

Results for the 6 months to 30 June 2010

CAPITA

Agenda

- **Introduction:** Paul Pindar
Chief Executive
- **Financial results:** Gordon Hurst
Group Finance Director
- **Generating growth:** Paul Pindar
- **Operational update and market opportunities** Simon Pilling
Chief Operating Officer
- **Prospects:** Paul Pindar

Highlights

- Strong profit growth
- Continued margin improvement
- Excellent cash flow despite economic environment
- Major contract sales at £523m
- 7 acquisitions completed for £107m
- Active market – both sales and acquisitions

“A consistent strategy, consistently applied”

Financial results

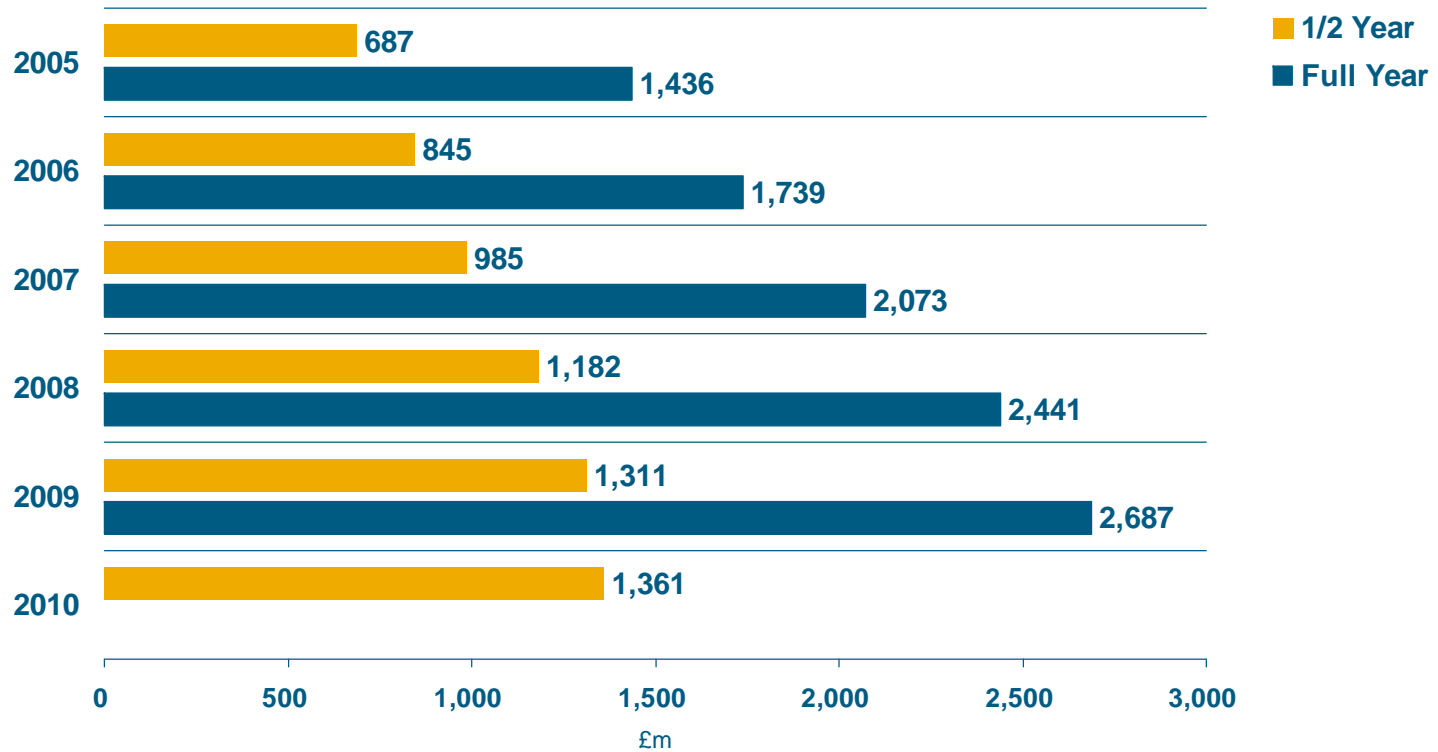
Gordon Hurst

Group Finance Director

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Financial results - turnover

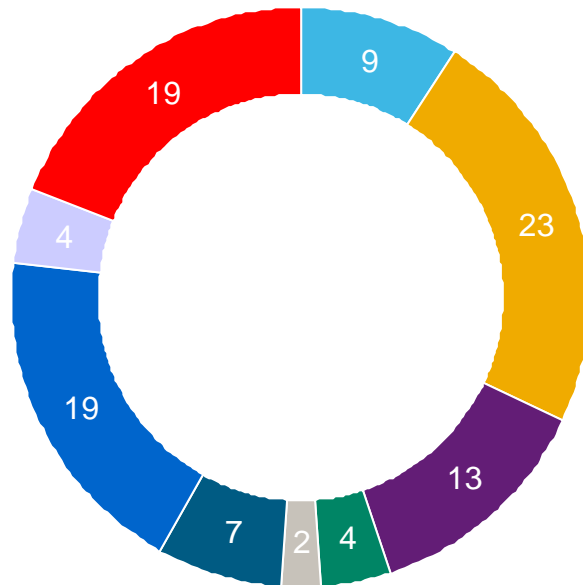
Comparative growth 4%



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Financial results - turnover by market

Public sector 51% (2009: 50%)
Private sector 49% (2009: 50%)



- Central government 9% (10%)
- Local government 23% (22%)
- Education 13% (12%)
- Health 4% (3%)
- Transport 2% (3%)
- Insurance 7% (8%)
- Life and pensions 19% (18%)
- Financial services 4% (4%)
- Other corporates 19% (20%)

2010 half year (2009 year end)

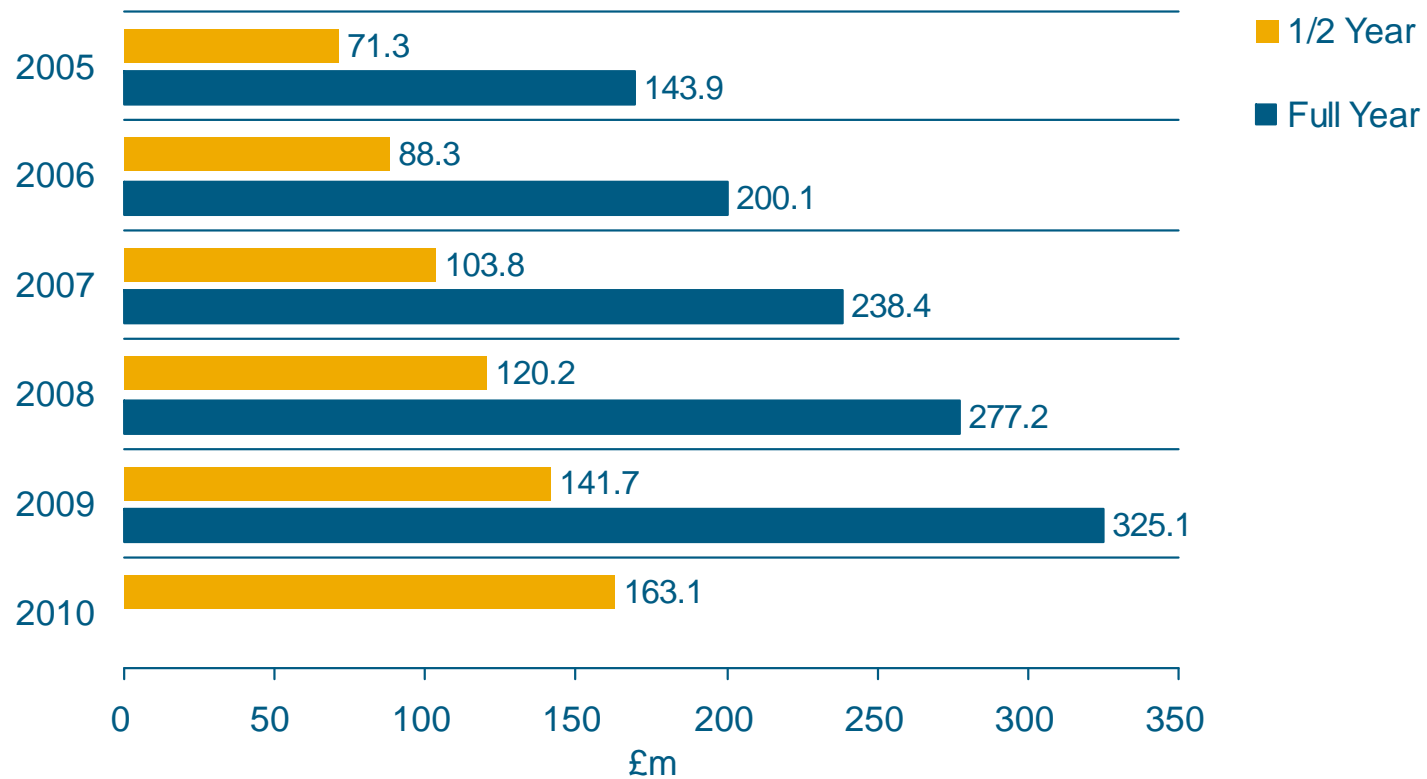
Financial results - half year organic growth

