

Divisional strategy and performance continued

Specialist Services



Our Specialist Services division comprises a portfolio of 16 businesses, delivering a range of services offerings through joint ventures, trading businesses and traditional IT-enabled legacy BPO contracts.

The division includes those businesses which either are not within Capita's growth markets and/or have little in common with our other divisions and/or are at an early phase in their development but may be scaled up in the future. These businesses are mostly stand-alone operations and are actively managed on a portfolio basis in order to maximise value and include Life Insurance, Insurance Services, Mortgage Services & Collections, Optima, Travel & Events, Evolvi, Real Estate & Infrastructure, AXELOS, Fera, Managed Print, Hardware Reselling and Enforcement.

Our strategy

Due to the varied nature of the activities in the division, each business has its own strategy uniquely tailored to their service offerings and the needs of their clients which has been defined through a 'value optimisation' programme.

This programme, which involved a detailed review of each business and its market position, identified strategic and tactical opportunities to improve value generation from them.

We enjoy strong market positions in many of the verticals sectors, with strong brands and positive client perception of our services. This provides an ongoing opportunity to leverage Capita's wider client base better, and to simplify and strengthen the portfolio. The focus across the portfolio is on operational excellence, cost-optimisation and leveraging Capita-wide infrastructure, clients and capabilities where possible.

Adjusted revenue
£992.2m
 2017: £1,022.7m

Order book
£1,241.4m
 2017: £1,844.8m

Adjusted operating profit
£139.5m
 2017: £140.6m

Adjusted operating margin
14.1%
 2017: 13.7%

Employees
11,000

Key regions

- UK
- Dubai
- India
- Poland

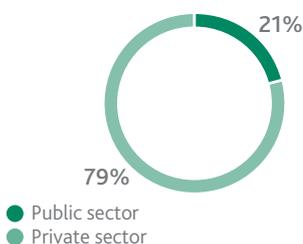
Key services and businesses

- Life & pensions administration
- Insurance services
- Mortgage processing
- Travel & events
- Enforcement
- Legal services
- Real estate and infrastructure
- AXELOS
- Fera
- Managed print
- Translation & interpreting
- Hardware re-selling

Key markets

- Financial services
- Central and local government
- Education
- Defence
- Housing
- Healthcare
- Technology
- Utilities
- Environment and transport

Revenue by market



Revenue by type



Strategic priorities 2018–2020:

- Manage as a portfolio and focus on continuing 'value optimisation'.
- Rationalise service lines, processes, properties and IT.
- Leverage cross-sell opportunities across portfolio and wider Capita.

2018 progress against strategic priorities:

- Restructured a number of businesses and closed unprofitable service lines.
- Introduced tightly managed investment process and governance.
- Delivered cost competitiveness targets in 2018.
- Investment in a number of product/service enhancements.

Our markets and growth drivers

Specialist Services includes a range of businesses serving public and private clients across multiple vertical sectors, which are generally mature. Our closed book Life Insurance administration business is in structural decline as books run off and some customers, with legacy IT systems, are switching to suppliers who can provide a single digital platform for all their life books.

Divisional financial summary

	2018 £m	2017 £m	change %
Adjusted revenue	992.2	1,022.7	(3.0)
Adjusted operating profit	139.5	140.6	(0.8)
Adjusted operating margin	14.1%	13.7%	
Order book	1,241.4	1,844.8	(32.7)

Financial performance

Adjusted revenue decreased by 3%. This reflected good growth at AXELOS and modest growth at Fera and Enforcement, which was outweighed by declines in Real Estate & Infrastructure, Insurance and Life insurance. Revenue included a £38m release of deferred income on the early transfer of Prudential UK's life insurance business to a new supplier in the second half of 2018.

Adjusted operating profit fell by 1%, as a result of increases in AXELOS and Real Estate, which benefited from restructuring actions, which were offset by declines in Managed Print and Mortgage Services. Profits included a £9m one-off benefit on the end of the general insurance contract with Marsh and a £6m one-off benefit on the end of the Prudential contract, which were partly offset by one-off write downs and provisions.

Sales and operational performance

During the year we disposed of a number of businesses, notably Supplier Assessment Services (including Constructionline) and ParkingEye, delivering over £400m in disposal proceeds.

The Life and Insurance Services business was impacted by the loss of the Prudential UK and Marsh contracts. We are focusing the business on supporting our customer services clients, where we are delivering high quality services for open book products.

We have restructured our real estate and infrastructure business, invested in our IT infrastructure and client portals and enhanced our security and compliance in our regulated businesses.

New sales wins in the year included: the award of a new courts enforcement contract by the Ministry of Justice; Travel & Events contracts with the Department for International Trade, and Rolls Royce; and a Customer Solutions win with Electric Ireland, providing collection and credit-control services.

