CAPITA

Results for the year ended 31 December 2017

Capita plc

23 April 2018

Financial results

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Underlying income statement

	£m 12 months to 31 December 2017*			£m 12 months to 31 December 2016*			% Change
	Underlying before significant new contracts and restructuring	Significant new contracts and restructuring	Total underlying	Underlying before significant new contracts and restructuring	Significant new contracts and restructuring	Total underlying	
Revenue	4,167.9	—	**4,167.9**	4,357.3	—	4,357.3	(4.3)%
Operating profit	465.3	(17.9)	**447.4**	391.8	(57.2)	334.6	33.7%
Operating profit margin	—	—	**10.7%**	—	—	7.7%	—
Interest	(64.4)	—	**(64.4)**	(66.1)	—	(66.1)	(2.6)%
Profit before tax	400.9	(17.9)	**383.0**	325.7	(57.2)	268.5	42.6%
Profit attributable to shareholders	—	—	**303.6**	—	—	210.6	44.2%
Basic eps (pence)	—	—	**45.61**	—	—	31.68	44.0%

*Excludes non-underlying items which include: business exits; intangible amortisation, impairments, net contingent consideration movements, and other specific non-recurring items

Revenue

- Like for like revenue from continuing underlying activities (0.6)% , excluding disposals from both years
- Underlying organic revenue decline of (1.5)% split into (4.8)% divisional decline, 3.3% group sales revenue
- Excludes Capita Asset Services – a discontinued operation

	£m 12 months to 31 December 2017	£m 12 months to 31 December 2016	Change
Total underlying revenue	**4,167.9**	4,357.3	(4.3)%
Prior year revenue from 2017 disposals	—	165.1	—
Like for like revenue from continuing underlying activities	**4,167.9**	4,192.2	(0.6)%
2016 acquisitions	**(29.7)**		
2017 acquisitions	**(7.0)**	—	—
Organic revenue on continuing basis	**4,131.2**	4,192.2	(1.5)%

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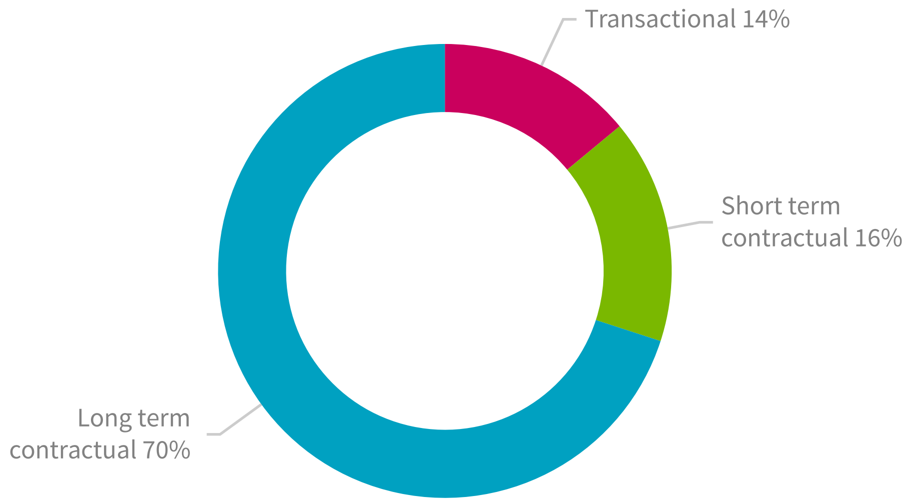
Overall Group underlying revenue split*

- Revenue split – based on IFRS 15 definitions:
  - 70% long term contractual
  - 16% short term contractual
  - 14% transactional
- Considerable variation by division
- Reduction in transactional share following specialist recruitment disposal

Revenue split



* Categories are consistent with those presented at HY, with long term contractual representing "Contractual > 2 years" and Short term contractual representing "Contractual < 2 years". Years based from service commencement date

