

CAPITA



Results for the year ended 31 December 2014

Full year results presentation

26 February 2015

Agenda

Key highlights Andy Parker, Chief Executive

**Consistently driving success
& financial results** Gordon Hurst, Group Finance Director
Nick Greatorex, Group Finance Director from 1 March

Business development Maggi Bell, Group Business Development Director

**Platform for growth,
summary & outlook** Andy Parker, Chief Executive

Key highlights

Continued strong financial & operational performance in 2014

- Revenue up 14%
- Organic revenue growth of 9% (2013: 8%)
- Profit before tax up 13%
- EPS and total dividend up 10%
- Free cash flow up 18%
- £1.7bn of major new contracts secured in year
- 17 acquisitions totalling £310m: healthy pipeline of opportunities

Excellent start to 2015

- £1.1bn contracts secured to date (2014: £588m), including Fera preferred bidder
- Healthy bid pipeline, currently at £5.1bn (Nov 2014: £4.1bn)
- Public and private markets remain buoyant
- Acquisition of avocis adds significant future growth platform in Germany & Switzerland
- Good visibility of revenue growth in the full year

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Consistently driving success

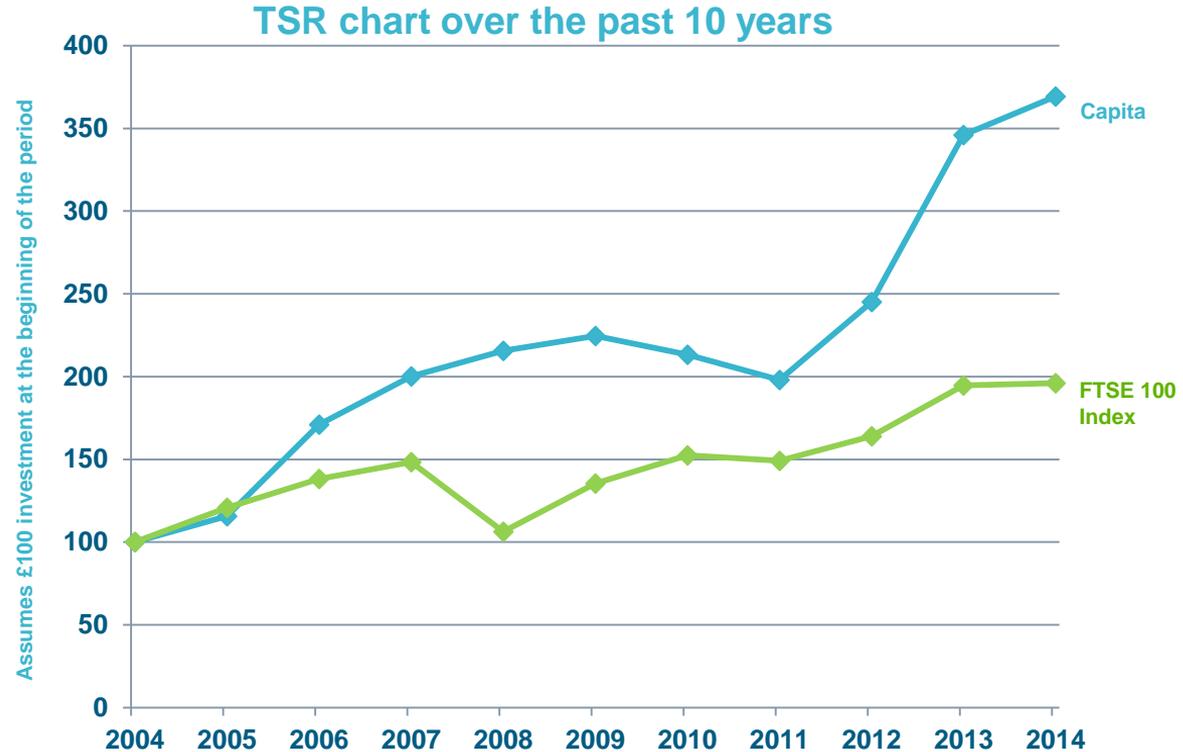
Gordon Hurst

Group Finance Director

Consistently driving success | total shareholder return

Strong 10 year track record

- Total shareholder return 269%
- £1.5bn cash returned to shareholders



Consistently driving success

Strategy of controlled growth

- Organic growth complemented by value adding acquisitions
- Financial & commercial discipline on contracts
- Healthy return on capital

Consistently increasing our addressable market

- Recent examples in Europe, mortgage admin & scientific services

Continued strength of underlying business

- Management, infrastructure, proprietary software and intellectual property

Structural drivers for outsourcing continue

- Public sector budgetary and service pressure
- Private sector transformational competitive advantage

Well positioned for continued growth

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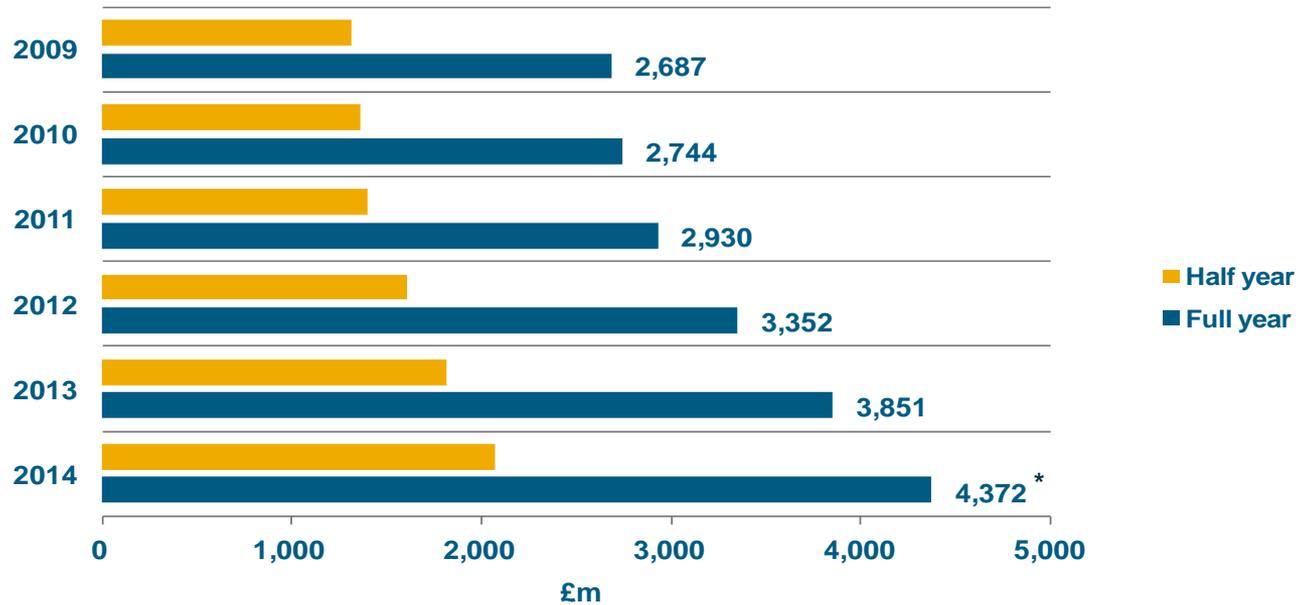
Financial results

