



## **FY25 Results Presentation Transcript:**

### **Presenters:**

**Adolfo Hernandez – Capita – Chief Executive Officer**

**Pablo Andres – Capita – Chief Financial Officer**

### **Adolfo Hernandez – Capita – Chief Executive Officer:**

All right, good morning. Hope you enjoyed that wonderful video with the highlights of what has been another interesting, challenging, and very busy year for us at Capita in 2025. For those of you who I haven't had the opportunity to meet, I'm Adolfo Hernandez, I'm the Group Chief Executive. Today, even though I have a number of colleagues on my executive team, the only one who's going to be presenting is Pablo, our CFO.

We're going to be taking you through the 2025 results, but also we're going to give you an update on the operational progress that we made, and the strategy, and then we'll do through both of them, and then we'll go and take some Q&A. Please have a look at the disclaimer at your leisure while I just flick over and just get quickly started with the - with a little bit of a summary.

If you were here in a similar room about two years ago, you might remember that when I joined, literally just over two years ago now, I was very clear about the size, scale, and complexity of the transformation we were facing in Capita. It was a business that had lost focus, it was a business that was carrying too much complexity, but at the heart of it, it was a business that was generating a lot of social value, but it had failed to sustainably translate that social value into economic value.

That was my thesis two years ago, and then we set out quite an ambitious plan to do a deep root and branch transformation of the business that would allow us to get the good Capita into a better Capita that was able to translate the value that we provided every day, improve it, but also translate it into financial outcomes.

We set out on our Capital Markets Day in what we call our four betters strategy. It was about building this better technology at the very core to enable everything else that we were going to be doing in the Company. We talk about better efficiencies to make us a simpler business, a lighter business, more profitable business, more competitive business. Translate all of those to - the technology and the efficiencies into a better delivery, better for our customers, delivering better outcomes, and in the process of doing this, working with our colleagues to build that better Capita.

So that was the journey. The journey is still current, and I think - let me just say this from the outset - 2025 has been a critical and pivotal year in terms of our journey to get there. We are way closer than we probably thought we would be at this time two years ago, but we haven't finished our job. There's still a lot of work to do. There are some areas in our business, as you can see, that still need attention, but if you look at the biggest picture, we're actually doing really well. So let me just go through some of the specifics. Let me just take that to them in that sequence.



Let me start with technology. Because when I stood up here two years ago, having joined from a hyperscaler, my thesis was - and a deep belief at the time, is that this new wave of technology that we've been blessed with, have the potential to fully transform society and businesses all over the world, but if you look in a - micro into our business process outsourcing, everything that had to do with business process outsourcing could, and should be, at the forefront of that AI transformation.

So we got going very, very, quickly because we believe that the combination of very complex workflows and managing processes, and process expertise, and automation, and mixing it really well could really be our competitive advantage. We really got going, and as you will see through the presentation, AI is no longer a vision or a concept inside Capita, but it is a reality. I'll give you some numbers about the agents that are already at work. I'll take you through some of the examples. This is happening today. So that's really important.

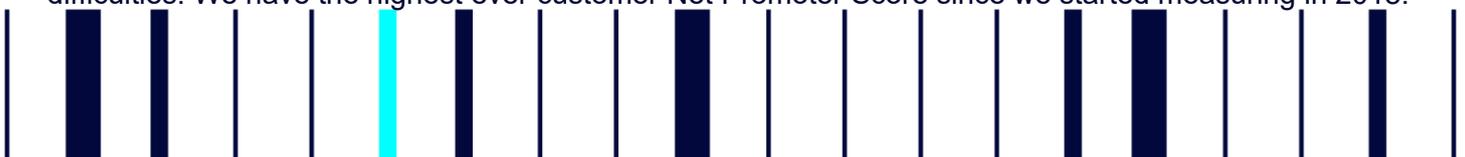
We've also built hyperscaler partnerships, not ticking the box partnerships, not we buy from them just partnerships, but partnerships that are intentional, that are strategic, and that they are long term, and each of them has been designed to attain a particular area of differentiation somewhere in the value chain, and I will be taking you through those. So two years on we've made significant amount of progress there.

We've also moved the business significantly to the cloud, and that continues to be a key priority for me. We need to get that, what I call cloud age thinking in how we deploy systems, how we manage systems, how we provide for security, confidentiality, and really how we run operations internally. Then, crucially, we have taken all of this technology and we have managed a unique way to deploy this technology in very complex, real-time workflows that are running society and do that in a responsible, governed, and secured way with the judgement of a human in the loop the whole time.

So this goes way more than just selecting, it's just selecting and figuring out how you actually make it work in reality, and we've done that. So that technology piece actually underpins all the others, because it has enabled us to go much farther and faster on cost efficiencies where we're pleased to report we achieve our £250 million stretch target. That obviously has been cascading through with our 140bps improvement in operating margin, and taking us as a Group to 5.2%, but there are parts of the business that are already at, or significantly above our expectations. Like if you look at our public sector business, that is already sitting at 8.3%.

So from a delivery perspective, just a couple of things, we have to look back, and we have to look forward. What do I mean by looking back? We had a lot of long-standing legacy issues that we have to work through. So we had an issue that was a decade plus old around closed book life on pensions that we finally found a solution for at the end of 2025. We had an outstanding process ongoing with the ICO since March 2023. So it was really important to be able to bed those things that were costing us not only money resources, but a lot of management time, and it's actually made the Company now a lot leaner, clearer, and much easier to predict.

