

Capita

Half Year  
Results 2024

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Our strategic themes: a better Capita

# BETTER

**Efficiencies    Technology    Delivery    Company**



**Improved  
financial  
performance**



**Clarity on  
what Capita  
is famous for**



**Workforce  
equipped for  
change**



**Delivering value to  
customers, employees  
and shareholders**

## Demonstrating momentum against our priorities

### Delivering our strategic priorities for a better Capita

- Delivered 45% improvement in operating margin
- Delivered annualised cost savings of £100m, on track to deliver £160m by June 2025
- Re-established our relationship with hyperscalers to drive product quality
- Developed and launched generative AI solutions including CapitaContact and AgentSuite
- Launched culture transformation programme
- Agreement to sell Capita One from manage for value service lines, expected to complete end of August, net proceeds of c.£180m
- On track to deliver full year operating margin, profit and free cash flow expectations
- Re-affirmed medium-term guidance



# Financial results

## Tim Weller

All figures included within this presentation are on an adjusted basis unless otherwise stated

## Financial highlights

- Revenue decline from previously announced contract hand-backs, losses and non-recurrence of HY23 one-offs in Experience
- Operating profit increase reflects benefit from ongoing cost reduction programme, offsetting HY23 one-off benefits
- Operating cash flow improvement principally driven by lower level of deferred income releases in the period
- Free cash outflow reflects improved operating cash flow, lower pension deficit contributions and cash costs of cyber incident, offset by costs to deliver cost reduction programme
- Net financial debt (pre-IFRS 16): EBITDA ratio 1.1x at 30 June 2024

£m	HY24	HY23	Change
Revenue	<b>1,201.5</b>	1,324.4	(9.3)%
Operating profit	<b>54.2</b>	40.9	32.5%
Operating margin	<b>4.5%</b>	3.1%	45.2%
Profit before tax (PBT)	<b>31.6</b>	18.3	72.7%
EBITDA	<b>102.2</b>	97.1	5.3%
Operating cash flow	<b>51.4</b>	29.3	75.4%
Free cash flow	<b>(51.9)</b>	(64.3)	19.3%
Net debt	<b>(521.9)</b>	(544.6)	4.2%
Net financial debt (pre-IFRS 16)	<b>(166.4)</b>	(166.2)	(0.1)%

## Adjusted to reported profit reconciliation

- Business exits principally reflect January 2024's sale of Fera which completed Portfolio disposal programme launched in 2021
- Cyber incident credit reflects expected insurance recovery - cumulative net costs of c.£25m
- Costs of ongoing cost reduction programme £8.2m (in addition to £54.4m recognised in H2 2023)

£m	HY24	HY23	Change
<b>Adjusted profit before tax</b>	<b>31.6</b>	<b>18.3</b>	<b>13.3</b>
Business exits	36.7	(19.9)	56.6
Impairment of goodwill	-	(42.2)	42.2
Cyber incident	0.4	(21.8)	22.2
Amortisation and impairment of acquired intangibles	(0.1)	(0.1)	-
Revaluation of non-designated FX contracts	(0.4)	(2.2)	1.8
Cost reduction programme	(8.2)	-	(8.2)
<b>Reported profit/(loss) before tax</b>	<b>60.0</b>	<b>(67.9)</b>	<b>127.9</b>

# Capita Public Service

## Revenue

- Cessation of contracts in Local Public Service and Scottish Wide Area Network and Electronic Monitoring
- Non-repeat of temporary contract activity in Royal Navy Training
- Benefit of indexation across the division and volume increases on Transport for London road user charging contract

## Operating profit

- Strong improvement reflects implementation of cost reduction programme

## EBITDA and cash conversion

- Step up in operating cash flow with improved cash-backed EBITDA

£m	HY24	HY23	Change
<b>Revenue</b>	688.5	708.0	(2.8)%
<b>Operating profit</b>	47.1	26.2	79.8%
<i>Operating margin</i>	6.8%	3.7%	
<b>EBITDA</b>	66.7	46.8	42.5%
<b>Operating cash flow</b>	49.8	33.7	47.8%
<i>Cash conversion</i>	74.7%	72.0%	



