

Capita plc

29 June 2022

MARKET UPDATE

Capita plc (Capita) first half in line with expectations and on track for the full year

Trading performance

The Group's first-half performance has been in line with expectations, with further revenue growth, important contract renewals and wins, and ongoing strengthening of the balance sheet. As noted at the full-year results, we continue to expect further strong progress in the second half of the year in revenue, profit and cash flow generation.

In the five months to 31 May 2022 the Public Service division grew by 2% as previously high growth rates started to annualise, the Experience division revenues reduced by 3%, showing an improving trend from 2021, and the Portfolio division grew by 5% as businesses recovered from Covid-related impacts. As a result we expect Group revenue growth at the half year of up to 1%.

We have won a number of significant contracts in the first half, including the renewal of the BBC TV licencing contract (£456m), an extension of our PCSE contract (£94m) and further work for the Northern Ireland Education Authority (£51m). We also won a new contract with ScottishPower worth £63m over five years. The Experience division has already seen particularly strong total contract value performance this year. The pipeline for both divisions remains strong, underpinning our ability to drive future sustainable revenue growth.

The Portfolio business is also benefiting from ongoing recovery after a slow start to the year reflecting Covid variant-related constraints.

Our operational performance has been good, with consistent delivery across our client base. Notably to date we have delivered on all of the key milestones with the Royal Navy training contracts and have now started running the Royal Navy's Maritime Composite Training System and launched the Aviation Fire Programme at the Fire Service College. We successfully went live on the ScottishPower contract on 6th June.

We are targeting further cost savings and efficiencies as we begin to leverage the benefits of our new operating model and more focused corporate structure. In particular, our property costs continue to reduce, helped by our 'virtual first' approach to office working.

Balance Sheet and non-core business disposal programme

We continue to execute on our plan to reduce debt through the disposal of non-core businesses.

Since the beginning of 2022, we have launched three further processes and we expect to have launched the disposal processes of all our remaining Portfolio businesses by the end of the year.

This year we have completed the disposal of four businesses: Secure Solutions and Services, AMT Sybex, Specialty Insurance, and Trustmarque. As a result, we have received total proceeds of over £750m from previously announced disposals, exceeding our £700m target, six months earlier than originally announced.

Outlook

We expect the revenue growth in the first half of 2022 of up to 1%. With a solid platform of secured revenue, a strong pipeline of contract opportunities and markets driven by demand for cost-effective digital solutions, we remain confident of delivering revenue growth in 2022.

As outlined during the 2021 full-year results, we expect profits in 2022 to be significantly weighted to the second half, with a reduced EBITDA margin reflecting the full-year impact of prior-year contract losses, structural decline in our closed book Life & Pensions business, and operational changes in the Army Recruitment contract.

We remain on track to deliver positive free cash flow in 2022. We continue to expect a material reduction in net debt by the end of the year.

Jon Lewis, Capita Chief Executive Officer said:

“I am pleased with the progress we have made across Capita since the start of the year.

“Our operational performance remains strong, with impressive levels of delivery across our client base; and we have secured important contract renewals and new work.

“Our financial performance has remained in line with our expectations, as we have maintained revenue growth in 2022, while continuing to reduce debt and strengthen the balance sheet.

“We continue to expect further strong progress in the second half of the year in revenue, profit and cash flow generation.”

For more information, please contact:

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