Nick Greateorex

Group Finance Director from 1 March 2015

Financial results | revenue

- Annual growth 14%
- 5 year compound growth 10%

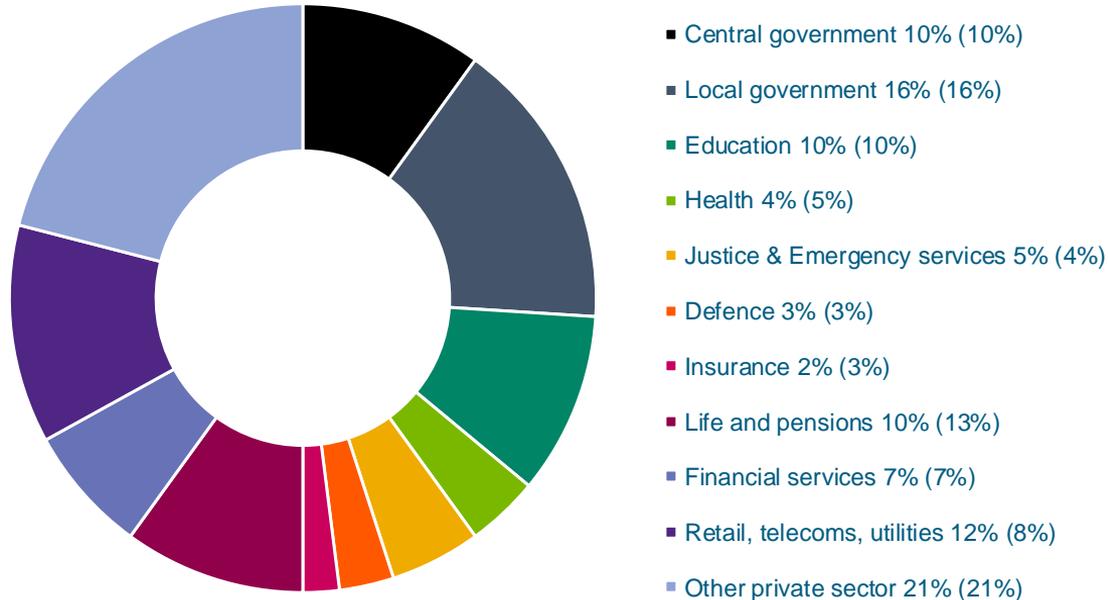


Financial results | revenue growth

	£m 2014	£m 2013	Growth
Underlying revenue including Occupational Health business sold	4,378	3,851	13.7%
Occupational Health business sold	(6)	(9)	0.1%
Total revenue on continuing basis	4,372	3,842	13.8%
2013 acquisitions	(59)	-	(1.5%)
2014 acquisitions	(115)	-	(3.0%)
Organic revenue on continuing basis	4,198	3,842	9.3%

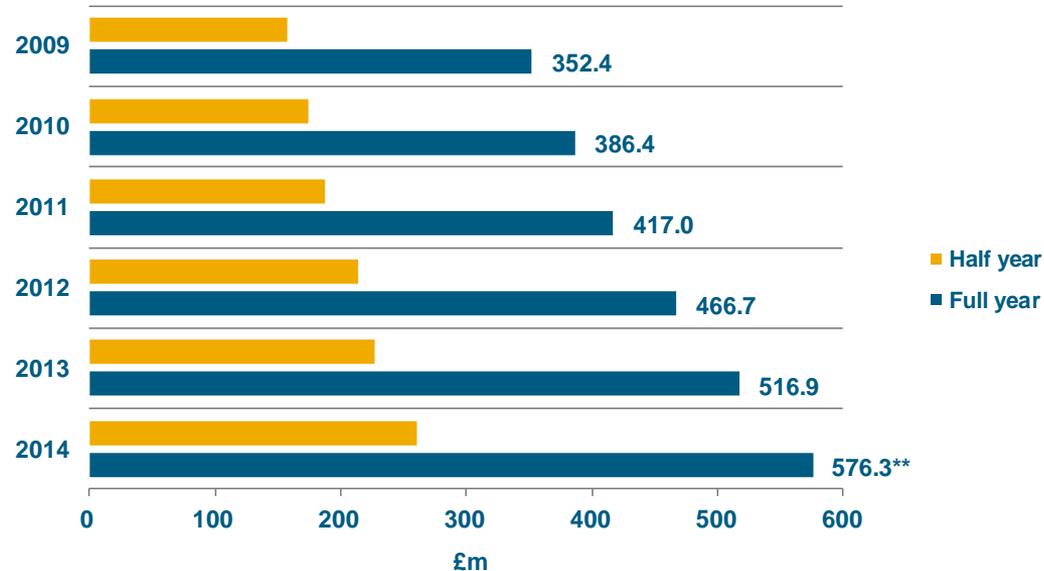
Financial results | revenue by market

- Private sector 52% (2013: 52%)
- Public sector 48% (2013: 48%)



Financial results | underlying operating profit*

- Annual growth 11%
- 5 year compound growth 10%



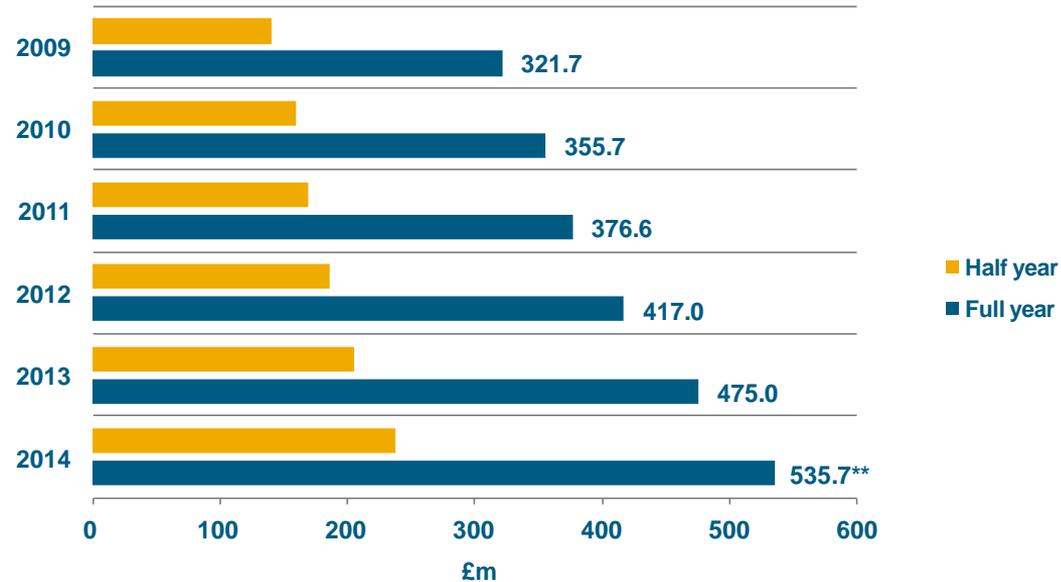
*Excludes non-underlying items being: intangible amortisation, acquisition expenses, asset services provisions, net contingent consideration movements, non-cash impact of mark to market finance costs.

