Capita

H1 2026 Results Presentation Transcript:

Presenters:

Adolfo Hernandez – *Capita – Chief Executive Officer*

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Adolfo Hernandez – *Capita – Chief Executive Officer*:

Thank you, Team, for putting together this wonderful little video summary about what we've been doing for the last six months. Good morning, everyone. Everybody here in the room, everybody watching this remotely, thanks for taking your time. I fully appreciate there's a lot out there today happening on the street, a lot of reporting news, and you chose to be here with us, so we will do our utmost to make sure that you don't get disappointed.

I'm here with Pablo. We're going to cover the first half. We're going to cover, obviously, the numbers. We're going to cover the strategy. We're going to give you an update on operations and where we are. But before I do so, I wanted to just say the journey is well underway. Right. We set out a couple of years ago; it was a deep root and branch transformation of a great Company that was doing great things. It was managing really critical fabric for the country, but it needed work done to it.

We set out with that ambitious agenda to build that better Capita. Dealing with efficiencies, dealing with delivery, dealing with effectively technology and bringing it at the core to build a better Company. We remain fully, fully committed to build that AI-led business process services Company that will be fundamental for the critical services delivery in this country for the next decade.

So let's start by summarising some of the numbers. Obviously, you have the disclaimer there for your consumption. So you see on the left the adjusted numbers, and you see on the right some of the operational and strategic translation of it. So I'm going to pick more on the side on the right because Pablo is going to double click at length on there. We're also going to cover a lot of them in detail throughout the presentation, so I'm just going to pick up a few because I think they are relevant.

So, starting with the top line, technology. Two years ago, just over two years ago when I joined, I said one of the reasons why I joined was because I believe technology, in its sort of AI incarnation, this time with automation and data, had the potential to fundamentally transform this industry. It was going to level the playing field, and companies like Capita could really emerge from where they were to a very different position in the future.

There was nothing wrong with what we were doing, it’s how we were doing it that could be worked on. I think, if you look at that top line, you see that the progress keeps being, reporting period after reporting period, very solid. The number of agents, I think we talked about two, two years ago. Now, we're talking to nearly 500 deployed throughout the operation. So then we were announcing the formation of the Catalyst Lab, or we were announcing the formation of the Catalyst Stack; now they're being deployed.

We talked about alliances and getting into commercial agreements with hyperscalers; now we have been the first Western European BPS Company to open a store on the AWS Marketplace where customers can come and buy some of the solutions that we offer. We did talk about our intention to become a more efficient company, and it was said, well, can you do that on a people business, can you do that when you have so many contracts where you're stuck to certain levels of staffing.

I think we've proven over the last couple of years that we've been able to take £250 million out of the cost line. We committed that, following the divestiture of the commercial call centre business, we would take another £40 million between 2026 and 2027. We're already well on the way to go and deliver that.

On delivery, I know that we've had a very challenging period with CSPS. This is obviously not the experience that we would like members to have. This is not the experience we have liked government departments to feel. This is definitely not something that we would have liked our shareholders to have to go through. This is something that we got to it and I'm going to cover in a minute.

But if you were to park it to the side – not because it's not important, but because I want to give you the perspective – we continue to deliver KPIs north of 90% across the rest of the business, so the rest of the business is working really, really well. As you will see later, even in the Pensions Division, if you were to exclude CSPS the KPIs are close to 95%. So we are delivering, we're delivering well, and we're also managing to translate that into a good conversion.

You'll see later, we talked about the market, we talked about the pipeline that we're finding in that market, structurally growing market. But most importantly it's not about finding the right pipeline, it's being able to convert it into TCV. So pleased with the 15% growth in TCV. Pleased to have started the period strongly, as you saw yesterday on the announcement of TfL, and we're just very excited about what we've got to go and do in the second half.

Obviously, you saw the release yesterday about the completion of the call centres. We announced the transaction end of March. It's now completed. The new Company, ellio, is operating as of yesterday, it's done, and then now we can focus on what we have doubled down on.

As a Company, obviously we still have work to do on the financials. Let me be very clear, we are not happy with the current financial performance. But we have done everything that we should be doing in terms of inputs to deliver the financial performance results in 2027. We're very, very pleased with where we are, with the work we're doing with our team. Our attrition is a pretty much very recent low of 17% as a Group. It used to be north of 30%. If you sort of were to remove the call centre team that has just left, I think the Public Sector Team is around 14% and the Pensions Team's attrition is under 10%.

So you are going to find this is a motivated, new culture, a well-retained team that is willing to fight and win. When we make mistakes – we don't make many, but sometimes we make them – we roll up our sleeves, and we will do what it takes to get our customers on the right side of resolution.

So if I was to quickly look by division. So you can see that the revenue growth, the TCV, the KPI performance across both of our remaining divisions, it's good. It's solid. They're both performing. You can see revenue growth, you can see the TCV growth, and you can see very high delivery performance. You're also seeing high renewal rates, and that speaks to the quality of the service better than anything else that we've got out there. I mean, you can see over the period that we've been extremely busy in terms of delivery, escalation management, but also winning new contracts and innovating across both divisions.

But let me just quickly zoom out and put the journey in context. I know we are talking about today the H1 of 2026, so it's right that we double click that. But I don't want anybody to lose sight of what we set out to do. We set out to do a multi-year deep root and branch transformation of the Company, and we talked about three distinct waves that form part of it.

The first one was about creating the space to fund the journey. The second one was about fixing the basics. The third one was about investing and building the future. I always said we're going to be doing a bit of everything the whole time, because you can't do this sequentially. But I also said there was going to be times where we're going to be more focused on one thing than the other. So it's normal that at the beginning we were more focused on creating the space. I think we've done that, and the large part of the restructuring is largely behind us because we've done that part. That has given us the financial whereabouts, the capability to reinvest and get some of the fixes done.

We've done a lot of work on the technology front. We've done huge amount of work with the hyperscalers. Done huge amount of work on the agentification of the processes that we've been running for a long time. We've been doing a huge amount of work in terms of increasing the AI and data literacy of our leaders and our Company. We've done a huge amount of work in building, trial and testing and optimising and redesigning our internal processes and mechanisms to go after opportunities as they emerge.

So, as we look at the future, we feel that the divestiture of the call centre business gives us an opportunity to further simplify the operating model to really get us to operate and get the efficiency, the scale and the operational leverage and the operational gearing that will get us to this sort of 200 basis points improvement in performance that we expect by 2027.

I want to quickly talk about simplification. Because simplification sometimes can be seen as a collection of press releases. To me, simplification is not just the sale or the closure or the commercial agreements. I think simplification is a way of thinking. It's a way to create value in the Company. It gives us the ability to be more focused, to be sharper, to get efficiencies, to get operational leverage. It's basically effectively built a business that is easy to run, easy to read, easy to value and is one that we are going to be able to scale a lot better.