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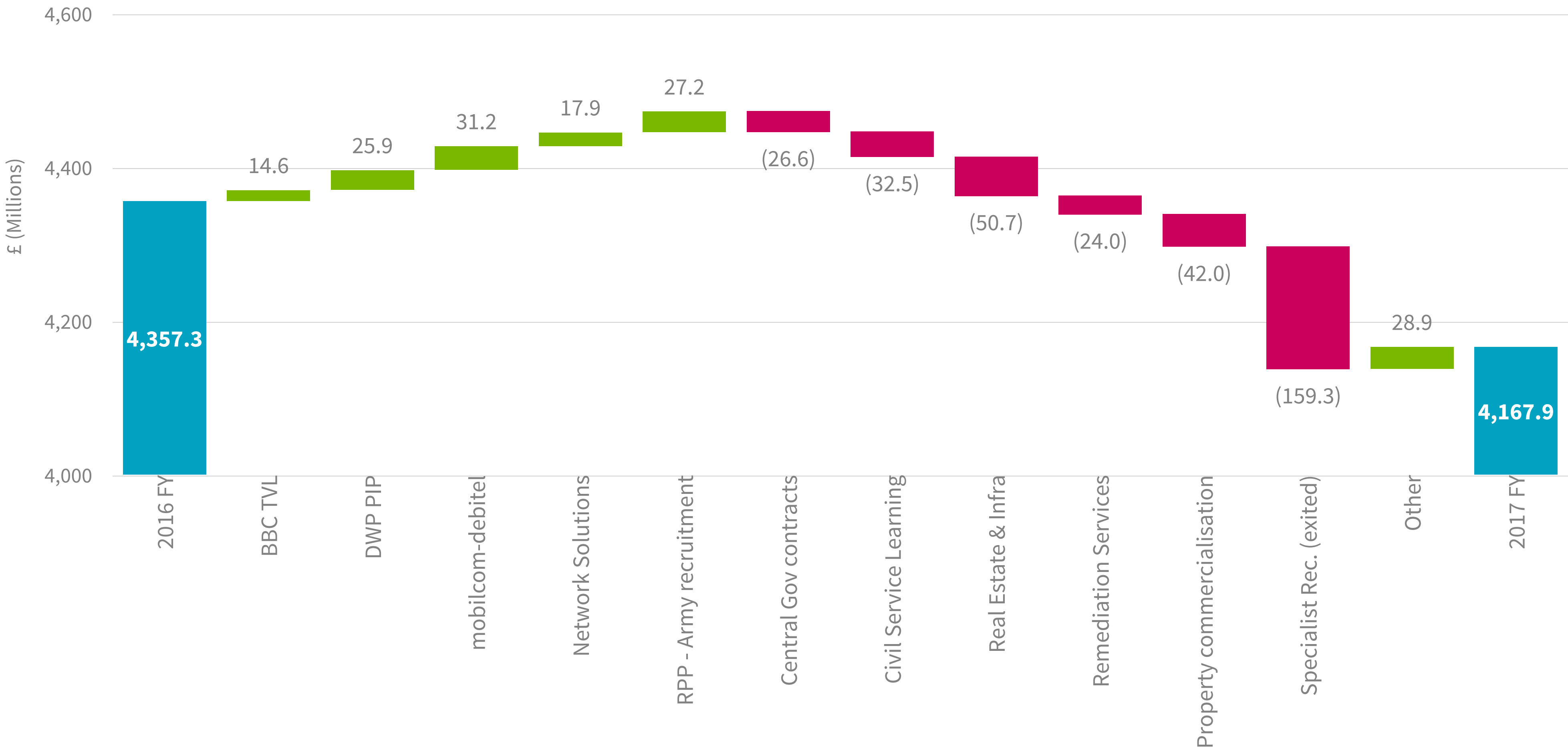
Revenue from continuing underlying activities FY 16 to FY 17*



