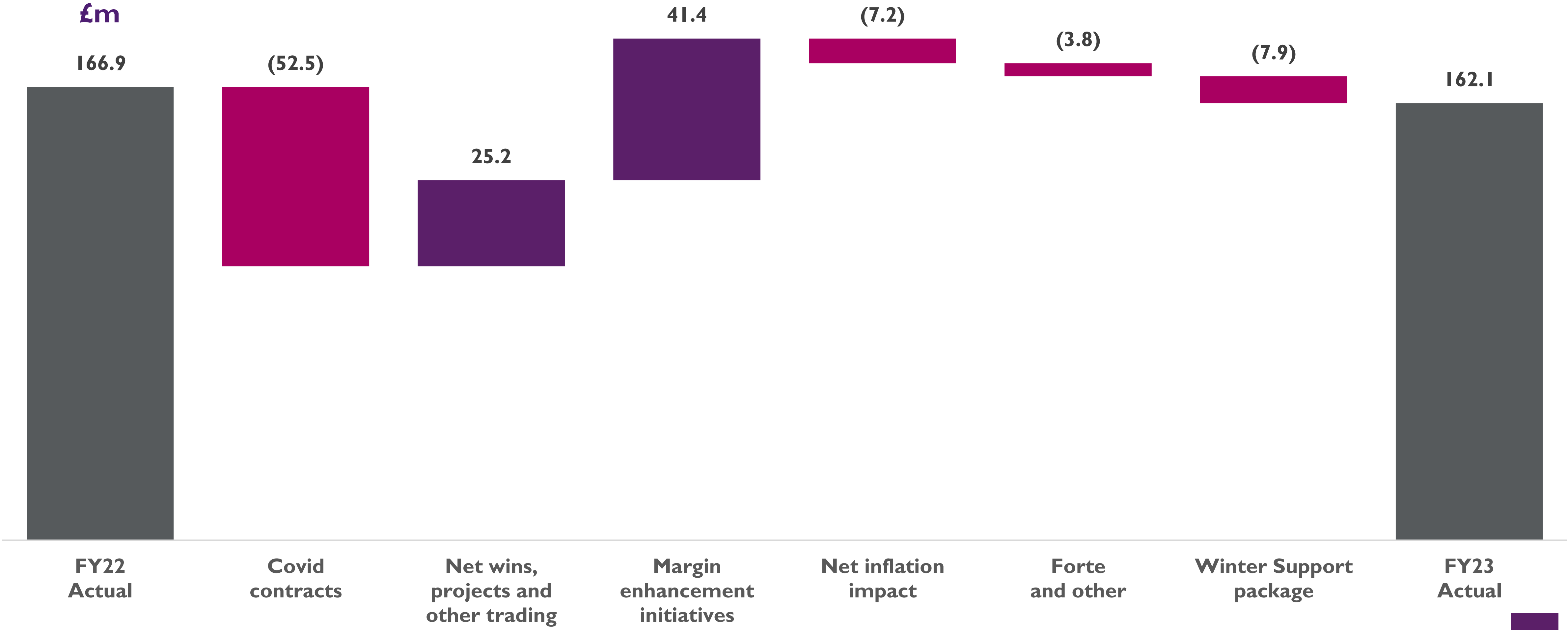
# …with momentum from cost savings and additional works contributing to operating profit of £162m

| Operating profit[1] (£m) | FY23 | FY22 | Change % |
|---|---|---|---|
| Business Services (BS) | 67.5 | 107.5 | (37.2) |
| Technical Services (TS) | 34.1 | 30.0 | +13.7 |
| Central Government & Defence (CG&D) | 59.8 | 38.4 | +55.7 |
| Communities | 21.3 | 19.9 | +7.0 |
| Specialist Services | 34.9 | 32.5 | +7.4 |
| Corporate centre | (55.5) | (61.4) | (9.6) |
| **Mitie Group** | **162.1** | **166.9** | **(2.9)** |
| *Profit from Covid-related contracts[2]* | *7.1* | *59.6* | *(88.1)* |
| *Operating profit ex. Covid contracts* | *155.0* | *107.3* | *+44.5* |

*[1] Before other items from continuing operations*
*[2] Almost all the short-term profit from Covid-related contracts is in Business Services*

- BS underlying profit improvement of 26% from cost savings and variable & project works, partially offset by reduction in 'Brexit' work
- TS cost savings and recovery of variable works more than offset headwinds from Forte and inflation
- CG&D boosted by increased revenue, cost savings and pricing
- Communities underlying trading improvement offsets impact of contracts insourced by customers
- Specialist Services growth from new wins in C&C and margin improvement in Spain
- Corporate centre costs reduced due to overhead savings, partly offset by costs of Winter Support package

# Operating profit: Contract wins and project work, combined with an increase in margin enhancement initiatives, drive underlying profit improvement