So, as you can see there, we've been taking a lot of steps to make sure that we get some of the things that we're getting on the way to do that, but there is more work to do. We still have work to do on the operational side of things. But very happy to report, obviously, the progress on the exit yesterday, but also the closure of Closed book Life & Pension being in the right place.

So Pablo is going to quickly come in and talk about the numbers. I'll quickly come back and talk about markets, AI, defensibility, CSPS in more detail. But we'll just quickly go through the numbers first and then we'll do that, and we'll take some questions at the end. Thank you.

Pablo Andres – *Capita – Chief Financial Officer*

Thank you, Adolfo and good morning to everyone. As Adolfo said, the H1 of 2026 has been massive progress in building the better Capita. We have now completed the sale of the private contact centres; we have delivered solid performance in the public business and strengthened our liquidity position.

At the same time, our profitability in the half was impacted by the cost remediating the Civil Service Pension Scheme contract as announced earlier in July. This has had a collateral impact in the allocation of our central costs that remain consistent with prior periods based on revenue, profit and headcount, with public and retained contact centres taking a material impact with higher share of those costs.

The recently sold private contact centre business is presented as full IFRS 5 discontinued operation, which has allowed us to present clearer comparatives for the prior period. Before I start with my slides, reminder that these numbers are on an adjusted basis.

So my first slide shows financial highlights for H1, with revenue growth and a resilient liquidity position, but with margin and profit impacted by the pension remediation costs. Looking at revenue, we delivered revenue of £906 million at 1.6%, with growth in public and pensions business partially offset by the non-repeat of a £19 million prior year contract exit benefit in the regulated business.

Operating profit was £32 million, down 32%, reflecting the additional cost on the CSPS contract under non-repeat of a £6 million benefit from the prior year contract exit. This was partially offset by the cost reduction programme savings. Profit before tax was £12.5 million down from £29 million, reflecting the lower operating profit and higher finance costs from a higher average net debt.

Our cash conversion was 96%, down from 112%, reflecting continued investment in the CSPS contract and mobilisation costs. This also reflects the non-repeat of favourable timing at the year end and the completion of a major contract milestone in Public Service last year. Free cash flow remained positive at £3.5 million after capital expenditure, net lease payments and interest; and our net financial debt to EBITDA pre-IFRS 16 was 1.6 times at 30 June.

Moving on to our reconciliation between adjusted and reported metrics. Business exits of £2 million includes costs related to the disposal of the private contact centres. The simplification programme line reflects £4 million of costs as the business transitions to a simpler operating model following the sale of the private contact centres. The finance line reflects our hedging valuation movements, which brings us to a reporting profit before tax from continuing operations of £4.1 million.

Moving on to Capita Public Service. This is our largest division, representing 80% of Group revenue, and it has continued with solid performance in H1 and has had very strong wins and pipeline performance. Revenue grew 2.4% to £729 million, with increased volumes in our local and regional partnerships, transactional business, and on the Disabled Students Allowance contract, as well as growth on the Transport for London contract.

This was partially offset by the flow through of prior year contract losses and lower recoveries on the Smart DCC contract. Operating margin remained strong at 7.9%, absorbing an impact of 0.5% from the central overhead cost allocations I mentioned due to the reduced profits in the pensions business. This operating margin was underpinned by cost savings that allowed us to continue investing in our AI hyperscaler partnerships, whilst we saw some negative timing on insurance recoveries. Cash conversion was 50%, reflecting the timing of cash receipts on a major programme milestone in the prior year and the unwind of favourable timing differences from year-end 2025 and mobilisation costs.

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Moving on to Pension Solutions. Revenue growth was 24.7% up to £107 million, reflecting the impact of the Civil Service Pension Scheme contract and increased volumes on our existing contracts. Whilst the underlying business performed well, the operating loss of £3.6 million was mainly driven by the additional cost on the CSPS contract that also impacted lower consulting revenue. Cash conversion was 270%, with the investment in the CSPS system in H1 offset by the receipt of a 2025 delayed milestone payment and favourable timing in working capital.

Moving on to Retained Contact Centre. Revenue declined 6% to £67 million, reflecting lower project work and the accounting impact of the extension of a major contract. Operating profit reduced to £1.2 million, with a flow-through of the lower revenue from projects, higher cost allocations and continued investment in AI and hyperscaler partnerships. This was partly offset by the savings from the cost reduction programme in 2025. Cash conversion was again very strong in the half, driven by the usual receipt profile on a major contract.

We now move into the Group's cash flow. Operating cash conversion was 96% in the half, down from 112%, driven by the usual receipt profile of a major contract in H1 and the benefit from the year-end timing differences in public. The reduction year-on-year on deferred income and CFA reflects the timing of cash received on a major contract milestone payment last year and the investment on the CSPS contract and Synergy contract. Non-cash and other adjustments were at £2 million inflow, including movement in provisions and other non-cash items.

Below operating cash flow, we incurred £2 million of cash costs on the simplification programme and a further £2 million on the final payments from the 2025 cost reduction programme. This left cash generated from operations, excluding business exits, of £51 million.

Continued with the remaining of the cash flow going down to net debt movement. From cash generating from operations that we had £51 million, we then have capital expenditure of £15 million, reflecting our continued investment in contract delivery, new technology solutions and cyber capabilities. Interest paid of £20 million, up from £19 million, reflecting higher average net debt during the period, and capital lease payments of £11 million. All of this resulted in free cash flow, excluding business exits, of £3.5 million.

Turning to net debt. Net financial debt pre-IFRS 16 was £200 million, up from £143 million at the end of 2025. Our IFRS 16 lease liabilities were £299 million, including £15 million of private contact centre leases that have now exited the Group and excluding the £94 million lease receivable asset.

In terms of the Group's liquidity position. In June we extended and increased our revolving facility to £325 million, replacing the previous £250 million RCF and the additional £75 million bridge facility, and we extended the maturity to June 2029 with the option for two additional one-year extensions. This leaves us with a total liquidity of £351 million at the half-year, comprising £278 million of available committed facilities and £73 million of net cash.

In July, we also now issued £41 million equivalent of US private placement loan notes, maturing in July 2029, and repaid £84 million of USPP maturities. Our financial net debt ratio, both pre-IFRS 16, was 1.6 times at June compared to 1 times at the end of 2025.

We then have inserted a slide on the Order book because, with the strong performance on sales in H1, I thought it would help if we go through the profile on how this converts into future revenue. Our Order book increased to £4 billion, excluding the £425 million extension to TfL announced yesterday, and it is around £250 million higher than at the end of 2025, with a growth led by both Public and Pension business. It covers approximately 76% of our H1 revenue base, with a further £100 million in H1 that came from well-established framework agreements.

Additions in the half include the wins of the Synergy and Army Collective Training System contracts, a renewal with a major client within Pension Solutions, and expanded scope on the Primary Care Support England contract. As you can see in the pie chart, of the £957 million won in H1, 11% flows in year, 14% in ‘27, 21% in ‘28, and the rest flows beyond. Which reflects the long cycles from win to revenue on large contracts existing on this business.