When I talk about looking forward, looking forward in delivery is looking at what is it that you're building? What are the size of your pipeline? Are you growing the pipeline, and most importantly, are you converting the pipeline in the right places? Are you converting it at the right margin? I think if you look at the size of our pipeline, that nearly doubled to £20 billion. The size of our total contract value closed in the year up by 36%. Our win ratio now nearly doubled to over 60%, and our Net Promoter Score - our customer Net Promoter Score continues to improve through all these changes, through all of these difficulties. We have the highest ever customer Net Promoter Score since we started measuring in 2018.



So from a delivery perspective, I think all of my colleagues in Capita would be very proud for the work that has been done and has been achieved. As a whole, we're building a better Company. It's a lot of change. It is very taxing for our colleagues, continues to be reorganisations, realignments of management, changes in how the work needs to be done, a more pervasive introduction of AI into everything.

Change is the constant, and throughout all of this change, employee engagement continues to stay at a high level, and we see an improvement in employee Net Promoter Score. So I cannot thank my colleagues enough for the great work, and the patience, and the dogged determination to help us turn this business around.

So Pablo is going to now take us quickly through the financials, and I'll be coming back, and I'll be addressing some of these topics a little bit later, and then we'll do the Q&A. Pablo, please.

**Pablo Andres – Capita – Chief Financial Officer**

Thank you, Adolfo, and good morning, everyone. As Adolfo has said, 2025 has been a pivotal year for building that better Capita. It's not only that we made tangible progress against our strategy, but we actually delivered a material improvement on our financial performance. So before I start with my slides, though, a reminder, numbers in the presentation are prepared on an adjusted basis unless otherwise stated, and adjusted basis now includes our closed book Life & Pensions business within business exits, after the hand back agreement we reached in December with Royal London.

So starting with the financial highlights of the year, what this slide shows is that we delivered broadly in line with the expectations we had set. Margin, profit, and cash conversion all improved materially year on year, reflecting the delivery of the cost reduction program, and strong execution in public services.

Looking at revenue, we have seen strong growth of 4.5% within Public Service, reflecting contract wins and growth in a number of key contracts. This division is now two thirds of the Group adjusted revenue. However, this growth was offset by a 17.5% decline in our Contact Centre business. The Group's operating margin increased by 140 basis points, reflecting the in-year benefit from the cost reduction program, and improved contractual performance in our Public business.

Profit before tax improved by 84%, reflecting improved operating profit, reduced depreciation from a reduced property footprint, and reduced financing costs. The Group's cash conversion improved to 74%, with a material improvement in our underlying cash generation and solid cash conversion in the Public business whilst we invested in our Civil Service Pension Scheme contract. Our free cash outflow halved to £54 million outflow, and it includes £53 million outflow related to the cost reduction program, as well as the £14 million settlement with the ICO, which obviously leaves us in a very solid position to deliver positive free cash flows in 2026, as we had promised.

Moving on to the reconciliation between adjusted and reported. Business exits of £102 million includes the exit agreement we reached with Royal London in December, where we agreed the hand back of the last evergreen loss-making contracts, resolving one of the largest legacy issues of the Group.



Goodwill impairment is wholly related to the Contact Centre business, where despite the progress made in cost savings and improving the competitiveness of our offerings, the business has seen continued contract losses. Financial performance on the Contact Centres is not where it should be, and they are expected to remain loss making in 2026, even if we expect an improving profit trajectory during the year. We continually assess all options to improve this business, and to maximise value for our shareholders.

The cost reduction program line includes the £56 million invested in the year to fully deliver the £250 million cost savings program. The cyber incident line mostly reflects the P&L cost of the settlement with the ICO.

Moving on to the Group's cash flow. Operating cash conversion has improved to 74%, reflecting strong cash conversion and favourable timings in Public, partially offset by increased contract fulfilment assets in pensions, and other includes mainly termination of leases and payment of provisions. We have continued to make progress in reducing the structural headwinds on cash conversion. We expect deferred income headwinds of around £30 million this year on working capital, reducing thereafter to become a more normal business.

The cash flows for the cost reduction program and cyber are also including below operating cash flow, and cash generated from operations excluding business exits was £73 million. Continuing with the remainder of the cash flow and net debt movement, CapEx has remained broadly consistent with the prior year, reflecting our continued investment in contract delivery, and in our cyber and data capabilities. Interest was broadly in line with prior year, and lease payments reduced by £7 million, showing progress on our property rationalisation contract. All of this resulted in a free cash outflow before business exits of £54 million.

Our net debt increased, reflecting the cash outflow for the year, and we continued making progress, reducing our lease footprint - reducing by over 10% our net leased debt year after year, in line with our guidance.

Moving on to the Group's liquidity position, as mentioned previously, in July we extended our RCF, and in February 2026 we entered into a £75 million committed facility that gives us ample liquidity to manage upcoming maturities. Our financial net debt to EBITDA at the year-end was 1.0x, in line with our target range.

Moving on to the business and starting with Capita Public Service. This is our largest division and has delivered strong improvements across all metrics. We are pleased with the progress made, and we are well positioned to deliver further growth with our AI-enabled BPO strategy. Revenue grew 4.5% with continued momentum from the division's strong H1 performance, reflecting the annualised benefit of go live of prior year contracts, as well as additional extension and scope expansions enabling AI solutions with a strong customer base.

Operating margin improved by 190 basis points, reflecting the revenue growth, and the related profit flow through, as well as £43 million of in-year savings, allowing us to reinvest on our AI solutions and mitigate the national insurance contribution increase. Cash conversion was 89%, reflecting our strong cash generation during the year, and some favourable timing on receipts at year-end.



Let's turn to the page with key achievements from the Public division, and 2025 has been a strong year, both financially and operationally. We had award-winning performance in Army applications, and we made great progress on our HAAS contract. We have also seen significant growth, including TCV won of nearly £1.2 billion, as well as a number of contract extensions that allowed us to deploy innovative AI solutions. We have seen strong delivery on the contract within the division, and this is reflected by customer NPS increasing by nine points to 37 points, and consistent operational KPI performance at 93%.