	£m 6 months to 30 June 2010	£m 6 months to 30 June 2009	Growth
Turnover	1361	1311	4%
2010 acquisitions	(27)	-	(2%)
2009 acquisitions	(89)	-	(7%)
Disposals	-	(21)	2%
Growth excl. acquisitions & disposals	1245	1290	(3%)
Revenue attrition	-	(97)	(7%)
Underlying organic growth	1245	1193	4%

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Financial results - underlying profit before tax

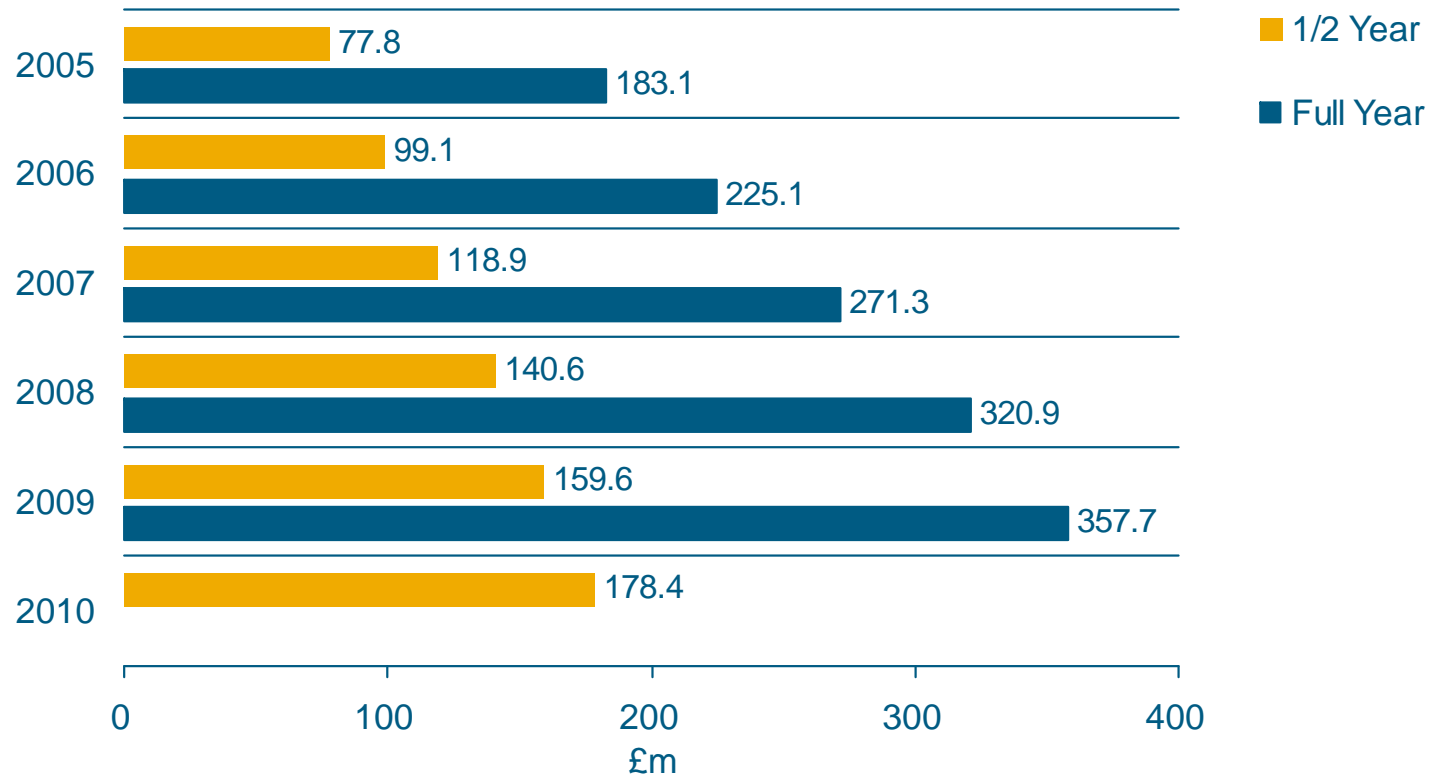
Comparative growth 15%



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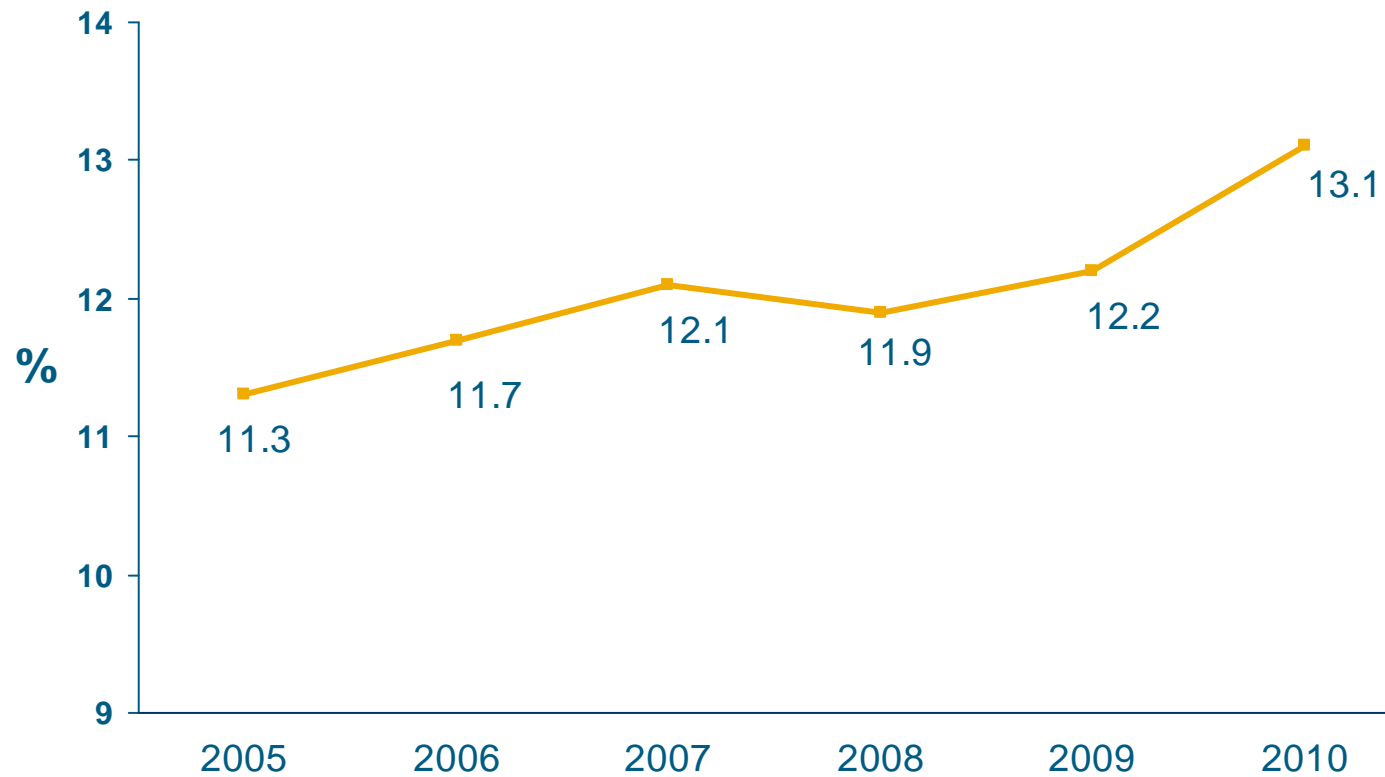
Financial results - underlying operating profit

Comparative growth 12%



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Financial results – underlying half year operating margin