Finally, moving on to the outlook. On revenue, we expect the Group to be broadly flat. Mostly from Public Service revenue reflecting the impact of previously announced losses and the revenue profile of the wins in ‘26 that flows mostly in future years. On margin, we remain in line with our previous guidance with a reduction reflecting the additional cost of the CSPS contract and residual overheads as the business transitions to a simpler operating model.

On free cash flow, we expect an outflow before business exits of between £35 million and £50 million with solid performance in the public service business and reflecting the increased cost in the Civil Service Pension Scheme contract and on net debt, we expect an increase reflecting the free cash outflow before business exits, the outflows from the disposal of the private contact centre and the Closed book Life & Pensions. With this, I will hand back over to Adolfo.

Adolfo Hernandez – *Capita – Chief Executive Officer*:

Thank you, Pablo. Good overview of the numbers. I think it certainly highlights the areas where we've done well, the areas where we've done very well, and the areas where we still have opportunities for improvement. Because everything that we do is absolutely critical, but ultimately our challenge and how we should be judged is on our ability to translate the strategic and the operational improvements into financial results.

I wanted to go and turn now into the markets, because I think it's important to highlight a number of things. First, we play in structurally growing and very resilient markets. If you look at our core in the context of our size, but you most importantly look at the headroom that we still have, speaks of opportunity. Our markets in both sort of the wider public sector, central government, defence, local and regional authorities, regulated entities at large, it is a stable market, it is growing and is reasonably resilient.

I think, if you look at the different positions where we play this speaks of a constant growth, where we have opportunity to grow the market, but also I think – as we're showing with our effective winning machine – we have an opportunity to also increase share of the overall market.

So, some people have asked me, Adolfo, are you concerned at all now that you have sort of refocused the Company, or you just have now a smaller pond where to drink? I actually think it's the opposite. We are going to be more targeted, more intentional, more focused, but the opportunity is there to be taken; and all of this data is validated by a number of external companies.

I think we're starting to see this already in the numbers. That sort of intentionality makes it clear what you're trying to do. You prepare for that. You're equipped for that. You train your people. You're very selective on what you go after, so you tend to win more often, so you grow your TCV; and that's where we are. Critically, there is a lag in time between winning in TCV and revenue, but that is a nice problem to have.

Second, I wanted to talk about the specific of our position as a strategic supplier to the UK Government. So, following the divestiture of the commercial private call centres, if you look at the data provided by TechMarketView we will be number 1 in the category of SITS, software and IT services. This is a position that we've built over many, many years. Because the reality is that there isn't anybody out there who's able to match the skills, the depth and the breadth of the services that we provide to the public sector as a whole across all the areas.

We are in a very good position because we know the private sector, we know the business processes, we know the nuances of delivering and orchestrating a citizen experience and a citizen service across multiple data silos, against multiple systems, against multiple regulations and legislation much better than tech companies do. But at the same time, and this is really important, we are better at deploying AI capabilities and innovating than most of the traditional BPOs are.

So our ambition of being that AI-led Business Process Services partner to the public sector and regulated industries is validated not only by the market opportunity but also by our history and our capabilities that we're keeping to build. So we will keep building on that expertise, we will keep building and marrying those two expertise, understanding the business process, understanding the ultimate citizen experience, understanding that ultimate pension member or trustee experience; and then rolling it back into a process, rolling it back into automation, rolling it back into agentification where at all possible. But our experience, our depth of relationships with the hyperscalers, the capabilities that we have in the team, and our approach to do this, is second to none.

I also wanted to talk to you about the public interest test because this has been something that has come up over the last few weeks and it's attracted attention, and rightly so. I think, rightly, the government has come up with this policy for the public interest test, where it says every transaction, every deal that is above £1 million should be tested. Is it better done in house? Is it better done by a government department? Or is it better done by industry? I think this is the right thing to do. We've got to make sure, as taxpayers, that we're getting the right value for every investment that we make, and that that investment is made in the right possible channel.

I think the stated intention is to start with facilities management, with cleaning services, security, and a number of others. I believe this is going to be putting pressure on the sector, and it will be putting pressure on Capita. But the level of pressure that it’s going to put on Capita is going to be smaller than others. Remember, we did the change and disposed the call centre, the front office capability, because we wanted to focus on middle office and back office, complex, very complex, very critical services to the fabric of this country.

In that level of complexity, when you're orchestrating people processes across – sometimes providing a service to multiple departments where you’re having to deal with a lot of different systems, a lot of different data sets, a lot of different policies – that level of complexity requires a skill and a scale that is not in long supply inside the government, at the time when the government has stated an ambition to reduce some of its population.

So I believe this is good. This is good for the industry. It’s good for the country. But I believe, and I accept the challenge to prove, that delivering with our SMEs, delivering the social value, delivering our innovation, delivering on our experience and being a UK-based provider, we should structurally benefit from this push.

Now, let's look at the priorities from the new government. I think, if you look at the new government, most of us are quite excited to see the level of energy and determination. The new government has come up with ideas, and some of them that really are going to fundamentally drive some change in the kind of United Kingdom that we are going to build.

But if you sort of go and look beyond the energy, and you look at the initiatives and the areas that have been highlighted as priorities, I see they represent great opportunity for Capita. No 10 North, the whole concept of devolution, I think that effectively expands our addressable market. It gives us a capability to engage with newly funded buying centres in other parts of the country that are going to need the experience of deploying these services.

They're going to need the help from somebody who knows and has the experience in transforming local administration, by people who have the capability to help them provide citizen services that have that multi-programme and effectively help them onboard and effect change. This is more than just buying new technology. I believe our learnings and our experience across both local government and the central government departments will be very relevant and very useful through devolution.

We've also got this mantra that the Prime Minister had talked about, good growth. I think a lot of that is around building. I think if you look at our capabilities around planning and what we can do around benefits, these are areas that we're very comfortable with, where we have a lot of experience. We heard about skills, training, recruitment. All of these areas play squarely into our learning and development capabilities, what we do in terms of assessment. Already the capabilities that we've been doing, employability services, things that are not new to us. This is not us having to scratch our head and see how we provide those services and how do we help the government to drive that. We do this today, and we do this for a living.

We talked about AI adoption. The government has been talking about looking at the AI as a driver for public sector productivity. This is something that we are not trying to latch on now. We've been at this now for a couple of years, and I'm going to cover the credentials, the capability that we've built since then. Look at welfare, social reform. Again, this is very close to what we've already been doing with FAS, PIP, HAAS, and a number of other assessment services we've provided to market. Then again, there is the want to pay attention to the UK SMEs, UK-based skills, and UK-based companies, so we're hoping that structurally Capita can benefit from that.