*NB: Before other items from continuing operations*

# EPS: 3.3% improvement from refinancing of debt instruments and share buybacks

| £m | FY23 | FY22 | Favourable / (adverse) % |
|---|---|---|---|
| **Operating profit** | **162.1** | **166.9** | **(2.9)** |
| *Net finance costs* | *(11.5)* | *(19.8)* | *+41.9* |
| **Profit before tax** | **150.6** | **147.1** | **+2.4** |
| *Tax before other items* | *(22.6)* | *(19.0)* | *(18.9)* |
| **Profit after tax** | **128.0** | **128.1** | **(0.1)** |
| | | | |
| **Basic earnings per share** | **9.5p** | **9.2p** | **+3.3** |
| | | | |
| Weighted average shares | 1,348.4 | 1,395.4 | +3.4 |
| Effective tax rate | 15.0% | 12.9% | (2.1)ppt |

*NB: Before other items from continuing operations*

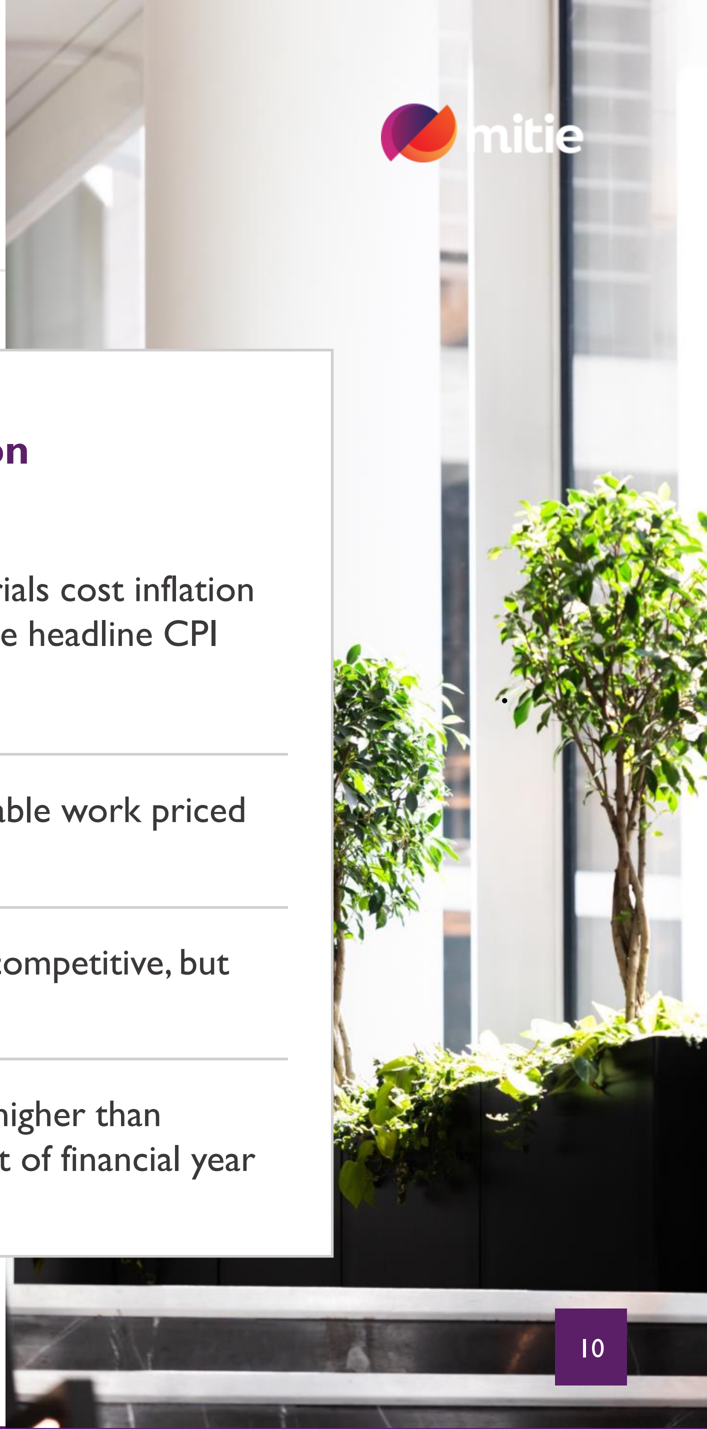
- Refinancing of USPP and RCF facilities has a £4.7m positive impact on PBT
- Closing the invoice discounting facility in FY23 further reduces finance costs by c.£1m
- Recognition of tax losses acquired with ISV results in ETR below headline CT rate
- 69m shares repurchased through share buyback, and 50m for all employee share schemes

# Inflation: 96% of cost inflation passed through to customers in FY23; estimated 90% pass through in FY24

| FY23 cost inflation impact vs FY22[1] | |
|---|---|
| **Total cost inflation** | **£(170)m** |
| Revenue pricing | £163m |
| **FY23 net P&L impact** | **£(7)m** |
| *Inflation recovery %* | 96% |

**FY24 cost inflation estimate**

| Year | Net P&L impact | CPI |
|---|---|---|
| FY22 | £(8)m | 7.0%[2] |
| FY23 | £(7)m | 10.1%[2] |
| **FY24 estimate** | **c.£(20)m** | **4.2%[3]** |