# Capita Experience

## Revenue

- Reduction reflects HY23 one-off deferred income benefit from award of new contract with Virgin Media O2 and commercial settlement in closed book Life & Pensions business
- Impact of previous contract losses in Financial Services, including Co-operative Bank, and lower volumes in UK business
- Partly offset by revenue growth in Pension Solutions business and indexation increases

## Operating profit

- Non-repeat of HY23 one-offs (c.£30m)
- Underlying margin improvement excluding HY23 one-offs from lower overheads, including reduced property footprint as part of cost reduction programme

## EBITDA and cash conversion

- Cash conversion improvement reflects non-cash nature of HY23 one-offs and lower deferred income release

£m	HY24	HY23	Change
<b>Revenue</b>	513.0	616.4	(16.8)%
<b>Operating profit</b>	25.1	39.1	(35.8)%
<i>Operating margin</i>	4.9%	6.3%	
<b>EBITDA</b>	52.4	70.2	(25.4)%
<b>Operating cash flow</b>	26.1	28.9	(9.7)%
<i>Cash conversion</i>	49.8%	41.2%	

## Sales pipeline – focused on 2025

TCV secured

**£0.9bn**

H1 2023: £1.3bn

Book to bill ratio

**0.8x**

H1 2023: 1.0x

New and expanded  
scope win rate<sup>1</sup>

**34%**

H1 2023: 57%

Renewal win rate<sup>1</sup>

**95%**

H1 2023: 69%

Total weighted  
pipeline

**£1.9bn**

H1 2023: £2.8bn

2025  
unweighted pipeline

**£5.7bn**

H1 2023: £3.6bn

Opportunities  
won including



European telco  
providers



Ministry  
of Defence

Key pipeline  
opportunities in  
H2 and 2025



Ministry  
of Defence



Primary Care Support England



Home Office



Transport  
for London

1. Win rate is the proportion by value of contracts won as a proportion of those we bid for

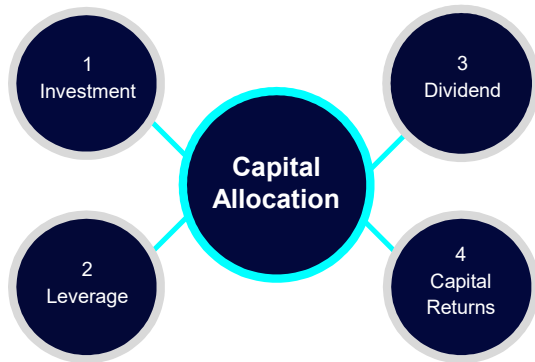
## Cash flow and net debt movement

- Working capital improvement driven by lower level of deferred income releases (c.£40m reduction period-on-period)
- Non-cash and other adjustments includes provision spend of c.£15m (HY23: c.£14m). HY23 includes benefit of £13m offsetting net new provisions in EBITDA
- Operating cash conversion improved to 50%
- Final pension deficit contributions paid in HY24
- Capital expenditure reflects continued investment in cyber security and technology
- Reduction in net capital lease payments from ongoing property rationalisation, partly offset by inflation linked rent increases
- Net cash flows on business exits reflects receipt of Fera disposal proceeds, business exit cash flows and deferred consideration received