So, overall, I think the agenda is squarely there. It's a natural space where we have an ambition to win. I think we have the credibility to win and we're very, very pleased to see these very early days of agenda drive. It will be important to see the funding when the budget is put out there. It will be important to see the sequence in which these investments will be made by the new government. But we're ready to help. We are aligned and capable.

I talked earlier about simplification, and I think I made the point that simplification is not just diversity choice or a reorganisation. For me, simplification is a value driver. If you take a little bit of distance, just a little bit of distance, and you look at the remaining of the Group, you're going to see that what we do is fundamentally one of these five things. Either we provide a service to the citizens, or we're providing some sort of assessment services, or we're providing services related to the workforce of a particular company, government area, or we're providing operational services, or we are delivering pensions administrations. That is it.

Why is this relevant? Well, first of all, now that you're doing a number of things that you understand well, you can leverage all of your operational capabilities, whether they're people-based capabilities or IT systems capabilities, or they can be AI and agentification capabilities. You get operational leverage across all of it. We have stated our intention to go after the £40 million additional opportunities that this offers because we can remove overhead so they will be margin accretive.

We're also going to be able to get operational leverage and cross-selling of those capabilities because we now have the abilities and we're doing this for your workforce. Would you like us to go and help you with operational services or a number of other combinations. So the recipe remains the same, combining operational experience, skills, people who know how to orchestrate and deliver the experience. But unlike the old Capita, where we were doing 50 plus things, and we used to call 50 plus capabilities, now we're focused on these five; and that is just going to really help.

So market competitive. A number of you have asked me over the last couple of years, are you going to be a prey to AI, is AI going to help you? So I'm just sort of trying to give you my perspective, why I think our position is well defined, well protected. While we have to work on it every day, we like our hand. We really like our hand.

So, if you look at the chart on the left, you'll see the data from BCG that pretty much says that 70% of the value derived from AI is derived through people. People who are happy or able to understand that capability and understand the process. They're able to really nuance the delivery of a particular service, who are not only good to deal with the happy path that can be automated, but they have the skill and the experience to deal with the unhappy path of a service provision that needs that human intervention.

That's two thirds. Yes, there is technology. Brilliant. Yes, there are algorithms and there is going to be technology prowess. But that's a mean to an end. If you look at what's happening in the wider industry in prior events I'll show you, so the AI Stack, and I always talked about these trillions of dollars that are going into building the bottom layers of the Stack, is going into memories, going into processors, is going into the system scales, is going into this huge cloud. It's going into these huge data centres. It's going into building these applications, these layers these LLMs.

Brilliant. The more the merrier. Because we can go and build on it, build on top of it our capabilities. We are not tied to any particular architecture, we're not tied to any particular LLM, we're not tied to any particular data lake or analytic structure. But we're sitting on the top with the depth of the process, with the people, with the understanding that is required to deploy technology there and get that ultimate outcome. That I've got a regulated industry, a government department, a local administration, parts of the armed forces that really need to deploy.

You cannot buy your way through trillions into long term expertise and deep understanding of a process. That is the one thing you just cannot copy. You've seen many of the investments are now going into what's called forward deployed engineers, because they do recognise that, yes, you can throw the tech at, but it's not going to stick unless you understand what the tech is for. This is something that we've been working on and I'll cover. So we are an early mover, but we are de-risked and I'm going to just sort of tell you.

So I'll take you through. There's the end of 2023 phase missing here, which was the shock when ChatGPT came about and everybody's like oh, what is all of this with chats. Then there was this phase of, oh, this is coming, this anxiety, what's going to happen with AI overall. Then we sort of moved to, okay, can we build vertical moves, vertically integrated, can we build horizontal platforms. What is going to be the operating model. There's all these players coming out. The pressure on the SaaS companies to defend their business models.

But then what has really started to sink in towards the latter half of last year, it was there's going to be a lot of orchestration required. Orchestration of agents, orchestration of multiple agents. Then ultimately it's a realisation, where the whole narrative in the industry has changed back from humans are irrelevant to now humans are absolutely critical to work in these workflows. That's sort of been the journey we've been on, and many of you have been writing about.

Our journey sort of maps that. I think if you look at from our ambition, when I first came in, to the early deployments when we started to do an AgentSuite in the summer of ‘24, to forming the Catalyst Labs that we could get this ideation and integration with the platforms. Then the use cases. The Catalyst Stack to start mapping, okay, if there are trillions of dollars in R&D, going into R&D and buildouts going into this space, how do we build it into a Stack that makes sense to our customers. Then how do we go and move into the AI-led BPS or BPO Company. How do we rewrite that story. Then now the forward deployed orchestrator, that's different from the forward deployed engineers and I'll talk about it in a minute.

So I think, if you start looking at this, we're moving clearly. Yes, there is a lot of augmentation. As a matter of fact, the vast majority of what we do today is augmenting our colleagues' capabilities through AI. But the shift is going to be from augmentation to orchestration. I think it's the human in the loop, right, which is the new expected model. It's kind of like the market has moved towards where Capita is and Capita was, and Capita has legitimacy to keep adding value in the future. Because remember, we are not in retail, we are not in a number of businesses that do not have the same level of regulatory pressure.

We are in regulated industries. We are in very critical government departments, with very critical citizen service provision close to the user in the local councils, and the governance aspect – which is something that is not new to us – is absolutely critical. So why am I bullish? As I said earlier, we moved early but we are de-risked. We haven't had to put a lot of money into it, but we've already built a number of capabilities in the organisation and we’ve got some credibility.

But most importantly, it’s because we are on the right side of the market. We are not either trying to create a market or trying to chase after a market. The market is there. It’s growing. Yes, there are adoption issues. Yes, there are adoption challenges. Yes, we've got many challenges with government procurement to buy these type of solutions, we're in a transitional phase. Yes, it's still very top-down driven in some organisations. Yes, all of these things are true. But at the same time it's true that it's moving, and it's moving towards us.

So find the market, select the pipeline, line, close the pipeline, deliver the revenue, deliver the margins. So we're sort of moving from that left to right. I think the numbers start to show. I think Pablo covered them. I would probably talk about just a couple of them.

I mentioned the KPI performance, and I think it's really important to keep reminding everybody about everything else that we do. The media intensity, the political intensity around CSPS have been intense. It has been brutal. Sometimes we could all collectively make the mistake of thinking that that's everything that we do at Capita, and that is normal. That is not normal. We're delivering very, very well. We're renewing extremely well. We're winning new business really well, and I think as you've seen from the latter momentum we continue to win through these motions because we are not failing at building the best possible propositions.

We're not winning because of any other reason. There are robust procurement processes and, if you win as a result of that procurement, you tend to get the order. But I did talk about, yes, we get over 90% right and we got one terribly, terribly wrong – for which I will apologise once more because it's not the experience that anybody wanted. We didn't want it for the members, we didn't want it for ourselves, we didn't want it for our shareholders, we didn't want it for the employees, but that's where we got.