## FY23 inflation

Wage and materials cost inflation remain below the headline CPI inflation rate

Project and variable work priced at current costs

Labour market competitive, but stable

Recovery rates higher than expected at start of financial year

*[1]Based on core cost base of c.£3bn, which is total cost base (£3.8bn) less project related costs (c.£0.8bn)*
*[2]Sourced from Office for National Statistics based on the 12 months to March*
*[3]Average of FY24 Office for Budget Responsibility CPI quarterly forecasts*

# Cash flow: Free cashflow of £66m, after closure of £45m invoice discounting facility

| Cash flow (£m) | FY23 | FY22 |
|---|---|---|
| Operating profit before other items[1] | 162.1 | 166.9 |
| Add back: depreciation and amortisation | 52.4 | 51.6 |
| Other items | (23.7) | (26.8) |
| Other operating movements | (4.0) | 12.2 |
| **Cash from operations before movements in working capital** | **186.8** | **203.9** |
| Working capital movements[2] | (38.8) | 41.2 |
| Capex, capital leases, interest and other | (82.3) | (98.5) |
| **Free cash inflow** | **65.7** | **146.6** |
| Share buybacks | (50.7) | - |
| Market purchase of own shares | (37.7) | (13.8) |
| Acquisitions and disposals[3] | (20.2) | 5.0 |
| Dividends paid | (28.9) | (5.7) |
| Lease liabilities and other | 1.0[4] | (18.7) |
| **(Increase) / decrease in net debt in the period** | **(70.8)** | **113.4** |

[1] Operating profit before other items and excluding discontinued operations
[2] Adjusted to exclude movements which do not form part of net debt, notably £20m of cash received in error relating to the invoice discounting facility in March 2022, which was subsequently repaid in April 2022
[3] Acquisitions and disposals shown on a net cash/ net debt basis
[4] Includes £6.0m which was received in May 2022 in respect of the expert's determination on the Interserve acquisition completion accounts

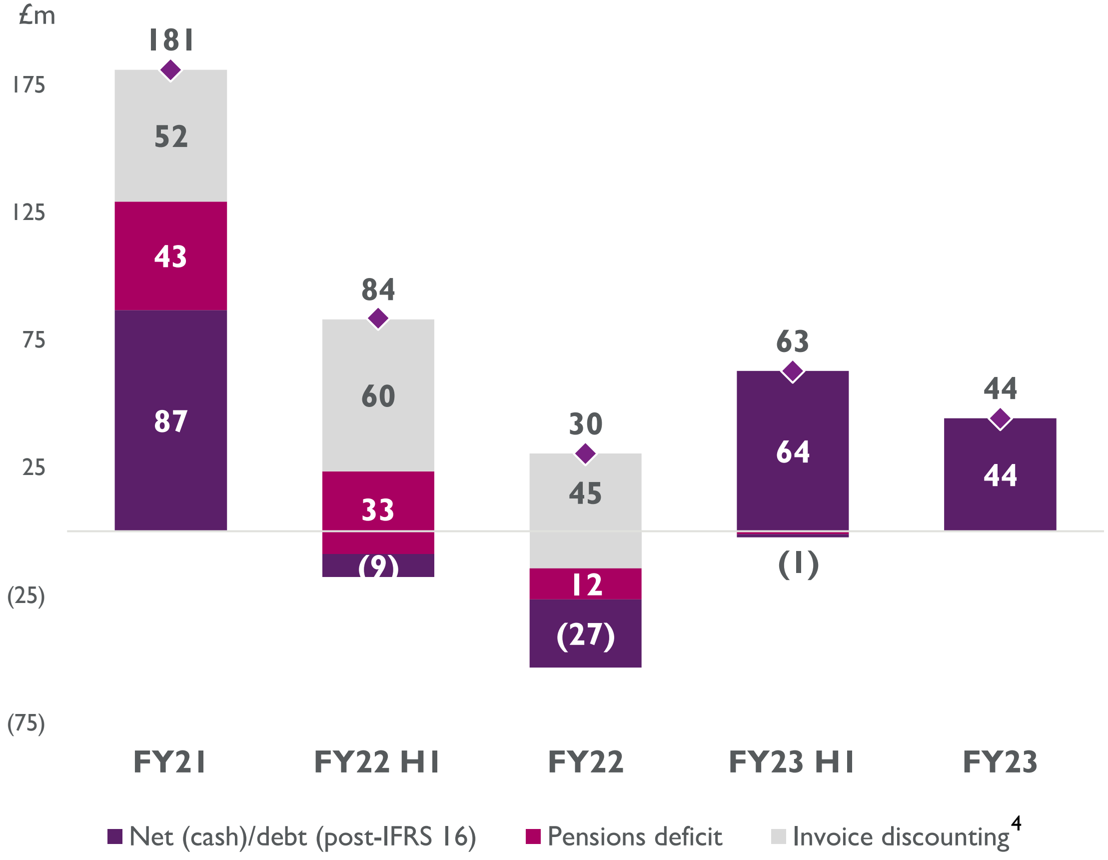
- Strong cash flow from profits despite completion of higher margin Covid work
- Cash other items of £23.7m, mainly for costs to achieve the Margin Enhancement Initiatives, and Project Forte
- FY23 working capital outflow from closing invoice discounting facility, completion of Covid contracts, and financing projects growth
- Capex £25.1m (FY22 £35.2m), interest £11.9m (£17.2m), tax £19.8m (£16.2m), leases £34.5m (£33.9m), offset by JV dividends of £9.0m (£4.0m)
- Capital allocation of £137.5m (FY22: £14.5m), including £88.4m of share purchases (119m shares) through share buyback (£50.7m), and for all employee incentive schemes (£37.7m)