**The 2014 underlying operating profit of £576.3m excludes the trading loss of the Occupational Health business of £3.1m.

Financial results | underlying profit before tax*

Annual growth 13%

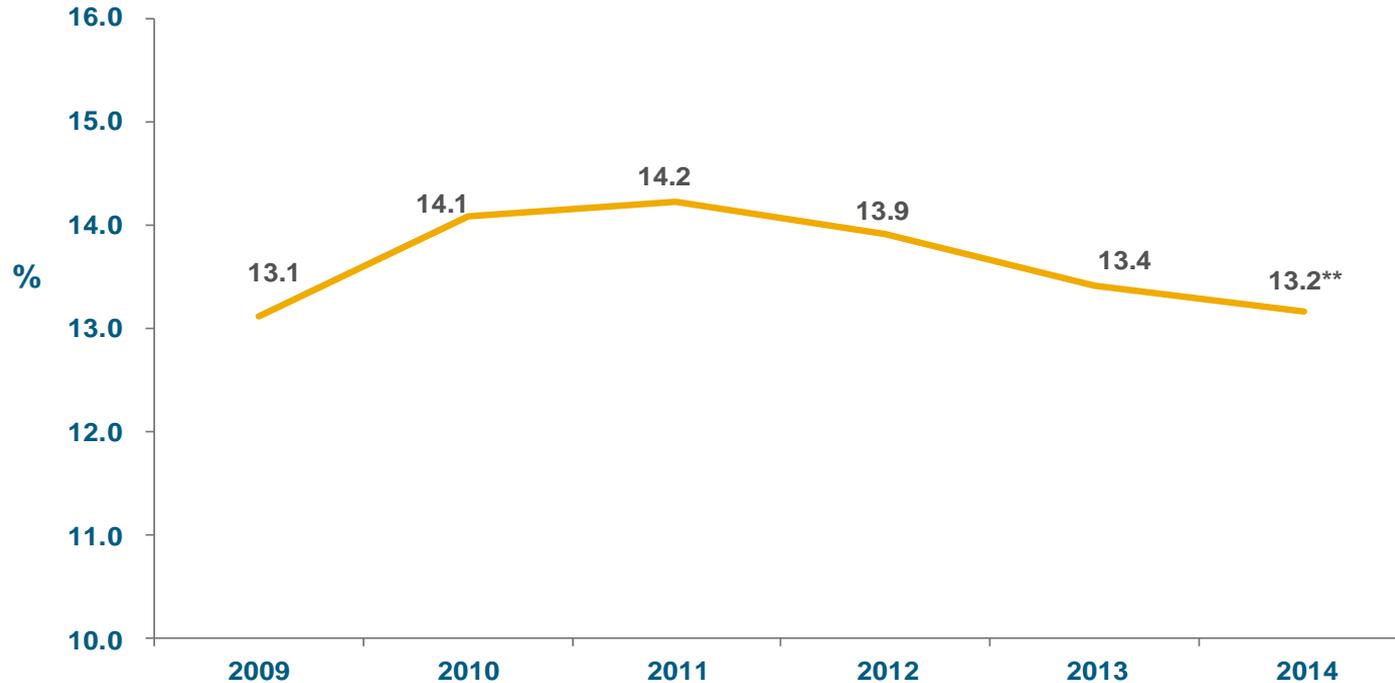
5 year compound growth 11%



*Excludes non-underlying items being: intangible amortisation, acquisition expenses, asset services provisions, net contingent consideration movements, non-cash impact of mark to market finance costs.

**The 2014 underlying profit before tax excludes the underlying loss before tax of the Occupational Health business of £3.1m.

Financial results | underlying operating margin*

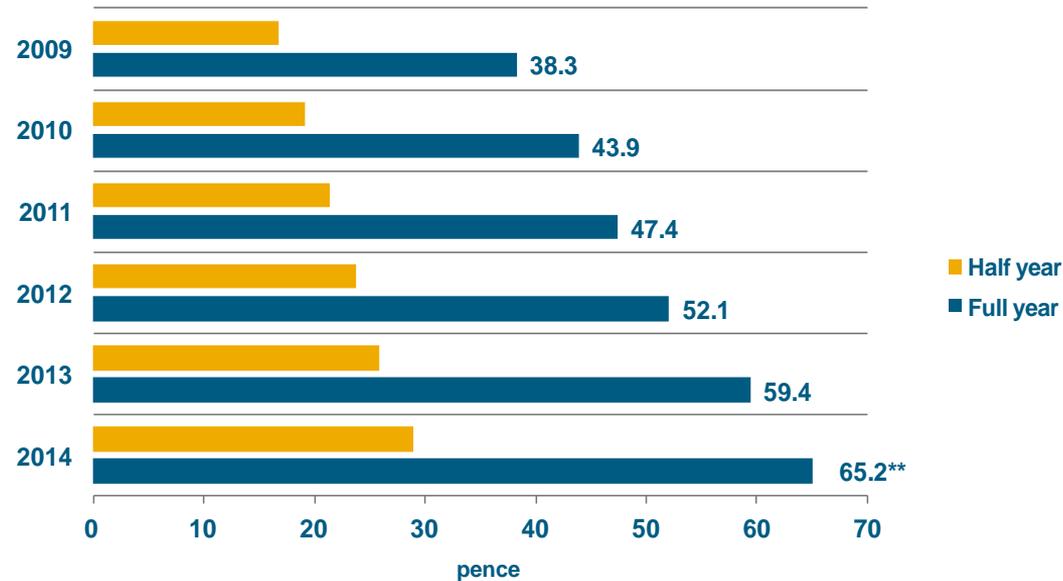


*Excludes non-underlying items being: intangible amortisation, acquisition expenses, asset services provisions, net contingent consideration movements, non-cash impact of mark to market finance costs.

**The 2014 operating margin of 13.2% excludes the Occupational Health business, including this the margin would be 13.1%.

Financial results | underlying earnings per share*

- Annual growth 10%
- 5 year compound growth 11%

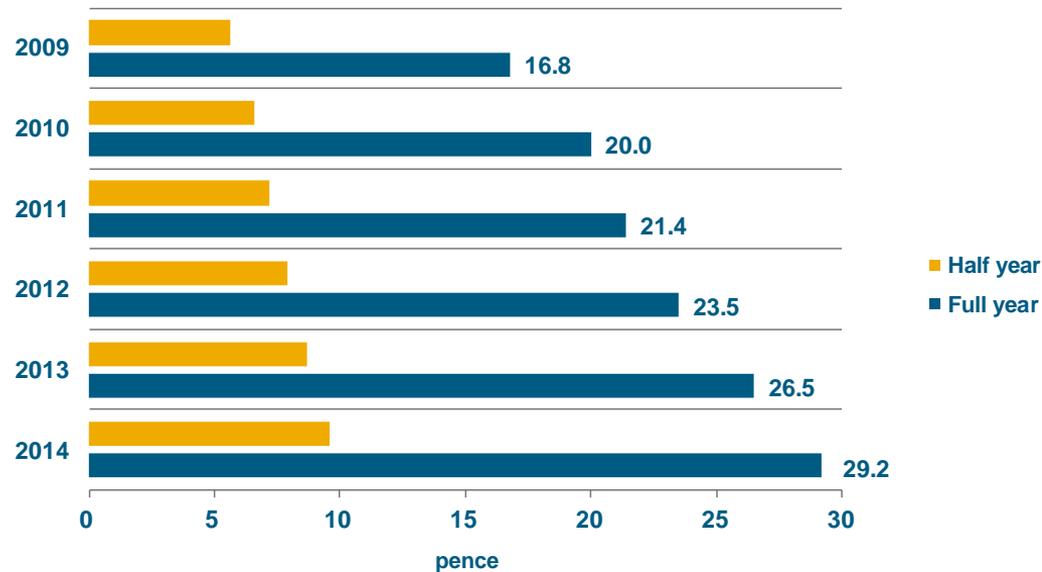


*Excludes non-underlying items being: intangible amortisation, acquisition expenses, asset services provision, net contingent consideration movements, non-cash impact of mark to market finance costs.