I've talked enough about the challenges over the last few months. There's obviously a lot of complexity that was inherited, some of it was known, some of it was not known, and some of it might have been known but not fully understood, and some of it was worse than we thought. It doesn't really matter. We are where we are. We inherited the service, and we decided to do everything we could, right from the outset, to do the best possible thing for people that needed it the most.

So we didn't necessarily chase SLAs. We chased urgent cases. We did the best we could for a variety of months, so that we could just sustain that sort of social pressure. We actually did fairly well in some areas, like payroll. You never heard about it. We even did a significant payroll to all the retired civil servants in the country ahead of us taking over the contract, because it was required and it was the right thing to do, and it's continued to happen solidly since then.

There were issues with some of the automation. We didn't have the right automation for the data we inherited. Some of it arrived late. There was a number of things that we've had to catch up with, the vast majority of it throughout the second quarter of the year. A lot of it is actually coming towards the end of May and June, throughout June. But I think as you can see there, at the bottom in particular, you can see the four key processes and the four key areas of pain where collectively we're still letting members down.

You can see that this has moved from a what is it going on, to can you get the automations to work, can you deal with the data – doesn't matter what quality the data is in – to do you have a capacity in the system. The answer is, yes. We do now have the capacity in the system. The capacity across the processes exceeds the inflow, so that excess capacity is now being directed to reduce the amount of cases. We've made some commitments to solve that over the next few months.

So extremely painful, something that shouldn't have happened, is our number 1 operational priority. From me down, everybody in my Executive Team and everybody who's required, we will do what it takes to get it there. But it's now turning the corner. I think the financial update last week, as the dust settled and we got a clear picture, sort of reflects that. It will still remain an operational reality in H2. You know how these things are. Politically, from a media perspective, we expect it to be intense. But operationally we are in a very, very, very different place, and that will over time move into the right direction.

I've talked about the Catalyst Stack and the Catalyst Lab already, so I won't cover it. I just wanted to put there a number of hyperscaler highlights. Because I think if you go back two years and you see what we've been saying around the hyperscalers, what this slide shows is the strategic depth of the relationships that we have with them now, that go beyond a commercial alignment, go beyond some go-to-market capabilities.

Now, you're starting to see those capabilities being well-entrenched and well-embedded, either internally in our functions, as we reduce our cost to operate and we become more efficient, or in our customers, as we improve the quality of the service we provide, the quality of the MI we provide, or we reduce the cost to serve.

Then there is also some go-to-market capabilities, like in areas like AWS and Salesforce that will get us there. So it's a good progress. But what you're starting to see here is, yes, it is also for customers, but it's also internally. This is an effort that we put in this year, which is what we talked about; customer zero.

Customer zero is, well, do you know we need to build the technology. We need to run it ourselves. We need to have a reference. Obviously, we will have the benefit of doing it to ourselves first. You know, back in the day, 10 years ago in tech we used to call this flying your own jets, right? This is kind of what we're trying to do now. Saying, okay, where can we deploy this first, and then how do we capture it, replicate it, and then just get a scale out.

We've just given you a number of initiatives that we're already using internally, whether it's the assessment benefits or whether we're talking about quality and compliance, extremely critical in the markets we go after. A very important one, which is the AI Registry. I like to talk about the AI Registry as the zoo. It's okay to have one agent. It's not enough. You'll end up having to have several agents. You'll probably end up having tens of agents or hundreds of agents.

So the question is no longer whether you can build an agent. The question is no longer whether you can build 10, 20, 30, 100 agents. The question is whether you can manage the agents. The question is whether you know who built the agent. For what purpose. Whether you know for every single agent, what data are they using. How do you make sure that are there not three different people, three different departments building the same agent. Whether the return on investment of the agent is the one, or whether the agent should be retired; and has it been retired properly.

So how do you manage that zoo. You have animals in the zoo. All of them in their own domains, they all have their own jail, they all have their own feeding medical scheme. It's the same with agents. We build that AI Registry where we now have full control and governance on how to do that. It's not just the technology. It's knowing what technology you need to build. You need to know about what operational processes.

I believe that skill of understanding, orchestrating, managing the lifecycle of the agents will become the number 1 priority in deployment of agentic AI in regulated industries. We're way ahead of the pack in terms of having built that capability internally for us, as customer zero, and now very happy to be taking it to market.

The best way to take it to market is this new capability we've announced, is the Forward Deployment Orchestrator. Which is not the same as the forward deployed engineer that you're reading about from Anthropic, OpenAI, and a number of the consulting companies. Their thesis is you go in, you understand, you build, and you move out. That's the forward deployed engineer.

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Our ambition is to leverage what we've been doing for 40 years, which is observe a business process, deploy that sort of new business process, orchestrate the business process and then operate it. That's been what we've been doing for 40 years in the analogue world, so we've taken that very same logic into the agentic world. We will look at the business process. We will reimagine the business process, and then we will orchestrate it and then we'll manage it. But we will do that with agents.

So, instead of building an agent to deploy and running away, our proposition to our customers is we will work with you. We will look at your business processes. We will optimise it. We will build an agent. We will stay. We will run it with you. We will help you train people. We will help you embed it into the operating culture. We will make sure you get the usability. Because these things are never static, if it needs improvement, we will drive the improvement for you. Otherwise, you're going to get tonnes of agents. You drop them in, no training, no development, no change in the process. It won't be used and you will be wasting your money.

So this sort of FDO model, I think is a very legitimate extension to what a business process outsourcer, we call it now a Business Process Services Company, adds value into deployment and creating value for government departments who have to do this at scale, local authorities, different parts of the army. This sort of operate and own, versus build and exit, it's our space. Not everybody's going to want this, but we believe our public sector customers and our regulated customers will very much value this model going forward.

So, just to conclude, I'm extremely proud, like really, really, really proud – and I wish I could give it more time in this call – about the work our colleagues do. I mean, their determination, their drive, their ability to cope with the change that is happening around them in the market, inside Capita. How they wake up every day passionate about delivering when it's easy, but more importantly, when it's difficult. The Team is superb. They're motivated, they're really fighting every day on behalf of our customers.

I just sort of wanted to give you some highlights of some of the things that we've been doing, and they've been doing, and we've been getting credit for as we build that better Company, that values that customer orientation as our first value in the Company. Above and beyond that, I wanted to highlight three things.

From a governance perspective, responsible AI is critical. We've been evolving our governance models so that we have now an AI charter where we hold ourselves accountable both internally and externally for what gets done, how does it get done, what gets tracked for what purpose, it’s traceability. Everything is done with accountability, security and transparency in mind. We created the process, the gating factors and the guardrails to ensure that works. That is a very important piece of work as you embark into this journey, and we have built it on top of our experience dealing with complexity around governance in this area.

