



Half year results 2021

6 August 2021

Disclaimer

This half-year results statement is prepared for and addressed only to the Company's shareholders as a whole and to no other person. The Company, its Directors, employees, agents and advisers accept and assume no liability to any person in respect of this update save as would arise under English law. Statements contained in this update are based on the knowledge and information available to Capita's Directors at the date it was prepared and therefore facts stated and views expressed may change after that date.

This document and any materials distributed in connection with it may include forward-looking statements regarding Capita's business, financial position and results of operations, the current expectations, beliefs or opinions of the management of Capita and/or statements concerning risks and uncertainties relating to Capita's business. Forward-looking statements may be identified by the words "anticipate", "believe", "intend", "estimate", "expect", "target" and words of similar meaning. Although Capita's Directors believe the expectations reflected in such forward-looking statements are reasonable, those statements involve risk and uncertainty because they relate to future events and depend on circumstances that may or may not occur and which may cause actual results and developments to differ materially from those expressed, projected or implied by those forward-looking statements and forecasts.

No representation is made that any of the forward-looking statements or forecasts will come to pass or that any forecast results will be achieved. You are cautioned not to place any reliance on such statements or forecasts. Those forward-looking and other statements speak only as at the date of this update. Capita undertakes no obligation to release any update of, or revisions to, any forward-looking statement, forecast, opinion (which are subject to change without notice) or any other information or statement contained in this trading update. Furthermore, past performance cannot be relied on as a guide to future performance.

No statement in this document is intended as a profit forecast or a profit estimate and no statement in this document should be interpreted to mean that earnings per Capita share for the current or future financial years would necessarily match or exceed the historical published earnings per Capita share.

Making good progress on our priorities

Strengthen the balance sheet, grow revenue and implement our new structure

- Revenue maintained in H1 as whole, Q2 +4.5%, despite ongoing Covid impact
- Operating leverage benefit from stable revenue and efficiency driving margins and profit
- Balance sheet strengthening well underway
 - Disposals: 75% of £700m target proceeds to meet upcoming maturities received. Next disposals launched
 - RCF renewed and extended, completed triennial pension valuation
- New organisational structure in place: more client-focused and efficient



Financial results

Tim Weller

All figures included within this presentation are on an adjusted basis (AXELOS excluded from adjusted results in both periods, as held for sale at half year 2021), unless otherwise stated.

Financial overview

- Revenue maintained in line with H1 20
- Profit improvement reflecting stabilised revenue and ongoing efficiency delivery
- Cash generated by operations down on prior year which benefited from £77m Covid advanced receipts
- Free cash flow improvement as reduction in adjusted cash generated by operations offset by reduced capital expenditure, interest and tax
- Net debt reduction – Total disposal proceeds (£309m¹) including ESS, offset by pension deficit payments (£140m)

¹ Does not include £45m contingent consideration received July 2021

Key financial metrics	£m HY21	£m HY20	£m Change
Revenue	1,584.7	1,582.1	2.6
Profit/(loss) before tax	45.3	(11.1)	56.4
EBITDA	145.6	108.0	37.6
Cash generated by operations	176.2	189.8	(13.6)
Free cash flow	130.7	116.4	14.3
Net debt*	(894.4)	(1,077.1)	182.7

*comparative as at 31 December 2020

Good first half financial performance in line with expectations

Revenue

- Contract losses halved year-on-year reflecting sustained focus on retention and service delivery
- Scope and volume reductions reflect pandemic related work in 2020 and projects in Customer Management which did not repeat in 2021
- Growth in transactional revenue mainly driven by Technology Solutions and People Solutions compared with a c.£80m decline in 2020
- Wins reflect Royal Navy training contract, Job Entry Targeted Support Contract and annualised impact of DFRP within Government Services together with smaller wins within Customer Management and Software
- Growth in Q2 21 underpinned by major contract wins