**The 2014 number excludes the Occupational Health business; included underlying earnings per share would be 64.76p.

Financial results | dividends

- Annual growth 10%
- Dividend cover 2.2x*
- 5 year compound growth 12%
- Dividend yield 2.5%**



*Dividend cover is calculated using earnings per share excluding the Occupational Health business trading loss

** calculated as at 24/02/15

Financial results | underlying cash flow from operating activities**

	£m 2014	£m 2013
Underlying operating profit*	576	517
Depreciation	87	78
Share based payment	11	10
Pensions	(1)	2
Movements in provisions	(17)	(12)
Loss on sale of property, plant & equipment	1	2
Movements in working capital	(13)	(50)
Underlying cash flow from operations	644	546
Underlying operating cash conversion	112%	106%

*Excludes non-underlying items being intangible amortisation, acquisition expenses, asset services provisions and net contingent consideration movements.

**Before the impact of business disposals or closure costs

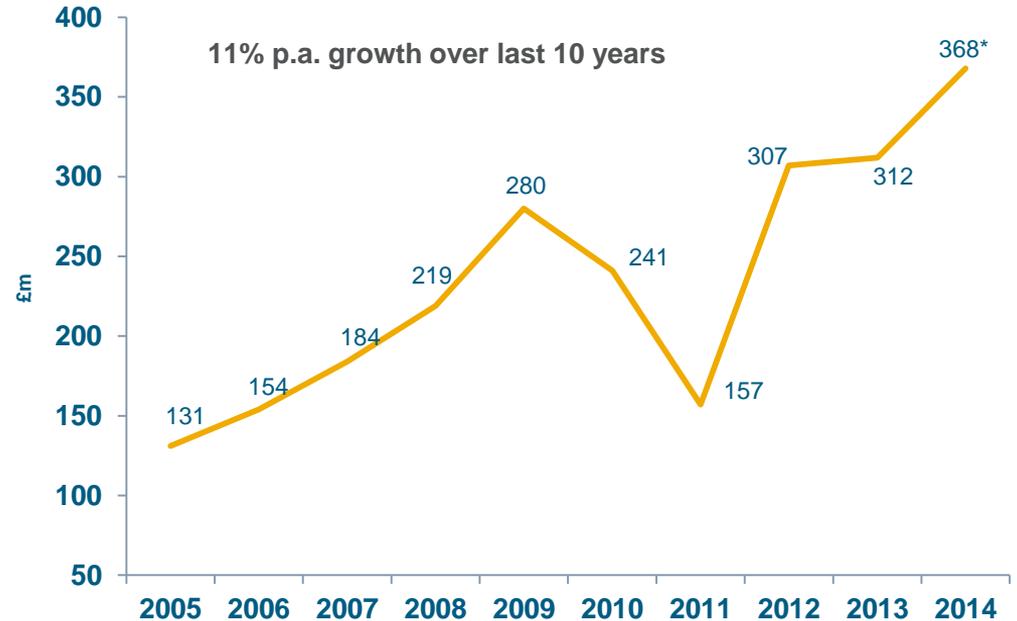
Financial results | cash flow statement

	£m 2014	£m 2013
Underlying cash flow from operations	644	546
Net interest paid	(36)	(37)
Taxation paid	(94)	(53)
Capital expenditure	(146)	(144)
Underlying free cash flow	368	312
Non-underlying expense	(25)	(9)
Free cash flow	343	303
Acquisition of subsidiary undertakings and businesses	(365)	(300)
Purchase of other financial assets	(6)	-
Equity dividends paid	(181)	(159)
Share option proceeds	8	17
Cash flow before financing	(201)	(139)
Financed by:		
Net new term debt	(100)	(15)
Bond debt repaid	11	13
Other financing	15	11
Movement in cash and cash equivalents	(127)	(148)
Movement in net debt	(201)	(139)

Financial results | free cash flow growth

£2.4bn free cash flow generated over last 10 years

Ordinary dividends	£1,293m	£1.8bn	£1.5bn
Special dividends			
Share buy backs	£523m		
Acquisitions	£2.0bn		



* The 2014 free cash flow number is before 2013 closure costs.

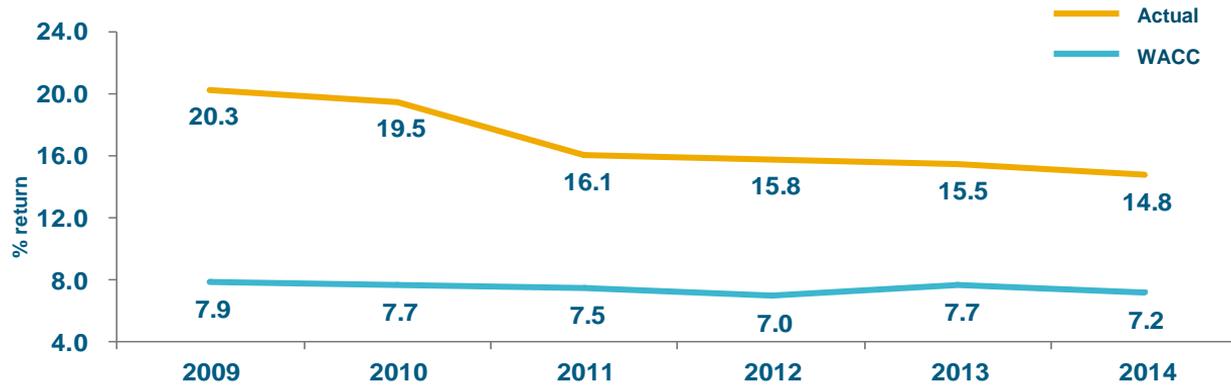
Financial results | balance sheet gearing

	2013	Cash movements	Non-Cash movements	2014	Maturity
Net debt	£m	£m	£m	£m	Yrs
Bond debt †	1,134	(11)	(1)	1,122	2015 - 2021
Cash in bank	(158)	127	2	(29)	
Term debt	200	100	-	300	£200m Jan 2016
Other	27	(15)	-	12	
Total underlying net debt	1,203	201	1	1,405	
Interest cover*	12.3x			14.2x	
Net debt to EBITDA*	2.0			2.1	

- £600m revolving credit facility maturing in August 2019 of which £nil utilised at 31 December 2014
- The long term ratio of net debt to EBITDA will remain in the range of 2 to 2.5