The second one is the skills. I wish we could do more, I wish we did do more, but I take a lot of pride in how much we've already done to increase the literacy in AI and data across the Company. But you can never do enough. Super important, and I think where we've seen where there's a number of apprenticeships that we're doing, or the number of assets that are being consumed, or the number of bottoms up initiatives that have been driven is fantastic. I think we've given them a sense of what we're trying to do. We’ve given them the enablement. Then we let them go and build.

Then we talk about attrition. We talked about that 17% blended, but once you allowed Public Sector, around 14%, Pensions, just on or under 10%. It’s really, really good. Then there is a use case around employability. I think it's a really important case. I think it's a pretty good time. I think we know that, as a country, we're facing a lot of issues with employability and the challenges that a generation has. But we've got work going on employability across multiple areas.

It’s just not in education segment that you've got the special education needs. We've got veterans. We’ve got people who just left jail. We've got work that we're doing with the families of serving members of the forces. This is something that we're very proud about, and our colleagues are very proud about, as we support it to create a joint value.

So just to conclude with our – we like to call it – strategy house. It's everything that we're doing on one page. Starts with our values that were created by our colleagues, not by management, last year. Then we built some of the strategic initiatives that I think you can all recognise from the narrative in this session. Obviously, the four betters that are there. Ultimately, this is to unlock value, deliver on our vision, and deliver on the financial objectives that we are committed to, to deliver that improved financial performance.

So, summary, we are working and we're privileged to work on structurally strong, growing and stable markets. The market is moving our way. We've built capabilities. We are sort of ahead of the pack, but de-risked, but we're leveraging on everything that we've been doing for decades. We now have a simpler Group. We have what I call manageable leverage of everything in the go-to-market, on the delivery and on the investment in tech. I think that's important.

We also have to fix CSPS. I'm very clear that remains a key and absolute priority to get there. But everything else that we're doing, we're going to keep winning as we are and we're going to keep delivering well as we are. We're going to keep building this better Company that ultimately will generate the financial returns that we have all waited for. So, with that, let me conclude the update. Thank you for your attention. Then I'll sit down there with Pablo to do some Q&A.

Mark Howson: (Singer Capital Markets, Analyst)

Thanks. Just Mark Howson from Singers. Just a quick one on CSPS. Are you still confident that you'll get the scheme back up to normal levels of claims by about September/October? Is that where you're running at the moment?

Adolfo Hernandez – *Capita – Chief Executive Officer*:

So we stated two goalposts. One by September, which is sort of more what we call the flow, and then there is another goalpost in October, which is sort of make progress on the stock. There's a caveat there. Obviously, we need to do that with the cases that we don't have dependencies on. Dependencies is third parties, maybe lack of data about particular employment records of somebody because their employment records are not there, or there's a probate that needs to be done.

So there's a number of things that we cannot resolve initially, so those goalposts are excluding those. Then we've also started a parallel piece of work with the Cabinet Office to figure out how we can jointly work on making those unworkable cases, turn them into workable cases, because ultimately they all need to be addressed.

Kai Korschelt: (Canaccord Wealth, Analyst)

Thank you. Kai from Canaccord. One for Pablo and one for Adolfo, if that's okay. So, for Pablo, just on the guidance range for the cost and free cash flow impact – which was quite wide relative to your profitability – I'm just wondering at which point in the year would you know which end of the range are you most likely to come in, and what are the puts and takes for you to be within that range? That's the first one.

Adolfo Hernandez – *Capita – Chief Executive Officer*:

the second one was on the public interest tests, which I believe or understand kicks in April next year and creates quite a bit of additional admin burden for the department's awarding contracts. I'm just wondering, if you think about your potential bookings profile, would you expect possibly a bit of a rush to get awards out before that deadline, and then maybe a bit of a pause? Or I'm just kind of wondering how you think that might impact bookings over the next nine, 12, 18 months? Thank you.

Pablo Andres – *Capita – Chief Financial Officer*

Brilliant. Thanks, Kai. So, yes, the guidance is quite wide. But if you consider actually how much we departed from the original guidance from March to July, you will understand that we can only be prudent at this stage and guide towards a broad enough range. There are a number of things. Number 1 is continue the timing at which we are planning to deliver September/October, as Adolfo was mentioning. Assuming that there are no new surprises. Assuming that all of the macro environment around us, from customers to pensions to everything, remains on track.

Then we've always said that there is a commercial discussion to be had at some point. The timing of that may impact that. A portion of that range is us making assumptions on commercial recoveries, et cetera. So I think that it will be by the Capital Markets Day where we have a stronger view on whether we have been able to progress at pace operationally and whether we see that further commercial discussions are going to be within this year or slipping into the next year, and because we cannot make accounting assumptions on them unless they are signed.

Adolfo Hernandez – *Capita – Chief Executive Officer*:

On the second question. I think normally you always see a bit, so there's always going to be some people who have argued for on one side of the deadline or the other side of the deadline. So there will be a little bit, of course. But the reality is most of the stuff that we go for is a long sales cycles, long engagements, very complex in nature, very long-term processes. So I just don't think that's the kind of work you would rush to be on that.

Yes, there is going to be a little bit more work that the government department might have to do to sort of prove that. There is going to be work that we need to do to prove the social value. But it’s something that we're already doing as part of our proposal. So, yes, there might be a little blip there somewhere, but I don't think that's going to be a factor that's going to change the shape of the business.

Roddy Davidson: (Singer Capital Markets, Analyst)

Hi. Thanks for the presentation. Roddy Davidson from Singers. Just very interested in the hyperscaler partnerships. You talked about the progress you've made there, how they're developing. So kind of two questions. (1) Just wondering if you would highlight any of those as being potentially particularly impactful going forward? Also, whether there are any other tech relationships that you're building at present that we perhaps don't know about?

Adolfo Hernandez – *Capita – Chief Executive Officer*:

Yes. I think they will all be impactful. The reason why they are highlighted is because they play a critical role somewhere in the value chain of our AI Catalyst Stack, whether it's on the data, whether it's on the analytics, whether it's on the observability of the service, whether it's on the orchestration of agents or whether it's the fabric. So they're all relevant, otherwise they wouldn't be there.

But there is a growing amount of work that we're doing with Anthropic, as you would imagine. But at the moment, obviously we can use Anthropic through AWS and through Azure, but that's in terms of a new name that will become important in H2, would be Anthropic.

James Lockyer: (Peel Hunt, Analyst)

Hi, it's James Lockyer from Peel Hunt. There are stats out there that suggest less than 30% of AI investments are actually seeing ROI, but you've generated at least £250 million, of which I imagine some of that was AI. Could you talk us a bit more through that? Any helpful ROI stats would be useful there.

Secondly, in knowledge industries there are a couple of reasons why people haven't often seen an ROI in their investments. Culturally, people disengage if they're worried about their jobs and companies are often over-indexed in savings instead of incremental revenues from those more productive employees. How do you think about those two elements around cultures and incremental revenues?