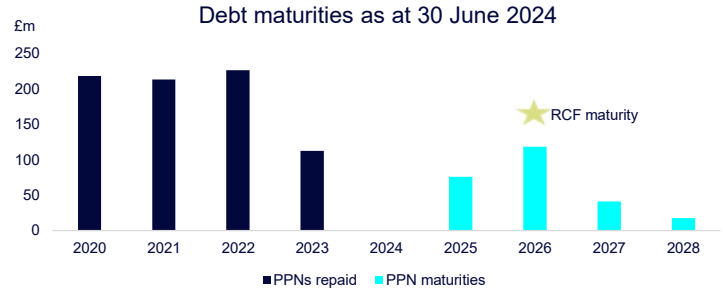
£m	HY24	HY23
<b>EBITDA</b>	<b>102.2</b>	<b>97.1</b>
Working capital	(30.4)	(63.9)
Non-cash and other adjustments	(20.4)	(3.9)
<b>Operating cash flow</b>	<b>51.4</b>	<b>29.3</b>
<b>Operating cash conversion</b>	<b>50%</b>	<b>30%</b>
Pension deficit contributions	(6.3)	(15.0)
Cyber incident	(6.4)	(9.2)
Cost reduction programme	(19.7)	
<b>Cash generated from operations excluding business exits</b>	<b>19.0</b>	<b>5.1</b>
Net capital expenditure	(22.6)	(17.3)
Interest/tax paid	(21.2)	(24.8)
Net capital lease payments	(27.1)	(27.3)
<b>Free cash flow excluding business exits</b>	<b>(51.9)</b>	<b>(64.3)</b>
Business exits	82.2	0.4
Other cash flows and non-cash movements	(6.7)	1.7
<b>Movement in net debt</b>	<b>23.6</b>	<b>(62.2)</b>
<b>Closing net debt</b>	<b>(521.9)</b>	<b>(544.6)</b>

# Liquidity & net debt

- RCF committed to 31 December 2026 and undrawn at half year (HY23: £41m drawn)
- Net financial debt (pre-IFRS 16) reduced £16m since FY23
- Net financial debt (pre-IFRS 16): EBITDA ratio 1.1x at 30 June 2024
- No PPN maturities until January 2025
- c.£180m net proceeds from disposal of Capita One provide optionality



£m	HY24	FY23
<b>Revolving credit facility (RCF)</b>	<b>250.0</b>	<b>260.7</b>
Less: drawing on committed facilities	-	-
<b>Available committed facilities</b>	<b>250.0</b>	<b>260.7</b>
Net cash less restricted cash	43.1	21.6
<b>Total liquidity</b>	<b>293.1</b>	<b>282.3</b>



## 2024 full year outlook



### Revenue

- Experience: single to low double digit % reduction
- Public Service: broadly in line with 2023
- Overall Group: low to mid-single digit % reduction – delayed operational go-live on certain contracts and more focused approach to bidding



### Operating margin

- Modest increase on 2023 (pro-forma 2023 margin: 3.5%<sup>1</sup>)
- Reflects continued benefit of cost reduction programme, pay review phasing and H2 23 bonus release



### Free cash flow

- Underlying guidance consistent, updated to reflect Capita One disposal
  - Operating cash conversion c.60% to c.70%
  - Proforma free cash outflow £90m - £110m, inc. £50m cost from cost reduction programme



### Net debt

- Minimal net financial debt post Capita One disposal
- Continued reduction in lease debt from rationalisation of property portfolio