* Excludes the sale of Capita Asset Services and business exits from both years

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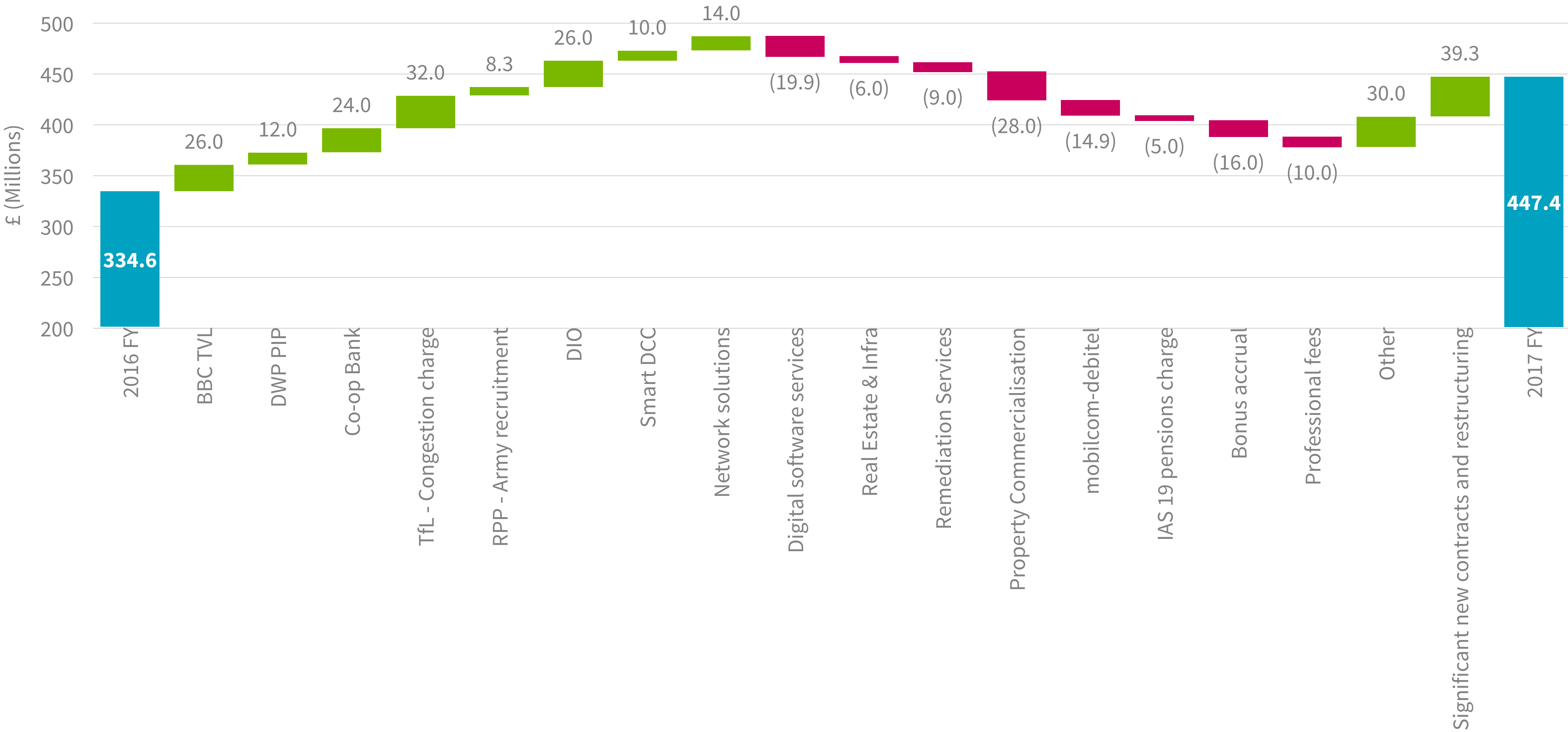
Underlying operating profit FY 16 to FY 17*



* Excludes the sale of Capita Asset Services and non-underlying items which include: business exits; intangible amortisation, impairments, net contingent consideration movements, and other specific non-recurring items

