

Software

Software provides application software and other solutions to clients in the local government, emergency services, healthcare, utilities and energy, professional and financial services, and payments sectors.

Adjusted revenue

£246.0m

(2019: £252.1m) -2.4%

Adjusted operating profit

£43.4m

(2019: £50.7m) -14.4%

Following a strategic review of our Software division, we decided to focus on a portfolio of core software capabilities which are better aligned with and support our consulting, transformation and digital business process outsourcing (BPO) services, and the vertical markets of the rest of the Group. We will retain our software assets that are catalysts for growing our other services and plan to dispose of the standalone software products that have little overlap or cross-sell with the rest of Capita.

Our markets and growth drivers

Our existing markets remain the focus. While the payments market is expected to grow by double digits through to 2025, and our payments business is a successful challenger in this high-growth market, the remaining markets are expecting low to mid-single-digit growth in the next five years.

We are focusing on cross-selling opportunities in existing and adjacent markets, and strategic expansion into new markets.

At a macro level, market growth continues to be driven by software's deepening role in every aspect of business and consumer life, which has been further accelerated by the Covid-19 pandemic. The growth of cloud solutions and software as a service (SaaS) continued during 2020 and our investment reflected this shift, as we continued to replatform our core products ahead of segment demand.

Our strategy

Software capability remains critical to Capita. Our vertical market domain expertise and industry class software development capability, ensure we are the differentiating catalyst for Capita's digitally enabled BPO services.

While we will continue to sell direct to market, we will increasingly create microservices and other digital componentry as a powerful enabler of our BPO services. We will also seek opportunities to embed our software and microservices in other third-party software.

We see increasing benefits from our global digital development centre (DDC) in India and the UK, which is now considered a top capability, as evidenced by the Capability Maturity Model Integration Institute's award of a 'maturity level 5' for development and support – an accreditation shared by IBM, Accenture and Deloitte.

We intend to leverage the DDC for the benefit of all of Capita and work is underway to transition to a pan-Capita DDC model, which is expected to drive Group cost savings in addition to the highest standards of software development.

Financial performance

Adjusted revenue in 2020 fell by 2.4% to £246.0m, with go-lives in Secure Solutions and Services, US growth and increased volumes in AMT Sybex, offsetting contracts ending. Covid-19 adversely impacted the volume-driven payments business and delayed pipeline delivery.

Adjusted operating profit decreased by 14.4% to £43.4m, due to an increase in depreciation and amortisation, and increased costs of the DDC. The Covid-related transactional decline also adversely impacted profit.

Adjusted cash from trading operations improved by 21.7% to £58.8m with the reduction in profit more than offset by improvements in contractual working capital, driven by advance billing and lower contract fulfilment asset (CFA) additions in Secure Solutions and Services and AMT Sybex.

Cost and operational excellence

Swift action was taken to protect the business from the impact of Covid-19 and we sustained delivery on 96% of our service-level agreements. Our rapid response strengthened client relationships, with very positive feedback from local government and ambulance services and an increase in our cNPS of 26 points.

Our cost-saving initiatives helped to mitigate amortisation and inflationary cost increases; key programmes included organisational restructure, technology and procurement.

Our investment in standard software tools, developing best practice processes and shortened development cycles allowed us, for example, to develop and embed healthcare decision software within Microsoft's 'Azure Health Bot', allowing healthcare organisations around the world to build and deploy large-scale AI-powered, compliant, conversational healthcare experiences. This is an example of how, by embedding software in third party software, we can distribute at scale and low marginal cost, and we expect to see benefits beginning in 2021.

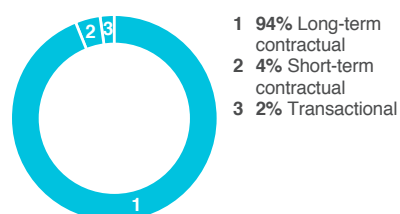
Investing in growth

In 2020, we invested £15m in new product development, and reduced development cycles, and increasingly focused on microservices and digital componentry as a catalyst for pan-Capita digital services.

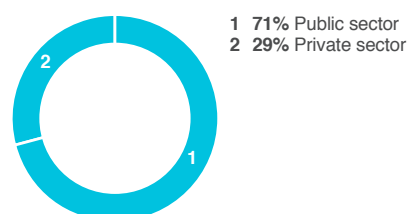
We also used products in new markets; for example, ResponsEye has been assisting social housing organisations with the maintenance of properties.

At 31 December 2020, the total unweighted pipeline was £1,037m, an increase of £252m from February 2020 (post divisional restructure), with £389m of total contract value (TCV) won. The order book at the year end was £510.9m, a decrease of £67.5m, from 31 December 2019. Our renewals rate across all opportunities was 88%, and 98% on those that we bid for.

