

CAPITA



2016 Pre-close trading update

8 December 2016

Capita plc

Key highlights

- Decisive actions following business review
- Confident in our strategy and the opportunities ahead
- Simpler structure and strong balance sheet enables us to capitalise on opportunities and create value for shareholders
- Decision to proceed with disposal of majority of Capita Asset Services division (CAS) and a small number of non-core assets
- Committed to maintaining and then growing dividend

Current trading

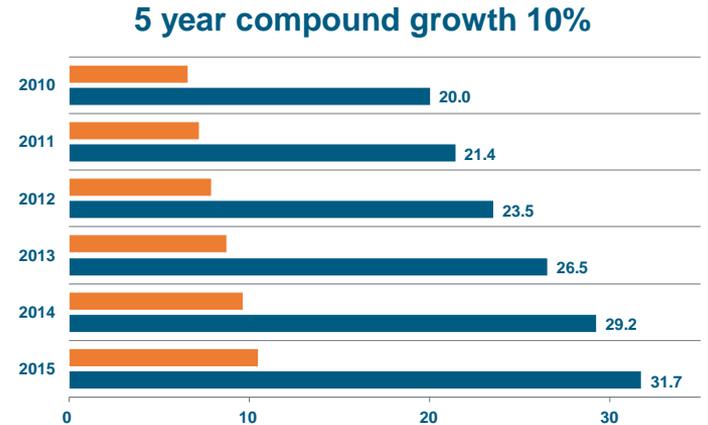
- **£1.2bn major contracts wins and extensions YTD**
 - 1st transformational contract announced in Europe – mobilcom-debitel
 - Other major contract activity: quieter market, delayed decisions and slightly lower conversion rate
 - Bid pipeline stands at £3.8bn, with good prospects behind
 - Long term drivers for outsourcing remain compelling
- **Divisional trading**
 - Weakness in IT Enterprise Services division - decisive action taken and extensive management changes
 - Deferring of discretionary spend as some clients make their own cost savings
- **Taking action on costs, while investing for growth**
 - Decisive action to reduce cost base and increase operating efficiency
 - Expect to incur around £50m restructuring costs in 2016, with commensurate benefit from 2017/18 onwards
 - Some of the savings to be reinvested into new capabilities and initiatives

Outlook

- **Financial guidance for 2016**
 - Revenue expected to be around £4.8bn
 - Net interest around £66m
 - Underlying profit before tax expected to be at least £515m
- **Early thoughts on 2017**
 - H1 trading expected to remain challenging
 - Long term contracts provide visibility
 - Benefit from cost actions
 - Overall trading performance expected to be similar to 2016
 - Higher average cost of debt, due to interest rate swaps rolling off
- **Outlook excludes impact of disposals**

Dividend

- Board is committed to maintaining the dividend
- Expect a final pay out of 20.6p, making total dividend of 31.7p, unchanged on 2015
- Longstanding commitment to create shareholder value
- Board expects to maintain dividend in 2017 and rebuild cover in medium term
- Aim to return to steady growth more reflective of organic growth thereafter



Important steps to address recent trading

- **Restructure**
 - Will strengthen management, improve visibility, enhance reporting and sales effectiveness. Leaves Capita more focused and leaner
- **Cost actions**
 - Decisive actions taken since September will benefit in 2017 and 2018
- **Disposals**
 - Will provide value for shareholders and a stronger balance sheet
- **Deleverage**
 - Important we addressed leverage concerns swiftly and ensure our growth is not constrained
- **Investing for growth**
 - New capabilities and initiatives – robotics & offshoring

A stronger balance sheet

- Leverage expected to be in region of 2.9 times end 2016
- Right leverage over medium to long term is 2.0-2.5 net debt to EBITDA
- Deleveraging supports our growth ambitions and should deliver shareholder value
- Disposal of CAS businesses key to delivering this

Disposal of majority of CAS division | strategic rationale

- Board review identified businesses not core to future strategy
- CAS division delivers shareholder, fund, debt and banking solutions, and trust and corporate services across 10 jurisdictions to 4,500 clients
- High quality, well-established business, strong management team and highly cash generative
- Operating in a market with high growth potential and desire to expand into further international markets and new areas
- Operates independently from rest of Capita, little integration and synergies with other divisions
- Around £60m expected operating profit for 2016
- Post disposal, leverage expected to be around bottom of net debt to EBITDA target range
- CAS disposal expected to complete second half 2017

A simpler Capita | positioned for growth



Summary and questions

- Responding positively and decisively to challenges
- New market-facing organisation structure reduces complexity
- Disposals increase focus upon core business and strengthen financial position
- Confidence in long-term structural growth potential
- Final results due 2nd March 2017
- Capital Markets Day to be held in mid 2017