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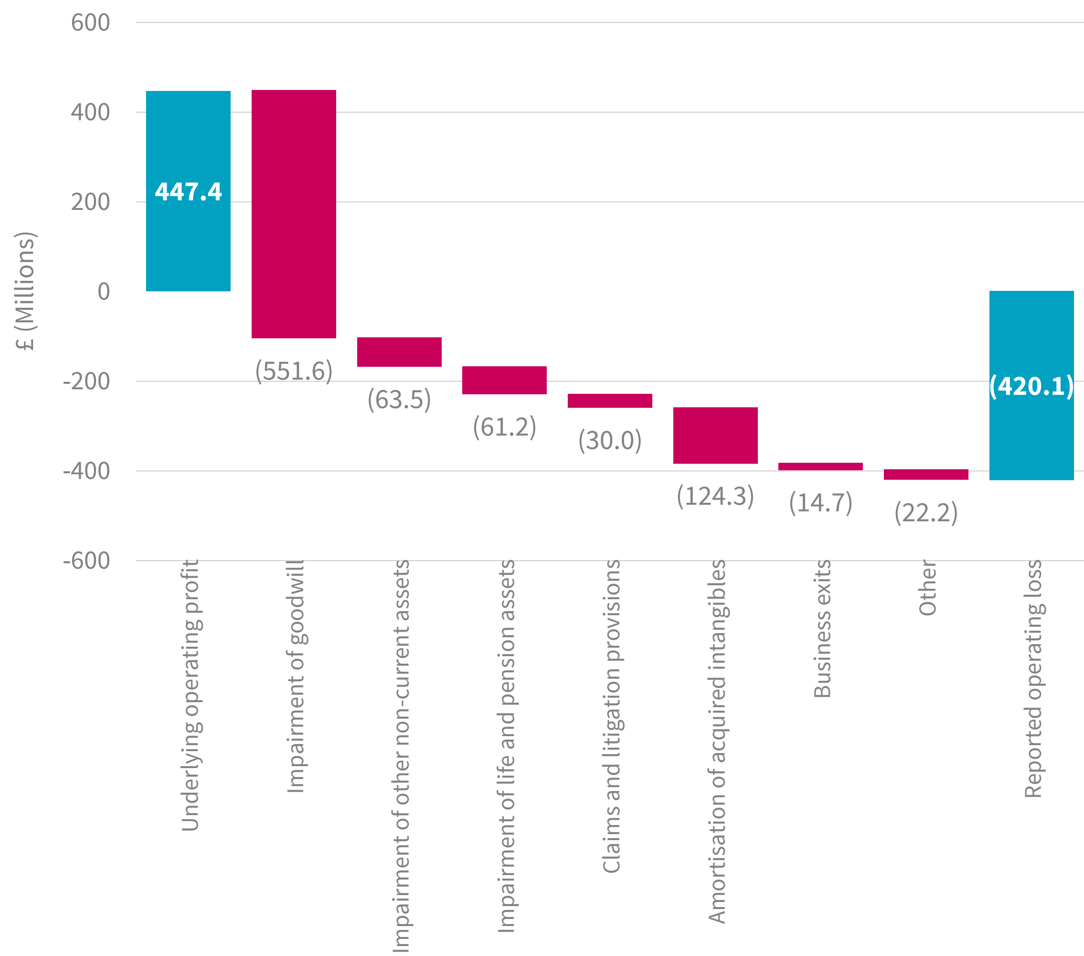
Underlying operating profit bridge to reported operating profit*

- Goodwill impairment reflects the outlook for 2018
- £63.5m of asset impairments relating to changes in both our clients and Capita's strategy
- £61.2m assets deemed to be impaired on major life and pensions client which is conducting a strategic review
- £30m provided for litigation costs in respect of legacy contracts in Real Estate and Employee Solutions

Underlying operating profit bridge to reported operating loss



* Excludes the sale of Capita Asset Services and underlying operating profit excludes non-underlying items which include: business exits; intangible amortisation, impairments, net contingent consideration movements, and other specific non-recurring items