Adjusted¹ revenue by type (%)



Revenue by market (%)



Financial performance

Divisional financial summary	2020	2019	Change %
Adjusted revenue (£m)	246.0	252.1	(2.4)
Adjusted operating profit (£m)	43.4	50.7	(14.4)
Adjusted operating margin (%)	17.6	20.1	
Adjusted cash from trading operations (£m)	58.8	48.3	21.7
Order book ² (£m)	510.9	578.4	(11.7)

1. Refer to alternative performance measures on pages 204 to 206.

2. Includes £92m for ESS, derecognised upon disposal completion in 2021.

Better
outcomes

We have successfully completed the integration of location finding app, what3words, into our ControlWorks solution. This will enable emergency services – such as police, and fire and rescue services – to respond to incidents when callers are unable to describe their exact location.

Business units

- Local Government
- Healthcare
- Payments
- Resource Management
- Emergency Services
- Utilities, transport and assets

Employees

- 3,500

Client distribution

- UK, India, US and Australasia

Competitors

- Civica
- Northgate
- WorldPay
- Saviom
- Mavenlink
- Frequentis
- Utiligroup
- Global enterprise – SAP, Microsoft, Oracle, Salesforce

Major contract wins and renewals

- £6m, five-year contract with a local city council
- £19m, seven-year, regional NHS contract
- £2m, three-year contract with Royal London
- Renewal worth £4m over two years, with a major UK police force
- Strategic new logo win with Marble for AMT-Sybex

People Solutions

People Solutions provides expert human resources advisory and digitally enabled services to large public and private sector organisations. Areas of expertise include learning, resourcing, pensions and HR outsourcing services business.

Adjusted revenue

£472.0m

(2019: £535.0m) -11.8%

Adjusted operating profit

£52.5m

(2019: £68.9m) -23.8%

We aim to refocus on the parts of these markets that are attractive and where we have an ability to win. During 2020, we sold the sub-scale employee benefits business, which provided flexible benefits and brokerage services, in order to focus our investments on our pensions business, where we have a leading UK market position.

Our markets and growth drivers

People are at the centre of our clients' stated business strategies, creating significant growth opportunities for our business. According to NelsonHall, the HR outsourcing market in the UK is estimated to be worth £7bn and is expected to grow at approximately 3% a year through to 2024.

The key market growth drivers are: (i) our clients' needs for financial sustainability for both themselves and their employees; (ii) a better employee experience; and (iii) the need to have access to skills, whether they are bought, borrowed or built internally, enabling them to be fit for a digital future. Legislation such as IR35 or judgments, such as McCloud and guaranteed minimum pension equalisation, offer continuous opportunities.

Our strategy

The core guiding principle of our divisional transformation journey is client centricity. We aim to retain and grow our existing clients through strong account management discipline. This involves working in partnership with our clients, understanding their issues and needs, increasing service levels, and providing digital solutions alongside data and insights.

Financial performance

Adjusted revenue decreased in 2020 by 11.8% to £472.0m, due to contract losses in learning services; the transition of historic pension contract losses and volumes on frameworks in learning. Covid-19 significantly adversely impacted learning and resourcing volumes.

Adjusted operating profit declined by 23.8% to £52.5m, as revenue decreases and increased investment in the pensions business adversely impacted profit. Cost containment became the focus due to the higher fixed-cost base of learning and resourcing, with Covid-related declines partially offset by savings.

Adjusted cash from trading operations fell by 8.8% to £64.0m, reflecting the decline in profit, which was partially offset by improvements in contractual working capital as a result of CFA balance unwinds and advanced receipts on some contracts.

Cost and operational excellence

We delivered a fast and effective response to Covid-19. The division performs critical processes for clients, including payroll and pension payments as well as recruitment and assessment for the British Army (RPP). We maintained continuity of these critical services by moving 91% of our colleagues to home working and assigning key worker status to others.

In order to serve our clients better, operational excellence and digital transformation are critical. During 2020, despite Covid, we invested in operational excellence tools and processes across our portfolio. This helped us manage a remote workforce, while maintaining a resilient service for our clients. Progressing along an ambitious digital roadmap remains a priority, particularly in our pensions administration business.

We are improving our core products and platforms while working towards standard management information tools across all businesses. We are also strengthening our analytics capability and technological partnerships with key enterprise resource planning providers.

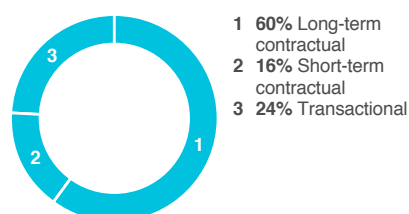
The successful transformation of the RPP contract resulted in a two-year contract extension worth £140m, starting in March 2022.