Finally, the division has delivered improved efficiency driven by our Catalyst Lab, with a number of successful rollout of agentic assistants, including those in our HAAS contract and in our TfL contracts.

Moving on to the Contact Centre. Revenue declined by 17.5%, reflecting lower volumes in our telecommunications vertical, contract losses within the division, and further offshoring to our new service delivery centres. We delivered almost £50 million of cost savings during the year, but these were only able to partially offset the impact of volume reductions and losses. We have made good progress with our existing customers, delivering a compelling product with AI solutions, and excellent service delivery centres in South Africa and India.

We have a number of structural issues that we are addressing, such as around £10 million losses in Germany, approximately £15 million of P&L costs of underutilised properties, and the need to accelerate growth with our refreshed product offering.

Moving on to Pensions, revenue growth was 4.5%, reflecting indexation and expansions of existing contracts, and the go live on the Civil Service Pension Scheme in December. Operating margin increased by 30 basis points, reflecting the growth I've just mentioned, as well as delivery of our cost reduction program, offsetting the reduction of interest rate income.

Cash conversion halved, reflecting £26 million invested in building the Civil Service Pension Scheme solution, of which £10 million is expected to be recovered over the life of the contract rather than through milestone payments. We also had the delay timing of a £5 million milestone payment which leaped to the second working day of 2026. Without these two last two elements of £10 million and £5 million, cash conversion would have been around 90%.

Now moving on to the outlook. First of all, we are still expecting to deliver positive free cash flow in 2026 of between £20 million and £40 million, which reflects the non-occurrence of the cost reduction program, and the ICO settlement.

On revenue, we expect to see low single digit growth, with good growth in Public and Pension solutions offset by continued decline in Contact Centre.

Margin, we expect to see a small reduction reflecting the challenges faced by the Contact Centre, and the mobilisation of large contracts won in Public and Pensions that were well-priced and will deliver good margins and cash in the future.

We expect cash conversion to be between 70% to 80%, underpinning our positive free cash flows in 2026.



In terms of phasing, we expect revenue margin and cash to improve particularly in the second half, as we make progress in the turnaround of the Contact Centres, and mobilisation costs in Pensions reduce. With this, I will hand over to Adolfo for him to continue.

**Adolfo Hernandez – Capita – Chief Executive Officer**

Thank you, Pablo. All right, so with that backdrop on the numbers, let me just quickly take you back, give you a little bit of context on the journey we started two years ago. I think going back to the theme of the introduction, I made a very conscious decision that I wanted to be decisive right at the beginning. You might remember me talking about the three waves that we were going to use to drive this.

It's going to be an initial wave around creating space, which is the cost efficiency phase. There was going to be another wave that was around fixing the basics and getting our innovation, how we operate it, and just really effectively getting us to do the right things the right way. Then there was going to be a third one that was around building the future that would be both the operating model, but also our growth strategy.

So that was the big three waves that we got there. I think as you can see there, we're tracking nicely against all three. We've probably done most of what we wanted to do on the first one, attaining our £250 million savings, being able to reinvest £50 million to just really give us the capabilities that we needed into both the fixing the basics, all of the innovation work that we've done around AI, the work that we've done around our teams, culture, principles, but now we are moving more the focus toward the right-hand side of the chart.

So you're starting to see more us looking at building more simplified operating models, building farther an agentification layer to run the business, and you're starting to see more and more of the work that we need to do in terms of reshaping more value proposition. So, this growth that we are seeing in the business, and this growth in pipeline, this improvement of win rates, this improvement of conversion can continue further into the future, but that has to be looked at in the context of the market, and it is a market that - if you look at it in Europe, it's a £50 billion business, and where roughly from pretty much zero in 2023, it went up to 20% in 2025.

So that's the AI penetration. That is what components of the existing services business had a flavour of AI inside, which is very, very unique to have seen such a big jump of that scale so quickly, but it's actually, if you look at it further and you fast forward into 2027 - so a couple of years out from now - we're expecting that to be 50% of the market.

So what does that mean, really? Because you can think, well, the big numbers, what does it mean? So there's a number of implications. Number 1, people-only services will continue to exist. Right? There's still significant parts of the industry that are highly analogue and physical. So we shouldn't discount that they're still going to have people-only services. However, the mix, it's going to change. There's going to see more and more introduction of AI technologies, automation, and data facilities to make those people-based services more efficient.



So it's this area of what I call the new hybrid, whereas maybe over the past decade, it was really easy to say, well, this is a people services opportunity, this is an IT services opportunity, this is something else, consulting, or integration, everything is blending now. So we're starting to see more hybrid outcomes that are being sought. So that requires a number of things. So all the delivery mechanisms have to be adapted in companies. What you go after has to be sharpened, so the whole go to market model needs to be readjusted so that you're very clear as to the type of opportunities you're after.

The tools and mechanisms that you use to convert those opportunities need to be adapted, but most importantly and crucially, the teams need to be educated. It is an important, huge skills management and change management issue to go and take advantage of that.

Then from a - for a company like Capita, this really means that we have to be now able to orchestrate outcomes, not only based on people that are deployed in processes, not only managing tech, but now having to orchestrate across different pools of people, different pools of systems, and different pools of data, and provide an orchestration that is secure, that is real, that has been deployed into very complex workflows. So the nature of how we do things is going to be changing. It's actually already changed a lot in the last couple of years.

Now, some people would say, well, how do you differentiate? What's your value position? You'll get a lot of time being asked that question. So I'm just taking a little bit of time to take you through this, because I think it's a fundamental point on the Capita strategy.