† Underlying net debt after impact of currency and interest swaps
* Excludes Occupational Health business

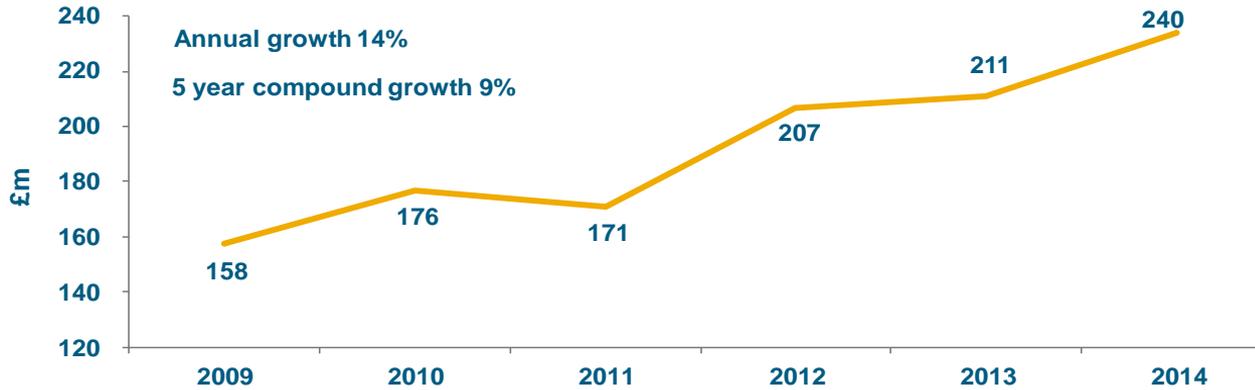
Financial results | underlying net return on capital*



	2009	2010	2011	2012	2013	2014
Underlying operating profit (£m)	352	386	417	467	517	576
Average capital employed (£m)	1,271	1,491	1,976	2,348	2,701	3,180
Tax (%)	26.8	24.5	23.5	20.5	19.0	18.5

* Excludes Occupational Health business

Financial results | post tax underlying economic profit*



	2009	2010	2011	2012	2013	2014
Underlying operating profit	352	386	417	467	517	576
Capital charge (£m)	(100)	(115)	(148)	(164)	(208)	(229)
Tax (£m)	(94)	(95)	(98)	(96)	(98)	(107)
Underlying post tax economic profit	158	176	171	207	211	240

* Excludes non-underlying items being: intangible amortisation, acquisition expenses, asset services provisions, net contingent consideration movements, non-cash impact of mark to market finance costs and excludes the Occupational Health business for 2014

Consistently driving success

Going forward focus remains on:

- Commercial discipline on new contracts and acquisitions
- Cash and working capital management
- Effective deployment of capital at appropriate returns
- Delivering good returns to shareholders

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Creating growth: Business development

Maggi Bell

Group Business Development Director

Creating growth | major contract wins 2014: £1.7bn + 2015: £1.1bn to date

2014 contracts	Key features	Duration (years)	Value (£m)
The Co-operative Bank	Mortgage servicing	10	325
Congestion Charging & Low Emission Zone - TfL	Service administration and provision of IT	5 + 1	145 + 30
Scottish Wide Area Network (SWAN)	Networking services	9	325
Defence Infrastructure Organisation (DIO) - MOD	Infrastructure and asset re-engineering & consultancy	10	400
John Lewis, BAE & 9 other major contracts	Across disciplines and markets	5 - 10	443
	Overall aggregate value	5-10	£1.7bn

2015 contracts	Key features	Duration (years)	Value (£m)
Fera	High end science services	JV + 10	700
Sheffield City Council	Strategic partnership extension	5	170
6 other (£25m - £100m)	Across disciplines and markets	5-10	241
	Overall aggregate value	5-10	£1.1bn

Summary

- 15 bids won in 2014 worth £1.7bn (2013: £3.3bn, including O2 £1.2bn)
- 91% new revenue / 9% rebids
- Win rate 1 in 2
- 2 contracts structured for significant growth – SWAN and DIO

Creating growth | Fera: creation of scientific services business with Defra

Includes 2 public sector agreements for 10 years



Public sector subsidiary partnership, 75% owned by Capita



10yr contracted service agreement with Defra



10yr sole provider framework through which scientific services can be bought directly by other crown bodies, worth up to £150m per annum



£450m UK central government and £2bn commercial high end science addressable markets per annum



Targeting £700m cumulative revenue over 10 years



Mid teens post tax ROCE in first full year

Fera

- Turns high-end science into practical solutions
- In food and agriculture supply chains
- Services include consultancy, proficiency testing, detection & measurement

Creating growth | NHS England framework for Commissioning Support Services

Capita lead provider on £3 - 5bn framework



Approved supplier on Lot 1 (finance, HR, IT, contracting, business intelligence) and Lot 2 (medicines management)



All current contracts have to be re-tendered by April 2016, worth c£800m per annum



Capita has national capability and a strong joined-up service offering



Extensive network of relationships through Capita Health Partners

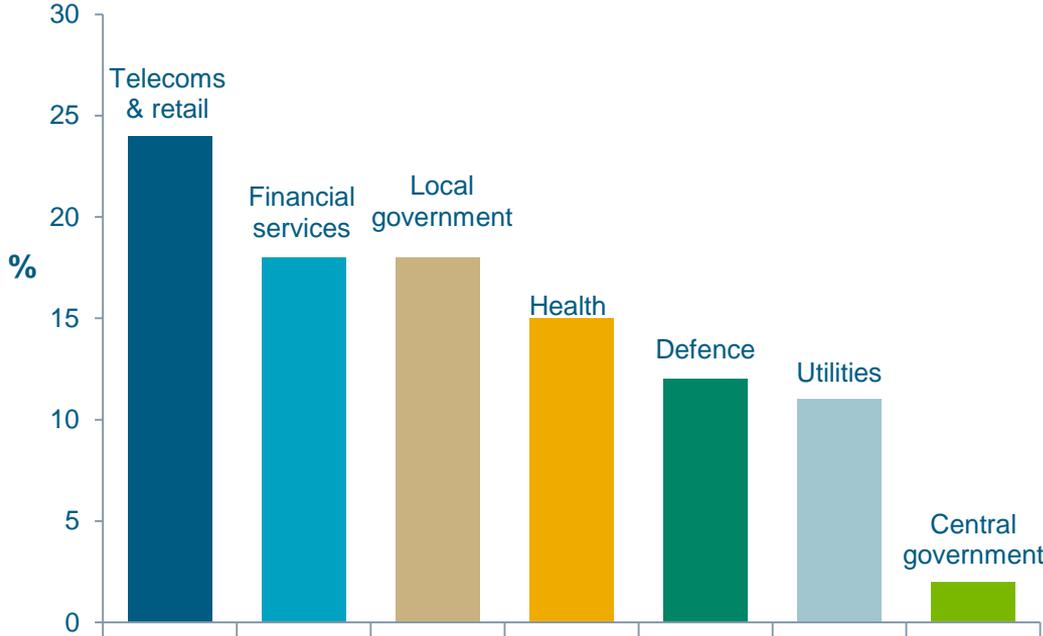


Recognised by NHS as having strong back office and business intelligence capability