Investing in growth

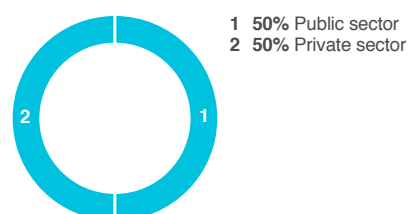
We reorganised our business to align more closely with our clients so that we not only execute on their contracts but also solve their ever-changing challenges.

We invested in the development of our products, mainly the completion of product development for: Security Watchdog and Onboarding; a digital platform for learning; and a CRM system to improve employee experience in HR Solutions. We are also investing in digital remote training capabilities as a result of Covid, and we continued investment in the pensions member experience and the development of Axelos products.

At 31 December 2020, the total unweighted pipeline was £2,039m, an increase of £659m since February 2020, with £736m of TCV won. The order book at the year end was £534.4m, an increase of £37.2m since 31 December 2019. In 2020, client value retention and client renewals increased to 78% and 84% respectively. Our renewals rate across all opportunities was 80%, and 81% on those that we bid for.

Adjusted¹ revenue by type (%)

Revenue by market (%)



Financial performance

Divisional financial summary	2020	2019	Change %
Adjusted revenue (£m)	472.0	535.0	(11.8)
Adjusted operating profit (£m)	52.5	68.9	(23.8)
Adjusted operating margin (%)	11.1	12.9	
Adjusted cash from trading operations (£m)	64.0	70.2	(8.8)
Order book (£m)	534.4	497.2	7.5

1. Refer to alternative performance measures on pages 204 to 206.

Better
outcomes

We signed a contract extension with a major high street bank worth £35m over 18 months. This contract delivers an end-to-end managed learning service which includes supporting our client in learning advisory and consulting, procurement services, data analytics, design and delivery services.

Business units

- Pensions
- Resourcing
- HR Solutions
- Learning
- Recruiting Partnering Project

Employees

- 4,900

Client distribution

- UK, US and Europe

Competitors

- Alexander Mann Solutions
- AON
- Equiniti
- GP Strategies
- Mercer
- Paychex
- Randstad
- Willis Towers Watson

Major contract wins and renewals

- Covid-related wins of £3m
- Renewal worth around £8m over two years with a major financial services organisation
- Extensions to learning contracts in the health and defence sector worth over £29m under a Crown Commercial Services Framework
- Renewal worth £35m over 18 months with a major high street bank
- Expansion and renewal worth £60m over four years with the Teachers' Pension Scheme
- Renewal worth £24m over seven years for a pensions scheme
- Renewal worth £11m over 10 years in the utilities sector
- RPP extension worth £140m over two years

Customer Management

Capita is a leading provider of multi-channel customer engagement services, serving clients in financial services, retail and consumer goods, energy and utilities, telecommunications and media, and government and transport sectors from a mix of locations in Europe, India and South Africa. The division also provides remediation, complaints management and collections services, and serves both regulated and non-regulated customer needs.

Adjusted revenue

£1,139.7m

(2019: £1,150.6m) -0.9%

Adjusted operating profit

£105.9m

(2019: £119.8m) -11.6%

Our approach is to build partnerships based on shared outcomes and value, while continuing to deliver transactional supply where this helps our clients to meet customer demands. The value we bring to our clients is increasingly built around transforming the customer experience through the application of digital services underpinned by data insight and analytics.

Our markets and growth drivers

According to NelsonHall, the UK market is estimated to be worth £4bn a year and is expected to grow at approximately 3% a year through to 2024. We are expecting several key segments to grow above this rate, with financial services, telecommunications and retail expected to grow at 4%, 4% and 6% respectively.

We are the largest provider of customer management services in the UK and Ireland.

Customer experience and digitisation are at the forefront of our clients' strategies, with the Covid-19 pandemic further accelerating these. We expect the biggest impacts in markets such as, telecommunications, online retail and digital entertainment, and increasingly see these setting the standard for both consumer and business-to-business expectations.

Our strategy

We have a differentiated strategy and core-value proposition in our markets; our approach is customer experience-led, tech-enabled and underpinned by contracted commitment to business outcomes. We are building capability to 'make great customer experience happen'. Our commercial model increasingly includes a commitment to client outcomes, such as improvements in the net promoter score, revenue generation, customer acquisition and cost-to-serve.

Financial performance

Adjusted revenue decreased in 2020 by 0.9% to £1,139.7m. Prior year one-offs and contract losses, as well as reduced volumes on telecommunications clients, were broadly offset by contract wins. While Covid adversely impacted scope and volume on contracts with challenged end-markets, we secured a number of Covid-related projects and the majority of revenue was resilient.