A lot of people think, oh, getting this done is basic automation. You just get a few tools and just get a little bit of GenAI tools, and that's it, that'll do it, because the world is simple, all the workflows are straight, and there is absolutely nothing else but happy paths. Let me tell you something, we do this for a living. Whether it's revenue operations, traffic management, dealing with vulnerable customers, doing advanced bespoke training for forces, doing emergency services, recovering debt, there is one thing we've learnt, is that processes are not simple.

Processes are super complex. Processes have a lot of unhappy paths, and the reality is that you need to have the skill and the ability to orchestrate all of these complexities, to orchestrate across all of these different systems, because our customers' infrastructure is not built on one single system, is not built on one single data lake, is not built on one single application, is not built on one single agentic fabric.

So our role as the master orchestrator of outcomes who understands the nuances in day-to-day, complex, regulated, mission-critical environment is second to none. The ability to have always human judgement in the loop is not only nice, but it's an absolute must in the industries that we serve. It might not be in others, but in the ones that are relevant to us, it is an absolute must. So all of that accountability, security, and human-in-the-loop judgement is critical.

So the next question that sometimes becomes is like, okay, where do you invest? Right? Everybody, every - how can you keep up? Everybody's investing so much. If you tally it all up, we're seeing over the next couple of years, north of \$1 trillion in investment in data centres, in LLMs, in applications. Everybody's going crazy. How are you going to keep up? Well, we're not, because we don't have to.

Our position in the value chain is that we get to understand what it is that everybody else is building. We get to test it. We get to see what it's good for, what is the real applicability in real customer environments. We get to orchestrate it, and then we will get to build a solution for a customer real-world problem, selecting whatever component is out there. For me, this is not a competitive threat.





Then some of you have been asking me, well, that's really great about tech, what about people? How are you managing all of this with people? How do you get that innovation happening with people? So for that, at the beginning of '25, we actually built our innovation engine, right? It's the Catalyst Lab, right? So we had the agentification engine, the Catalyst stack, and we got the innovation engine, which is the Catalyst.

So what the Catalyst does is creates an agentified way for everybody in the organisation who is a specialist in a business process, and who cares about improving the outcome to send an idea. If I do this, we can deliver a better service. If I do this, we can save some cost to serve. If I do this, we can save our customer money. If I do this - so we've had over 400 of, if I do this, bottom-up, specialist up. This is not Pablo and I figuring out where we add value, this is coming all the way up. Then things get understood, prioritised, validated, tested, deployed, and scaled.

So there's an absolute process that we've got that. So say we got these 400 ideas, now we've gone into 40 pilots. That's how long in nine months, and we've already got 12 solutions coming out of that. Then you've got a number of examples there, which customers, this is working. So this is - it's just the hyperscalers. It's understanding the hyperscalers, then understanding how to deploy it. This is where the catalyst stack comes in, and then getting the organisation - this is a 30,000-people organisation - to figure out how they can add value to their customers through that.

The result is there to be shown, right? So you look at it, AI is no longer a concept, it's not a vision, it's not a strategy, it's not - it is a reality, it is really happening. We are industrialising slowly but surely. We're not done. It's not everywhere. It's not to the intensity that I would like, but we certainly move the needle significantly in a short period of time, and as you can see, we're doing it across all the areas where we operate the front office, the middle office, and the back office, and we've got real solutions in each of them that are happening, and most importantly as we go and see how much of this is pervasive in our opportunities, we actually now see it's about two-thirds of our revenue contains elements of this in the solution.

I will expect this to continue, because what this is actually doing is creating a new shareholder value accretive model for a business process outsourcer. Is how does a traditional business process outsourcer operating a lot on high OpEx, high CapEx, very much FTE-centric only solutions where everything is manually done and hard-coded to a particular process that tends to sort of run to the bottom, how does it move to a very different model where the cost is variable, where you get to be more outcome-based, and where you actually can move from legacy, and you can have real-time rewriting and recoding of business processes.

So capturing value in real time, rather than capturing value every time you deploy a new application, that normally they tend to be dated, and invaluable by the time you do that, and moving from an FTE-based model and to a human in the loop, it's a very different one. So we do believe this is fundamental element of our strategy. It has impacts on our efficiencies, it has impacts on the quality of what we deliver, how we deliver it, and also the type of company that we're building.

The proof is in the pudding, right? So if you look at a number of the metrics I've already covered, customer Net Promoter Score continued to improve to an all-time high, whether you look at our pipeline growing, our conversion growing, our win rate growing, and you look at the progress we continue to make as we have started to deploy this strategy in each of the divisions, it's there. So that was a good set of 2025, and just pointing out that we also had a good start to 2026.



Now, it would be disingenuous for me to stand up today and not comment on the Civil Service Pension Scheme. So I'll just take a couple of minutes and update you on what it is. So I think it's really important that I start by acknowledging that - okay. No. All right. Okay. All right. No. Not there. There we go. Thank you. It's in the wrong sequence, but minor detail.

Let me start by acknowledging that the civil servants are not getting the service and the quality and the attention they deserve, and that is bad, and this is something that we're truly sorry for. While we do not have originated all of the problems, I have made it my personal priority and the Company mandate that we will own the resolution. This is something that we are totally committed to address and fix to get the civil servants the attention, the service, and the quality that they work so hard for.

I also wanted to talk to you about when we took over in December, this was already a very deteriorated project and service. There was a number of things that - which warrant that. I'll probably just give you one example. Ahead of us taking control of the project in 1 December, we had to step in and process a payroll run ahead of us taking, because otherwise it wouldn't have been possible for civil servants to get paid in November. So we had to put our machine in there at the service of the civil service so that the civil servants could process that last payroll run from the previous delivery. So that gives you an idea.