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Private Sector Partnerships

2017 performance

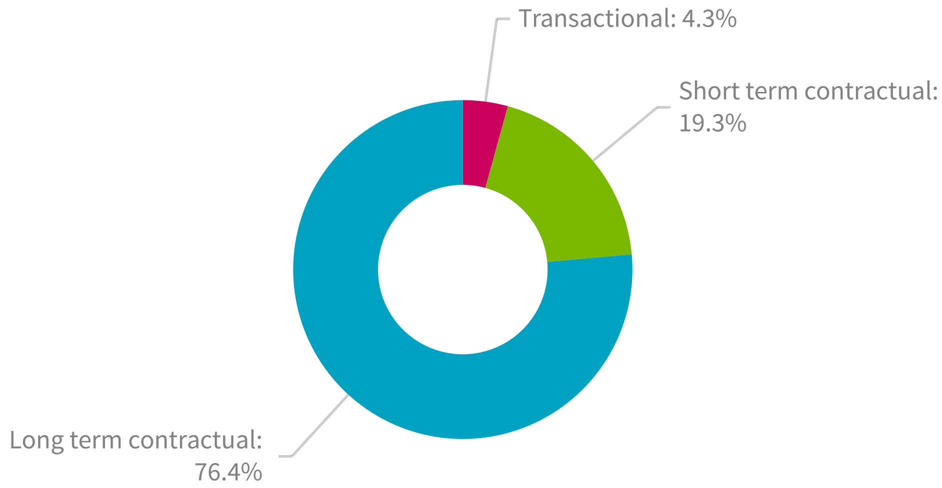
- New customer management contracts with mobilcom-debitel and Tesco Mobile
- Improved profitability following The Co-operative Bank renegotiation and TV Licensing contract modification
- Lower restructuring costs (£33m in 2016)
- Remediation services down

Outlook

- Higher contract and volume attrition, including Prudential, expected in 2018
- Increases in costs include adoption of General Data Protection Regulation and higher depreciation

	FY17*	FY16*	Change
Revenue	**£1,588.3m**	£1,544.4m	2.8%
Profit	**£137.5m**	£71.4m	92.6%
Margin	**8.7%**	4.6%	—
Order book	**£4,002.0m**	—	—

Revenue split



*FY 17 & FY 16 comparatives based on continuing underlying activities

Public Services Partnerships

2017 performance

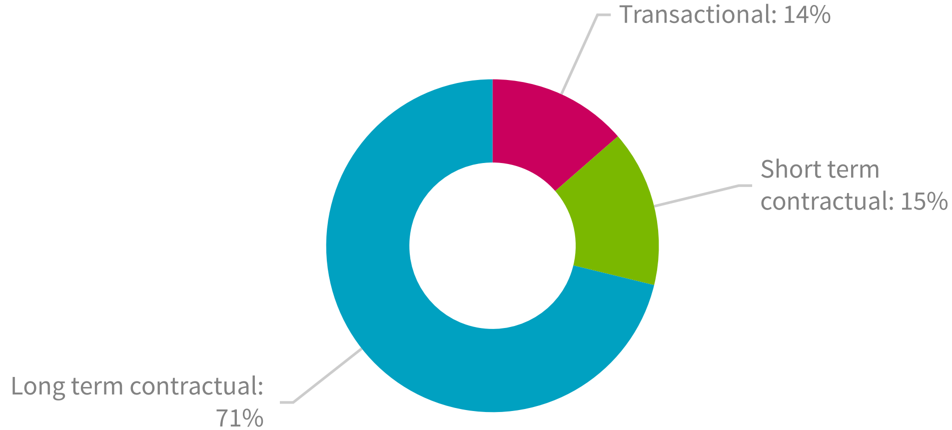
- Revenue decline in central government services and real estate, partially offset by DWP PIP
- Profitability on major contracts improved
- Inflection point reached on TfL (£25m one-off costs in 2016) and good performances from DWP PIP and DCC Smart Metering
- One-off benefit in DIO owing to contract reshaping