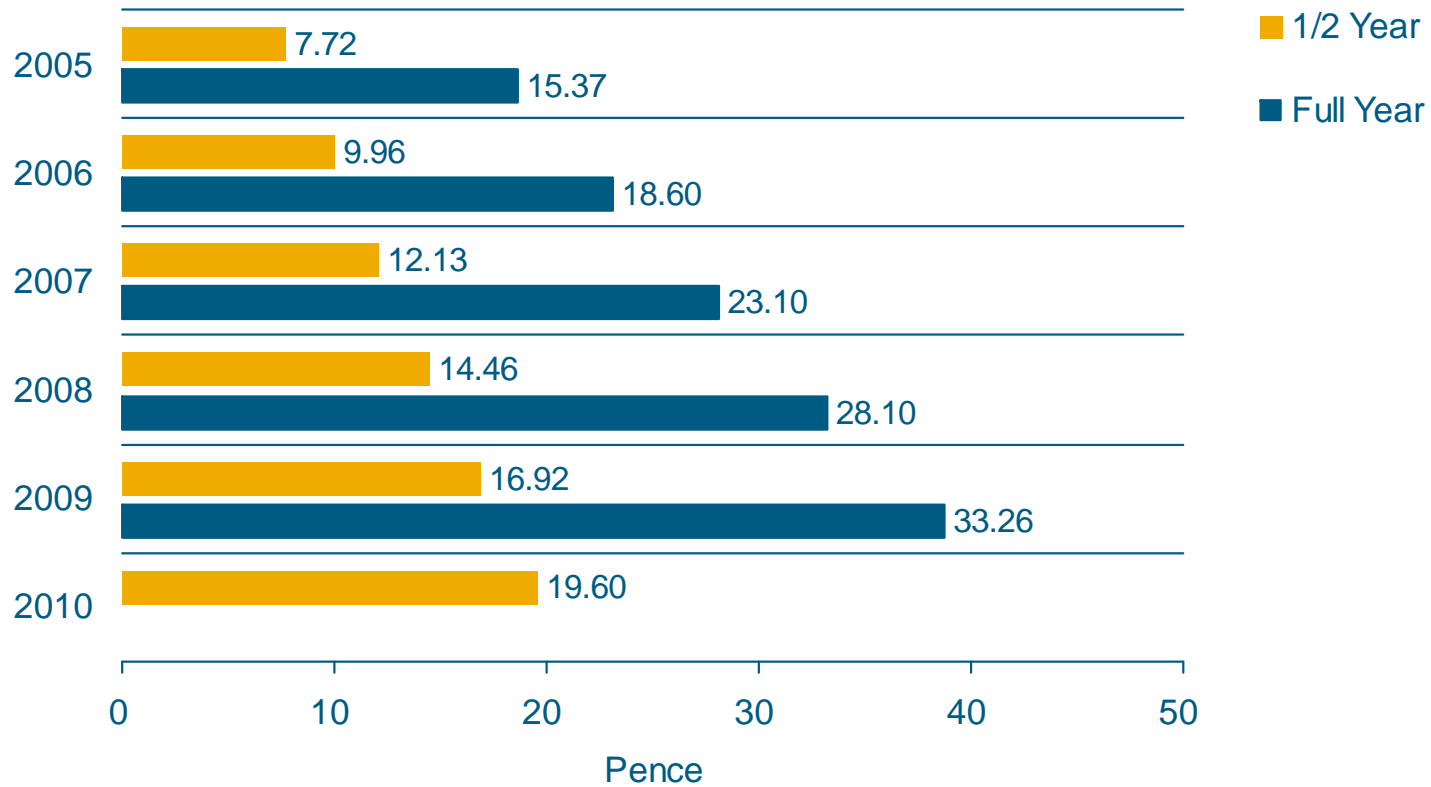
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Financial results – principal margin drivers

	<u>bpts</u>
Offshore profitability	13
IT server rationalisation	22
Procurement and property rationalisations	18
Insurance disposal	15
Turnarounds (print and document management)	22

Financial results - underlying earnings per share

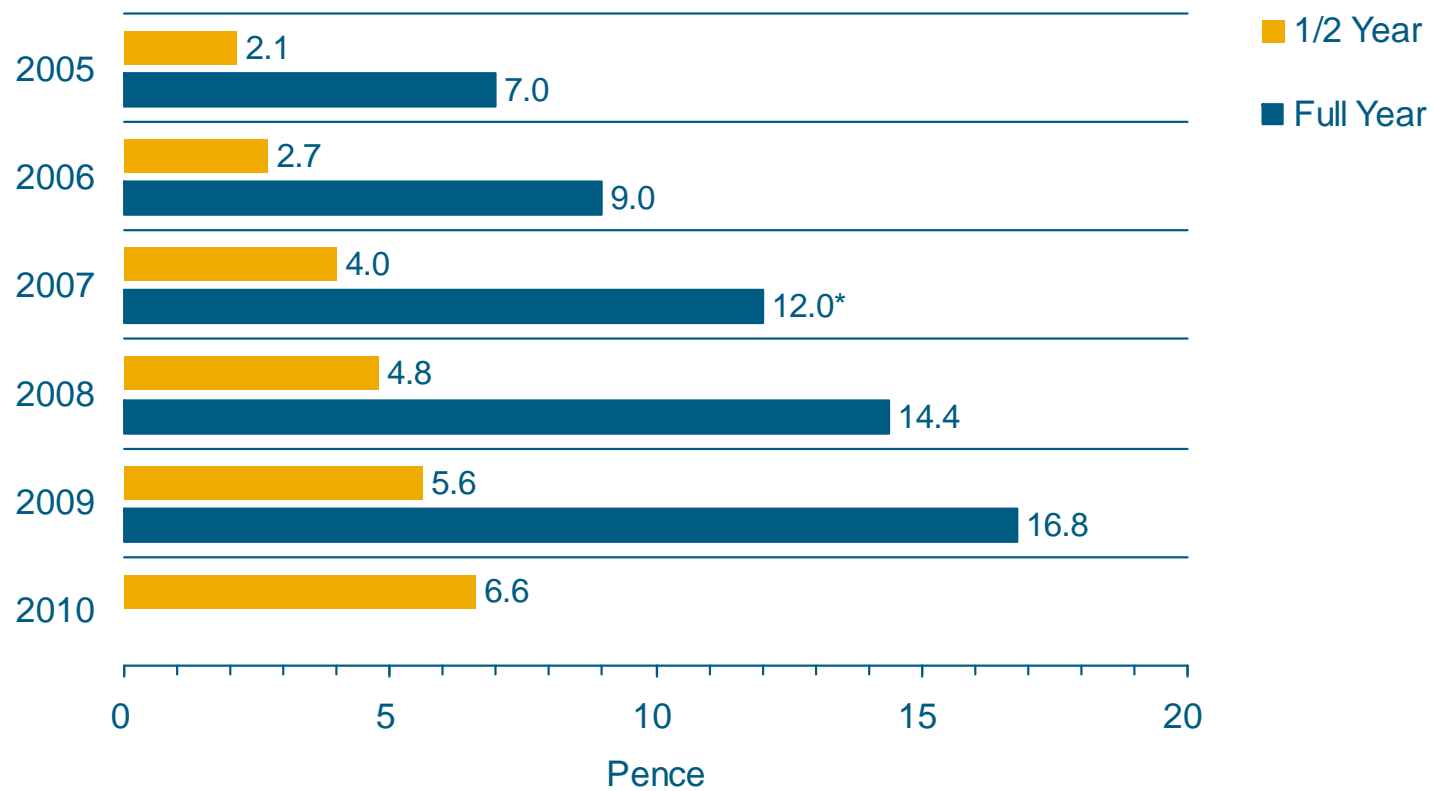
Comparative growth 16%



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Financial results - dividends

