17 June 2025

Trading update for the five months ended 31 May 2025

Capita plc ("Capita")

Continued progress and growing momentum in AI solutions. On track to deliver full year expectations

Summary:

- Re-iterating full year 2025 financial guidance of broadly flat revenue, operating margin improvement weighted to the second half of the year
- Continue to expect the Group to be free cash flow positive from the end of 2025
- Strong focus on driving product innovation, to deliver scalable and repeatable solutions for clients and Capita around evolving market opportunities
- First use of 'Agents' (Agentic AI[1]), with Agentforce AI, powered by Salesforce
- Over 200 AI use cases identified within Capita AI Catalyst Lab to drive efficiencies and higher quality; number of products launched in H1 with further launches planned in the second half

Adolfo Hernandez, Chief Executive Officer, said:

"At our Capital Markets Day in June 2024, we laid out our strategy to improve profitability and cash generation. We also set out a vision of partnering with technology hyperscalers to improve the agility of the business around client needs. We are making good progress on these initiatives and our operational momentum continues to grow.

"In recent months, client interest in agentic AI[1] solutions has grown exponentially. We are reinvesting a portion of our efficiency savings into new technology solutions, particularly those underpinned by AI and we are focused on bringing these technology solutions to more clients. I'm pleased to see the positive response and impact our new AI solutions are having and look forward to sharing more detail at our H1 2025 results presentation on 5 August."

Financial update:

In line with expectations, the Group's adjusted revenue[2] was 4.5% lower in the five months ended 31 May 2025.

- Capita Public Service grew 2.3%, with growth from contracts in Central Government more than offsetting the impact of previously announced prior year losses including Electronic Monitoring Service and contracts in Local Public Service
- Contact Centre was 21.1% lower, reflecting the impact of previously announced losses and subdued volumes on contracts in the telecommunication vertical. We expect the impact of the subdued telecommunications contracts to annualise in the second half of the year
- Pension Solutions was 1.1% lower, reflecting the completion of some short-term contracts which more than offset the benefit from a number of wins
- Finally, the Regulated Services business, which we are actively engaged in exiting, increased 6.4% reflecting the one-off benefit from a termination exit fee and deferred

income release from a contract in the Mortgage Software business, which more than offset the impact of contract hand backs in this area

In the five months to 31 May, the Group won contracts with a Total Contract Value (TCV) of £969m, up 24% from the same period in 2024, with year to date TCV won up over 70% in Capita Public Service which more than offset the 49% reduction in TCV won in the Contact Centre business.

Material wins include renewals with Southern Water, Education Authority Northern Ireland, Primary Care Support England (PCSE), where our PCSE Online self-service platform continues to drive transformational opportunities and operational efficiency. There were expansions of scope with the Royal Navy, which was operationally effective in May, and with a client within Pension Solutions.

Embedding technology, including transformative AI, to drive efficiency:

We continue to make progress against our strategic pillars as set out a year ago at our Capital Markets Day and we are making good operational progress to future-proof the business in line with our expectations. AI is driving a significant technological revolution, and our refreshed operating model allows us to be at the forefront of these changes for our clients.

Our first priority is to improve the Group's operating margin, while maintaining cost consciousness. We are building a leaner organisation, reinvesting in the technology core of the business and deepening our own AI skills, developing products and forging new partnerships. Examples include our internal use of Microsoft Copilot, with around 150,000 interactions every month, and our Multiverse AI apprenticeship partnership. As at 13 June, the Group has achieved £185m of annualised cost savings and is on track to deliver the target of £250m annualised savings by December 2025.

We are using Capita as 'client zero' to test solutions before rolling them out to our customers in some cases. For example, we have transitioned to ServiceNow for our internal IT and people support for 25,000 colleagues, as the first step to delivering more efficient colleague support.

This year we were one of the first companies in Europe to utilise Agentforce AI, powered by Salesforce, to drive volume recruitment and reduce the employee recruitment process from weeks to hours. This forms the first use of AI 'Agents' or agentic AI[1] across the Group, which is an area we will be expanding on going forward. So far we have identified over 100 agentification opportunities across the Group.

We have also launched the Capita AI Catalyst Lab, a dedicated internal team focused on identifying, testing and scaling AI solutions, both internally and externally. Since inception, over 200 use cases have been identified across all areas of the Group, with five products now launched and an additional five products in the detailed testing stage.

We are investing in and upskilling our people with our AI, Data and Technology Academy. So far this year, over 10,000 digital learning courses in the Academy have been completed by colleagues across the organisation and over 600 individuals have commenced a Management and Leadership apprenticeship to continue their professional development.

Financial guidance unchanged

As previously outlined within the Group's 2024 Full Year Results, we expect Group adjusted revenue[2] to be broadly flat in 2025, with an improvement in operating margin driven by the ongoing £250m cost reduction programme.

We are on track to deliver the cost reduction programme by December 2025 and continue to expect the margin benefit to be weighted to the second half of the year, reflecting the Contact Centre revenue reduction and cost pressures in the first half driven by the timing of the Group's pay review and additional National Insurance Contributions.

We continue to expect a free cash outflow[3] of between £45 - £65m for the full year, which includes £55m cash cost to deliver the cost reduction programme. We expect the free cash outflow[3] across the Group to be weighted to the first half of the year, with an increase in net financial debt accordingly. We continue to expect the Group to be free cash flow positive from the end of 2025.

We remain confident of delivering the Group's medium term adjusted operating margin target of 6 – 8%.

Notes:

1. Agentic AI refers to artificial intelligence systems capable of autonomous decision-making and adaptive behaviour to perform actions.
2. Adjusted revenue = revenue on a like-for-like basis, as outlined in the Group's alternative performance measures note.
3. Free cash flow, before the impact of business exits.

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About Capita plc

Capita is a modern outsourcer, helping clients across the public and private sectors run complex business processes more efficiently, creating better consumer experiences. Operating across eight countries, Capita's 34,000 colleagues support primarily UK and European clients with people-based services underpinned by market-leading technology. We play an integral role in society - our work matters to the lives of the millions of people who rely on us every day.