Adjusted operating profit fell by (11.6)% to £105.9m, due to the change in revenue mix. Salary inflation, including the impact of the adoption of the real living wage in the UK, and the impairment of contract assets on our mobilcom-debitel contract, adversely impacted profit. The reversal of 2019 one offs also led to the reduction in profit. This was partly offset by Covid-related savings and the ongoing cost-efficiency programme.

Adjusted cash from trading operations improved by 77.6% to £73.0m, with the decline in profit being partially offset by contractual working capital improvements, driven by a reduction in net accrued and deferred income outflows, predominantly due to agreed changes to the timing of invoicing on a telecoms contract and impact of asset impairments on CFA inflows.

Cost and operational excellence

Operational delivery was challenging for both clients and providers, due to the significant change in operating model working practices and the effect of local lockdowns on the global economy throughout 2020. We maintained a high service level to clients throughout, remaining agile and focused on adjusting to the local requirements through our pandemic

planning approach. We accelerated investment in computer equipment, customer experience and digital platforms, such as collaboration tools, chatbots and cloud technologies, which allowed more than 75% of the division to work from home at any one time, including 95% of our employees in India.

We maintained a number of critical services, operating with key workers for banks, telecommunications companies and utilities in a Covid-safe environment throughout 2020. In addition, we set up new services for retailers, governments and charities, including setting up a 1,000+ seat virtual contact centre in 10 days.

Improvements in the sales process, and adoption of the project management tool Evolve, allowed us to mobilise both large and targeted pieces of work, such as in our Covid-related Department for Work and Pensions (DWP) and NHS support work, in short timescales, and we have had no significant issues on recent wins.

We delivered cost improvements in 2020, particularly from efficiency gains and operating model initiatives, technology updates and procurement.

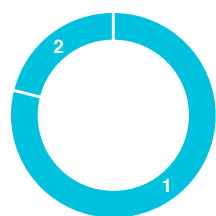
The transformation phase of our mobilcom-debitel contract is now complete, and therefore reached the inflection point during the year. There are still a number of opportunities yet to be delivered which remain key to the future lifetime profitability.

Our closed-book life insurance administration business is in structural decline, as books run off. Some customers, such as the recent partial Phoenix exit, are switching to suppliers who can provide a single digital platform for all their life books, and we are working with them to ensure a smooth transition. We continue to focus on our regulated businesses and growth areas in insurance, finance, pensions and mortgages.

Investing in growth

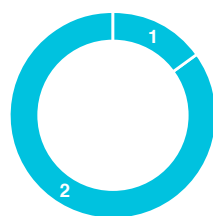
We continue to upgrade our infrastructure and tools, including in our analytics capability which increasingly allows real-time monitoring of our business and provides insights to our clients on their customers' behaviours and preferences.

At 31 December 2020, the total unweighted pipeline was £4,206m, a decrease of £1,511m since February 2020, with £586m of TCV won. The decrease was driven by pipeline opportunity refinement and, when a consistent definition is applied throughout the period, the pipeline has increased. The order book at the year end was £2,134.7m, a decrease of £625.8m since 31 December 2019. Our renewals rate across all opportunities was 82%, and 83% on those that we bid for.

Adjusted¹ revenue by type (%)

- 1 79% Long-term contractual
- 2 21% Short-term contractual

Revenue by market (%)



- 1 15% Public sector
- 2 85% Private sector

Financial performance

Divisional financial summary	2020	2019	Change %
Adjusted revenue (£m)	1,139.7	1,150.6	(0.9)
Adjusted operating profit (£m)	105.9	119.8	(11.6)
Adjusted operating margin (%)	9.3	10.4	
Adjusted cash from trading operations (£m)	73.0	41.1	77.6
Order book (£m)	2,134.7	2,760.5	(22.7)

1. Refer to alternative performance measures on pages 204 to 206.

Better
outcomes

We signed a contract with Irish Water, worth €10m a year, over five years, to deliver the transformation and operation of its customer contact centre services. **Under the contract, we will transform customer management support services for Irish Water's customers with a range of new software and digital capabilities.**

Business units

- Regulated Services
- Customer Management UK
- Customer Services Ireland (CCS)
- Europe
- Global delivery centres

Employees

- 31,300

Client distribution

- UK, Ireland, Germany and Switzerland

Competitors

- Atento
- Teleperformance
- Webhelp
- Accenture
- Convergys
- TTech
- Sykes
- First Source
- In-sourcing trend

Major contract wins and renewals

- Covid-related wins of £37m
- £33m over three years with a UK retail bank
- €50m over five years with Irish Water with an option to extend for two years worth €17m
- Renewal worth £114m over two years with a major European telecoms provider
- Expansion of an existing contract worth £24m over one year

Government Services

Capita is the UK Government's largest partner in the application of digital transformation to improve the productivity of government operations and the citizen experience of public services. We do this in a socially responsible way to make public services better for citizens and government employees, and to help our clients to release resources so that they can be deployed back into frontline service priorities.

