

Capita plc

13 December 2022

Pre-close trading update

Capita plc (Capita) continues to perform well, with further revenue growth and a stronger balance sheet

Summary

- Capita has delivered adjusted revenue¹ growth of 2% in the 11 months to 30 November 2022 in line with full year guidance:
 - o Consistent performance in Capita Public Service;
 - o Improved revenue trajectory compared with 2021 in Capita Experience;
 - o Capita Portfolio growth as businesses continue to recover from Covid-19.
- A stronger balance sheet:
 - o Disposal proceeds of £462m received to date in 2022:
 - Completion of disposals of the Property pillar and Pay360 for a combined £239m in gross cash proceeds;
 - Agreed sale of Capita Translation and Interpreting ('CTI').
 - o Total of £221m of debt maturities now repaid in 2022;
 - o Significant reduction in FY 2022 net debt; very low level of financial net debt expected on completion of remaining disposals.

Jon Lewis, Chief Executive Officer, said:

"I am pleased with the progress we have continued to make across Capita in the second half of the year.

"We are building on the platform we created, performing well and delivering further revenue growth, while continuing to strengthen the balance sheet.

"We have maintained our consistently good client service delivery, reflected in a rise in our already strong customer net promoter score. We have secured important contract renewals and new work.

"Proceeds from our ongoing disposal programme have helped us further reduce debt; by the middle of 2023, we expect to have completed the disposal of our Portfolio businesses resulting in a very low level of financial net debt."

Trading

Adjusted group revenue¹ for the 11 months to 30 November 2022 grew 2%.

Capita Public Service adjusted revenue¹ increased by 2% in the period in line with expectations. This has been delivered mainly by the full year impact of the Royal Navy training contract as well as revenue growth in Justice, Central Government and Transport, offsetting previously announced Local Government contract exits. In the second half of the year we have secured a three-year extension to our PCSE contract for £94m and a two-year extension worth up to £57m for IT and back office services for Barnet council.

Capita Experience has seen adjusted revenue¹ stabilise through the year and is flat in the period, compared with a 9% decline in 2021 across the same period. The impact of significant prior year contract losses and the disposal of the fast-growing Pay360 business have started to be offset by

positive revenue contributions in particular from new client wins of Scottish Power, Irish Water and Trade Republic. In the second half we have renewed a contract with a UK high street retailer with a total contract value of £35m.

Capita Portfolio has seen good growth in its Travel and Enforcement businesses as well as FERA – reflecting business growth and Covid-19 recovery. Adjusted revenue¹ increased by 14% in the period.

Our contract delivery and operational performance has remained consistently good across the year and group customer Net Promoter Score ('NPS') has increased by six points as a result. Specific achievements across 2022 include strong performance in the Royal Navy training contract (generating additional revenue opportunities such as the Future Submarine School) and accelerated funding applications with the Department for Education for 38,000 applicants on the Turing Scheme. Within the Experience business, we have embedded a suite of technologies such as Assisted Customer Conversations ('ACC') on a number of clients which has improved both client and end customer satisfaction.

Across the year, colleague turnover has reduced as a result of significant management focus and employee NPS has improved by 15 points compared with the 2021 score.

Net debt and balance sheet

The final steps of our Portfolio disposal programme are progressing well. We have now completed the Pay360 disposal and announced the disposal of the CTI business, part of our Business Solutions pillar. We have launched processes on the majority of the remaining assets and expect to have completed the disposal of our Portfolio businesses in H1 2023, as expected.

As a result we expect the balance sheet to be in a strong position at 31 December 2022 and to have a very low level of financial net debt² at 30 June 2023.

Our post-IFRS 16 net debt³ is also expected to continue to decrease as we reduce our property leases. We are targeting further property footprint reductions over the next year as we continue to establish our 'virtual first' working model, which has successfully delivered good client service whilst creating job opportunities for our colleagues away from our legacy physical locations.

As part of the disposal process we have also accelerated scheduled pension deficit payments. This will further strengthen the pension fund's position ahead of the next triennial valuation due as at 31 March 2023.

Full Year Results

Full Year results announcement is planned for 2 March 2023.

Notes

1 Like-for-like adjusted revenue, adjusted for disposals and businesses held for sale as at 30 November 2022. Since 30 June 2022, this excludes results from the Property pillar disposals, including Optima, Pay360 and our Translation business.

2 Pre-IFRS 16 net debt at 30 June 2022 was £289.3m.

3 Post-IFRS 16 net debt at 30 June 2022 was £710.4m.

For further information:

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