Lead provider framework for Commissioning Support Services

- 211 Clinical Commissioning Groups (CCGs)
- Support functions put into Commissioning Support Units (CSUs) in 2013
- Framework should facilitate quick procurements of around 3-4 months

Creating growth | bid pipeline



Bid pipeline

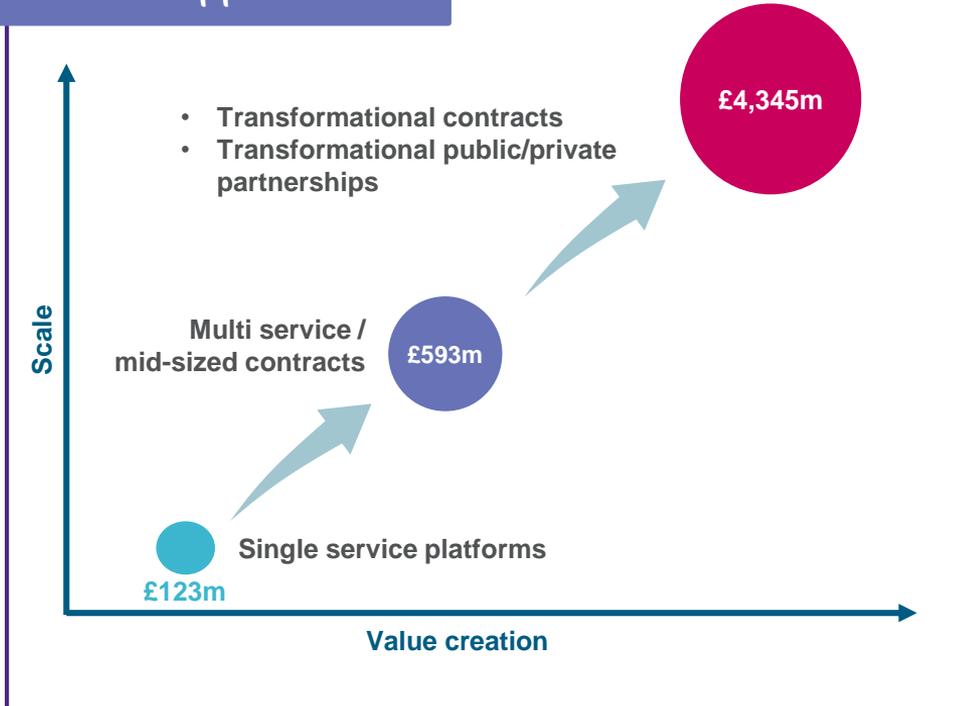
- Bid pipeline today of £5.1bn comprising 28 bids (Nov 2014: £4.1bn, 26 bids)
- 94% new revenue / 6% extensions/renewals
- Average contract length of 8 years
- Private sector 53% : Public sector 47%
- Opportunities behind the pipeline at highest ever level

Bid pipeline criteria: contains all bids worth £25m or above, capped at £1bn and where we have been shortlisted to the last 4 or fewer. Excludes frameworks and does not yet include avocis

Creating growth | process for value creation

Drivers of transformational deals

Current bid pipeline €5.1bn



Differing commercial models

- Transformational contracts
 - Future proofing, right sizing, disruptive new models
- Transformational public/private partnerships
 - Realising value of assets
 - Creating new growth
 - Hybrid business/contract

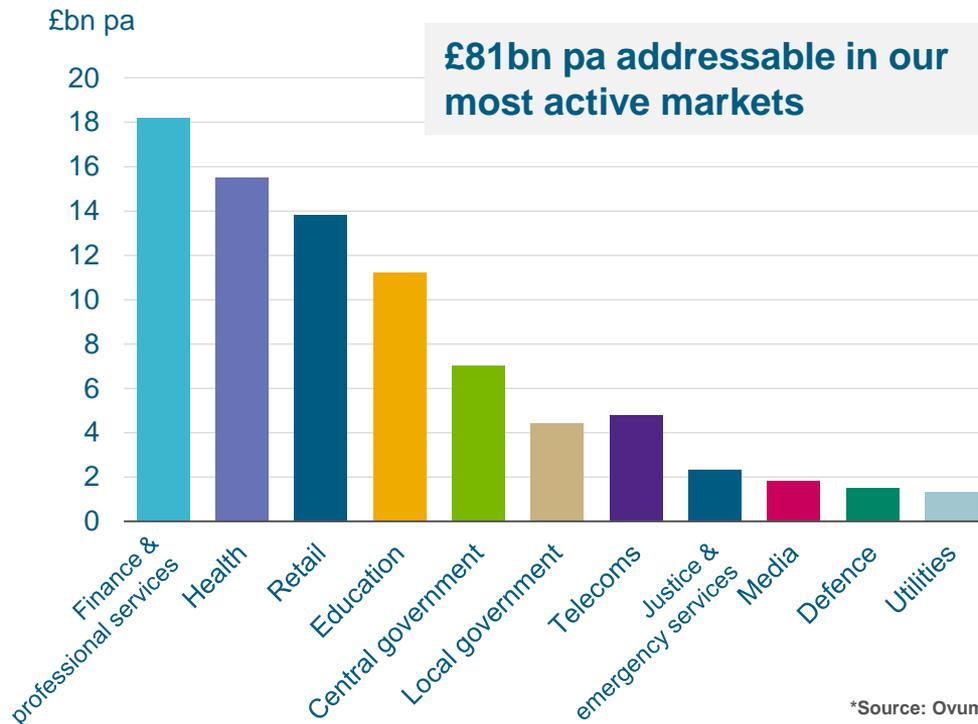
Client selection criteria

- Trusted relationship
- Deep market understanding
- Aligned incentives
- Financial stability
- Evidenced track record

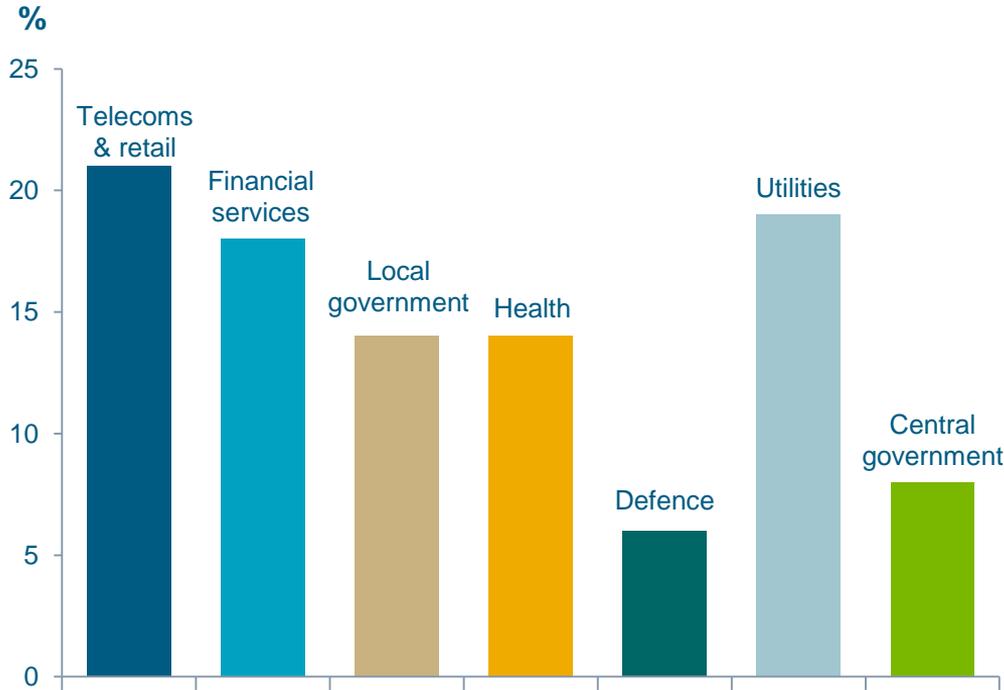
Generating growth | UK CM and BPM large addressable market