Adjusted revenue

£723.8m

(2019: £793.4m) -8.8%

Adjusted operating profit

£17.1m

(2019: £51.8m) -67.0%

We believe that quality public services, innovatively designed and powered by technology, are critical to delivering safer, greener and healthier communities that support everyone, including society's most vulnerable.

Our markets and growth drivers

According to NelsonHall, the UK Government market is expected to grow at approximately 3% a year to 2024. We expect a significant increase in central government spending over the next few years, particularly in infrastructure and digital delivery, while local government is likely to need more cost-effective service delivery, due to shortfalls in their sources of income.

Capita is the fifth largest strategic supplier to central and local government in the UK, according to Tusnell, and the largest provider in the business process and technology-enabled services segments, which leverage both skilled people and technology. Within this, we have leading positions in several focused sectors where we have deep, proven experience and expertise, including education, health, transport, defence, justice, central and local government.

The UK Government has also introduced its outsourcing playbook, to provide a greater degree of collaboration with its suppliers and fairer returns, reshaping contracts at renewal, and is awarding new work under this framework. Local government markets have seen significant reshaping of the landscape, away from general outsourcing to targeted capabilities.

Our strategy

Our strategy is to: focus our business around core market sectors where we have strong positions; offer a refined set of value propositions developed by enabling our people with a defined stack of underlying, replicable digital products and capabilities; invest in a full-lifecycle digital transformation capability; and focus on excellence in our consulting, transformation and operational service delivery performance.

Financial performance

Adjusted revenue decreased in 2020 by 8.8% to £723.8m, mainly as a result of prior-year contract losses in local government and defence infrastructure organisation, partly offset by new business such as the Ministry of Defence's fire and rescue project (DFRP) contract. Covid-19 impacted transactional and volume revenue; however, this was partly offset by Covid-related projects in health and welfare.

Adjusted operating profit fell by 78.6% to £11.1m due to the impact of contract losses, and DFRP adversely impacted profit due to the one-off initial loss. Transformation delays on contracts and bid costs relating to contract wins further reduced profit. The impact of Covid-19 was offset by cash preservation actions.

Adjusted cash from trading operations significantly improved to £5.3m as the decline in profit relates predominantly to the 2019 contract handbacks that were non cash-backed.

Operational excellence

We continued to execute on client delivery across government, and received positive feedback from clients in all verticals, despite the external, Covid-driven challenges including 70% of the division servicing the contracts from home. Throughout the year, we successfully reduced the number of legacy problem major programmes to two. The GP payment and pensions element of the Primary Care Support England PCSE and Electronic Monitoring Service (EMS) contracts transformation have incurred additional cost due to poor quality and delays exacerbated by Covid but significant progress was made on both and we expect them to be substantially complete in early 2021. We expect the contracts to reach the inflection point in 2021

and 2022 respectively. Inability to achieve key milestones could lead to reduced contract profitability and a risk of impairment of the associated contract assets. Since 2018, the major contracts within the division have moved to an overall cash inflow from an overall cash loss, demonstrating the progress made to date.

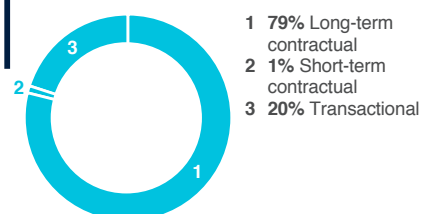
Operational excellence continues to be the driving force for savings in the division, generating cost savings of £15m by taking out overhead costs and improving the operating model. We continue to work towards a more agile service structure based on leveraging best practice between our chosen verticals.

While the legacy contract base caused some challenges, which were exacerbated by Covid-19, recent contracts progressed well and in line with expectations. DFRP's strong start to service and programme delivery along with the establishment of a truly collaborative relationship led to the transfer to Capita of additional service delivery responsibilities. The ultra-low emission zone contract (ULEZ) with Transport for London (TfL) is also progressing well towards the scheme go-live in October 2021.

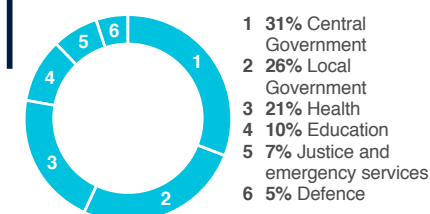
Investing in growth

We continue to innovate and launched two new digital business process as a service (BPaaS) platforms, Grantis and Resolvis, which are successfully delivering for their first customers in central and local government.