It is public knowledge that they had a significant number of disputes with the workforce, they have union recognition, and there was a lot of industrial action, which is something we have addressed ahead of taking over as well. The backlog that we inherited was nearly three times the normal numbers expected. There was 12,000 members that were owed money. There were 15,000 inbox emails from members that were unopened and unread, and each of them is a case. Each of them is a difficult situation. Each of them is people in difficulties.

Then the data quality that came across was poor. We had 20 million data sets either missing, or wrong, or incomplete. Now, you might think, well, is that complex? Well, if you think about it, it's 1.7 million members. Every member has 100 data points, and they can be touching 50 different processes. Now, I'm not expecting you to do the numbers here, but that's about 70 million possible combinations. It does matter.

A lot of people decided to call on day 1. That collapsed our infrastructure, and we've been working really hard in partnership, and I cannot stress that enough, the support and the partnership from the Cabinet Office to jointly work on through these issues. This was always going to be a two-stage go live, it was going to be December and March, and obviously we caught through the volume - the complexity of the cases between December and March.

We now have over 90% of the calls being responded and addressed to within 30 seconds. The portal issues have now all been addressed, and there is a huge amount of effort - focus that we put in with our colleagues of the Cabinet Office through February to address the urgent cases. Then we've got more work to do on different areas. We're committed also to hit our milestones in March, et cetera, so that we are in a position to address the different buckets of this complexity as we deal with it.



Now, there is a question that people said rightly, didn't you know? Well, there's only so much you know until you get the keys. There is only so much you know until you actually get the full access to the systems, to the cases. There's only so much you know until you get a chance to look at the data and its complexity. We didn't know the exact numbers of cases. We knew it was high, and we remember sharing our fear with the Cabinet Office and with the ministers that we were going to get a lot more cases than we were expecting. We resourced up ahead of it, but we couldn't see certainly, was the complexity, or the longevity, or the delays with the cases.

Not - a case is not always a case. There are many, many, many cases that have been outstanding for six, nine months. Very complex, very difficult situation. So no, we did not know fully. We've been operating under a crisis volume and environment over the last couple of months that had just made it challenging to get there.

The most important messages here, two things. Number 1 is we're working through it, and it's actually working now, as I said, and we are committed to get all of this to the normal SLAs, and that we are committed to keep doing this in partnership with our new colleagues that have TUPEd, and the Cabinet Office, and that we will get this to a situation where the civil servants get the service they deserve, okay.

I think this is something that we want to make true for the whole of Capita. When customers hit a problem, yes, it's good to understand where the problem originated, but I think something that Capita needs to be known for is that we will own the fixing. We will restore the quality of the outcome first, and then we will do whatever recalculations we need to do with our customers.

I think that explains - now if I go to manage that. That explains why the tenure of our customers is so long. Then you can see there that within our top 10 customers across the Group, seven of them have been customers for longer than a decade. It speaks of once Capita is in there, at large we do a pretty good job, we listen to them, we take their problems to heart. We might not get it right first time, we might not always get it right, but we will do whatever it takes to get it right. So that speaks to the charts both on the longevity but also on the diversification of our business across the different divisions.

Speaking of divisions, just quickly, I wanted to be more transparent on the Net Promoter Score, because we talk about the blended. So I want you to see the different businesses and different trajectories. You can see the improvement - the marked improvement. We saw last year on our Contact Centre business, improving the value proposition, the innovation there, we see a steadier ramp over the last couple of years from our Central Government business. Then we've seen also an improving, but more challenged opportunity from our Pensions business.

So with that, let me quickly jump to the better Company. We talked earlier about stable employee engagement. We talked about improvement on the employee Net Promoter Score. You've got - you can read through all of this. I think for me, the bit that is - that really stands out is the work that we did, both on the values and the culture last year. You can modernise the tools as much as you want. You can modernise your deliverable, your mechanisms as much as you want. If you don't manage to change the emotional fabric and the culture of the company, you're going to be held back.



I think the work that our teams have done, both in the transformation teams, and in the people area, to drive that mental transformation, drive the culture, drive, how do we get mid-management enabled, mobilise. The training we put in there in terms of tech, the management training, the leadership academies, the work that we're doing with Multiverse in terms of AI training, it's really enabling that fabric so that whatever we do on the Capita stack, whatever we do on the on the Catalyst Lab, whatever we do in that lever just comes into a fertile ground that takes advantage for that.

So I think that's really, really pleased with that. I don't think it's unrelated, but we actually have now attrition at 17%. Many of you might remember another 21.7% of last year, by the times where this was north of 30%. So we're literally half there for a while. So this is a better place to be. It's not the place for everyone because of the amount of change, but if you like this space, if you like the change, if you like this transformation, there's a lot of people are finding this is a place where they can grow their careers and just modernise.

So besides our financial commitments that Pablo very well captured on the financial outlook, it is clear we have work to do on the Contact Centre, and that's - we have the other two groups, the businesses are humming not only from a value proposition, but execution perspective. We've got good work on the value proposition and on the retention side of the Contact Centre, but there is more work to be done there, and we are very committed to get that sustainable cash back profit growth going into the periods to achieve and exceed our outlook.

We are going to be doing that literally through the same themes. We're going to be using the culture, our values, as the foundation on how we operate. We established a number of strategic priorities for 2026. So you've got the six areas that we are chasing as a management team to go and deliver the four betters. That in turn is effectively going to deliver a better Capita that is going to be in a better position to deliver better outcomes to our customers.