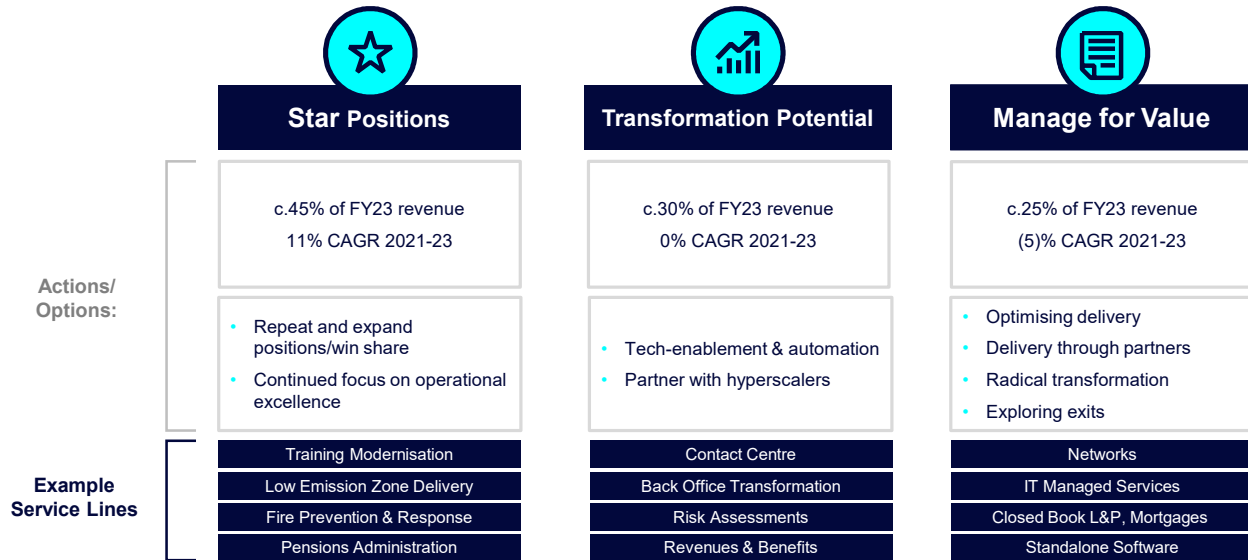
# Business focus areas

## Capita Public Service

## Capita Experience

	Local Public Service	Defence, Learning, Fire and Security	Central Government	Contact Centre	Pension Solutions
<b>Who we sell to</b>	Local authorities, schools, housing associations, Ministry for Levelling Up, Housing & Communities, voluntary organisations	Ministry of Defence, British Army, Royal Air Force and Royal Navy, fire services, Lloyds and NatWest	Justice and policing, Central Government Services, customer communications and digital services, transport, procurement, health and welfare	Financial services, telecoms, media & technology, energy & utilities and retail	Central Government, private sector, insurance
<b>FY23 Revenue</b>	<b>£407M</b>	<b>£509M</b>	<b>£543M</b>	<b>£799M</b>	<b>£170M</b>
<b>Focus areas</b>	<ul style="list-style-type: none"> <li>• Collections and payments</li> <li>• Back-office processing</li> <li>• Place-shaping</li> <li>• Education infrastructure and support</li> <li>• Social care and community health</li> <li>• Net Zero and energy</li> <li>• Revenue &amp; benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Fire prevention &amp; response</li> <li>• Training modernisation</li> <li>• National preparedness</li> <li>• Blended learning offering to critical national infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Employability (&gt;55s)</li> <li>• Low emissions zone delivery</li> <li>• Alternative transport funding models</li> </ul>	<ul style="list-style-type: none"> <li>• Collections</li> <li>• Sales &amp; retention</li> <li>• Joint ventures with customers</li> <li>• International expansion into adjacent markets</li> </ul>	<ul style="list-style-type: none"> <li>• Seamless user experience</li> <li>• Helping reduce balance sheet risk from historic DB pension liability</li> <li>• Pensions and long-term investments as key part of employee value proposition</li> </ul>

# Service line mapping





# Better efficiencies – continued progress delivering cost savings

Impact








£100m savings delivered to date:



■ Real Estate Rationalisation ■ Procurement  
■ Offshoring ■ Organisational Simplification