UK CM and BPM market: £129bn* pa

- 2014 let: only £13bn* pa (10%)
 - Capita's share: 27%*
- Unlet: £116bn* pa (90%)
- £81bn pa (70%) in Capita's most active markets



Generating growth | prospects c£14bn



UK CM and BPM market

Targeting sectors and organisations with greatest catalyst for change:

- Regulatory e.g. Mortgage administration and utilities
- Structural e.g. Local government and health
- Increase consumer market share e.g. Telecoms

Prospects: Does not yet include avocis or science market

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Strategy for growth and value creation

Andy Parker
Chief Executive

Strategy for growth and value creation

Focus on organic growth

- Increasing penetration of our large addressable market
- Through traditional outsourcing and new models, such as the commercialisation of assets

Supported by leveraging our competitive strengths

- Scale, breadth of capabilities and record of delivering transformational partnerships
- Continued emphasis upon service and product innovation across divisions

Adding value through acquisitions

- Entry into new growth sectors, expanding our addressable market
- Build capability in existing areas, enhancing our sales propositions
- Rigorous financial criteria, including 15% ROCE hurdle rate

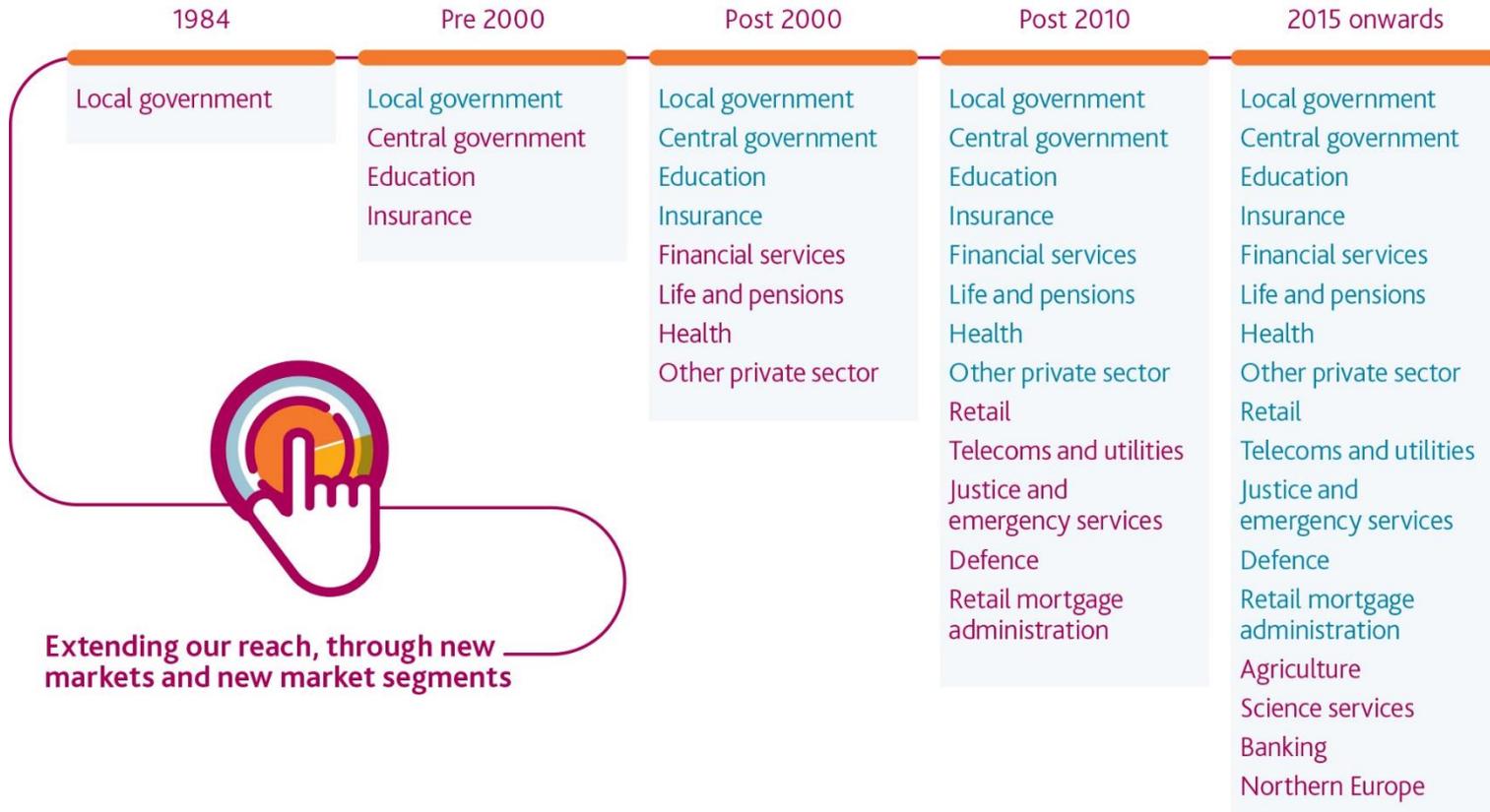
Maintaining a performance culture

- Open & transparent, with clear, consistent operational and financial KPIs

Committed to managing for growth, cash and returns

- ROCE incorporated into senior managements' incentive plans

Strategy for growth & value creation | expanding market reach



Strategy for growth & value creation | referenceable performance

O₂

O2 transformational partnership

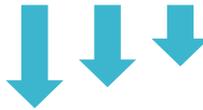
% calls
answered consistently
at **92-95%**,
with greater resilience
to cope with customer
peaks than ever
before



5,000
staff with
2,300
transitioned



On target
reduction in
cost-to-serve



12%
reduction in
call handling
time



Increase in sales
conversion from

12% to 15%



Up to
18%
increase in
staff
productivity



Highest phone
satisfaction performance
ever in key segments
across voice & webchat:

75% - 85%

Strategy for growth & value creation | delivery of operational performance

AXELOS performance

IP owner and accreditor of best practice products, including PRINCE2® and ITIL®



- JV with Cabinet Office, providing exams across 150+ countries, supported by exam institutes and 1,000 training partners

Story so far

- Started 1 January 2014
- Headcount and sales & marketing ramped to drive growth plan
- Pro-active management of ecosystem (training partner programme launched July 2014)