At 31 December 2020, the total unweighted pipeline was £8,516m (including the £0.9bn Royal Navy training contract won in early 2021), an increase of £1,743m since February 2020, with £838m of TCV won. The order book at the year end was £2,057.0m, a decrease of £119.7m since 31 December 2019. Pipeline growth has been generated by TCV increases on existing opportunities, such as from changes in contractual arrangements, and a number of large FY21 onwards opportunities. Our renewals rate across all opportunities was 100%, and 100% on those that we bid for.

Adjusted¹ revenue by type (%)

Revenue by market (%)



Financial performance

Divisional financial summary	2020	2019	Change %
Adjusted revenue (£m)	723.8	793.4	(8.8)
Adjusted operating profit (£m)	11.1	51.8	(78.6)
Adjusted operating margin (%)	1.5	6.5	
Adjusted cash from trading ops (£m)	5.3	(19.7)	126.9
Order book (£m)	2,057.0	2,176.7	(5.5)

1. Refer to alternative performance measures on pages 204 to 206.

Better
outcomes

We delivered the first 54 new firefighting vehicles as part of the company's 12-year DFRP contract. This includes 19 high reach extendable turret strikers and 28 multi-purpose response vehicles – both providing state of the art firefighting technology. The arrival of these appliances is a key milestone in Capita's work to manage and modernise the Ministry of Defence's fire and rescue capability.

Business units

- Defence and security
- Local government
- Justice and central government
- Education
- Transport
- Health and welfare

Employees

- 8,600

Client distribution

- UK

Competitors

- BT
- Atos
- CapGemini
- DXC
- Sopra Steria
- IBM
- TCS
- Serco
- Agilisys
- Mitie
- G4S

Major contract wins and renewals

- Covid-related work of £56m (with service delivery often being provided across Capita)
- Renewal of electronic monitoring worth £114m over three years
- Extension of a local authority contract worth £13m over four years
- Extension and expansion with TfL ending October 2026 worth £355m
- Expansion of DFRP contract worth £67m over ten years

Technology Solutions

Capita is a top-10 service provider of digital IT and connectivity solutions in the UK, focused on the mid-sized enterprise market. We consult, transform and deliver digital solutions to help businesses improve, realise their digital strategies and provide better business outcomes.

Adjusted revenue

£385.0m

(2019: £449.9m) -14.4%

Adjusted operating profit

£34.9m

(2019: £58.0m) -39.8%

We have strategic partnerships with leading global IT vendors, have invested in our portfolio of hosted platforms and operate our own UK-wide network and data centres. Technology Solutions is also responsible for the delivery of IT services and support within the Capita Group.

Our markets and growth drivers

Technology Solutions operates in a broad and fast-changing market. The division is targeting growth in its digital business solutions, platform and cyber segments. These are the fastest growing verticals of the market at an annual rate of approximately 15% from 2019 to 2023 (TechMarketView). Cloud, cyber and automation demand have been further accelerated by the Covid-19 pandemic.

Capita is the UK's largest software and IT services supplier by revenue. Clients depend on our technology to provide high-value, mission-critical services to their customers and users. We are a trusted partner to deliver critical national infrastructure and IT transformation projects, with clients increasingly relying on our technology to extract valuable insights from their data and deliver outstanding customer experience.

Our strategy

Our strategy is to create innovative technology solutions, underpinned by a comprehensive range of services which address the needs of our enterprise clients. Our areas of expertise include: technology consultancy; digital business solutions; platform management; cyber security; digital workplace; and digital connectivity.

We are developing repeatable propositions to meet our clients' needs, with a focus on creating improved customer experience and expanding our client base. We have already started to increase the standardisation, robustness and security of the platforms and processes that underpin our products.

We are also continuing to simplify technology operations, platforms, products and suppliers to generate efficiency savings, strengthen our capabilities, and ultimately deliver greater value to our clients.

Financial performance

Adjusted revenue decreased by 14.4% to £385.0m, due to known contract losses, including BAE Systems, and reduced volumes across a range of contracts. The negative impact of Covid-19 on our transactional and volume-based businesses was partly offset by Covid wins across IT services and intelligent communications.

Adjusted operating profit decreased by 39.8% to £34.9m, due to the above contract losses and reduced volumes, which were only partially offset by cost savings. Cost increases and additional depreciation from completed infrastructure projects also adversely impacted profit. The effect of Covid-19 was almost offset by cash preservation actions.

Adjusted cash from trading operations improved by 40.4% to £72.0m with the reduction in profit more than offset by improvements in contractual working capital, driven by accrued and deferred income inflows from the phasing variations and billing improvements, partially offset by an outflow from increased CFAs largely on networks.

Cost and operational excellence

Technology Solutions was at the forefront of Capita's response to Covid-19. It was responsible for the Group's successful move to remote working with provision of equipment and connectivity for 85% of colleagues, which was only possible due to the investment to date as part of the transformation.