	FY17*	FY16*	Change
Revenue	**£1,087.2m**	£1,127.9m	(3.6)%
Profit	**£73.0m**	£0.5m	N/A
Margin	**6.7%**	0.0%	—
Order book	**£2,764.9m**	—	—

Outlook

- DIO £22m contract modification benefit drops out in 2018
- NHS PCSE transformation costs to reduce over time
- DWP PIP renewal in 2019
- Brexit opportunities medium term

Revenue split



*FY 17 & FY 16 comparatives based on continuing underlying activities

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Professional Services

2017 performance

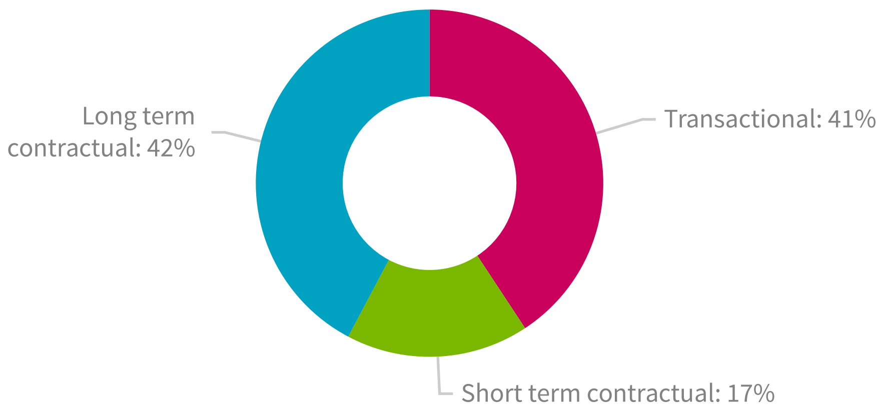
- Revenue down due to disposal of specialist recruitment and loss of part of Civil Service Learning contract
- Growth in trading businesses
- Profits impacted by dropping out of property commercialisation in second half
- Improved performances in RPP army recruitment and Fera

Outlook

- Planned disposals of ParkingEye and Constructionline
- Mixed performance from trading businesses and contracts
- Defence Fire & Risk Project (DFRP) tender ongoing

	FY17*	FY16*	Change
Revenue	**£532.8m**	£758.3m	(29.7)%
Profit	**£104.9m**	£108.3m	(3.1)%
Margin	**19.7%**	14.3%	—
Order book	**£350.3m**	—	—

Revenue split



*FY 17 & FY 16 comparatives based on continuing underlying activities

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Digital & Software Solutions

2017 performance

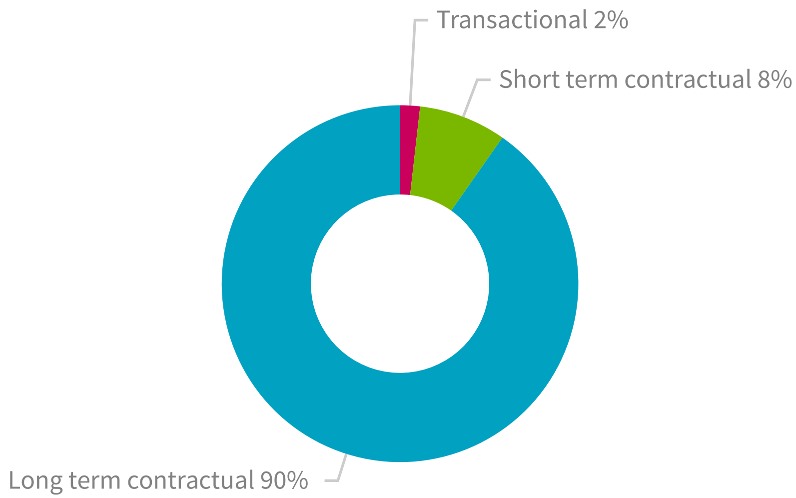
- Good growth in utilities, education flat & local government down
- Revenue and profits impacted by end of licence with The Co-operative Bank
- Higher amortisation and employee costs