Comparative growth 18%

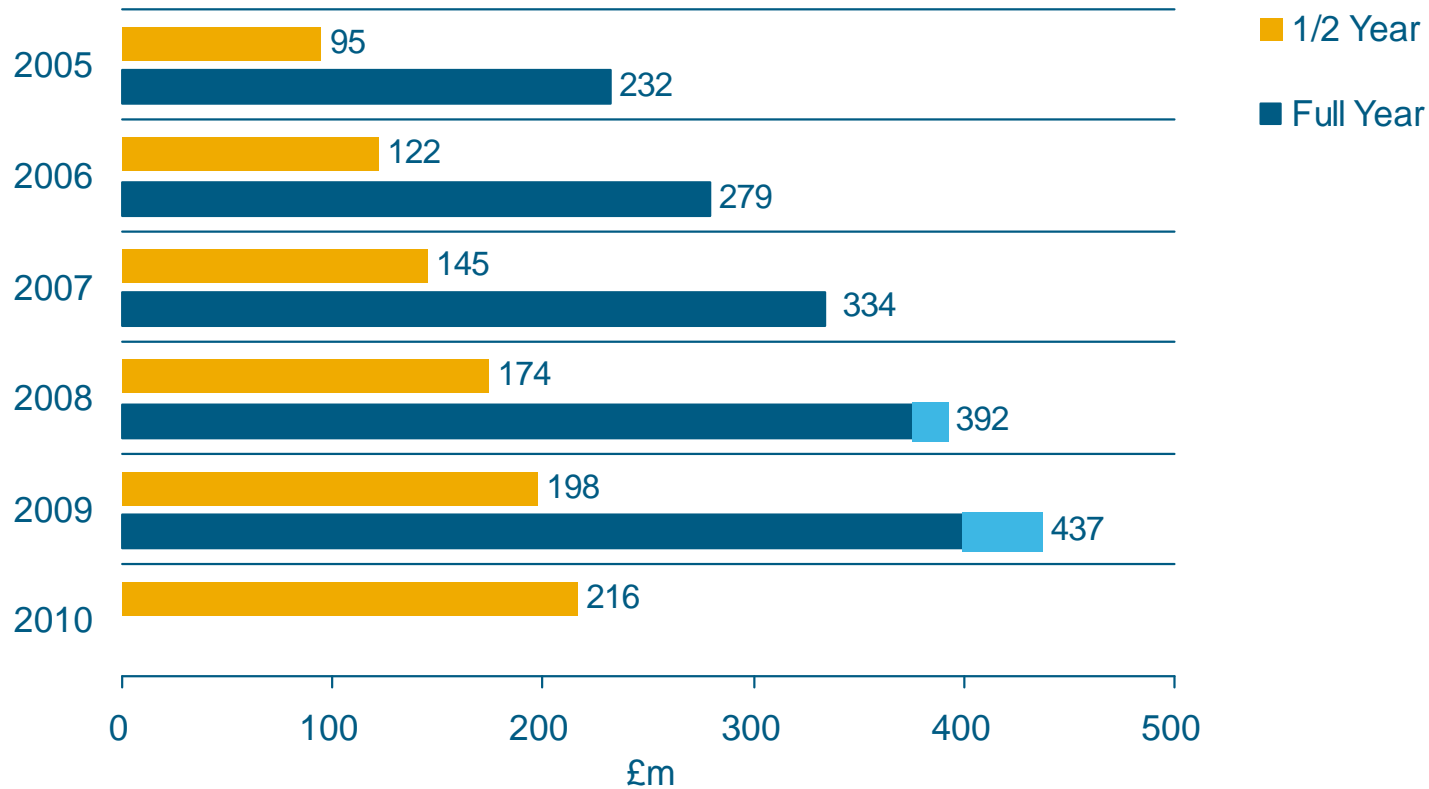


Financial results - cash flow statement

	£m 6 months to 30 June 2010	£m 6 months to 30 June 2009
Cash flow from operating activities	216	198*
Net interest paid	(15)	(19)
Taxation paid	(23)	(21)
Capital expenditure	(38)	(36)
Free cash flow	140	122
Exceptional pension payment	-	(40)
Acquisitions and disposals	(104)	(98)
Equity dividends paid	(69)	(59)
Share buybacks	(89)	-
Share option proceeds	16	13
Bond issue/(repayment)	53	(100)
Other financing	(17)	4
Decrease in cash in the period	(70)	(158)

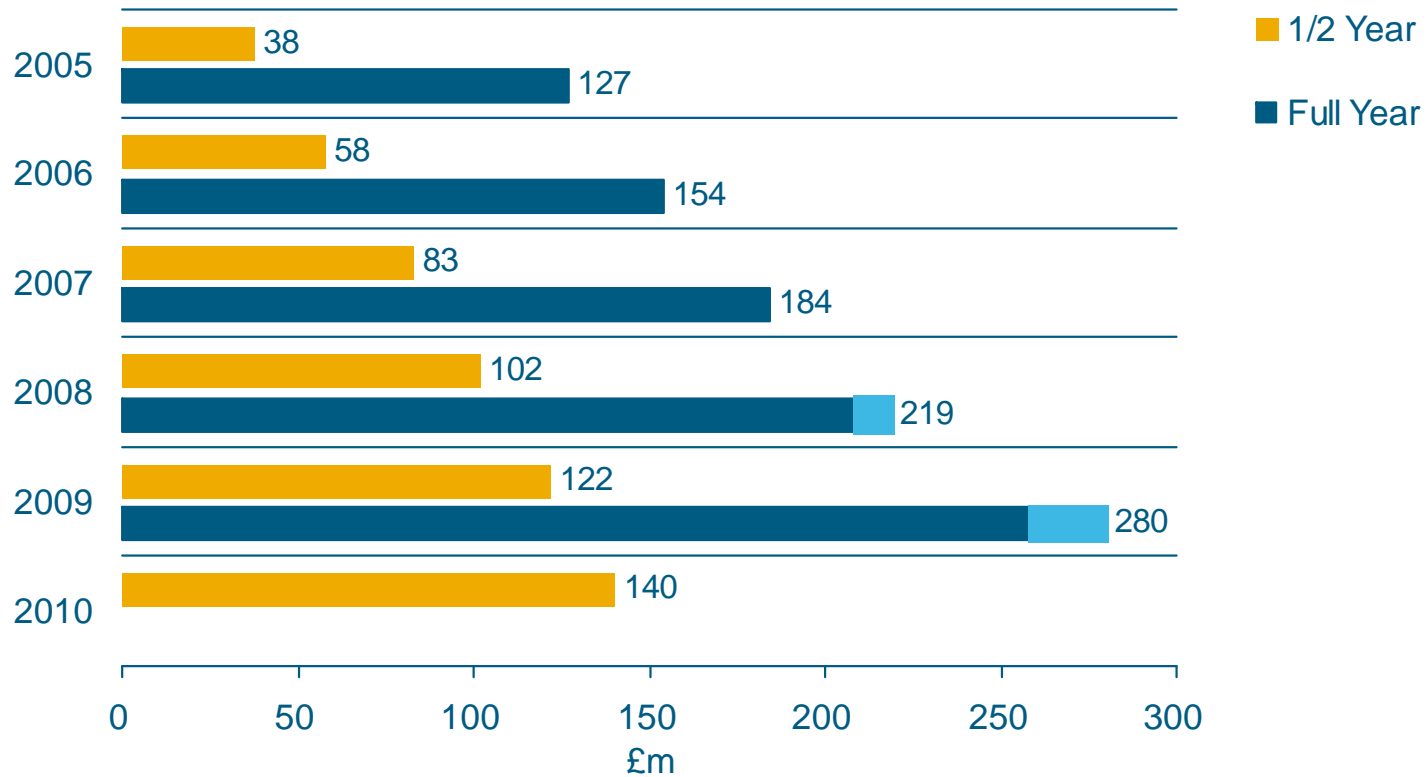
Financial results - cash flow from operating activities