# New UK government initial priorities aligned to Capita propositions

Government priorities	Example initiatives	Capita Public Service propositions / existing contracts
 <b>Fraud and Waste</b>	<ul style="list-style-type: none"> <li>• Modernising HMRC</li> <li>• Tackling tax avoidance and benefit fraud</li> <li>• Addressing wasteful programmes / contracts</li> </ul>	<ul style="list-style-type: none"> <li>• City of London Police</li> <li>• Driving productivity</li> <li>• Procurement</li> </ul>
 <b>Healthcare Transformation and waiting times</b>	<ul style="list-style-type: none"> <li>• Lowering wait times</li> <li>• Removing pressure on hospital beds</li> <li>• Investing in primary and social care</li> </ul>	<ul style="list-style-type: none"> <li>• Virtual Wards</li> <li>• Care hubs</li> <li>• Functional Assessment Service</li> </ul>
 <b>Sustainability</b>	<ul style="list-style-type: none"> <li>• Investment in building 1.5m new homes</li> <li>• Improving domestic energy efficiency</li> <li>• Accelerating Net Zero</li> </ul>	<ul style="list-style-type: none"> <li>• Planning &amp; place</li> <li>• Local authority services in net zero</li> <li>• DCC</li> </ul>
 <b>National Security</b>	<ul style="list-style-type: none"> <li>• Increasing investment in defence sector</li> <li>• Recommitting to nuclear deterrent</li> <li>• Supporting increased national resilience</li> </ul>	<ul style="list-style-type: none"> <li>• National Preparedness</li> <li>• Recruiting Partnering Project</li> <li>• Royal Navy training</li> </ul>
 <b>Employability</b>	<ul style="list-style-type: none"> <li>• Reforming employment support</li> <li>• Addressing skills gap</li> <li>• Creating jobs for the UK public</li> </ul>	<ul style="list-style-type: none"> <li>• Employability</li> <li>• Flexible working schemes with DfE</li> </ul>

## Better technology – re-establishing our relationship with hyperscalers



Partnering with **hyperscalers** to **jointly create solutions** to improve and accelerate speed to market



Driving efficiency in delivery and internal processes **reducing costs to serve**



Building tailored solutions around existing contract base and future pipeline to **improve offerings and win rate**



Increasing breadth of services and capabilities Capita can deliver **increasing size of market opportunity**



Reducing Group's **capital expenditure requirements**



Allows us to **move at pace** with operational delivery to customer

Our partner ecosystem






servicenow



Products operational:



## Better technology and delivery – case studies

	CapitaContact	Capita AgentSuite
Solution	 <ul style="list-style-type: none"> <li>• Cloud-based contact centre generative AI solution developed with Amazon Connect</li> </ul>	 <ul style="list-style-type: none"> <li>• Generative AI solution with two components (Agent Assist and Call Sight)</li> <li>• Multiplatform Amazon, Genesys, Avaya, Google etc.</li> </ul>
Benefits seen to date	 <ul style="list-style-type: none"> <li>• First time resolution on complex queries reduced from 7-10 days to 2-3 days</li> <li>• Onboarding time contact centre colleagues reducing by 50%</li> </ul>	 <ul style="list-style-type: none"> <li>• Reduction in average handling time more than 20%</li> <li>• Increase in first time resolution of calls by more than 15%</li> </ul>
H2 plan	 <ul style="list-style-type: none"> <li>• Roll out to more than 30 existing clients in private and public sector</li> </ul>	 <ul style="list-style-type: none"> <li>• Call Sight element of tool to be rolled out to all customers in contact centre business by end of the year</li> </ul>
Looking to the future	 <ul style="list-style-type: none"> <li>• Solution will be standard contact centre option for number of private and public sector tenders going forwards</li> </ul>	 <ul style="list-style-type: none"> <li>• Plan to scale solution across contact centre business</li> </ul>

# Better technology – how technology improves the business model

Generative AI, working with hyperscalers, BCG partnership

## Legacy system:

- Mostly voice services – less differentiation
- People intensive – higher cost with more risk of attrition
- Slower call resolution increases cost
- Lower level of first call resolution = more expensive and reduced customer satisfaction
- Lower barriers to entry
- High sector knowledge from long standing relationships