Then third question, when you were at SDL, the asset that compounded with AI wasn't the MT engine or WorldServer, it was actually the client-specific translation memory there. Every job made the next job cheaper. What's the equivalent at Capita? Presumably, the answer is process and case data from 20 years' worth of contracts. But on a government contract, who owns that data and can you use it to make the next bid cheaper?

Adolfo Hernandez – *Capita – Chief Executive Officer*:

Okay. Excellent questions. So, yes, the equivalent of that is effectively the training data that you can use for the provision of the service. That can be historical data, or it can be current data. So for example, if you are on the front end of a citizen service, it might be the real time life transcription that happens on a particular call and an engagement. It could be the sentiment analysis of that particular citizen.

If you are engaging out there, it might be the policy. So how many policies there are, for example, around road user charging in TfL. So every particular contract will have a number of data assets, whether they are policy, whether they are recommendations, and whether live data assets that become the core of the foundation of the service. The level of access that we have to data varies account by account, varies contract by contract, and then varies business process by business process.

Because, for example, we talked about assessment services and our own training, for example. It requires data, but it's data that we governed. If we wanted to go into somebody's medical records, that requires working with the right authorities, as you would expect. So I can't give you – it's not like the SDL industry where everybody had the same asset and it was just about getting that asset and apply it on there, but it's a sort of a more nuanced thing.

Which again, I think it plays to our differentiation. Is that nuance, is that case by case, process by process expertise that we have, that is part of our moat. Because this is not something that you build one scale and you can serve all of our contracts. They're all a million times different. So that's on that.

In terms of the AI ROI. The way I look at AI, AI is an ingredient to the service. We don't do AI for the sake of tech. We're not building AI, and we have AI discrete cost and then AI discrete margin. I think it would be the wrong way to go about it. That's more of a product company. You know, we are a services Company, an outcome Company that has to deliver a working outcome.

There is transformation, there is operational capabilities, there are people capabilities, there is going to be a supply chain, there is SMEs, there is building a consortia. You've got all of these things, and then you've got AI and technical operations as part of the ingredient.

What AI and automation at large and good data practices will give you some more modern solution. It'll give you an ability to do things faster. So if you look at the work that we do, for example with Snowflake, and be able to build much better MI and real-time data about the service that has been provisioned, that translates into a better service. If you build a better service and you build a better proof of concept, you're more likely to get the customer to believe, so you get increased win rates and then it's less of just price. So I think the value comes indirectly, which is why I don't see in the immediate future an ability to either track it or wanting to track it, because that would be a crazy metric. All right.

Chris Bamberry: (Peel Hunt, Analyst)

Morning, Chris Bamberry, Peel Hunt. I've got three questions. What do you still need to do operationally to be in a position to deliver market rates of growth? I know that may well vary across the five offerings you have, and when do you think you might get there?

Secondly, as you scale up the agents from 500 to 1,000, et cetera, what's the greatest challenge? Is it governance, technology or people, that sort of thing?

Finally, the increase in the unweighted and the weighted pipeline is quite large. Just really trying to understand the factors behind that. Is it what's going into the funnel? Is it your views on conversion or what you're taking on? Thank you.

Adolfo Hernandez – *Capita – Chief Executive Officer*:

Yes. So, on scaling the agents, it's not about scaling the number of agents. It's about scaling the impact that the agents have. I think there was the question you made earlier is about the culture. So building the agent is great. Nearly everybody – actually, probably all of us in this room could build an agent in a weekend without knowing to code. Most of our employees know how to build an agent.

But is the agent relevant. Is the agent going to affect and leverage something in the business process. Is it going to be grounded. Is it going to be safe. Is it going to be governed. So it's not a silver bullet there, Chris. It's like a collection of lead bullets. It needs to be safe. It needs to serve a purpose. You need to have the operating team willing to use it. They need to see an immediate benefit.

The benefit that we're seeing is if it makes their life easier, that is in the operations for us, the real measurement. If it adds value to you because you're doing something. Because it allows you to populate your responses faster, because it creates a better quality, because it checks what you're going to do before, or because it gives you faster elapsed times. Particularly, most people go like, yes, give it to me. So you need to take all of these lead bullets so that you drive the adoption.

We had to solve the fabric challenge last year, because it's how do you build that fabric with effectively a system of record of all the agents. Because it's a governance question and there is also a financial question. We had 200 ideas coming out of the Catalyst Labs, of which we've only progressed about 20 of them at scale. So they need to be analysed. You need to have that. We've actually, by the way, created our own agent, Clive, that deals with the Catalyst Lab. That is a Catalyst Lab ideation verification engine or something like that. So when people submit, it's an agent that is processing that, but then there is a number of humans.

So my learning is a lot more about management, culture, and understanding what is it that you're ultimately trying to fix. If somebody is not getting a better service or a cheaper service or a better experience, or we are not reducing our cost, it's probably not worth doing; and having that discipline. Then the other thing that we've learnt is sometimes you take a step forward and you take two backwards. Sometimes you've got friction.

You've got to have that willingness to have that friction. You want to have the issues out in the air. Because, as I showed, when you look at the two-year path it looks like it was linear and it looks like it was always the plan to go that way. No, it wasn't. It's been like step-by-step, conflict-by-conflict and question-by-question. So a lot of it is in the culture of the organisation and in the Management Team to be willing to have that back and forth. Very different to run a Company with that type of culture than it was to run a more linear command and control culture.

I think that, for me, is the single biggest inhibitor and why a lot of the AI efforts are failing in a lot of places. They just build them, buy the tech, give them the licenses and then hope that things improve just by osmosis. That's not the way it happens. Then if you're in a regulated space, and it's a government process, then less so.

So you had something on the market, the pipeline as well. I just think what I just explained explains part of it. Richard and his team have done a pretty good job at defining the value proposition, narrowing the focus, making sure we are very driven in terms of what we go after. We have a clear value proposition. The market is moving towards what we do and how we do it.

So there are more things that would get qualified in, in terms of suitability. Then we would go and look at, do we have the resources. Because not everything that move is an opportunity for us and everything, not everything that is an opportunity for us is an opportunity for us now, so we're actually having to discard a lot of things and we're putting more focus on where we believe the probability of winning, sort of the P-win, is a good one.

Then we will look at can we differentiate, and then can we command the right levels of margin in that. But the market is moving that way. So, even though we're being more restrictive and we're opting out of more things, in a perverse way our market is growing and our TCV is growing. Which is a good place to be.

Vasia Kotlida: (Barclays, Analyst)

Hi, Vasia Kotlida from Barclays. The book to bill is back to positive. Within this, do you have evidence of wins that utilised AI-enabled BPO?

Adolfo Hernandez – *Capita – Chief Executive Officer*:

There is a page in the Appendix where we're using a number of references, which we didn't cover for time. But you'll see there some use cases on how it's been used to reduce the size of particular customer centres by still keeping a high-value team to deal with the unhappy paths. But we have now tech dealing with the happy path, looking at assessments, quality. So there's a number of examples referenced in the Appendix.