# Balance sheet: Our key financial metrics remain strong as we continue to fund strategic M&A and increase shareholder returns

mitie

| £m | FY23 | FY22 |
|---|---|---|
| Closing net (debt) / cash | (44) | 27 |
| Average daily net (debt) | (84) | (25) |
| Leverage ratio (average daily net debt / EBITDA)[1] | 0.4x | 0.1x |
| Covenant leverage ratio[2] | < 0x | < 0x |
| Debtor days | 31 | 28 |
| Creditor days | 32 | 23 |
| ROIC | 25.4 | 29.9 |
| Net assets | 422 | 426 |

### Total financial obligations[3]




[1] Calculated using EBITDA before other items and post-IFRS 16 net debt (i.e. including leases). Leverage ratio based on closing net debt is 0.2x
[2] Calculated using net debt excluding leases

[3] Total Financial Obligations comprise net (cash)/debt and net retirement benefit obligations
[4] Invoice discounting facility (CID) was terminated in Q1 FY23

# Summary: Good FY23 financial performance, FY24 progress underpinned by cost savings

## FY23 performance

- Record revenue
- Underlying margin improvement driven by cost savings
- EPS growth of 3.3%
- Good underlying free cashflow
- Strong pricing performance to recover cost inflation

## FY24 guidance

- Mid to high single digit revenue growth (including inflation)
- Managing inflation remains key priority
- Profit progress in line with Board's expectations, underpinned by cost saving momentum
- Continued strong free cash flow generation


# Strategic update

## Phil Bentley

Chief Executive

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# Our journey: Fixing, scaling, delivering returns

## FY17 TO FY19: FOUNDATIONS FOR GROWTH

1. Improve customer service
2. Raise colleague engagement
3. Divest non-core services
4. Strengthen balance sheet

## FY20 TO FY21: SCALING THE BUSINESS

1. Interserve acquisition
2. Enhance competitive position
3. Leverage technology
4. Deliver cost synergies

## FY22 TO FY24: DELIVERING RETURNS

1. Accelerate growth
2. Enhance margins
3. Generate cash
4. Capability enablers

**No. 1**

The UK's leading facilities management company*

**>10%**

market share in a highly fragmented market*

*Frost & Sullivan

# Delivering returns: further progress against our strategic priorities

| Accelerate growth | Enhance margins | Generate cash |
| --- | --- | --- |
| • New wins<br>• Extensions/retentions<br>• Upsell/cross sell<br>• Develop pipeline<br>• Infill acquisitions | • ISV synergies<br>• Operational Excellence<br>• Digital Supply Chain<br>• Overhead savings<br>• Target Operating Model | • Improve profitability<br>• Working capital management<br>• Reduce 'other items'<br>• Tighten capex spend<br>• Reduce finance costs |

## Underpinned by our Capability Enablers

"Science of Service" / "Decarbonisation Delivered" / "Great Place to Work"

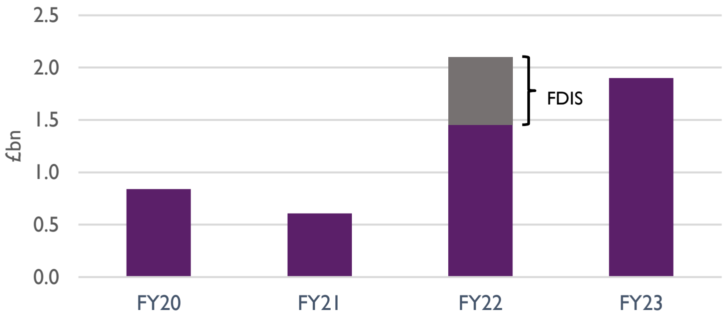
## Returns to shareholders

- Dividend payout 30% ✓
- 2nd share buyback programme £50m ✓
- Return on Invested Capital 25.4% ✓