## Future outlook:

- Omni-channel **modern offerings**
- More innovation, improved customer satisfaction
- More efficient for agents and **better economics**
- Higher level of agent **specialisation and satisfaction**
- **Pay per use** model reduces capital expenditure and risk
- Services **more sticky** aiding revenue growth
- **Increases market opportunity** and competitiveness
- **Higher margin** from efficient service delivery

Early indications show positive results:

More than  
**20%**  
reduction in Average Handling Time (AHT)

**c.25%**  
reduction in post call administration time

**15-30%**  
increase in first time call resolution

Agents more impactful in value chain

## Better company – culture transformation



H1  
Achievements:



2023  
comparative:



Benefits:

**22%**

12-month voluntary  
attrition



**24%**



Improves contract stability and  
delivery to clients while reducing cost

**Designed  
and launched  
leadership playbook**



Empowering our leaders with  
principles, practices, expectations  
and behaviours expected

**30%**

Internal mobility



**19%**



Retaining talent and improving  
engagement

Connecting culture  
to our strategy,  
purpose and vision

Engaging with  
leaders and our  
people

Localised  
initiatives

Embedding  
culture in  
processes

Communicating  
and engaging

**The group is on a  
multi-year cultural  
improvement journey**

## Reminder – Capita investment case



**Strong foundations** to build on – customer base, knowledge and expertise of our people



**Self-sufficient strategy**; funded by efficiency improvements, cash generation and exiting less attractive markets



Significant **cost reduction, efficiencies and margin improvement opportunity across all businesses and especially** in contact centres



More **consistent and strategic, go to market** approach to double down on “**star positions**”, **improve** those with potential and **manage for value** any others



Use of **next-generation technology innovation** provides an opportunity for productivity improvements, better service and to unlock growth



We are better leveraging **partnerships with hyperscalers** to accelerate digital, data and technology transformation



**Medium-term targets:**

**Operating (EBIT) margin:**  
6-8%

**Free cash flow:**  
to become positive from 2025 onwards. Operating cash conversion of 65% to 75%

**Revenue:**  
low - mid single digit % revenue growth p.a.

## Demonstrating momentum against our priorities

### Delivering our strategic priorities for a better Capita

- Delivered 45% improvement in operating margin
- Delivered annualised cost savings of £100m, on track to deliver £160m by June 2025
- Re-established our relationship with hyperscalers to drive product quality
- Developed and launched generative AI solutions including CapitaContact and AgentSuite
- Launched culture transformation programme
- Agreement to sell Capita One from manage for value service lines, expected to complete end of August, net proceeds of c.£180m
- On track to deliver full year operating margin, profit and free cash flow expectations
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# Capita

**Appendix**

## Leading indicators on journey to reaching medium-term targets

Leading indicators	FY23 Performance
Group and divisional overheads as a percentage of revenue	11%
Percentage of overall adjusted revenue from contracts using AI or Generative AI	N/A
Percentage of overall adjusted revenue from contracts which exploit our hyperscaler partnerships	N/A
Customer net promoter score	+16 points
Service delivery KPI performance expressed as a percentage	94% CPS, 82% CE (94% excluding pensions administration)
Employee net promoter score	-4 points
Gender balance of senior management	40% female
Ethnic minority percentage of senior management	14%
Supplier payment percentage within 60 days	99%
Carbon intensity ratio (gross scope 1 and 2 tCO2e per £1m of turnover)	11.2