High growth strategy

- New products: Cyber Resilience, PRINCE2 AGILE
- International expansion: increase penetration of core markets and accelerate growth in new markets
- Launch of Continuous Professional Development in second half 2015
- 17% growth expected in 2015

Strategy for growth & value creation | Capita intellectual property



Alto & Chorus



AFFINITY SUITE

fieldreach



AFFINITY SUITE

marketflow



AFFINITY SUITE

meterflow



AFFINITY SUITE

networkflow



retaininternational

Social Housing
Management Suite

PoliceWorks®

ControlWorks®

SmartWorks™



HartLink

Integra 2

SmartMATE
by Capita



ePayment



Strategy for growth & value creation | Capita intellectual property

- Capita owns a wealth of IP – developed in-house and acquired
- IP is a key differentiator and can add value to major bids
- Our IP includes:
 - Education: SIMS school management system used in over 22,000 schools
 - Emergency services: UK leader in integrated communication and control room software
 - Workforce planning: Retain International - market leader in workforce and project planning for professional services organisations globally
 - Public sector: Integra - leading accounting software and Integra Reach - a cloud based ERP solution
 - Business travel: Evolvi issues 6.5 million tickets annually through travel management companies
 - Workplace & employee benefits: Orbit – market leading online portal and now integrated with our leading pension administration system, Hartlink



Strategy for growth & value creation | £310m spent on 17 acquisitions in 2014

Reason	Acquisition	Capabilities / sector	Value £m*
Growing capabilities in utilities sector	AMT-Sybex (Justice & Secure Services)	Software and data / utilities and transport	82.0 + (23.0)
Expanding our IT networking capabilities	Udata (IT Services)	IT networking and connectivity services / primarily public sector	80.0 + (2.5)
Extending the geographical reach of existing capabilities	SouthWestern (Customer Management & International)	Outsourced managed services (Ireland) / all sectors incl government, agriculture Ireland & UK	28
Expanding workforce management capability	Retain International (Justice & Secure Services)	People mgmt software tools / all sectors	18.8 + (3.8)
Expanding into a new financial services market	Crown Mortgage Management (Asset Services)	Residential and commercial mortgage administration / financial services	7.5

£199m spent on 4 acquisitions to date in 2015

Reason	Acquisition	Capabilities / sector	Value £m
Extending the geographical reach of existing capabilities	avocis ** (Customer Management & International)	Outsourced managed services/ Germany, Switzerland, Austria	157
Commercialisation of service into new markets	Constructionline (Professional Services)	Procurement portal/all sectors	35

Strategy for growth & value creation | 2014 key acquisitions

Udata: IT networking across public sector

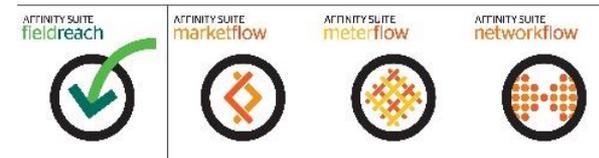


- IT networking and connectivity services to mainly public sector clients
- Partner to Capita on the framework contract to deliver the Scottish Wide Area Network (SWAN)
- Udata + Capita's existing network capabilities creates the UK's leading network integrator
- Significant market opportunities:
 - Extend offering further into private sector
 - Leverage integrator model to deliver Capita's cloud, application and business process services

AMT-Sybex: Growing capabilities in utilities & transport



- Software and related services in mobile technology and smart metering
- Deliver enterprise-class data management and mobile workforce management solutions to:
 - 4 of big 6 energy companies
 - 50% of UK water, gas and utilities infrastructure companies
 - 100% of UK transport infrastructure companies



Strategy for growth & value creation | DACH region BPM market

DACH region identified as offering exciting potential for growth & value creation

Big addressable market

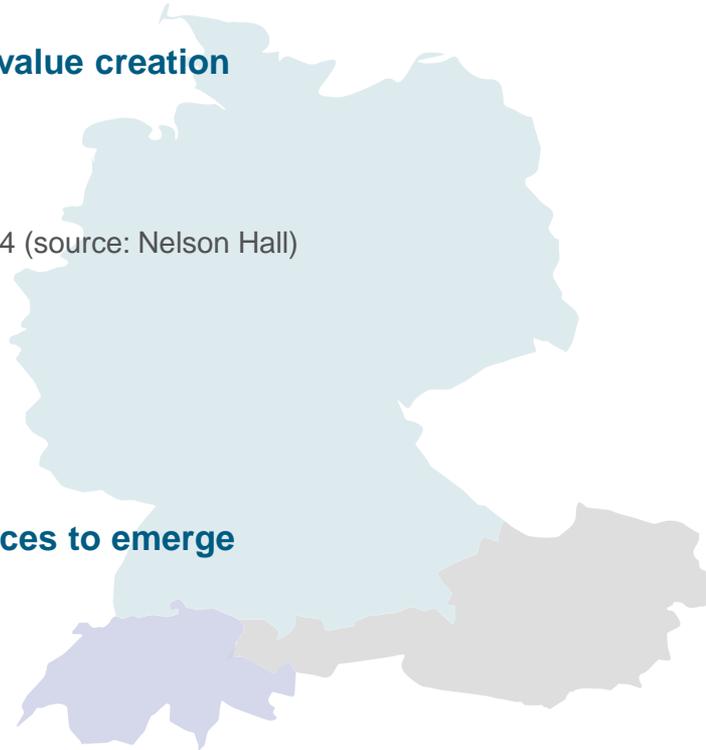
- 110m German speakers in region
- BPM addressable market c.€266bn, of which €19.5bn was outsourced in 2014 (source: Nelson Hall)

Contact centre services less penetrated than the UK

- Similar business practices
- In verticals we know well: telecoms, utilities, banking & insurance and retail
- Penetration rates range from 6% to 26%

Scope for transformational provider of contact centre & BPM services to emerge

- Long tail of small to medium size providers
- Similar strategy to UK, post acquisitions of Ventura & Vertex
- One large bid in pipeline and in discussion with a number of potential clients



Bringing together our market capabilities | DACH region

Capita disciplines

Big ticket sales

Commercial

Financial modelling

Central evaluation

SCHOLAND & BEILING PARTNER
Part of Capita plc

- Customer management consultancy
- In-region sales capability
- Strength in developing new BPM solutions for key markets
- Extensive relationships across key sectors in Germany

tricones
incremental sales

- Niche customer management business
- Model office & benchmarking services
- Clients; retail, telecom, utilities & insurance
- Strong track record in customer care, retention and revenue generation

avocis
living service

- Customer contact management services
- Operates Germany & Switzerland
- 5,000 seats
- Provides scale and further capabilities
- Long established, high quality customer base; telecoms, internet & utilities
- Focus now on delivering organic growth

Capita services & capabilities

- Strong existing management remaining
- Initially led by Vic Gysin, Joint COO

Summary and priorities for 2015 and beyond



Good visibility of strong organic growth for 2015



High level of sales activity providing good platform for future organic growth in 2015 and beyond



Continued development of value creating, intelligence led and IT enabled innovative sales propositions



Healthy pipeline of acquisitions with potential for generating further organic growth



Continually investing in key people and teams to deliver our growth



Confidence in our full year performance

CAPITA



Results for the year ended
31 December 2014