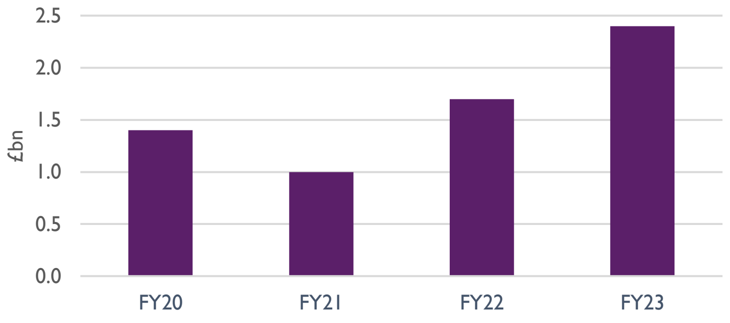
# Accelerate growth: £4.3bn of new contract wins, renewals and extensions; entered FY24 with strong pipeline

mitie

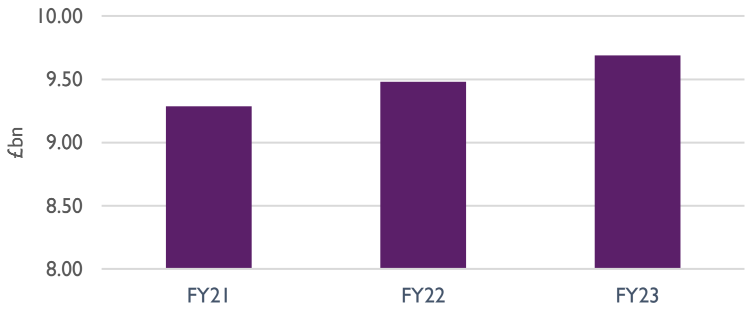
## £1.9bn TCV new contract wins[1]



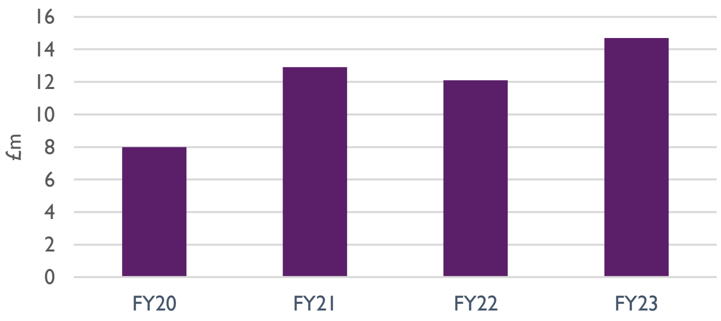

## £2.4bn TCV contract renewals and extensions[1]




## £9.7bn total order book[1]




## £14.7bn high quality pipeline




NATS
nationalgrid
Home Office
eurostar
Hammerson
daa
Defence Infrastructure Organisation
BBC
3
LLOYDS BANKING GROUP
Deloitte.
vodafone
Sainsbury's

1. *Includes secured, variable and project work*

# Why do we win? Relationships and technology are key

## MOD / DIO - Defence

### Leveraging longstanding relationships

- Building on 20+ years of service delivery
- 1,400 highly trained colleagues
- TCV of up to £1.8bn - largest include:
    - Renewals - Landmarc, Cyprus, Gibraltar
    - Extensions - Falklands, Ascension Island
    - Wins – RAF Mildenhall
- Delivering projects across built estate

## National Grid - Infrastructure

### Winning business through tech and innovation

- TCV up to £120m
- Clean, safe and secure spaces for 6,500 employees
- 'Science of Service' approach to digital transformation
- Identifying energy and cost savings across sites
- Helping customer achieve ambitious Net Zero targets
- Leveraging Rock and R H Irving Industrials acquisitions

# How do we grow? Strong projects capabilities

mitie

## Key stats

**£0.8bn**
Revenue
+18% YoY

**2,300**
employees

**200**
customers

## Customers include:

amazon, GSK, vodafone, Rolls Royce, The Scottish Government, sky, NHS, BBC, Landmarc, Department for Work & Pensions, Department for Environment Food & Rural Affairs, Lloyds Banking Group, Magnox, Department for Transport, Sellafield Ltd, Essex County Council, Home Office, Ministry of Defence