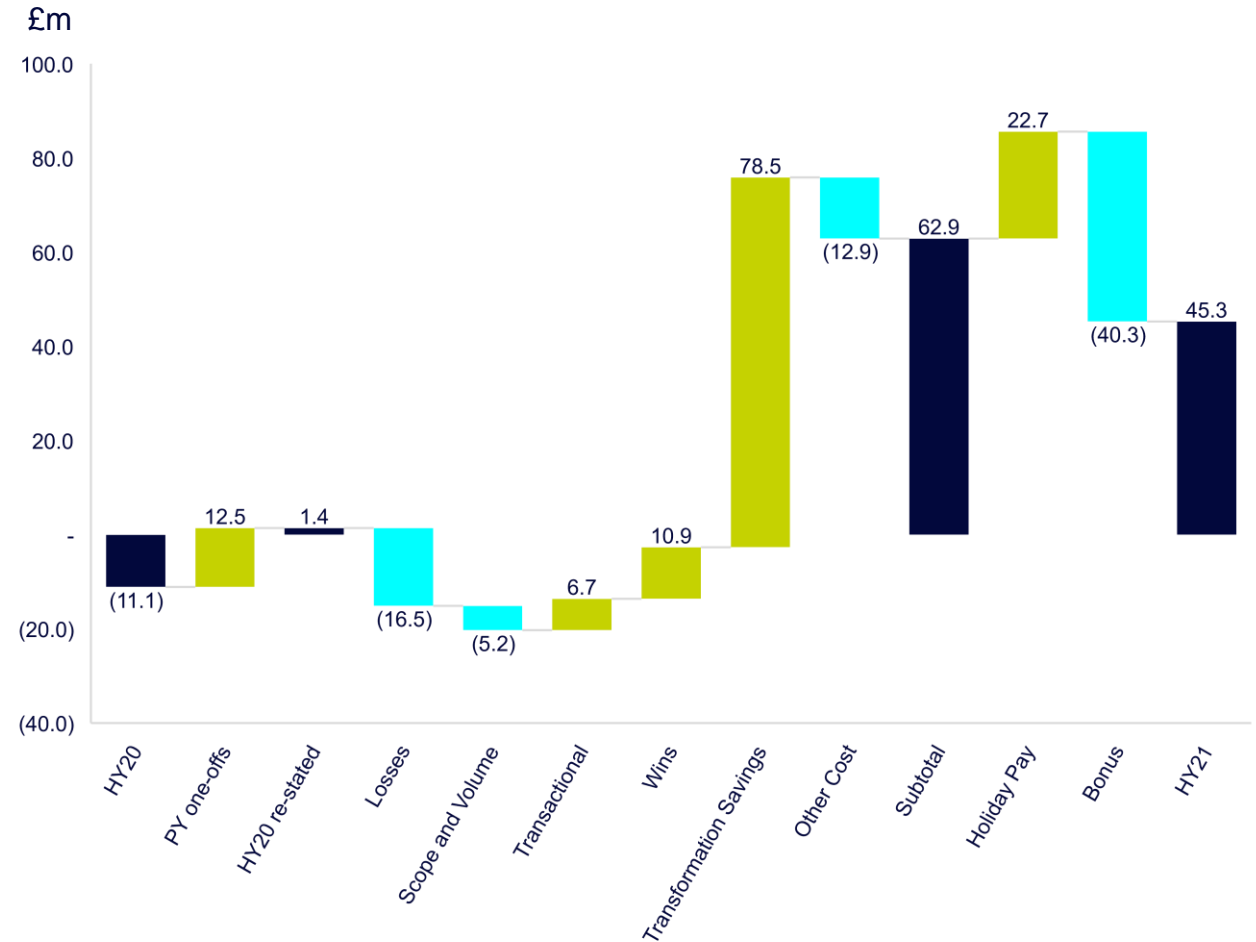


£m	2021	2020	% growth
Q1 – Revenue	776.8	808.8	(4.0)
Q2 – Revenue	807.9	773.3	4.5
Total H1 Revenue	1,584.7	1,582.1	0.2

Inflection to growth in second quarter despite ongoing Covid-19 impact

Adjusted profit before tax

- 2020 one-offs include contract asset impairments in Customer Management and contract provisions
- Transactional margin recovery particular in Technology Solutions
- Margin from contract wins not yet offsetting margin effect of contract losses
- Continued efficiency delivery underpinning H1 growth with growing operating leverage impact expected in H2
- Reinstatement of employee bonus scheme with £25m accrued as at 30 June compared with the release of the 2019 £15m bonus accrual



Operating leverage starting to drive bottom line

Reported profit before tax

- Business exits reflect ESS & Irish Life and Pensions disposals (£240m profit on disposal) and classification of Axelos as held-for-sale
- Strategic restructuring costs expected to increase to between £75m and £90m for FY21 with implementation of Future Capita structure

£m	HY21	HY20	Change
Adjusted profit before tax	45.3	(11.1)	56.4
Business exits	243.8	58.4	185.4
Significant restructuring	(30.0)	(40.0)	10.0
Litigation and claims	8.9	(3.8)	12.7
Amortisation/impairment of acquired intangibles	(8.7)	(17.1)	8.4
Other adjusting items	1.8	(14.9)	16.7
Reported profit before tax	261.1	(28.5)	289.6

Reported PBT growth driven by underlying trading performance and disposals

Divisional financial performance

	Revenue £m			Operating Profit £m		
	HY21	HY20	% Change	HY21	HY20	% Change
Software	121.7	127.4	(4.5)%	22.0	13.2	66.7%
People Solutions	232.2	221.5	4.8%	12.2	3.3	269.7%
Customer Management	513.5	561.8	(8.6)%	47.6	41.5	14.7%
Government Services	401.2	364.8	10.0%	27.5	14.2	93.7%
Technology Solutions	211.6	190.5	11.1%	18.7	12.7	47.2%
Specialist Services	95.3	102.4	(6.9)%	0.3	(4.1)	107.3%
Divisional Results	1575.5	1,568.4	0.5%	128.3	80.8	58.8%
Group Support Services	9.2	13.7	(32.8)%	(61.6)	(64.4)	4.3%
Group Results	1,584.7	1,582.1	0.2%	66.7	16.4	306.7%

Significant operating profit growth across all divisions

Future Capita proforma revenue

- New divisional structure live from 2 August
- Two client-focused core divisions with attractive market positions and track record of winning new work
- Portfolio division of non-core businesses to be disposed over next two years
- Simplification and elimination of complexity – on track for cost savings of £50m in 2022

	Proforma revenue £m		
	HY21	HY20	% Change
Capita Public Service	703.5	647.8	8.6%
Capita Experience	596.0	644.6	(7.5)%
Capita Portfolio	277.9	279.1	(0.4)%
Group Support Services	7.3	10.6	(31.1)%
Group Results	1,584.7	1,582.1	0.2%

Strong growth in Public Service with Experience earlier on transformation journey