Comparative growth 9%

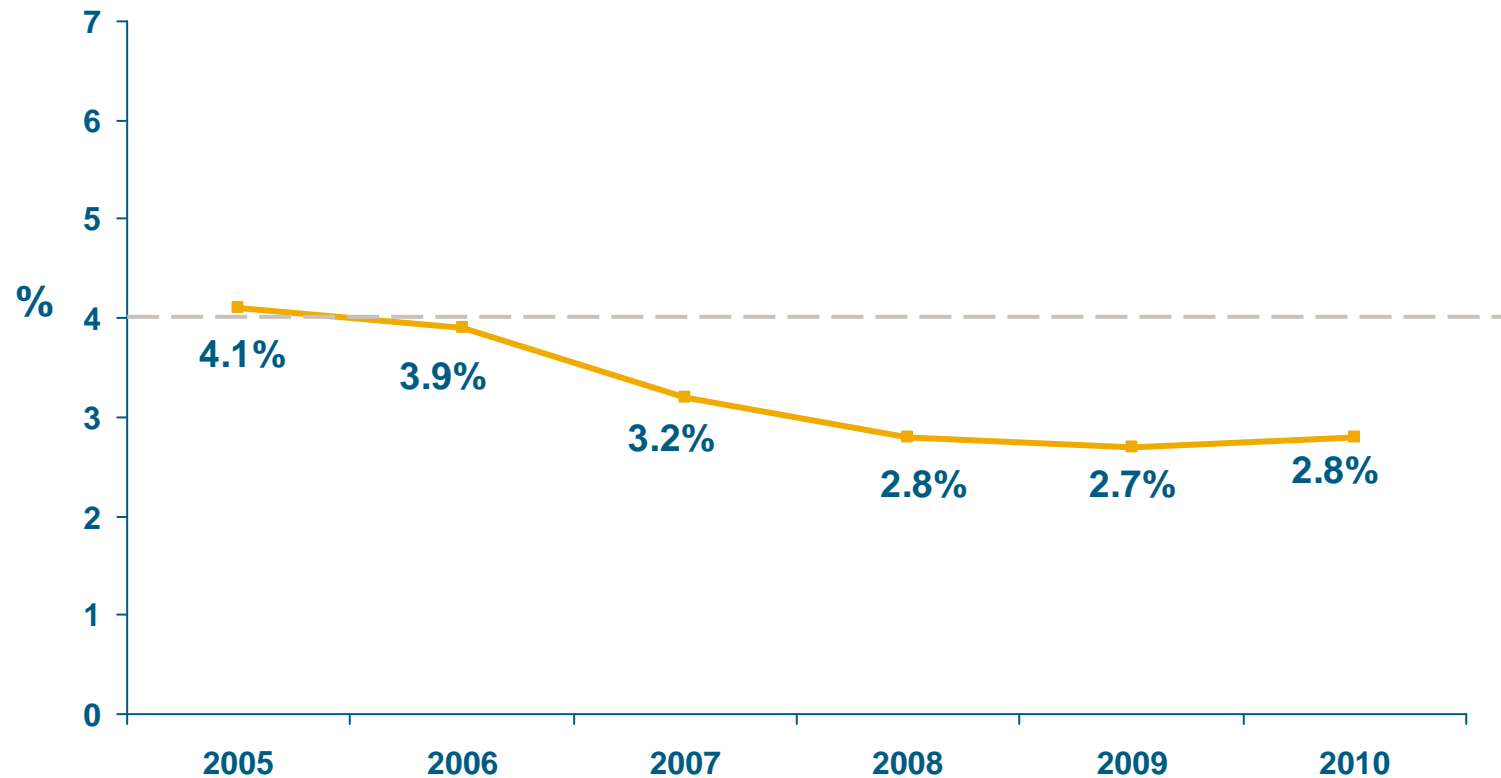


Financial results - free cash flow

Comparative growth 15%

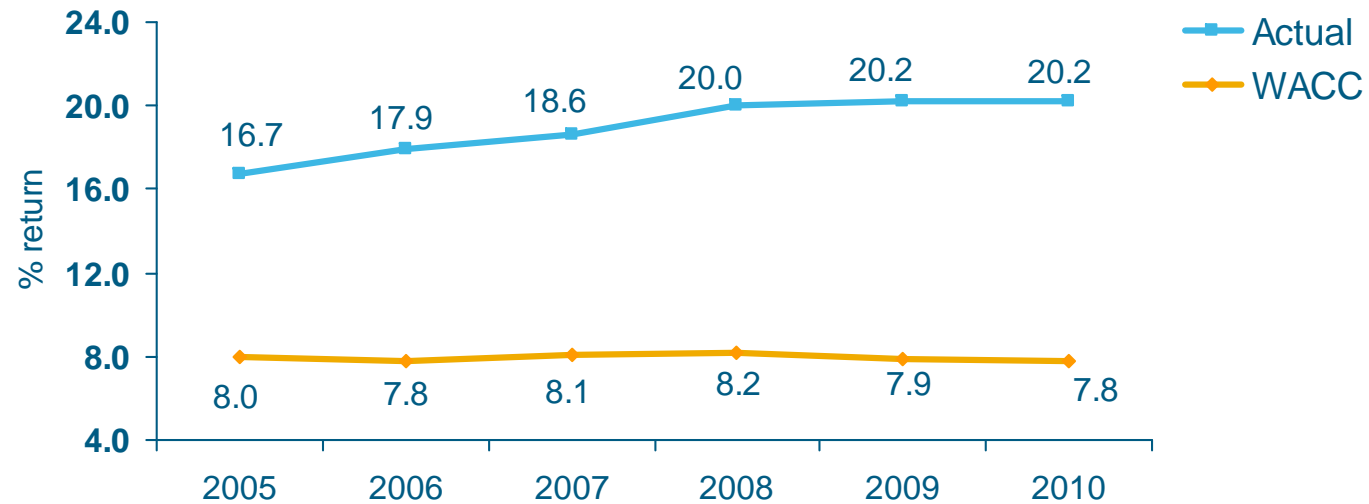


Financial results - half year capex as % of turnover



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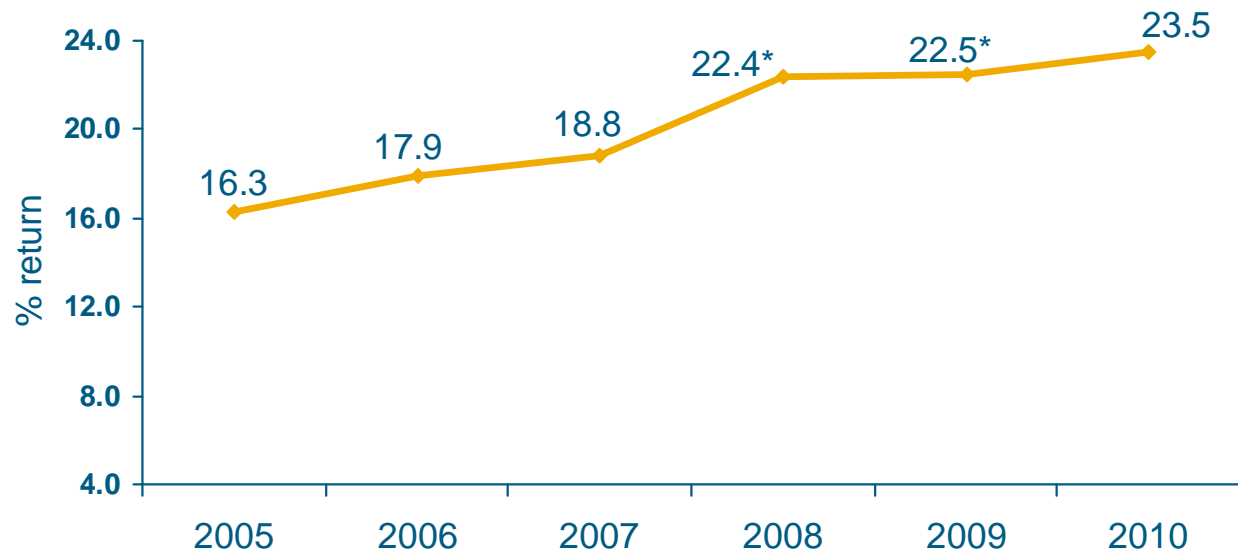
Financial results - % net return on capital (debt plus equity) – 12 months to 30 June 2010



	2005	2006	2007	2008	2009	2010
PBIT (normalised)	167	204	245	293	340	377
Avg capital (£m)	719	823	954	1067	1234	1380
Tax (%)	28.1	27.7	27.7	27.0	26.8	26.0

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Financial results - underlying free cash flow return on capital* (debt plus equity) – 12 months to 30 June 2010



	2005	2006	2007	2008	2009	2010
FCF (pre interest)	117	147	179	239	278	325
Avg capital (£m)	719	823	954	1067	1234	1380

Financial results - balance sheet gearing

	£m 30 June 2010	£m 30 June 2009
Net debt		
Bond debt †	834	579
(Cash in hand)/Bank facilities drawn	(112)	71
Loan notes/leases	4	3
Total net debt	726	653
Interest cover	12.5x	8.2x
Net debt to EBITDA	1.5	1.7

Financial results – debt profile

US private placement

- £253m raised from US private placement in 7 and 10 year notes at rates between 4.15% and 4.80%
- Proceeds used to repay more expensive £200m bank term loan

Current debt profile:

- £834m of private placement debt with maturities from 2012 to 2020 and with 50:50 fixed floating mix
- Unused revolving credit facility of £245m maturing in December 2011
- Cash balance of £112m as at 30 June 2010