## Divisional financial performance

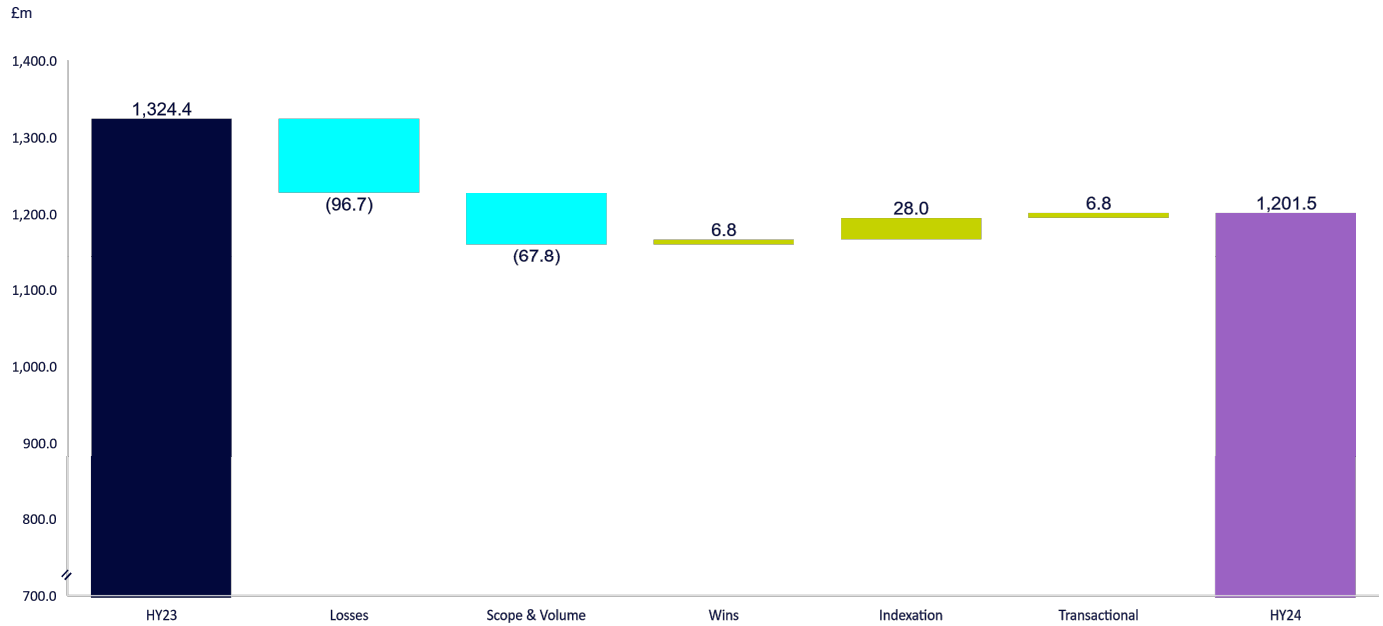
£m	Revenue		Operating profit/(loss)		Operating margin		Operating cash flow	
	HY24	HY23	HY24	HY23	HY24	HY23	HY24	HY23
Capita Public Service	688.5	708.0	47.1	26.2	6.8%	3.7%	49.8	33.7
Capita Experience	513.0	616.4	25.1	39.1	4.9%	6.3%	26.1	28.9
<b>Divisional total</b>	<b>1,201.5</b>	<b>1,324.4</b>	<b>72.2</b>	<b>65.3</b>	<b>6.0%</b>	<b>4.9%</b>	<b>75.9</b>	<b>62.6</b>
Capita plc	-	-	(18.0)	(24.4)	-	-	(24.5)	(33.3)
<b>Group</b>	<b>1,201.5</b>	<b>1,324.4</b>	<b>54.2</b>	<b>40.9</b>	<b>4.5%</b>	<b>3.1%</b>	<b>51.4</b>	<b>29.3</b>