Cash flow and net debt movement

- Operating cashflow / EBITDA conversion 121% (2020: 176%) – prior year working capital benefit from £77m of Covid-19 related advanced receipts
- Working capital outflow expected in H2 - revenue growth and phasing of customer receipts over the year
- Capital investment reduced following transformation projects completed in 2020, and ongoing Covid-19 cash preservation measures
- Second half capital expenditure around £35m to £45m
- VAT deferral benefit in 2020 expected to largely reverse in second half of 2021
- Pension deficit payments increased reflecting payments to the Capita DB scheme in respect of: £50m of additional contributions pending completing the 2020 triennial valuation, £36m of deficit contributions agreed as part of the previous triennial valuation, and £50m in respect of the acquisition of software IPR from the scheme as part of the ESS disposal, and payments to smaller schemes £4m
- Net disposal proceeds in H1 2021 for ESS & Irish Life and Pensions business
- Other cash flows include settlement of a legal claim in H1 21, cash flows from business exits and lease payments

£m	HY21	HY20
EBITDA	145.6	108.0
Working capital	21.2	72.4
Other	9.4	9.4
Cash generated by operations	176.2	189.8
Net capital expenditure	(22.4)	(46.3)
Interest/tax paid	(23.1)	(27.1)
Adjusted free cash flow	130.7	116.4
VAT deferral	(14.9)	117.3
Receivables financing	(7.2)	32.8
Pension deficit payment	(139.9)	(14.1)
Significant restructuring	(23.8)	(28.1)
Net proceeds on disposal	306.0	48.3
Other cash flows	(68.2)	(16.0)
Movement in net debt	182.7	256.6
Closing net debt*	(894.4)	(1,096.6)

*Including £467m IFRS 16 leases

Net debt reduced by £183m over first half of 2021

Cash flow headwinds as expected

- Full year 2021 reported cash flow is, as previously outlined, expected to be impacted by a number of one-off items which we have set out aside
- Deferred VAT benefit c£120m in full year 2020 expected to largely reverse in 2021
- Agreement with Trustees in respect of triennial pension scheme valuation allows for regular deficit contributions of £30m in each of 2022 and 2023 and £15m p.a. from 2024 to 2026
- Significant restructuring activity in H2 2021 with implementation of Future Capita – expect a material reduction in 2022 and do not expect to classify as adjusting items

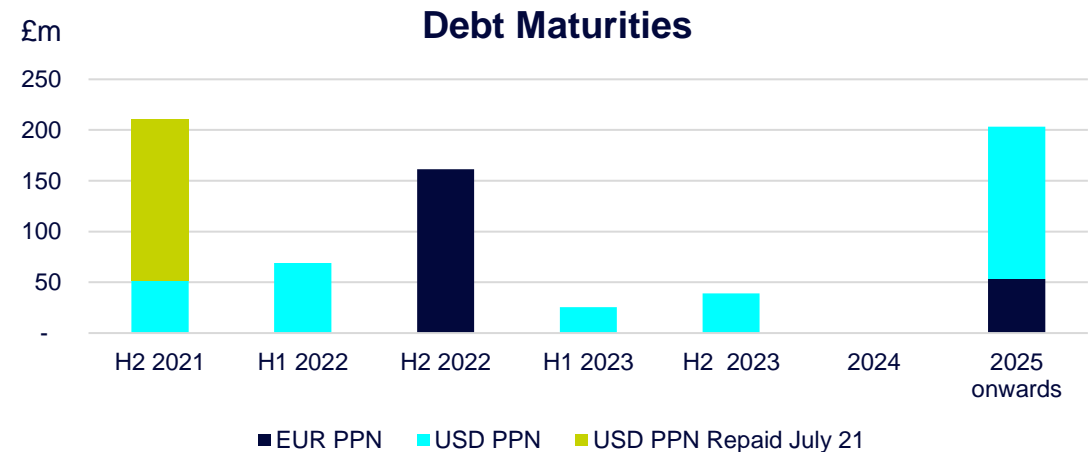
£m	H121	H221	FY21	FY22
VAT deferral	15	90	105	15
Pension deficit contributions	140	14	154	30
Below-the-line restructuring	24	51-66	75-90	-
Total	179	155-170	334-349	45

Free cash flow headwinds expected to reduce by c.£300m in 2022

Strengthening the balance sheet

- Substantial liquidity at 30 June 2021 with wholly undrawn RCF and £242m of unrestricted cash
- Existing RCF maturing 31 August 2022 now supplemented with £300m RCF maturing 31 August 2023
- AXELOS and contingent consideration on ESS totalling £227m received in July 2021
- 75% of £700m disposals target now delivered – balance by June 2022
- Private note debt maturities totalling £440m over H2 2021 and FY 2022
 - £159m repaid in July 2021

Liquidity	£m HY21	£m FY20
Revolving credit facility (RCF)	452.0	452.0
Backstop (bridge) facility	-	150.0
Available facilities	452.0	602.0
Net cash less restricted cash	241.7	106.6
Total liquidity	693.7	708.6

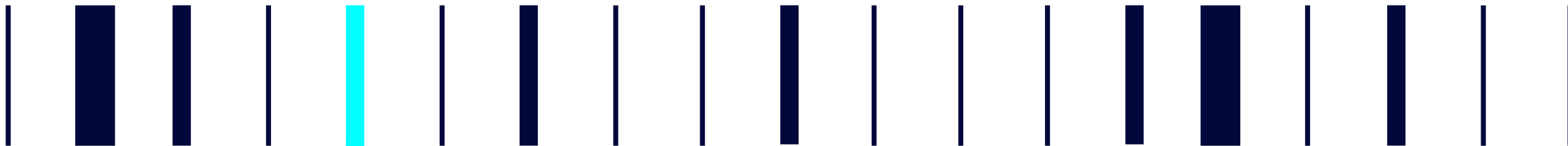


Strong liquidity provides resources to address 2021/22 debt maturities

Summary

- Encouraging first half financial performance in line with expectations
- Platform for revenue growth into second half
- Net debt expected to be broadly flat over second half before further disposals
- On track for sustainable free cash flow in 2022
- Substantial progress in strengthening the balance sheet