Financial results - returns to shareholders in respect of 2010

- 11.7m shares (1.9% of share capital) cancelled at average of 765p
 - Cost £89m (including stamp duty)
- Shares in issue at 30 June 2010 – 609m
- Including proposed half year dividend, £130m returned to shareholders in respect of 6 months to 30 June 2010
- £1.03bn returned to shareholders over last 5 years

Generating growth through contract wins and acquisitions

Paul Pindar
Chief Executive

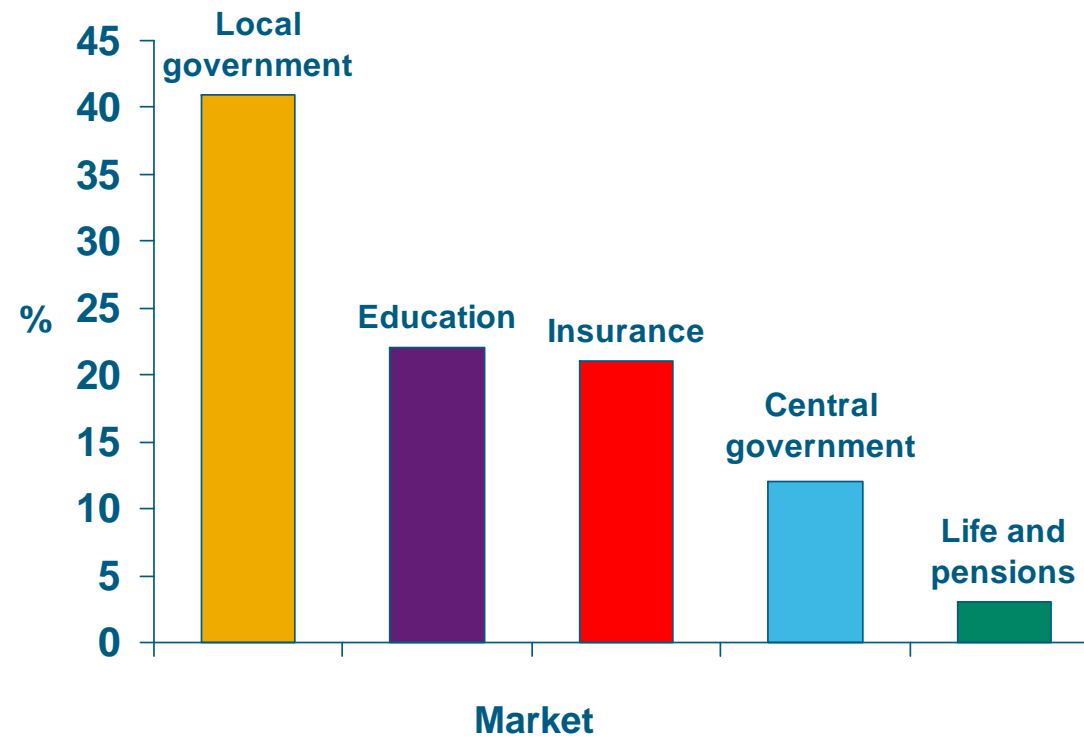
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Generating growth – new agreements in first 6 months of 2010

Client	Value (£m)	Duration
Sheffield City Council	67	6 years
Virgin Money	60	5 years
Harrow Council	50	10 years
Contracts £10m - £50m	14 deals	Aggregate value: £346m

Total value of 17 agreements to date in 2010: £523m
(Half year 2009: 10 contracts, £814m)

Generating growth – new agreements in first 6 months of 2010



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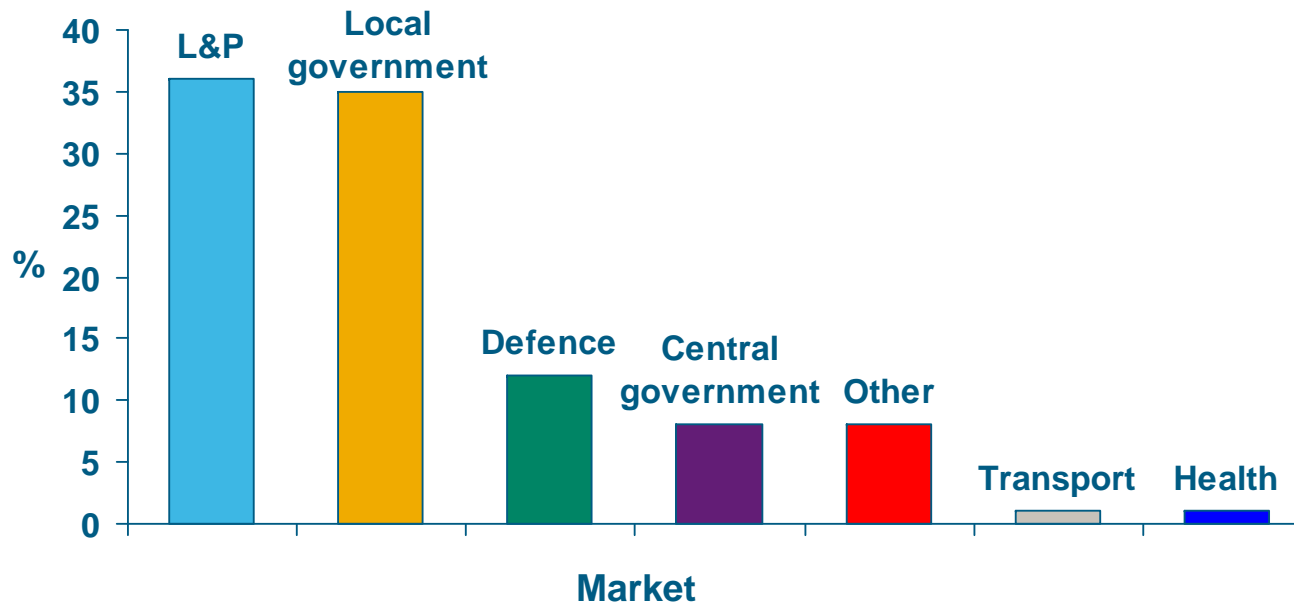
Generating growth - existing major contracts due for rebid

Year	Contract	Value per annum (£m)
2010	None	
2011	None	
2012	TV Licensing*	50
	CRB*	40
2013	None	
2014	None	

Criteria: more than 1% of 2009 turnover
***Revenues based on original contract value**

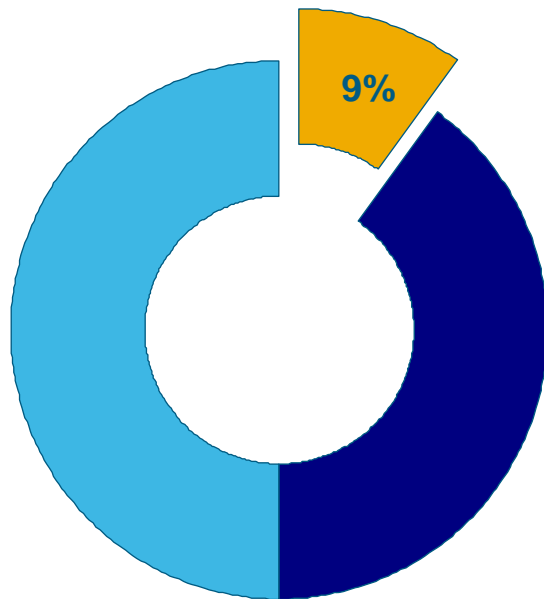
National Strategies contract due to end 31 March 2011 and will not be re-tendered

Generating growth - bid activity



- Bid pipeline* of £4.4bn comprising 23 bids (Feb 2010: £3.7bn; 26 bids)
- Average contract length in bid pipeline – 8 years
- Prospect and suspect lists buoyant
- Capita's financial stability is a key competitive advantage

Central government - update



■ Private sector
■ Central government
■ Public sector

- Approx 9% of Group revenues from Central government market
- This excludes small elements of health and education

Central government – early perceptions

- Impressive pace and urgency to tackle fiscal position

Their approach:

- What activities can the public sector simply stop?
- Where can they exercise self help quickly?
- Where and how can partners get them there sooner?