So this is progress report 2 after two years. I think this has been pivotal. I think we're very happy to have exceeded and met all of our expectations, but we're very aware that there is more work to do that we own up in some areas of delivery, but also some of the work that we need to do in areas like the Contact Centre and - yes, so pleased with the lap, but there is still a few more laps ahead of us, and we're committed to do that. So with that, I think this is the end of the presentation, and then we can move on to Q&A.

**James Rose: (Barclays, Analyst)** Hi there, it's James Rose from Barclays. Thank you for the presentation. I've got two questions please, if I may. The first is on Public Service. The pipeline has doubled to a huge number. Can you talk us through what the step up has been there, and as a leading indicator, should we be expecting strong growth from public sector over the next few years?

Then secondly on Contact Centres, can you talk through how you can turn around that business? I note that the weighted pipeline there looks quite low at the moment, and in the medium term, if that business does continue to struggle, do you still have a long-term commitment to owning it?



**Adolfo Hernandez:** So, let me start with the growth, and we call it the opportunity growth in the public sector. In any go to market model that you want to improve, you've got three levers. I think we played all three levers really, really, well. The first one is decide what you go after, right? Be very targeted, very intentional. Everything that moves is not an opportunity, and everything that is an opportunity is not an opportunity for us, and everything that is an opportunity for us might not be an opportunity for us today. So Richard's team - who's just sat in front of you - has been extremely intentional on what do we go after, right?

Second thing, lever number 2. What value proposition do you take to market? This is where the mix - the thesis of this presentation, of combining the complex delivery, the understanding, the workflows, the mobilisation, the contracting nuances, all of that expertise that Capita always had with the nuances of all of this AI enablement, acceleration, that - shaping that combined, orchestrated value proposition is what drives a higher conversion rate. Right? So you've got those two things that have actually been in there.

Then, obviously, you got through the partnerships as well with the hyperscalers. You also get exposed to opportunities where we might not normally have seen them. So we get ability to opt in and to opt out.

Then there was - the third question is, does it automatically translate into huge growth? I think anybody who's been in a selling to a public sector type business would have never mentioned huge growth. I think the public sector moves at a speed, had a set of processes, had a contracting liturgy, right? It's got a contracting environment, it's got some government procurement. So the speed at which things get done is slower than what we use in the more of the commercial sector. Then as Pablo rightly says, you win some of these very large deals, then you need to mobilise them.

So it's more of like a continuous growth, rather than a hockey stick, but what we see now is we have a healthy pipeline where we can be intentional as to which deals we go after, with what value proposition, converting more and delivering better. So that's on the public sector.

On the Contact Centre, remember two years ago when I stood there, I said, we missed the boat. We missed the boat over the last five years. We had a pretty good, very well-functioning, voice-only Contact Centre strategy, and the world had moved on. So we've been catching up with the value proposition, moving from voice-only phone calls to an integrated omnichannel Contact Centre strategy. Then we began to get that omnichannel to be AI-enabled so that you can do routing, you can do sentiment analysis, you can get all these automations.

So literally we've been having to effectively do the last five years and the next five years in two. I think if you look at it in isolation, forget about the numbers for a minute, we saw for the last two years, we stopped the bleeding of contracts in Contact Centre, right? The story 2020 to 2023 was all of how customer X left Capita, how customer Y left Capita, how customer Z left Capita. Then for the last couple of years it's been customer X has retained, or had extended, or changed the scope. So we've actually marked change.

However, it hasn't changed the fundamentals of the business as a whole. As Pablo said, there are two structural big ticket items, and the problems in Germany, and the P&L cost associated with the legacy facilities. Those are making the business more complex to operate, but we remain committed to improving the operational performance, and we are going to get there.



**Kai Korschelt: (Canaccord Genuity, Analyst)** Thank you. Hello? You can hear me? It's Kai, Canaccord. Good morning. Just to follow up on the Contact Centre question we just had. So I guess from an investor perspective, the patience level in terms of how long will you give the business to, I guess, break even, or become profitable before you may consider more strategic alternatives for the business would be my first question. Are we talking one year, two years, three years?

Then the second one was just around the generative AI benefits, and I guess economic value creation, and particularly the bit that accrues to shareholders. Do you have a few more proof points, perhaps recent contract wins on, does this manifest itself in lower bids, higher margins, a combination of both, therefore positioning you well for market share gains? How should we think about those economic benefits? Thank you.

**Adolfo Hernandez:** Okay. On the first one, Kai, we actively focus right now on the improvement of the business, and I think it would be irresponsible for me to comment now and trying to predict the future, but we're very aware of where the business is, and we are 100% committed to improve the performance of the business and create shareholder value.

On the second question on AI and proof points, I think there was one theme in the slides that I share, is that we do not build the engines, we fly the plane, and for some customers, we actually run the airline. Right? In that value proposition, we're actually seeing the value being created, certainly on cost reduction, right? As we become leaner as an organisation, we have to pass through less costs into our bits so we can be more competitive, right? From the outset.

Second, when we build a solution on top, the cost of the solution, the cost to serve, the cost to architect, goes down because you don't put just 400 people, say. You can maybe put 50 or 100, extended by some of these orchestration, low code or pro code in there. So that actually gives you benefits when you are contracting, because you've got a much better solution, cheaper, more innovative, and then you actually end up being more competitive.

How do you see that we're being more competitive? What proof points do you want to see? It's a higher win rate. We've nearly doubled the win rate. We've seen 36% growth on the TCV conversion. The pipeline, okay, is not converted yet, but you already point in that direction.

Then there are different contracts, so in the commercial world we can talk about sharing the benefit in a commercial world. Then there are some TCIF contracts in the public sector that allows you to do some benefit sharing - sorry, profit sharing in a different way. So we actually seen the benefits everywhere. What we don't have, and I actually am glad, I don't have a category that is called the AI P&L. Right? For us it is one engine of the plane. There is a lot more that goes into finding that plane and running the airline, but I know how much we spent on the engines, and I know how capable they are, and I know that they fly, and they keep the business up in the air, and it's definitely working, as I hopefully was able to show.