Covid-19 has accelerated the transformation of our working practices, with more than 69% of the division working remotely with no detriment to our operational KPIs. We provided an agile

response to client demands and enabled them to continue operating successfully, with very positive feedback from both the private and public sector.

Cost savings were driven mainly by technology, although organisational structure and operational improvement initiatives also generated benefits.

Our main strategic programme has the key purpose of improving the business resilience of hosting, security posture, service quality and ultimately customer experience. During 2020, the programme continued to build capability and successfully migrate our clients from legacy systems to secure Azure or Nuvem hybrid hosting. This helped remove complexity and the limitations of legacy infrastructure, while generating growth opportunities by providing Capita's secure and accredited hosting solution for new digital growth, and helping mitigate the risk of cyber attacks.

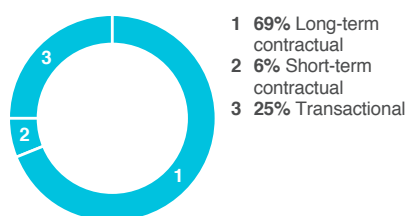
In recent Whitelane research, we received the highest percentage improvement for customer satisfaction against UK end-user computing competitors. This rewards a continuous, multiple-year improvement programme to deliver high-quality and resilient solutions to our clients and customers.

Investing in growth

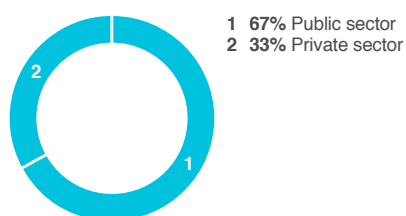
We invested in our ongoing data centre consolidation and cloud migration programme. We are investing in the development of our fast, digital IT propositions – in cloud, cyber security and automation. These core digital offerings are increasingly in demand as the market adapts to new ways of working.

We will continue to strengthen our partnerships with key technology providers, combining our consulting and delivery expertise with their technologies. Our partnerships with UiPath and Microsoft are working well, gaining a strong reputation for delivering UiPath implementations, and we achieved the Azure advanced specialisation accreditation in windows and SQL migration.

At 31 December 2020, the total unweighted pipeline was £2,027m, an increase of £64m since February 2020, with £332m of TCV won. The order book at the year end was £370.2m, a decrease of £19.5m since 31 December 2019. Our renewals rate across all opportunities was 66%, and 75% on those that we bid for.

Adjusted¹ revenue by type (%)

Revenue by market (%)



Financial performance

Divisional financial summary	2020	2019	Change %
Adjusted revenue (£m)	385.0	449.9	(14.4)
Adjusted operating profit (£m)	34.9	58.0	(39.8)
Adjusted operating margin (%)	9.1	12.9	
Adjusted cash from trading ops (£m)	72.0	51.3	40.4
Order book (£m)	370.2	389.7	(5.0)

1. Refer to alternative performance measures on pages 204 to 206.

Better
outcomes

We secured a three-year contract with major port group, PD Ports Ltd (PD Ports), to implement a managed security operations centre (SOC) and security information and event management cyber security solution. The Capita-managed SOC will support PD Ports' entire IT infrastructure, including two data centres, at 13 ports as well as warehousing and container facilities along the east coast of the UK.

Business units

- IT Services
- Network Services
- Trustmarque
- Intelligent communications

Employees

- 3,500

Client distribution

- UK and Ireland

Competitors

- Adept
- BT
- Atos
- KCOM
- CapGemini
- Computa centre
- Fujitsu
- DXC
- Sopra Steria
- IBM
- Accenture
- Wipro Limited
- Softcat plc

Major contract wins
and renewals

- 17 renewals of SWAN contract valued at £11m
- £8m over five years with Cheshire East Council
- One-year extension worth £3m with the Department of Justice and Equality
- £3m three-year contract with UK government's Border Force

Specialist Services

Specialist Services is a portfolio of businesses delivering a range of service offerings including travel, enforcement, insurance, real estate and infrastructure.

Adjusted revenue

£196.5m

(2019: £295.6m) -33.5%

Adjusted operating profit

£(4.4)m

(2019: £44.3m) -109.9%

The division is comprised of businesses which are not within Capita's growth markets. These businesses are actively managed on a portfolio basis in order to maximise value.

Our markets and growth drivers

Specialist Services includes a range of businesses serving public and private clients across multiple vertical sectors, which are generally mature.

We enjoy strong market positions in many of the verticals sectors, with strong brands and positive client perception of our services.

Our strategy

Due to the varied nature of the activities in the division, each Specialist Services business has its own strategy, uniquely tailored to their service offerings and the needs of their clients. The focus across the portfolio is on adding new name business, operational excellence and cost optimisation.

The strategy remains to prepare earmarked businesses for disposal, although the originally envisaged timetable has been impacted by Covid-19.