Strategic update

Jon Lewis, CEO

Our Purpose

Our licence to operate

A responsible and responsive employer

- Over 40,000 colleagues working from home
- Published our Ethnicity Pay Gap for the first time to help identify and address differences in remuneration

Honest and fair with clients and suppliers

- Faster payment terms for suppliers who are sole traders or small businesses
- Continued to support our clients and their customers through the pandemic



**WE CREATE
BETTER
OUTCOMES**

A good corporate citizen

- Helped train 22,000 young people with essential skills needed for the world of work
- Partnered with The Youth Group to form Capita's Youth Council, helping to shape the future of Capita

A guardian for future generations

- Climate change targets accredited by the Science-Based Target Initiative
- Scope 1,2,3 carbon emissions reduction targets for 2030
- Committed to Net Zero by 2035

Driving revenue growth, margins and cash

Virtuous circle to raise cash and profit margins



Growing revenue in 2021

Strong sales performance in H1

- Encouraging start to the year with 70% increase in TCV
 - 9% growth excluding Royal Navy Training
- Turnaround in reputation for delivery now supports growth in order book and book to bill
 - Customer Net Promoter Score +39pts vs 2019
 - Book to bill 1.6x vs 0.8x in 2019
- Investment in sales function driving revenue generation
 - In Year Revenue 13% increase despite Covid-19
- Revenue attrition lower as contract delivery performance continues to strengthen

1 Total contract value – total revenue associated with a contract win. Includes framework and transactional revenue

2 In Year Revenue - the amount of revenue that is realised in the year the contract is won in. Includes framework and transactional revenue

Total contract value¹ **£2.57bn**

Book to Bill up from **0.8 in 2019** to **1.6**

76%

Win rate on pipeline opportunities

In Year Revenue won² **£769m**

13% YoY growth

Eliminating **3% p.a.** 'excess' group revenue attrition in last 3 years

Strong pipeline of increasingly attractive mix of business

Data supports expectations for revenue growth and changing mix

- Growing order book - £0.8bn increase from FY 2020
- Strong pipeline - £2bn added to 2022 pipeline in last 12 months
- Changing mix in the pipeline to more consulting and transformational work



Sales benefiting from greater focus on customers and products

Focusing on customers' needs

- 98% of TCV sold to our top 10 key accounts
- £1.6bn in new scopes

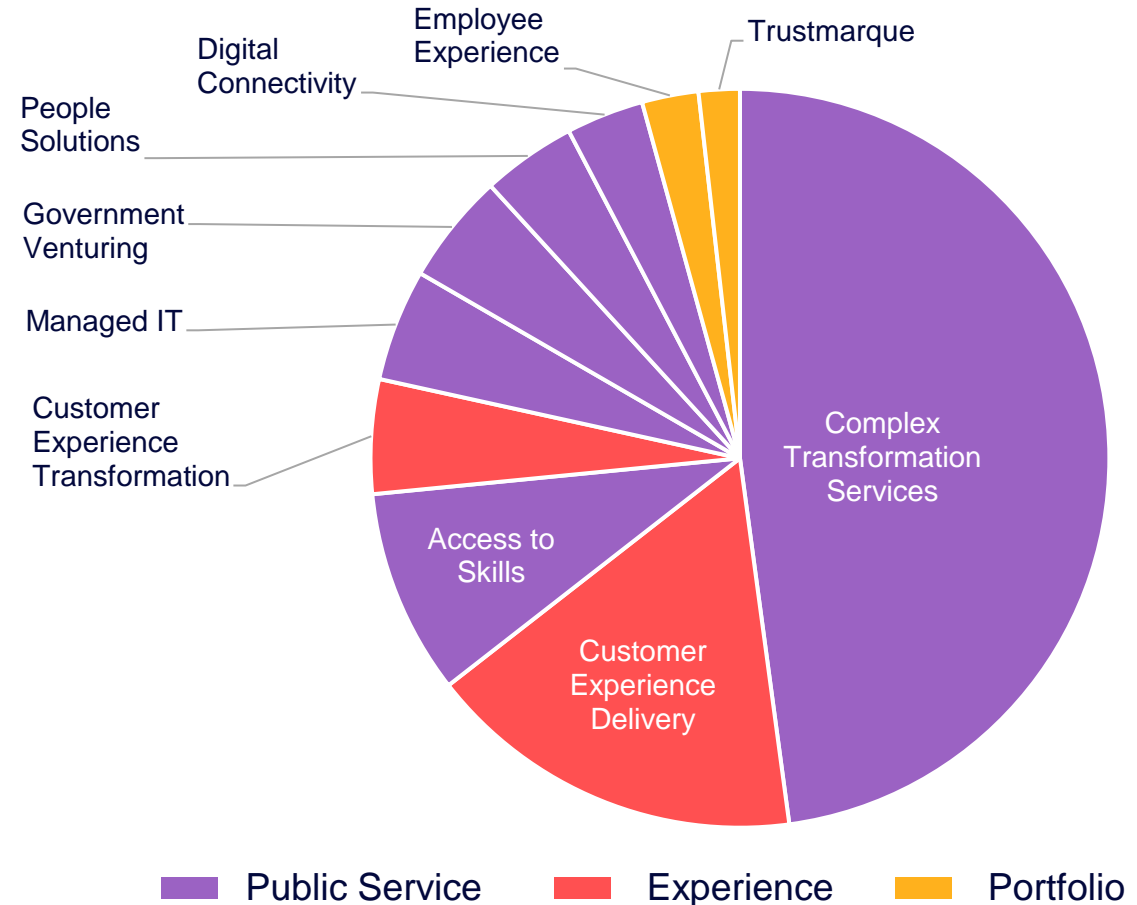
With scalable, repeatable product offerings