**James Musker: (Singer Capital Markets, Analyst)** Thank you. James Musker at Singers. On the AI-enabled solutions, how repeatable are they across the customer base? Is it a unique solution to one exact customer, or can it be copy and pasted across several?



**Adolfo Hernandez:** There is a huge amount of repeatability, and this was harder than I thought it was going to be for reasons I am glad we encountered, right? So from the outside or early in my days, I thought, well, definitely everything can be a product. The reality is our customers' business processes and workflows are very nuanced. So the cookie cutter approach that I was hoping for is not there, but we've done a lot of painful, but really high quality work in understanding at a higher level order what solutions are repeatable.

So now we're in a position to say document verification, fraud detection, debt recovery, online learning, AI-assisted recruitment, are repeatable buckets, whereas that 80% is common. So this is what we've changed. Back in the day, if you needed a document verification, document - likely was that every system, every contract would be different. Now they will all be based on the same framework. They will all be based on the same framework. They will all be based on the same technology. They'll be 80% the same. It's the last mile, the last nuance, that will be different.

So I've just given you some examples. So we got case management. We got intelligent document processing. So if you think about these as I'm giving you the names, these are key business processes that our customers need to inject, and those are the ones that the Catalyst Lab is working with the divisions into productising. It's not a product that you can put in a magazine, right? It's not that level of productisation, but it's a high level of customisation. We moved away from one of a kind. I think this is one here.

**Chris Bamberry: (Peel Hunt, Analyst)** Good morning, Chris Bamberry, Peel Hunt. I've got three questions. Just going back to the headwinds and Contact Centres, Germany, the underutilised property, could you give us a little bit more detail on what actions you're taking, and what you think you might be able to achieve over the next 12 months, 24 months, 36 months type of thing.

Secondly, looking at the margin guidance for this year, could you give us a little bit more granularity on the building blocks? You've obviously got the annualisation of the cost savings, there's mobilisation costs, but - and other factors.

Finally, in the pre-close, you talked about delays in decision-making in public sector. Just where we are with that now, and I guess generally, what are customers saying to you in the current economic environment? Thank you.

**Pablo Andres:** I'll leave the last one for you...

**Adolfo Hernandez:** Okay.

**Pablo Andres:** ...and I'll take - so Contact Centres, as we work through the different elements that we've been cleaning, it is now becoming clearer where the biggest areas to address are. Germany is a complex market, it's a complex labour market, and it's not that you can - one that you can rush in right-sizing and projecting. So there are two strands there: (1) is working on the top line and make sure that we've got the right people, (2) is working with our offshore facilities, near-shore facilities that we've got serving that market, and then continue streamlining it. That's - it's a very simple but hard to - market to work through.



The other one, leases. Leases are becoming more visible as we continue our offshoring and are moving our proposition to our new service delivery service. Leases are a complex one, but there are opportunities always in the market to restructure leases with potentially economically beneficially options for the Group. So basically lease restructuring. Those are on the table, those we can do. Now that the Company is in a place where it is generating positive free cash flows, we have more optionality to decide what we can do with them. So that's in terms of German leases, Contact Centres, the big ticket items there.

In terms of margin guidance, it's a little bit complicated, but at the same time, if I look at it from a cash perspective, we are saying that we're going to deliver £20 million to £40 million. We could deliver more, but we've got, say, £10 million to £15 million somewhere on - in relation to mobilisation costs. We've got some timing of receivables that we have this year. It's, call it £10 million. It's not material, but in such small numbers, they matter.

Then this year, hopefully, we'll have the end of the big ticket items of deferred income, historical since, and this year, that will still be a drag, but all of that is going to clear, is going to make a stronger Company, and from 2027 onwards, we will start being a much stronger, cleaner Company. That is the way I would look at them.

**Adolfo Hernandez:** Then, obviously, the point that Pablo's made a couple of times as well on when you win a lot of these deals, it's good news, right? They are - and they create a lot of value, but there is obviously a mobilisation phase at the beginning where they are short term drag. So, that's what we were - in the guidance where we say, actually, the good news is that we've won. Then for us the good news is that we have to mobilise. There is a little bit more cost up front, is the nature of this business, but this is a very nice price to pay in the short term to get the medium term and long term value. So I think that probably explains a little bit of the outcome. I think we've been clear enough on that point.

In terms of what we're hearing from the market, the situation is complex out there, right? I don't need to remind anyone on the ups and downs of most of the countries - economies in Europe, challenges, what we see now geopolitically with oil prices, the budget situation in the UK, but if I look at all of these, I actually see that there is a need for solutions that allow you to reduce your expenditure, and to spend your money wisely.

I think if you look at the value propositions that we're putting out in the market, all of them has the potential to say, actually, you don't need to pay for 500 people anymore. You can actually get the job done with maybe - with 150 if you put this orchestration, this acceleration there. You can actually get more value for your money, and if you're a government department, actually - you can actually get more citizen value being delivered for whatever budget it is that you have.

Yes, there are some contracts you could have just been awarded, you haven't been able to sign, but this is normal mechanics of doing business in the public sector, and then some of them roll over one side of the period. There are going to be payments, like this payment that Pablo mentioned it landed on 2 January, or 3 January rather than 31 December. So in smaller numbers, small movements, one side of the calendar year, might actually make it look like a bigger issue than it is.