Financial performance

In 2020, adjusted revenue fell by 33.5% to £196.5m, due to contract losses, as a result of a combination of conscious exits and projects coming to an end, which were only partially offset by contract wins and new transactional revenue streams. Covid severely affected end-markets such as travel and enforcement. Due to the transactional nature of the divisions, with the exception of insurance, Page One, and translation and interpretation, most businesses saw a downturn in revenue.

Adjusted operating profit became a loss of £4.4m as the contract losses adversely impacted profit; these were partially offset by cost savings across all work streams. The fall in transactional revenue caused by Covid was only partially offset by furlough support and discretionary spend savings.

Adjusted cash from trading operations decreased by 78.6% to £9.3m. This was due to a significant contractual working capital inflow, as a result of lower operational volumes, this benefit will unwind when business recovers.

Cost and operational excellence

We rapidly responded to Covid-19 and maintained service levels where possible throughout the pandemic, with around 77% of staff working from home. In those businesses whose end-markets were most affected by Covid-19, we reduced service levels and, took decisive action to cut costs; however, we were unable to cut too deeply in order to ensure a timely recovery. Where possible, we restructured and rationalised to achieve a long-term reduction in our fixed cost-base, including reducing our physical property footprint by almost half.

We expect Covid-19 to have a prolonged impact on several of the division's businesses and we reviewed their long-term operating models to ensure they are fit for the future. Additional savings were generated through automation, procurement and technology.

We strengthened the existing partnership between our insurance business and Artificial, which we established through the Capita Scaling Partner relationship. By bringing together our extensive insurance industry knowledge, compliance expertise and resource, with best-in-class technology we are able to offer clients in the Lloyd's of London Market an end-to-end solution that provides expertise and consultancy across the full insurance lifecycle. The relationship was started in response to a market need for digital solutions to augment existing processing capability for insurers. Covid has exacerbated this need and, through our partnership, we are proactively addressing the changing needs of our clients

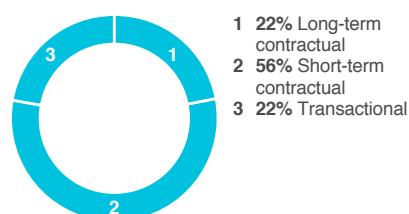
Investing in growth

During the year, investment was targeted to preserve cash during the pandemic, with the focus of investment remaining on strengthening security and compliance, as well as developing cloud capabilities.

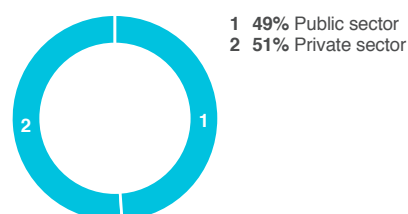
Our translation and interpreting business applied innovation to strengthen their technology platforms adding new features that enabled them to increase their support to the NHS and police throughout the pandemic, for example interpretation services via Zoom or MS Teams using their SmartMate and LiveLINK platforms.

At 31 December 2020, the total unweighted pipeline was £389m, a decrease of £255m since February 2020, with £182m of TCV won. The order book at the year end was £234.2m, a decrease of £72.4m since 31 December 2019. Due to the transactional nature of the division, the order book is not considered a suitable metric for growth.

Despite the pandemic we have added a number of new names across the division throughout the year including London Fire, NHS24 (Scotland), London Borough of Hackney, M&S and Sopra Steria.

Adjusted¹ revenue by type (%)

Revenue by market (%)



Financial performance

Divisional financial summary	2020	2019	Change %
Adjusted revenue (£m)	196.5	295.6	(33.5)
Adjusted operating profit (£m)	(4.4)	44.3	(109.9)
Adjusted operating margin (%)	(2.2)	15.0	
Adjusted cash from trading ops (£m)	9.3	43.5	(78.6)
Order book (£m)	234.2	306.6	(23.6)

1. Refer to alternative performance measures on pages 204 to 206.

Better
outcomes

It has been a challenging year for the travel and hospitality industry. However, the need for organisations to consider managed corporate travel, meetings and events programmes has never been more important, with the health and safety of employee's top of the agenda. Capita's Travel and Events business has seen the highest number of new business wins in the last four years as organisations seek more comprehensive solutions, onboarding 25 new customers with a win rate of 87%.

Business units

- Travel & Events
- Evolvi
- Insurance Services
- Real Estate and Infrastructure
- GL Hearn
- Page One
- Tascor
- Optima
- Translation and Interpreting

Employees

- 2,900

Client distribution

- UK

Major contract wins and renewals

- Multiple contracts with Highways England in Real Estate and Infrastructure with a TCV of £12m
- Local authority renewal in Enforcement with a £3m TCV
- FloodRE extension worth £2m
- London Borough of Hackney win with Enforcement worth a potential £5m+ TCV