- Over £2bn sold in H1 in 10 market offerings
- Same top 10 offerings form 70% of the weighted pipeline for rest of 2021

In growth markets

- Focus on transformation, government priorities and digital delivery

Top 10 market offerings in H1 by TCV



Winning work at the right price to increase Group margins

Disciplined approach to winning work:

- Average bid margin¹ in double digits

11%

Net margin since 2018

- Lifting margins on renewals

6 percentage points

Margin average uplift on significant recent renewals

- Rejecting large revenue opportunities if wrong risk profile

c.£400m

TCV opportunity of top 4 tenders withdrawn from in H1

Strong operational performance drives revenue and margin

Day to day operations are now on par with industry leaders, up 1% on prior year

91%

Headline service KPIs

Big new contracts being delivered to 'bid' margins



Good performance offers opportunity to win more revenue

£80m

Additional TCV secured since contracts signed

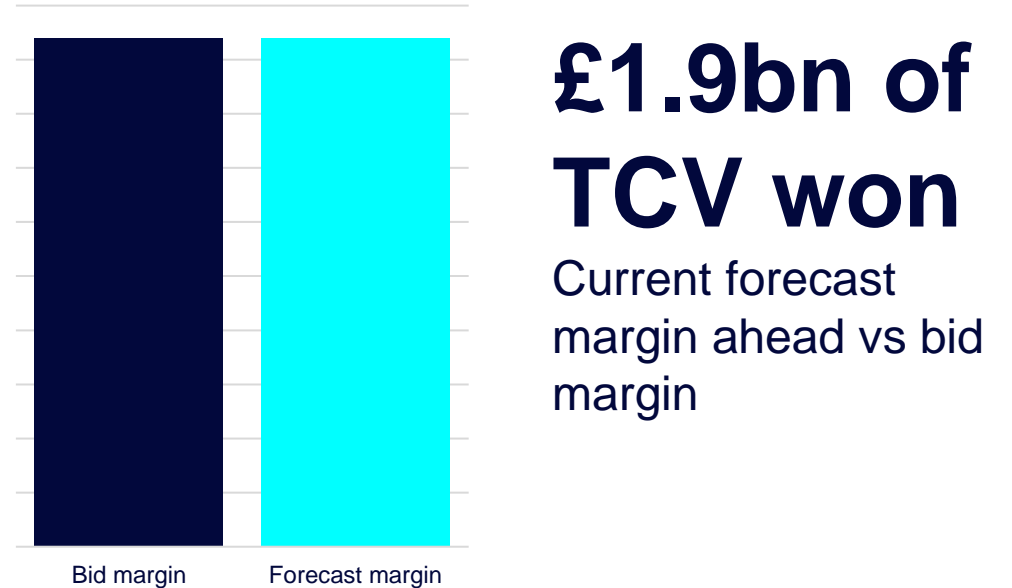
Delivering on new contracts

Legacy problem contracts being finalised

Legacy contracts



New contracts



European integrated telecommunications provider

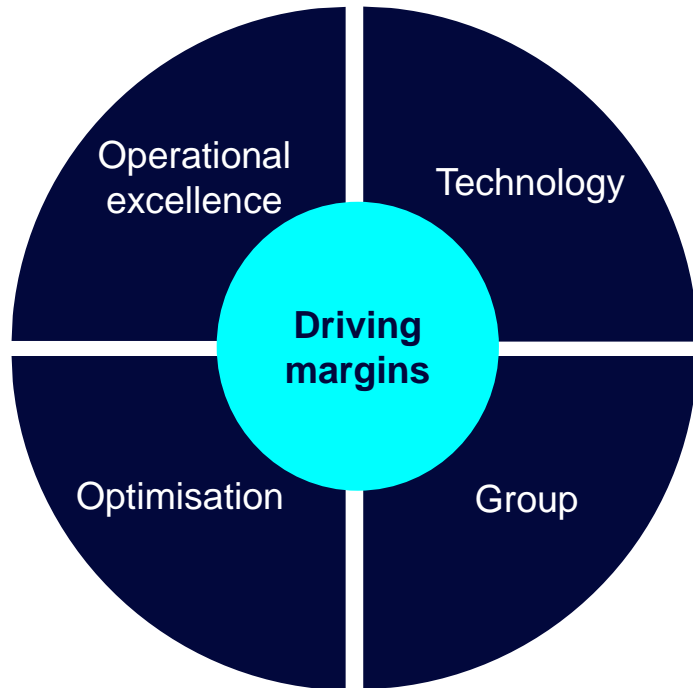


Department for Education



Operating leverage driving higher returns in the core base

Cost savings support operational leverage effect on margin



Cost savings from:

- Ongoing improvements to operational efficiency
- Secure sustained benefits from new ways of working
- Simplification of spans and layers of management
- Group savings in technology, procurement and property
- Maximise gains from Shared Service structure
- Reduce central overhead in line with benchmark

£79m in sustainable transformation savings delivered in 2021 so far

Capita's new structure: client-focused, with shared services and a lean Group overhead

Group and shared services

Public Service

Central Government

Networks and technology services

Army recruitment and Learning

Capita ONE / Local Government

Consulting

Experience

Customer Management

Regulated Services

Pensions Administration

Pay360

Consulting and Scaling Partner

Portfolio

People

Property

Technology

COTS Software

Travel

Public

Fera

£50m p.a. annual cost savings from 2022

Capita Public Service:

The largest strategic BPS supplier to UK government

Provides consultancy, applied digital transformation and Business Process Services (BPS) to improve the **productivity** of government operations and the **citizen experience** of public services

Market positioning

£109bn

spending with private organisations by Central and Local Government in 2019¹

7%

BPS Market growth p.a.²

H1 wins

£1,772m TCV

£445m IYR

Won

Royal Navy training
Early Careers Framework
DCC Resourcing
JETS³

Pipeline

£9.9bn

Total Unweighted Pipeline

Opportunities

PIP extension (now won)
NHS digital
Department for Education
MOD

Outlook

3-year outlook:

- Strong revenue growth
- Improving profit margins
- Good cash generation

17%

Total government BPS market²

Capita Public Service

Royal Navy – close collaboration with client and partners

- Capita leading the team which is already performing at the level required to achieve operational outputs with all KPIs on track
- Relationship and strong collaboration with client and partners is at the heart of delivery and is already well established
- World class consortium of partners: deep expertise and recognised global leadership in training analysis & design, digital capability, synthetics and equipment maintenance
- Deploying a talent pool of highly skilled and experienced resources



Capita Experience: Superior customer service propositions

We are experts in **designing, transforming** and **delivering frictionless experiences** for the **Life Moments** that really matter.

Market positioning

£55bn

2020 Global market for CX services¹

3% - 5%

BPS Market growth p.a.¹

No. 1 **50**

in the UK, Ireland & Switzerland and **no. 2** in Germany of the largest brands in Europe

H1 wins

£514m TCV

£132m IYR

Won

European telecoms

Tesco Mobile

Utilities Learning

Pipeline

£5.1bn

Total Unweighted Pipeline

Opportunities

Financial Services transformation and delivery

BBC

Outlook

3-year outlook:

- Initial revenue drag
- Improving profitability
- Recovering cash generation

Notes: ¹ Nelson Hall

Capita Experience

Southern Water - putting the customer first through quality service



- **68%** reduction in complaints since 2015
- **76%** reduction in billing queries
- **9.8/10** personalised customer experience score
- **80-90%** online transaction completions up from <50%
- **247%** increase in collections as a result of the digital campaign



Without the support of Capita, **we wouldn't have progressed this quickly.** They've accommodated every request for support and put the customer at the heart of everything they do. **The way that we work together is the epitome of a partnership."**

Donna Howden

Head of Customer Service at Southern Water

Capita Portfolio

Structured to dispose of non-core businesses

People	Property	Technology	Software	Public	Travel	Fera
Capita Resourcing	Real Estate & Infrastructure	Trustmarque	AMT-SYBEX	Enforcement	Agiito	Fera JV
Security Watchdog	GL Hearn	Unified Comms	Healthcare Decisions	Tascor	Evolvi	
ThirtyThree	Optima Legal		Integra	Capita Translation & Interpreting		
HR Solutions			Synaptic			
			Retain / WFM			
			PageOne			

Summary

- Encouraging H1 financial performance – stable revenue and profit improvement
- On track for organic revenue growth in 2021, first time since 2015
- Balance sheet strengthening well underway
- New organisational structure now operational: more client-focused and efficient
- Revenue growth, margin improvement and significant reduction in ‘below the line’ cash commitments means we are on track for sustainable free cash generation in 2022

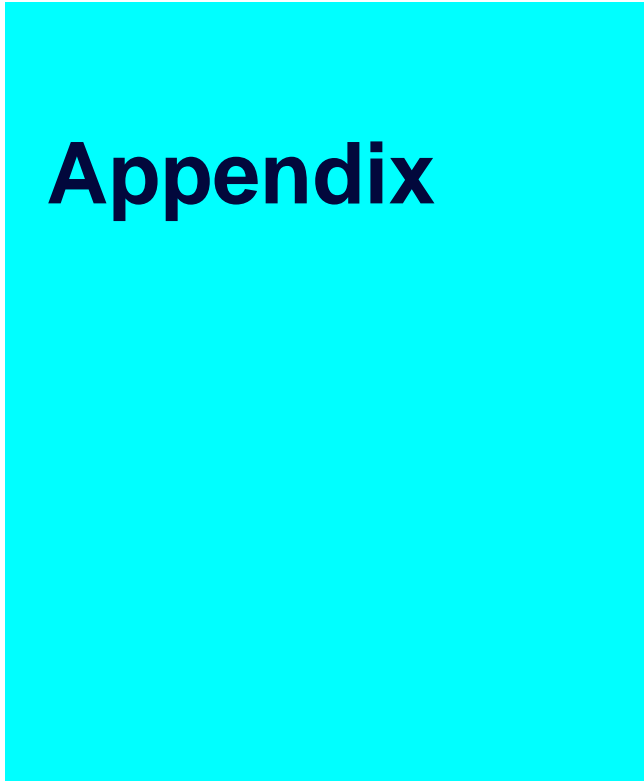




Q&A

 **Capita**

Appendix



Software

Revenue

- Lower volumes in AMT Sybex and the cessation of certain SSS support contracts
- Offset by recovery of volumes within the Pay 360 business