	FY17*	FY16*	Movement
Revenue	**£410.9m**	£420.3m	(2.2)%
Profit	**£113.9m**	£134.4m	(15.3)%
Margin	**27.7%**	32.0%	(4.3)%
Order book	**£550.4m**	—	—

Outlook

- Order intake expected to improve over course of FY18 but revenue from active licences will be spread over lifetime
- International sales opportunities being targeted
- Continued investment in developing software products
- Increased offshoring to enhance capability and efficiency

Revenue split



*FY 17 & FY 16 comparatives based on continuing underlying activities

IT Services

2017 performance

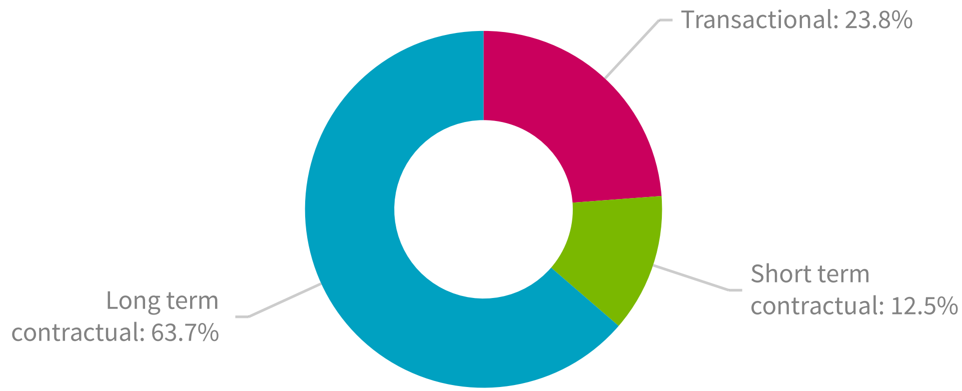
- Full year benefit from the acquisition of Trustmarque
- Good growth in networking solutions and managed print partially offset by declines in technology solutions and managed IT solutions (services)
- Significant improvement in profitability due to restructuring and one-off supplier settlement

	FY17*	FY16*	Movement
Revenue	**£507.8m**	£481.5m	5.5%
Profit	**£78.1m**	£47.1m	65.8%
Margin	**15.4%**	9.8%	5.6%
Order book	**£514.3m**	—	—

Outlook

- Contract and volume attrition expected in 2018
- £9m supplier settlement drops out

Revenue split



* FY 17 & FY 16 comparatives based on continuing underlying activities

Cash flow statement

2017 cash flow:

- Working capital outflow of £312m
- Gross capital expenditure slightly reduced to £137m
- Underlying free cash flow of £38m
- Net debt decreased by £662m, after proceeds from disposal of majority of Capita Asset Service division

2018 cash outflow:

- Further reduction in deferred income (£130m)
- Final unwind of cyclical cash management (£130m)
- Known commitments (£300m)

Cash Flow	£m 12 months to 31 December 2017	£m 12 months to 31 December 2016
Operating profit*	**447.4**	334.6
Depreciation and amortisation	**83.4**	87.5
Movements in underlying provisions	**(22.6)**	51.1
Movements in working capital	**(311.8)**	220.0
Other	**0.4**	(42.9)
Cash flow from continuing underlying operations	**196.8**	650.3
Net interest paid	**(54.2)**	(59.6)
Taxation	**9.5**	(53.7)
Capital expenditure	**(137.2)**	(140.3)
Proceeds from sale of property, plant and equipment	**23.1**	0.6
Underlying free cash flow	**38.0**	397.3
Non-underlying expenses	**(0.3)**	(30.0)
Free cash	**37.7**	367.3
Net cash proceeds from discontinued operations	**814.2**	41.0
Net acquisition of subsidiary undertakings and businesses	**(20.0)**	(96.5)
Equity dividends paid	**(216.6)**	(219.0)
Other	**67.9**	11.5
Cash movements in net debt	**683.2**	104.3
Non-cash movement	**(21.4)**	(44.3)
Decrease in net debt	**661.8**	60.0