Targets:

- Central government target of 25% savings by year 3
- Capita believes it can achieve significant savings in year 1 and 25%+ savings by year 2

Central government - update

- Government committed to significantly shortening procurement process – can currently take up to 2 years
- Receptive to proposals where private sector can help Whitehall to operate more efficiently
- 2 prong focus:
 - Actions that provide immediate efficiencies
 - Initiatives to remodel and deliver services differently to achieve medium to longer term effect

Generating growth - acquisitions

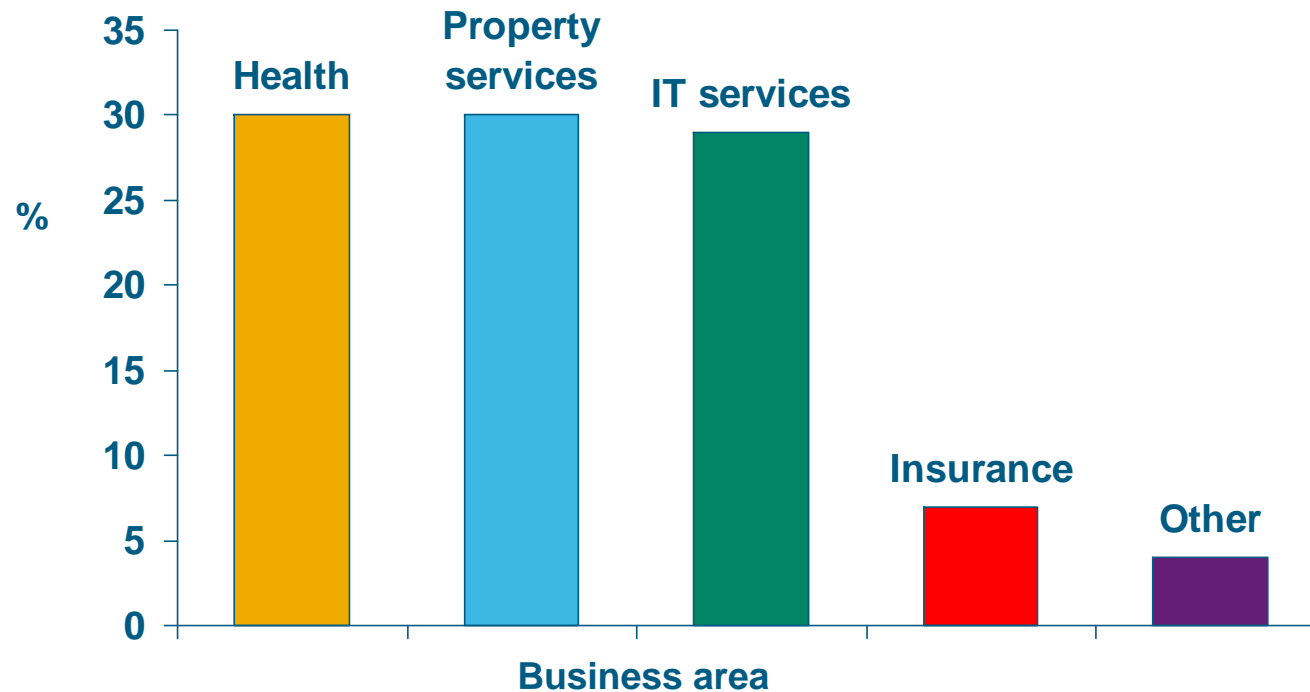
- Acquisitions remain an important element of our business model:
 - generate excellent returns on capital
 - build platforms for future organic growth
- We continue to acquire small to medium sized companies that:
 - strengthen existing market positions
 - build economies of scale
 - generate sustainable, quality revenues
 - bring complementary skills and services
 - create new market opportunities and access a new customer base
- Active first half of year with 7 acquisitions completed
- Expect an active second half

Generating growth – 2010 year to date acquisitions

Acquisition	Business area	Value (£m)	
Inventures	Property services	6.8	+ 5.0
NB Real Estate	Property services	10.0	+ 10.0
Ross & Roberts	Debt management	5.0	
Ramesys	IT services	15.0	
Sureterm Direct	Insurance	8.0	+ 1.5
PAL Services	Trust administration	1.9	+ 1.3
Premier Medical Group	Medical Reporting & Screening	60.0	

Total spent on 7 acquisitions in 2010: £107m
(Half year 2009: 9 acquisitions, £93m)

Generating growth – 2010 year to date acquisitions



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Generating growth – Premier Medical Group

Rationale: To expand our footprint in the health market and add important new capability to our range of health services

- Leading provider of medical reporting and screening services across the UK to range of clients, primarily insurance companies and lawyers
- Expands on our position as one of UK's largest occupational health providers
- Significant opportunity to achieve synergies with our occupational health business
- Scope for cross selling to our insurance and life and pensions customers
- Operating profit of £8m forecast on turnover of £51.2m for year ended 31 December 2010
- 285 employees in offices in Ludlow, Lincoln, Pangbourne and London

Operational update and market opportunities

Simon Pilling
Chief Operating Officer

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Operational update – Property consultancy

- **Capita Symonds:** now one of UK's largest multifaceted consultancies offering wide scope of services – positioned well in current fiscal environment
- Infrastructure: expanded capability in roadside technology - information, planning and traffic flow control
- Efficient use of property and workspaces: services focused on helping public and private sector organisations to effectively manage property estates:
 - NB Real Estate enables us to offer full service proposition across the real estate lifecycle through consolidation and disposal
 - Inventures, a leading property consultancy in the healthcare market, focuses on efficient use of clients' property portfolio and accommodation

Operational update – IT Services

- **IT Services:** track record of IT transformations particularly in local government and education

Client	Capita's role
Education	<ul style="list-style-type: none">• Growing demand for technology to play a role in delivering and improving education• Drawing together ICT, software services, property consultancy offering to support Government's emerging new direction for education• Revenues for BSF projects are secure
Local government	<ul style="list-style-type: none">• Need to improve IT infrastructure across services and deliver IT to support improved customer interactions
New and extended agreements	<ul style="list-style-type: none">• Harrow Council, Nottinghamshire County Council, East Midlands Broadband Consortium (embc)

Operational update – Resourcing

- **Resourcing:** focus on managing workforces and recruiting flexibly and efficiently

Client	Capita's role
Nuclear Estate	New 3 year contract to supply entire Nuclear Estate with non permanent workers
Severn Trent Water	Assisting with business transformation and relocation programme
Gatwick Airport Limited	Providing non permanent workers through our BAA framework
DWP CIPHER	Contract framework for interim resources has delivered cost savings of £20m since July 2008. Additional 6 central government organisations now joined framework
NATS	Efficient resource planning in a partnership now in its 7 th year

Operational update - Capita India

- Headcount stands at 4140, an increase of 8% since beginning of the year
- Capita India has expanded its facility in Pune by adding another 380 seats
- Migration to BT managed WAN – increasing resilience, capacity and connectivity
- Widening of capability in India beyond administration services and IT testing to create an IT capability of scale
- IT services capability launched in India with an initial focus on Application service
- ISO 27001 accreditation now awarded across all sites

Market activity - UK BPO market

Total UK BPO market p.a.*

1. Today £6bn

Private sector £4.2bn 70%

Public sector £1.8bn 30%

2. Potential £94.2bn

Private sector £62.8bn 66.7%

Public sector £31.4bn 33.3%



Total UK Market 2009 (£m)*

Public Sector	1,844
<i>Central government</i>	606
<i>Local government</i>	831
<i>Transport</i>	65
<i>Education</i>	58
<i>Health</i>	77
<i>Other</i>	207
Private Sector	4,140
<i>Insurance</i>	515
<i>Life and pensions</i>	640
<i>Finance</i>	1,050
<i>Other private</i>	1,935

Market activity - market position

Company	2009 Market Share*	2008 Market Share*
Capita	27.0%	25.5%
Xchanging	7.0%	6.4%
Accenture	5.0%	6.8%
HP Enterprise Services**	5.0%	5.5%
BT Global Services	4.0%	4.1%

- UK BPO market leader with 27% market share
- Increased market share during economic downturn
- Identify and enter new markets through mixture of contract wins and acquisitions

Market opportunities – drivers for outsourcing

Our markets

Public:

- Central government
- Local government
- Education
- Health
- Transport

Private:

- Life and pensions
- Insurance
- Financial services
- Other corporates

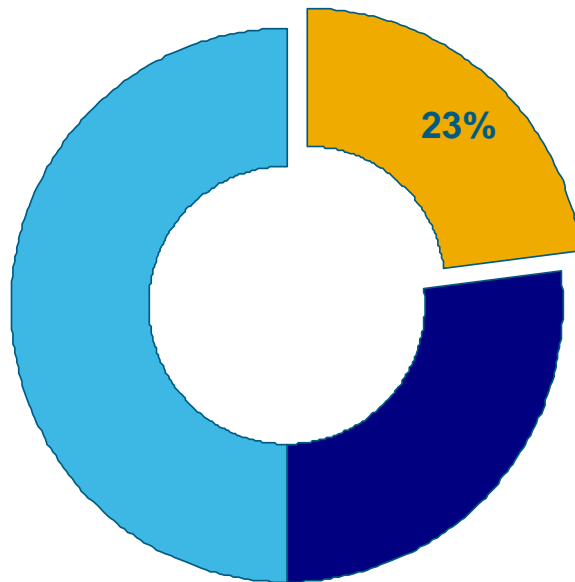
Drivers for outsourcing

- Increased pressure to drive down costs without compromising service
- Increased demand for services and value for money
- To make public infrastructure suitable for future needs
- Demand to create more flexible operating models
- Requirement to remain competitive and enhance service quality

Benefits of working with Capita

- Strong track record of delivering higher productivity and enhanced operational and advisory capabilities
- Access to skills and technology that can guarantee savings upfront
- Scale benefits and use of shared infrastructure
- Blended onshore/offshore delivery

Market opportunities – Local government

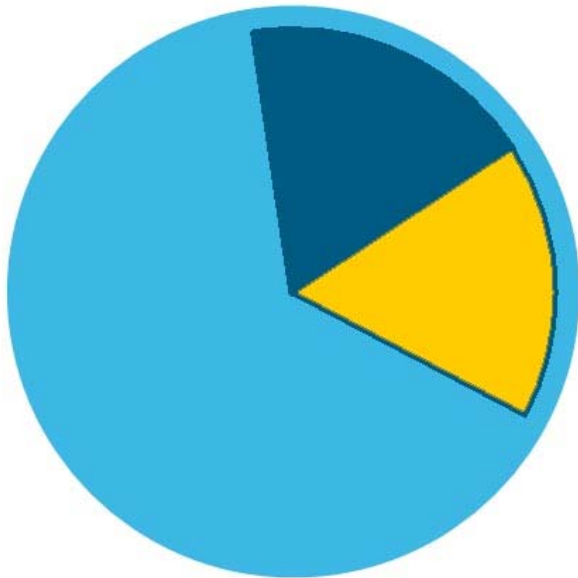


- Approx 23% of Group revenues from Local government market
- Increased engagement with outsourcers to explore ways to help them achieve cost efficiencies

Market opportunities - Local government

- Local Authorities under further fiscal pressure
- Seeking help to achieve demanding cost savings
- Possibilities to expand private sector remit, particularly procurement, HR/Resourcing and property estate consolidation and management
- Indications that local authorities wish to progress through the procurement process faster than previously
- Our footprint in local government and health positions us well to help local authorities respond to the proposed NHS White Paper: “Liberating the NHS” and how health services are delivered at a local level

Market opportunities - life and pensions



■ Total market

Estimated UK policies in force (excluding group schemes and CTF): circa **104m**

■ Outsourced market

Number of policies outsourced to date estimated to be **35m – 40m** (circa 35% of market)

■ Capita

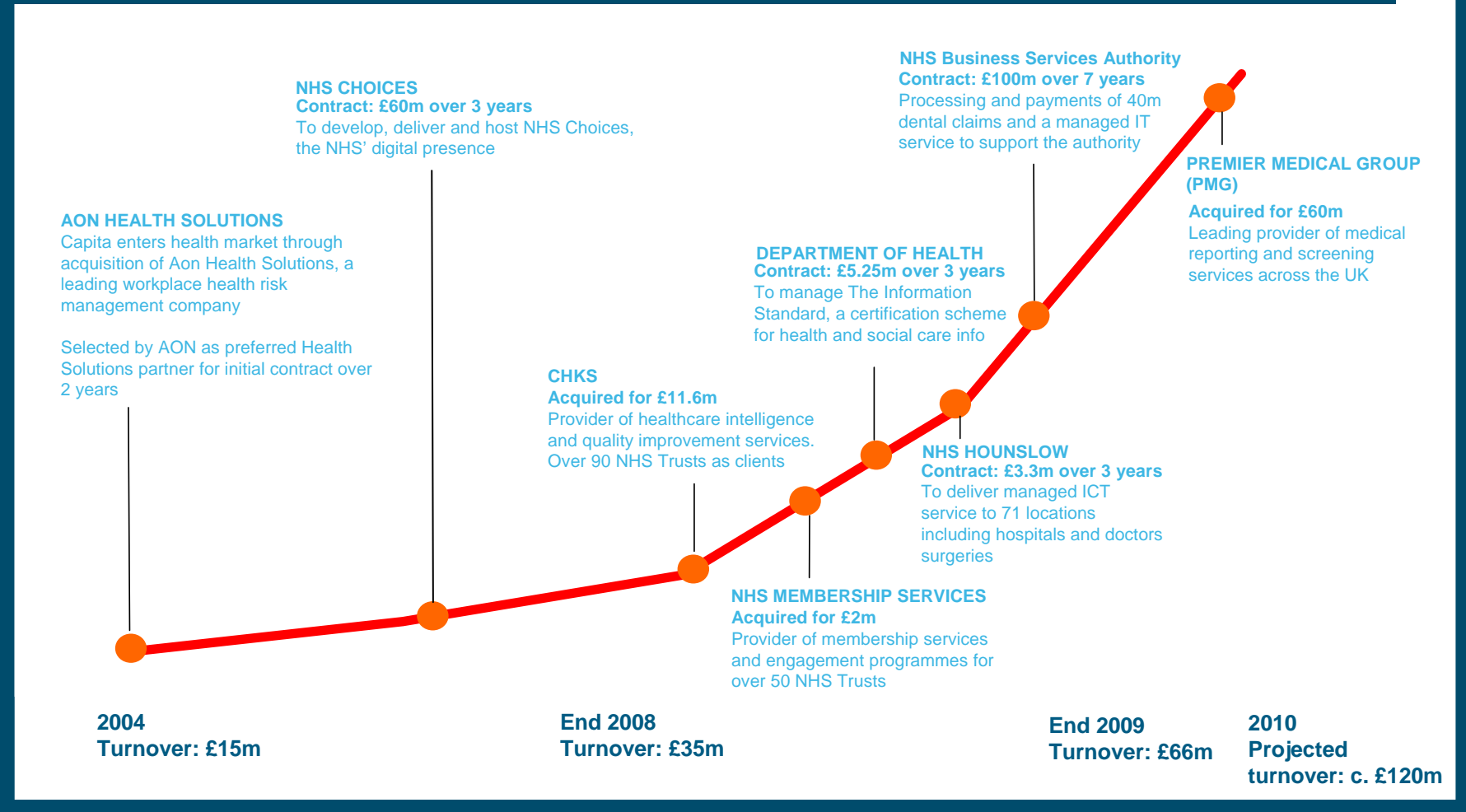
Current contracts – **23m** policies

Circa 22% of the total UK market

Market opportunities - life and pensions

- Focus on retention to increase embedded value in clients' funds:
 - Client X: In the last year we have retained over 13,000 customers and £350m in funds invested
- Delivering improved levels of customer satisfaction to increase customer re-purchases
 - Client Y: Regularly achieving a customer satisfaction level of 93% and a "purchase again" score of over 90%.
- Working with clients to extend their distribution networks
 - Client Z: Helped secure a distribution deal with a large UK retail bank that will significantly grow our client's business
- Adding value to our clients' new product development
 - Worked with a number of our clients in the last 12 months to ensure their products are developed more cost effectively and brought to market faster

Market opportunities – capabilities in health



Market opportunities - health

- We continue to engage with DoH to explore running functions currently run by “Arms Length Bodies”:
 - payment functions
 - claims functions
 - regulatory support
 - customer contact
- Seeking to replicate the LA strategic partnership model for NHS Acute Trusts and other NHS providers
- Opportunities to help health providers and local authorities to respond to the NHS White Paper: “Liberating the NHS” proposals:
 - structural changes
 - cutting bureaucracy and administration costs
 - increasing productivity and quality

Prospects

Paul Pindar
Chief Executive

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Ingredients for continued growth

- Strong trading across the Group
- Current high levels of sales activity across both the private and public sectors
- Record bid pipeline of £4.4bn
- We expect initiatives to increase efficiency across the private and public sectors to result in significant outsourcing opportunities
- Healthy pipeline of potential acquisitions

Significant opportunities for growth

Results for the 6 months to 30 June 2010

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