**Helen Parris:** Sorry, excuse me. Could you pass that down to the lady? Thank you.



**Sophia Yu: (ABN AMRO, Analyst)** Thank you. Sophia Yu, I'm from ABN AMRO. So my question is on the hyperscaler partnership. So you did mention the hyperscaler-only strategy, and then given the nuance, and then Capita's focus on identifying the correct solution for the right processes. My question is, does management view a certain dependency on different hyperscaler tools? Is that a concentration risk?

**Adolfo Hernandez:** No, I don't think it's a concentration risk at all. Everything that we're building is highly portable because of the concepts that we put in there in the Catalyst stack. So, every one of our workloads could run on AWS, and it could run on Microsoft Azure, so it could run on the Google Cloud. Everything that we're doing from a development perspective, when you want to get any agentification layer, we're doing some agentification on Azure, we're doing some agentification on AWS Bedrock, and we're doing some agentification on Agentforce and MuleSoft.

So actually, the market is giving us multiple options when we get now to advanced agents. Now we've got Anthropic as well with Cowork. So if anything, the only challenge is to keep, up and - got Matt in the back, right? Matt has to stay on top of everything that's been produced, categorise it, test it, certainly - well, that is a challenge. I prefer that challenge to be locked in with anybody and have a commercial disadvantage, which we don't have. I think there's a question from - online.

**Joe Spooner: (Shore Capital Markets, Analyst)** Thank you. Joe Spooner, from Shore Capital. Slide 29, you pulled out the key customers per division there. How stable is that mix? Is there any of those key contracts that are up for renewal over maybe the next year or so? Then just on exceptionals, obviously there's been a history of exceptionals. How confident are you that you can avoid that in '26? It sounds like there may be perhaps a bit of risk there around the leases. Thanks.

**Pablo Andres:** Yes. So in terms of contracts, I think that, yes, the top 10 contracts are 70% of the relationships, but the level of extensions, and the level of innovative work into each of these contracts is very significant. So I wouldn't look only at the angle of binary in or out, but also - and then they do get replaced.

So yes, within those top contracts, we do know that we had the recruitment contract that is a large one that is meant to be expiring at the end of 2026. That is probably the biggest one. Then we've got other renewals, extensions, other possible contracts, probably TfL is another big one that we've got there. Those are probably the biggest ones I can think of. DCC is one that eventually will transition into - back into the government, to public. So those are the biggest ones. Second question was in relation to?

**Joe Spooner: (Shore Capital Markets, Analyst)** Exceptionals.

**Pablo Andres:** Exceptionals. Listen, in terms of exceptionals, I think we are in a cleaner position. We've been cleaning the house. What we have had this year is actually the success in drawing a line under the loss-making business, the closed book Life & Pensions, and providing for all of the future known losses. That's now ticked and boxed, and we've written off the remaining of the goodwill of the Contact Centres given where the progression was going.

We are not pointing out at any further restructuring programs, we've said we've done the £250 million savings, that is done. The other big legacy item that was outstanding was the ICO, that is done. So in a way, I think that we are now providing a much cleaner balance sheet to move forward.



**Helen Parris:** Okay, thank you. So I've got a few questions, actually. So first, a batch from David Brockton at Deutsche Numis. So first one is, could you give a bit more colour on the specific factors that are driving the Contact Centre revenue decline, and the expected decline in 2026. For example, is this further intense competition in telecommunications, or broader weakness in other verticals?

**Adolfo Hernandez:** So, there are some multiple answer. This is multiple things. Obviously telecommunications has been a key segment for us. Telecommunications, in particular, obviously in the call centre business only, telecommunications tend to be more technically advanced, and they've actually in-sourced a lot more of this, and many of them have started a strategy of trying to engage as little as possible with their customers, which obviously reduces the cost of serving, but it's actually now starting to create some problems in cross-selling.

So that's an industry-wide phenomenon. I think we started to see that one in '24, and it's bottoming out, we believe now at the beginning of '26. There hasn't been any recent losses that are moving out. So I think that's what we have to wash through the P&L, some particular losses, but at large, remember, the Contact Centre is mostly like a framework business. There is no commitment to volumes. So if customers do something, like for example, increase the rates significantly, we will see a spike on calls. We will see a huge amount of volume, as we're seeing in our utilities at the moment.

Then if something happens and the customers do something very different, we might see a reduction on calls. So it's that variability that makes it really hard for us to predict what is the right level of cost that we can have on the Call Centre business, but as Pablo said, we've taken nearly £50 million out of there. I think there is now a significantly shrunk cost base that would allow us to have more modest revenue behaviour to get to the point of profitability.

**Helen Parris:** Thank you. So then another question from David was, there was a £28 million - this is for Pablo. There was a £28 million cash outflow from the exited closed book Life & Pensions contracts in 2025. How should we think about ongoing cash outflow from this business over the next few years?

**Pablo Andres:** You don't want to take this one? So, listen, business exits right now will only have mostly a closed book Life & Pensions exit with the Royal London that we announced. When we announced it, we said that this business would - previously this business would have lost £20 million perpetual forever. What we now post is that this business is expected to lose £20 million per annum for five years, that's it, and a dowry payment.

So it's going to be £20 million per annum. We guided that it was going to be more front end loaded as more activity in the first years are going to happen. So the guidance is there for £20 million - say call it £25 million for the first year, and then decreasing. That's the way I would look at it. Yes, this year we had a peak. It was more the losses related to that contract and some additional contract termination or finalisation of exits from the past that were cleared, and now we have a cleaner place to move into next year.

**Helen Parris:** Thank you. Then there's a question from James Vincent who says, if we look at Serco who produced free cash flow to revenue of 4.5%, should we be expecting a free cash flow to revenue return in a similar range, so 4% to 5%, and that would imply free cash flow of £80 million to £100 million on current revenues. Do you agree with that trajectory? If so, what is your timing horizons for achieving this?