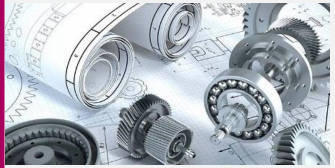
## Growth opportunities

Design, build and manage inspirational places of work

Proactively modernise buildings to improve operations, performance and safety

Accelerate delivery of our customers' decarbonisation goals

## Buildings infrastructure
**£0.6bn (+4%)**

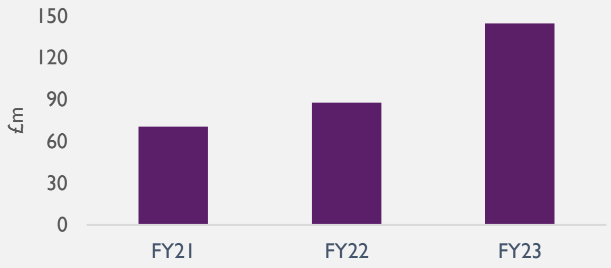

MEP


Office fit outs


Fire & Security

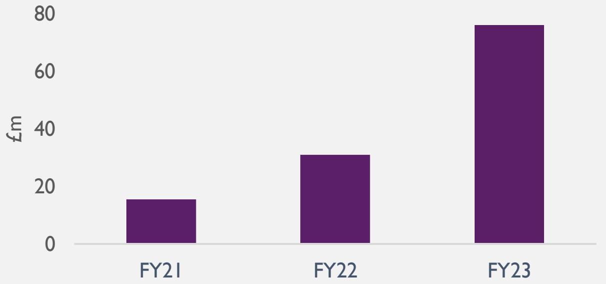

HVAC

## Decarbonisation
**£145m (+65%)**




ROCK POWER CONNECTIONS
CUSTOM SOLAR


## Mitie Telecoms
**£76m (+146%)**

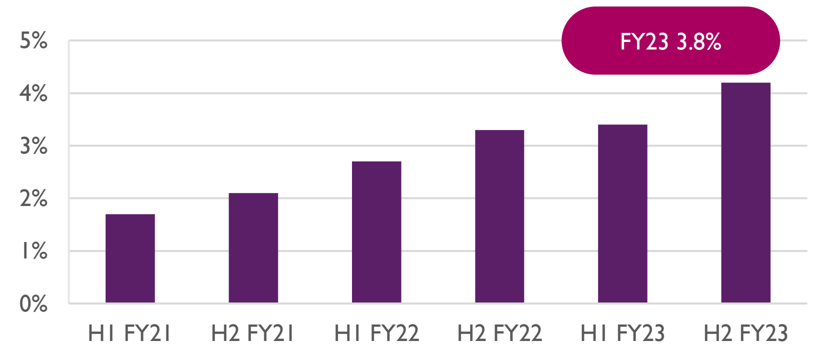



DAEL
P2ML
8point8 Group

# Enhance margins: £41m of cost savings delivered in FY23; good momentum going into FY24

| | | |
|---|---|---|
| **Interserve synergies** | • £51m cumulative savings to date<br>• Including headcount, IT and fleet savings<br>• Further helpdesk and back-office efficiencies | **£21m in FY23** |
| **Operational Excellence** | • 77 SAM accounts now with OE activity<br>• Lean Yellow Belt training to 568 colleagues<br>• Six Sigma Green Belt training started | **£7m in FY23** |
| **Digital Supplier Platform** | • Coupa in four divisions (60% of spend)<br>• Actions to mitigate 8% supply chain inflation<br>• Supplier consolidation (12,000 to 8,300) | **£7m in FY23** |
| **Target Operating Model** | • MSS: Outsourcing back-office functions<br>• Grp Ops: Standardising systems & processes<br>• Lean and efficient structure | **£6m in FY23** |

**Margin enhancement initiatives driving continual margin improvement***




**FY24 total cost savings – c.£30m**

Interserve synergies - £4m

Operational Excellence - £3m

Digital Supplier Platform - £3m

Target Operating Model - £20m

*Underlying operating profit margin excluding Covid-related contracts

# Capability enablers: Business momentum underpinned by our technology, our focus on sustainability and our colleagues

## Science of Service

- CHCoE & Merlin for Cleaning launched
- Forte launched
- Connected Engineer headsets
- 40k Connected Workspace users across 40 customers
- 18k sensors remotely monitoring customer sites
- ‘Partnership technology roadmaps’ introduced for customers

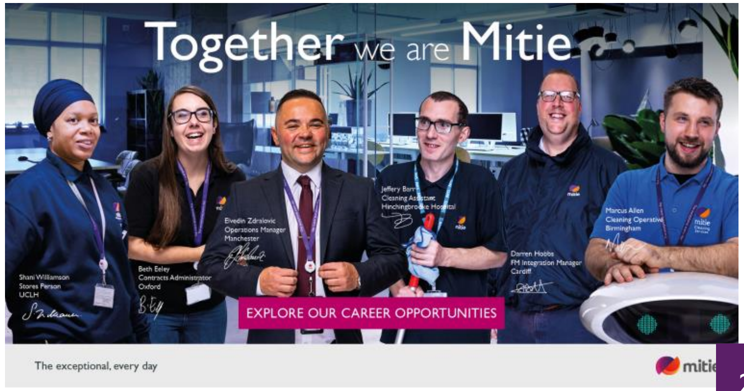

## Decarbonisation Delivered

- Energy optimisation programme implemented across Mitie estate
- 3,200 EVs in operation (one of the largest UK fleets)
- 2,800 EV charge points installed on our estate and customer sites
- Net Zero targets validated by SBTi
- 2023 ‘Net Zero Carbon Strategy’ (edie)
- 2023 ‘Solar Project of Year’ (GivEnergy)


## Great Place to Work

- UK Top Employer award
- New Employee Value Proposition (EVP)
- Industry leading benefits package
- £10m Winter Support package
- 19 Board employee listening sessions
- 800 ‘Mitie Stars’ monetary awards
- 57% employee engagement (+7ppt YoY)

MyVoice MyStory MyWellbeing MyCommunity
MySlice MyAchievement MyCareer



# Capital allocation: Building a track record for cash generation to support increased returns to shareholders and future growth

| Dividend | |
|---|---|
| **FY23**<br>30% payout | **FY24**<br>Progressive |

| Share buyback programme | |
|---|---|
| **FY23**<br>£50m | **FY24**<br>£50m* |

| Share purchases for incentive schemes | |
|---|---|
| **FY23**<br>50m (£38m) | **FY24**<br>c.15m |

| Strategic bolt-on acquisitions | |
|---|---|
| **FY23**<br>£20m | **FY24**<br>£20m ytd |