Profit

- Improvement from efficiency programmes delivering savings in Property, Travel and IT costs

Cash generated by operations

- Improvement reflects increased EBITDA offset by a lower working capital inflow due to one-off inflow benefits in H1 20

Achievements

- Awarded highest level of CMMI accreditation for Digital Development Centre
- Reduced cost of poor quality

* Capability Maturity Model Integration Institute

£m	HY21	HY20
Revenue	121.7	127.4
Divisional profit	22.0	13.2
Divisional profit margin	18.1%	10.4%
EBITDA	27.1	18.5
Working capital/other	14.7	18.2
Cash generated by operations	41.8	36.7

Pipeline	Unweighted £m
Total	922

Order book	HY 2021 £m
£m	424

People Solutions

Revenue

- Royal Navy and Royal Marines Training contract win in H1 21
- Offset in part by historical contract losses. Retention rates have remained high since early 2020

Profit

- Higher margin achievement on some long-term contracts
- Lower depreciation and amortisation expenditure from asset sales in 2020 and continued efficiency delivery

Cash flow

- Improvement reflects increased EBITDA offset by working capital outflow from recovery of volumes in Learning Services and higher CFA outflows on RPP on transformation

Achievements

- RPP transformation and wider recruitment targets remain on track
- Service credits materially lower than 2019 (subsequent to pandemic related freezes in 2020)

£m	HY21	HY20
Revenue	232.2	221.5
Divisional profit	12.2	3.3
Divisional profit margin	5.3%	1.5%
EBITDA	16.8	8.5
Working capital/other	(7.7)	(1.9)
Cash generated by operations	9.1	6.6

Pipeline	Unweighted £m
Total	1,755

Order book	HY 2021 £m
£m	942

Customer Management

Revenue

- Reduced business volumes in the Life & Pensions business
- Debenhams, VWG, First Group contract losses not replaced in year

Profit

- Improvement due to continued cost savings through the operational excellence initiative and deferred income releases from the life insurance business and contract cessation
- Contract losses are expected to have a larger impact on profitability over the remainder of the year

Cash flow

- Reduction despite an improvement in EBITDA reflects working capital outflow due to timing of invoicing on some clients and the impact of contract terminations. This was offset by a client reverting to annual payment basis in H1

Achievements

- Delivery of secure, stable and reliable service for clients despite lockdown arrangements in our key geographies
- Maintained KPI performance in 2021

£m	HY21	HY20
Revenue	513.5	561.8
Divisional profit	47.6	41.5
Divisional profit margin	9.3%	7.4%
EBITDA	59.5	55.0
Working capital/other	(31.9)	(9.3)
Cash generated by operations	27.6	45.7

Pipeline	Unweighted £m
Total	4,480

Order book	HY 2021 £m
£m	2,344

Government Services

Revenue

- Royal Navy and Royal Marines Training & Job Entry Targeted Support contract wins in H1 21
- Full half year benefit of DFRP

Profit

- Improvement from DFRP margin after first year losses in H1 20 and bid costs on a number of successful 2020 bids
- Transformation savings offset cost change and additional programme costs on the EMS transformation programme

Cash flow

- Improvement reflects increased EBITDA and working capital inflow due to lower CFA spend on DFRP offset by impact of advanced receipts in H1 20

Achievements

- Completion of final legacy element of Primary Care Support England contract transformation in May 2021
- Continued focus on margin improvement

£m	HY21	HY20
Revenue	401.2	364.8
Divisional profit	27.5	14.2
Divisional profit margin	6.9%	3.9%
EBITDA	30.6	16.8
Working capital/other	39.8	33.0
Cash generated by operations	70.4	49.8

Pipeline	Unweighted £m
Total	6,719

Order book	HY 2021 £m
£m	2,358

Technology Solutions

Revenue

- Increased business volumes in the TfL Networks contract and in the Trustmarque business offset contract losses with NHS BSA and AAH Pharmaceuticals
- One-off Covid-19 contract wins in intelligent communications

Profit

- Profit improved due to the implementation of successful cost saving initiatives

Cash flow

- Improvement reflects increased EBITDA and working capital inflows from lower CFA additions on TfL Networks

Achievements

- Continued investment in data centre consolidation, due for completion in 2022

£m	HY21	HY20
Revenue	211.6	190.5
Divisional profit	18.7	12.7
Divisional profit margin	8.8%	6.7%
EBITDA	27.9	22.2
Working capital/other	40.2	32.9
Cash generated by operations	68.1	55.1

Pipeline	Unweighted £m
----------	---------------

Total	2,183
-------	-------

Order book	HY 2021 £m
------------	------------

£m	390
----	-----

Specialist Services

Revenue

- Lower transactional revenue from the continued impact of Covid-19 restrictions on the travel and enforcement businesses and contract losses within the Tascor business

Profit

- Profit recovery from impact of continued cost saving initiatives including a reduction in property footprint

Cash flow

- Reduction despite an improvement in EBITDA reflects impact of working capital inflows from reduced business volumes in H1 20

Achievements

- No service credits incurred to date in 2021
- Small signs of recovery in business heavily impacted by Covid-19