Joe Spooner: (Shore Capital, Analyst)

Morning, Joe Spooner from Shore Capital. You talked about kind of the culture change that happened in your organisation to accept the technological change. But on the customer side, are you seeing kind of that equally replicated? You're kind of working across all levels of government from local to central and other public areas in between. Is that kind of enthusiasm to adopt this new technology broad across that spectrum? Or are you seeing kind of willingness to do this in certain pockets, but more resistance elsewhere?

Adolfo Hernandez – *Capita – Chief Executive Officer*:

I think we're in early days. We are in early days. If you look at the narrative, you look at our pensions customers, it's pretty much the who is who of the FTSE 100, you wouldn't find one single CEO of those companies who doesn't have an aggressive AI strategy. Then down it’s happening. But then when it comes to the day-to-day operations, say on pensions administrations, their appetite is different in intensity and is different by domain.

So some of them are very happy to start innovating on triaging of inbounds and understanding how that works, so if we've got an offer that we've done on inbox and inbound triaging. Others are more happy for us to innovate with them on traceability, particularly traceability of members. Others, by the way, they want to go all the way in and go and build digital pensions and they want to get full mobility and fully automated members journey and fully automated digital trustee journeys.

Then in the public sector it's the same. What probably is different in the public sector is most people care just about the service. So tell me what service you're trying to deliver, and then it's up to us to go and do that. There are different government departments. Some government departments have a little bit more muscle, and they would say, well, I think I can do this myself. The jury's out whether they can do it, or they can do it in time, or they can do it in budget. Others, they say, no, I don't have it, so it would be great to do some innovation with you.

Again, you'll see from the government, down from the top, from the cabinet down, that this is being adopted. If you listen to Antonia Romeo as a Cabinet Secretary, or the Cabinet Office, all they're talking about is now AI to drive public sector productivity. I think as you translate that down into the organisation, Director Generals, maybe some of the realities of contracting and procurement, again still on the way. Some of them are still early days.

So I don't think we're anywhere where we will be in the next couple of years. But what I know 100% is the journey has started. Different intensity, different departments, but it's definitely getting there. I'd rather be there before our customers are, than have to chase after them for the next two years.

Joe Spooner: (Shore Capital, Analyst)

Just on the market sizing slide that you showed. On the Pension side I think you kind of sized the defined benefit opportunities there.

Adolfo Hernandez – *Capita – Chief Executive Officer*:

Yes.

Joe Spooner: (Shore Capital, Analyst)

Would there ever be an opportunity for Capita to expand that out into the defined contribution space as well?

Adolfo Hernandez – *Capita – Chief Executive Officer*:

It's definitely a question that we have there. We do a little bit of defined contributions as well. But yes, the vast majority of our business is defined benefits. The vast majority of it, despite all the noise, is actually in the private sector and is working really, really well.

There is still a lot of activity in the defined benefits space. There is still a lot of, particularly, insurance companies getting into the space. There is a lot of transformation. There is still a lot of regulation coming in. There is a lot of what we call change. Change will still drive a significant amount of consulting activities. So there is opportunities for us to be very successful there. We are building the digital version of digital DB, of which CSPS is one of them. Once we stabilise that, then we'll decide where do we take this business next. Okay?

Helen Parris:

I do have some online. Okay. The first one I think for you, Adolfo, it comes from David Brockton at Deutsche Numis. The growth in the unweighted pipeline looks very encouraging, please can you share any large new contract opportunities that sit in there.

Adolfo Hernandez – *Capita – Chief Executive Officer*:

Yes. If you sort of go to that Slide 17, I think there are a number of them that are highlighted. There is the PCSE, so Primary Care Solution, that's a large one that is out there. There is a couple of large deals in the defence space around operational and people services that are very relevant. Also, there's a large opportunity in the Home Office space as well that is relevant. Well, actually there was a huge one, which is the Transport for London, which we closed and announced on Monday.

So this is a process where we win some and then add [our] numbers. But yes, we were making progress. I think the single biggest challenge that we have now is how do we translate the win into revenue and margin. Just a good opportunity. I have to keep reminding everybody that it just takes a while because of the contracting, then you've got the transition, you've got the mobilisation, you've got the ramp up. So it's kind of like a first world problem, but it's still a problem until we transition those into revenue and margin. But if you don't win them, then you have a big problem, so I think we're on the right side of the challenge.

Helen Parris:

Thank you. Then there's a couple of questions on CSPS. The first one is, what is the case backlog today for CSPS? Then the second question, really for Pablo is, what would the financial performance have looked like for Pension Solutions in H1 without CSPS, so that's the impact on growth and margins.

I also had another question in, which was what were the losses so far on CSPS and can you recover any of those costs?

Then lastly on pensions, how much profit typically comes from interest on client balances?

Adolfo Hernandez – *Capita – Chief Executive Officer*:

So the answer to the first one is relatively short. We jointly updated with the Cabinet Office a couple of weeks ago, and I think those are good numbers to use. Obviously, the numbers have gone down because they keep moving daily in a couple of weeks, but we haven't got any other public numbers that we've got aligned with the Cabinet Office to share; and it would be irresponsible for me to do so in isolation.

Pablo Andres – *Capita – Chief Financial Officer*

In terms of CSPS, if you look back when we announced the win of this contract, we said it would be around £300 million TCV over 10 years, so it's around £30 million per annum. You can say £15 million for H1, and that shows that there is underlying growth in the pensions business, not driven only by the CSPS contract.

The losses that it has contributed is not something we've been explicit about, but actually what we showed clearly in the bridge is the impact of the contract on the profitability of the business, £14 million, and we show the collateral damage on the consulting business where we have not been able to drive it as hard as we can as we redirect the resources, that is broadly in the £3 million bucket on the right of the bridge.

In terms of loss and can we recover; it is part of the commercial discussions that will take place at the right moment. It is true that we inherited a very complex and large backlog, larger than expected, and that the customer is open to having a conversation at the right moment, at the right time. I think the focus right now is to deliver the service. Then after that everything will follow.

Helen Parris:

Then the interest on client balances?

Pablo Andres – *Capita – Chief Financial Officer*

Interest. It's one that I'm always quite not keen to get into the detail of, the interest. Because the reason is that different contracts get negotiated with the customer based on we'll pay this fee and you will take a proportion of the interest. Therefore it's something that on one side it depends on the contracts, and which ones share interest and which ones don't, and at the same time there are a number of levers when interest goes down that we are applying with technology and with further development that offset it. So I would say actually that interest has not been a factor that I have had to cut out in the bridge because we've got a number of offsetting elements.

Helen Parris:

Thank you. There were no further questions online.

Adolfo Hernandez – *Capita – Chief Executive Officer*:

Okay. Well, if there's no further questions, then thank you again for your interest, the support and having stayed here a little bit longer to go over these H1 results. Thanks very much. I'm looking forward to seeing you all in November.

[end of transcript]