**Underpinned by strong balance sheet, BBB credit rating, and high ROIC**

*Includes the purchase of 30m shares for SAYE scheme

# Our journey…will continue with our next three-year plan: FY25-27

## FY17 TO FY19: FOUNDATIONS FOR GROWTH

1. Improve customer service
2. Raise colleague engagement
3. Divest non-core services
4. Strengthen balance sheet

## FY20 TO FY21: SCALING THE BUSINESS

1. Interserve acquisition
2. Enhance competitive position
3. Leverage technology
4. Deliver cost synergies

## FY22 TO FY24: DELIVERING RETURNS

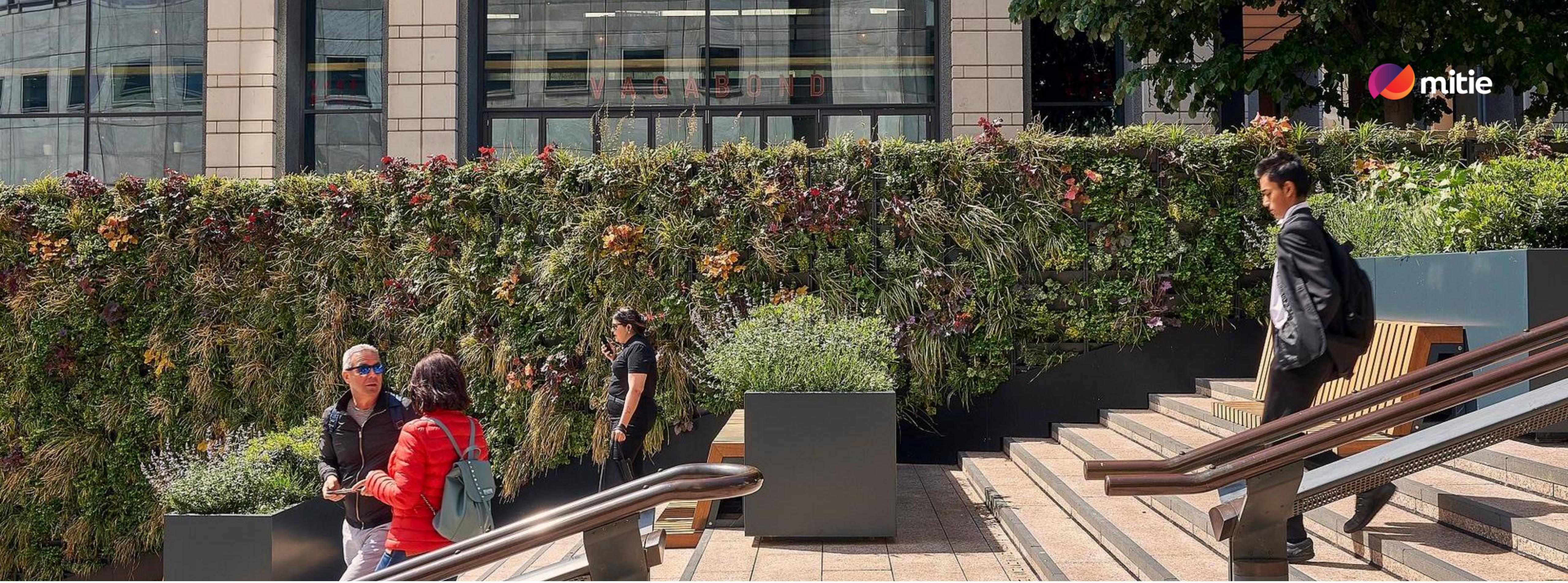
1. Accelerate growth
2. Enhance margins
3. Generate cash
4. Capability enablers

## FY25 to FY27: NEXT PHASE MITIE 4.0

Capital Markets Event:
12 Oct 2023

# Summary: A record year and continued strategic progress; entering FY24 with confidence

- **Record revenue** in FY23, driven by contract wins and extensions, contract re-pricing and acquisitions
- **Growth in EPS** reflecting the benefits from share buybacks and debt refinancing
- **Strong balance sheet** with good cash generation and continued low leverage
- **Total dividend +61%** to 2.9p in FY23 (FY22: 1.8p)
- **Margin enhancement initiatives** to deliver further savings
- **FY24 confidence** in meeting our growth expectations




# Q&A

# Appendices

# Business Services

| £m | FY23 | FY22 | Change | Change % |
|---|---|---|---|---|
| Security | 782 | 1,127 | (345) | (31) |
| Cleaning | 390 | 395 | (5) | (1) |
| **Total revenue** | **1,172** | **1,522** | **(350)** | **(23)** |
| | | | | |
| **Operating profit before other items** | **67.5** | **107.5** | **(40.0)** | **(37)** |
| Operating margin before other items, % | 5.8% | 7.1% | | (1.3)ppt |
| | | | | |
| Total order book | £1.5bn | £1.7bn | £(0.2)bn | (12) |
| Number of employees | 31,148 | 38,092 | (6,944) | (18) |