£m	HY21	HY20
Revenue	95.3	102.4
Divisional profit	0.3	(4.1)
Divisional profit margin	0.3%	(4.0%)
EBITDA	1.9	(2.0)
Working capital/other	0.1	33.4
Cash generated by operations	2.0	31.4

Pipeline	Unweighted £m
----------	---------------

Total	422
-------	-----

Order book	HY 2021 £m
------------	------------

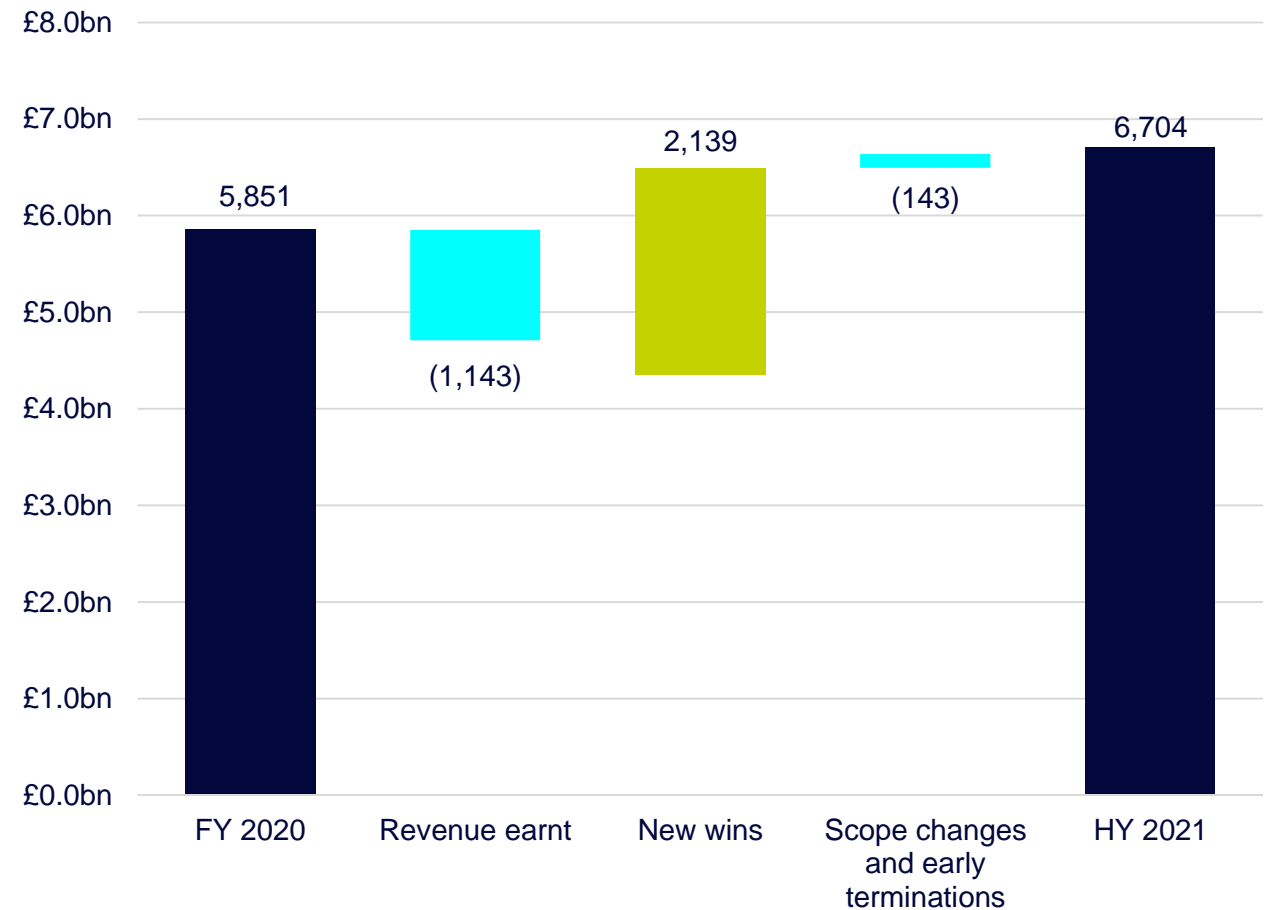
£m	234
----	-----

Order book* bridge FY20 to HY21

Relevant to approximately 75% of revenue base

- Includes contracted revenue and software licences
- Excludes contract growth and non-contracted revenue

Wins in 2021 include the Royal Navy and Royal Marines training contract (£0.9bn) and a contract extension with a major European telecoms provider (£0.5bn).



*Order book represents the consideration to which the Group will be entitled to receive from customers when the Group satisfies the remaining performance obligations in the contracts. Excludes non-contracted volumetric revenue and scope changes, contract extensions (unless pre-priced), revenue from frameworks and transactional businesses.

Definitions

Scope and Volume: includes revenue and profit movements from unwind of current secured orderbook contracts, revenue awarded through framework contracts, volumetric and variable revenue (which is not transactional), change control, scope changes, impact of SLA's and indexation

Sustainable Free Cash Flow: Reported free cash flow excluding the impact of disposals

Order book: consideration that the Group will be entitled to receive from customers when the Group satisfies its remaining performance obligations under the contracts. This does not include non-contracted volumetric revenue, new wins, scope changes and anticipated contract extensions which are not legally binding

Pipeline: any opportunity that is open and therefore has not yet been won or lost

Weighted pipeline: reflects the win probability of all items within the pipeline (defined above)