- Capita plc improvement reflects benefit from cost reduction programme

## Re-presented FY23 revenue and operating profit bridges

£m	Previously presented FY23	Capita One	Capita Scaling Partner & Mortgage Services	Re-presented FY23
<b>Revenue</b>				
Capita Public Service	1,458.6	(52.7)		1,405.9
Capita Experience	1,183.5		(7.6)	1,175.9
<b>Group</b>	<b>2,642.1</b>	<b>(52.7)</b>	<b>(7.6)</b>	<b>2,581.8</b>
<b>Operating profit</b>				
Capita Public Service	89.3	(20.8)		68.5
Capita Experience	50.9		4.1	55.0
Capita plc	(33.7)			(33.7)
<b>Group</b>	<b>106.5</b>	<b>(20.8)</b>	<b>4.1</b>	<b>89.8</b>
<b>Group operating margin</b>	<b>4.0%</b>			<b>3.5%</b>
<b>Operating cash flow</b>				
Capita Public Service	107.1	(20.7)		86.4
Capita Experience	32.7		2.4	35.1
Capita plc	(42.4)			(42.4)
<b>Group</b>	<b>97.4</b>	<b>(20.7)</b>	<b>2.4</b>	<b>79.1</b>

# Revenue bridge by driver

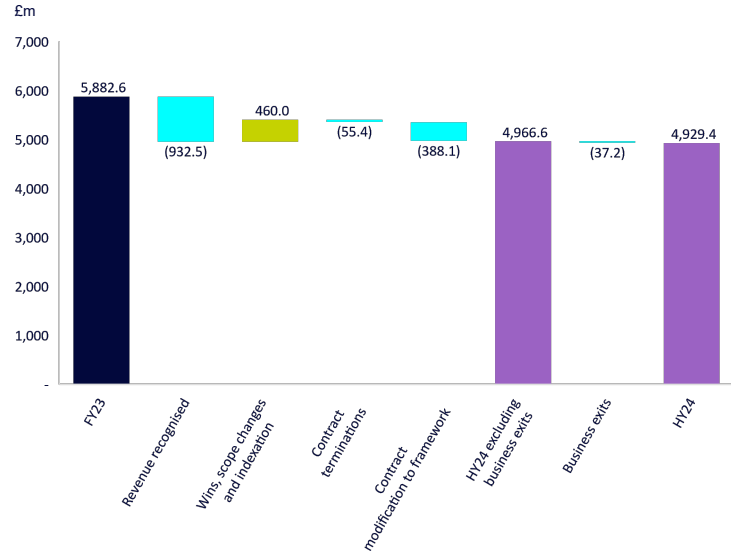


# Order book<sup>1</sup> bridge

## Relevant to approximately 80% of revenue base

- Additions in 2024 include expanded scope on Royal Navy Training contract within Public Service
- Terminations primarily represent a contract exit within our closed book Life & Pensions business
- Two European telecoms contract extensions were framework contracts, which are excluded from the order book. This resulted in a de-recognition from the order book of £388m. These two contracts combined have a total contract value in excess of £400m

1. Order book represents the consideration 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



## 2024 modelling assumptions

<b>Depreciation &amp; amortisation</b>	Reduction on 2023. Total charge c.4% of revenue
<b>P&amp;L interest</b>	Broadly in line with 2023
<b>Working capital</b>	Improved cash conversion in 2024 reflecting step down in deferred income release
<b>Non-cash and other adjustments</b>	Increased outflow in 2024 reflecting forecast unwind of current provisions
<b>Cash tax</b>	Broadly in line with 2023
<b>Net capital lease payments</b>	Continued reduction in 2024 reflecting reduction in property footprint. Interest on lease liabilities included in both P&L and cash interest
<b>Capex</b>	Similar level in 2024 reflecting investment in digital offerings. Total spend: £50m to £60m
<b>Cash interest</b>	Increase in 2024 driven by annualised cash impact of PPN issued in 2023



## Glossary of terms

Term	Definition
<b>Book to bill</b>	This is the ratio of TCV sold in the year / external revenue
<b>Win rate</b>	Win rate is the proportion by value of contracts won as a proportion of those we bid for
<b>Operating cash conversion</b>	Calculated as operating cash flow excluding business exits divided by adjusted EBITDA
<b>Weighted pipeline</b>	The probability of winning an opportunity multiplied by the total TCV of that opportunity