# Technical Services

| £m | FY23 | FY22 | Change | Change % |
|---|---|---|---|---|
| Maintenance[1] | 1,000 | 849 | 151 | +18 |
| Projects | 154 | 124 | 30 | +24 |
| **Total revenue** | **1,154** | **973** | **181** | **+19** |
| | | | | |
| **Operating profit before other items** | **34.1** | **30.0** | **4.1** | **+14** |
| Operating margin before other items, % | 3.0% | 3.1% | | (0.1)ppt |
| | | | | |
| Total order book | £1.6bn | £1.7bn | £(0.1)bn | (6) |
| Number of employees | 9,841 | 9,029 | 812 | +9 |

[1] *Includes projects delivered to customers as part of large FM contracts*

# Central Government & Defence

| £m | FY23 | FY22 | Change | Change % |
|---|---|---|---|---|
| Central Government | 439 | 379 | 60 | +16 |
| Defence | 389 | 290 | 99 | +34 |
| **Total revenue** | **828** | **669** | **159** | **+24** |
| | | | | |
| **Operating profit before other items** | **59.8** | **38.4** | **21.4** | **+56** |
| Operating margin before other items, % | 7.2% | 5.7% | | +1.5ppt |
| | | | | |
| Total order book | £2.4bn | £1.6bn | £0.8bn | +50 |
| Number of employees | 5,576 | 5,578 | (2) | - |

# Communities

| £m | FY23 | FY22 | Change | Change % |
|---|---|---|---|---|
| Healthcare | 250 | 225 | 25 | +11 |
| Education | 145 | 129 | 16 | +12 |
| Campus & Critical | 95 | 106 | (11) | (10) |
| **Total revenue** | **490** | **460** | **30** | **+7** |
| | | | | |
| **Operating profit before other items** | **21.3** | **19.9** | **1.4** | **+7** |
| Operating margin before other items, % | 4.3% | 4.3% | | - |
| | | | | |
| Total order book | £3.4bn | £3.7bn | £(0.3)bn | (8) |
| Number of employees | 7,802 | 8,513 | (711) | (8) |

# Specialist Services

| £m | FY23 | FY22 | Change | Change % |
|---|---|---|---|---|
| Care & Custody | 169 | 136 | 33 | +24 |
| Landscapes | 66 | 55 | 11 | +20 |
| Spain | 102 | 105 | (3) | (3) |
| Waste | 74 | 77 | (3) | (4) |
| **Total revenue** | **411** | **373** | **38** | **+10** |
| | | | | |
| **Operating profit before other items** | **34.9** | **32.5** | **2.4** | **+7** |
| Operating margin before other items, % | 8.5% | 8.7% | | (0.2)ppt |
| | | | | |
| Total order book | £0.8bn | £0.8bn | - | - |
| Number of employees | 9,808 | 10,118 | (310) | (3) |

# Return on invested capital (ROIC)

| £m | FY23 | FY22 | Change % |
|---|---|---|---|
| Operating profit before Other Items | 162.1 | 166.9 | (3) |
| Tax[1] | (24.3) | (21.5) | (13) |
| **Operating profit before other items after tax** | **137.8** | **145.4** | **(5)** |
| **Invested capital[2]** | **543.1** | **486.6** | **+12** |
| **ROIC %[3]** | **25.4%** | **29.9%** | **(4.5)ppt** |

[1] *Tax charge has been calculated at the effective tax rate for the year on pre-tax profits before other items for continuing operations of 15.0% (FY22: 12.9%)*
[2] A detailed breakdown of the invested capital make up has been provided on the next slide
[3] *The ROIC metric used for the purposes of the Enhanced Delivery Plan (EDP) requires further adjustments under the detailed rules agreed with shareholders e.g: add back of acquired customer lists amortisation*

# Invested capital (for ROIC)

| £m | FY23 | FY22 | Change | Change % |
|---|---|---|---|---|
| Net assets | 421.7 | 425.8 | (4.1) | (1) |
| **Add:** | | | | |
| Non-current liabilities | 335.9 | 241.0 | 94.9 | +39 |
| Current provisions | 54.2 | 54.7 | (0.5) | (1) |
| Current private placement notes | - | 141.0 | (141.0) | (100) |
| **Deduct:** | | | | |
| Current derivative financial assets | - | (19.6) | 19.6 | (100) |
| Non-current deferred tax assets | (20.4) | (11.1) | (9.3) | +84 |
| Cash and cash equivalents | (248.3) | (345.2) | 96.9 | (28) |
| **Invested capital[1]** | **543.1** | **486.6** | **56.5** | **+12** |

[1] *Invested Capital used for the purposes of the Enhanced Delivery Plan (EDP) requires further adjustments under the detailed rules agreed with shareholders e.g: add back of acquired customer lists amortisation*