*Excludes non-underlying items which include: business exits, intangible amortisation, impairments, net contingent consideration movements, and other non-recurring items

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Working capital movements

Working capital outflow due to:

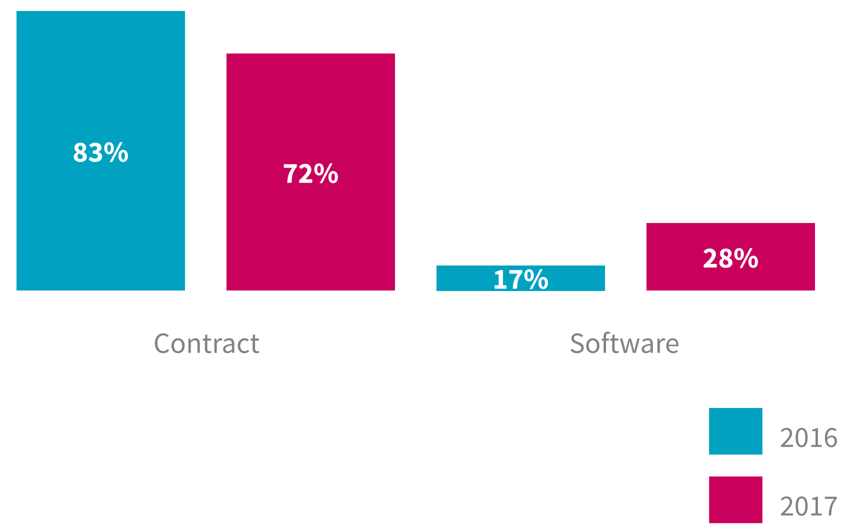
- Deferred income (£69m), reflecting lower business wins in 16-17
- Partial normalisation of period end cash management activity

Continuing operations	FY17	FY16
Trade and other receivables	**(116.6)**	(63.2)
Trade and other payables	**(116.5)**	46.2
Deferred income	**(69.0)**	201.2
Contract fulfilment assets	**(9.7)**	35.8
Total movements in working capital	**(311.8)**	220.0

Contract Fulfilment Assets (CFAs)

- New asset category created by IFRS 15
- Software CFA represents the spend on live implementations as the progress towards go-live
- Contract CFA represents spend on transformations projects currently ongoing
- CFAs impaired and derecognised during the year amount to £24m

Contract fulfilment assets - additions



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Balance sheet gearing

- £662m net debt reduction
- Net debt 2.27 times EBITDA
- Loan note maturity
  - £25m in July 2018
  - £128m in September 2018
  - Remainder 2019 – 2027
- Bank debt maturity
  - £100m May 2019
- Undrawn £600m revolving credit facility maturing 2020/21
- Dec 2017 liquidity headroom of £1bn, composed of £478.4m cash and £600m revolving credit facility

	At 31 Dec 2016	Cash movements	Non-cash movements	At 31 Dec 2017
Net debt	**£m**	**£m**	**£m**	**£m**
Loan notes*	1,596.4	(126.2)	11.9	**1,482.1**
Cash in bank	(565.8)	90.5	(3.1)	**(478.4)**
Bank loans	650.0	(550.0)		**100.0**
Finance leases	2.3	(2.1)		**0.2**
Deferred consideration	10.8	(10.8)	13.1	**13.1**
Fixed rate swaps	85.1	(84.6)	(0.5)	**–**
Total net debt	1,778.8	(683.2)	21.4	**1,117.0**
Net debt/EBITDA**				**2.27**

*Underlying private placement loan notes and other loan notes after impact of currency and interest rate swaps, excluding fixed rate swaps
**Net debt/EBITDA based on defined debt covenants calculation. For details please see Alternative Performance Measures

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