

CAPITA

Capita plc

Half-year results 2019

1 August 2019

Simplify

Strengthen

Succeed

Agenda



1. Summary

Jon Lewis, CEO



2. Financial results

Patrick Butcher, CFO



3. Transformation update and divisional review

Jon Lewis, CEO



4. Summary & Questions

Disclaimer

This half year results announcement 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 trading update save as would arise under English law. Statements contained in this trading 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, beliefs, opinions or statements concerning risks and uncertainties, including statements with respect to Capita's business, financial condition and results of operations. Those statements and statements which contain the words "anticipate", "believe", "intend", "estimate", "expect" and words of similar meaning, reflect Capita's Directors' beliefs and expectations and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and which may cause results and developments to differ materially from those expressed or implied by those statements and forecasts.

No representation is made that any of those 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 trading update. Capita undertakes no obligation to release any update of, or revisions to, any forward-looking statements, opinions (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.

Nothing in this document is intended to constitute an invitation or inducement to engage in investment activity. This document does not constitute or form part of any offer for sale or subscription of, or any solicitation of any offer to purchase or subscribe for, any securities nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on in connection with, any contract, commitment or investment decision in relation thereto. This document does not constitute a recommendation regarding any securities.

Summary

2019 half-year results in line with our expectations

- Revenue £1,852m and profit before tax* £126m; order intake £830m and order book £6.7bn

2019 full-year guidance maintained

- Profit before tax* expected to be between £265m and £295m
- On plan to deliver cumulative cost competitiveness savings of £175m by end 2019
- £525m Defence Fire & Rescue Project and £145m DWP PIP extension wins in Q3

2020 targets reiterated

- Achieve double digit operating profit margins*
- At least £200m of sustainable free cash flow**

Capita's transformation is on track

- Second year of multi-year transformation
- Investment in people yielding benefits - reduced employee turnover and higher employee satisfaction
- Corporate governance strengthened, with two employee directors appointed to our Board
- Further progress made on improving the performance of our contracts
- Strengthened client relationships
- Increased investment in growth, systems and digital capability
- Foundations for growth now in place

Transformation recap: our plan is to do fewer things, better



Simplify

- Focus on strong positions with growth potential
- Align organisation around growth markets
- Use common, scalable capabilities
- Streamline cost base



Strengthen

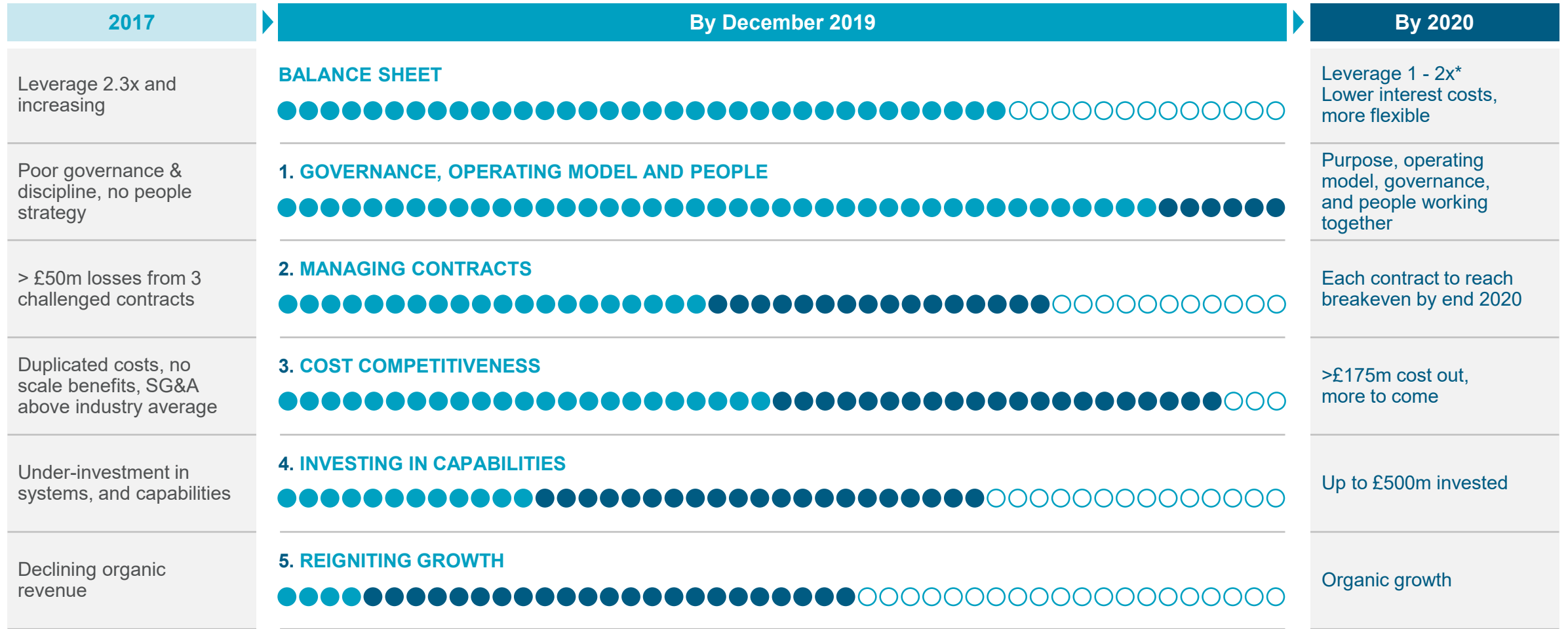
- Strengthen leadership and governance
- Up to £500m investment in asset base, technology and people
- Win more of the right work
- Deleverage balance sheet



Succeed

- Focus on digitally-enabled services and software
- More predictable business, lower risk
- At least £200m of sustainable free cash flow in 2020*

Transformation programme: the plan for 2019



Financial results



Patrick Butcher

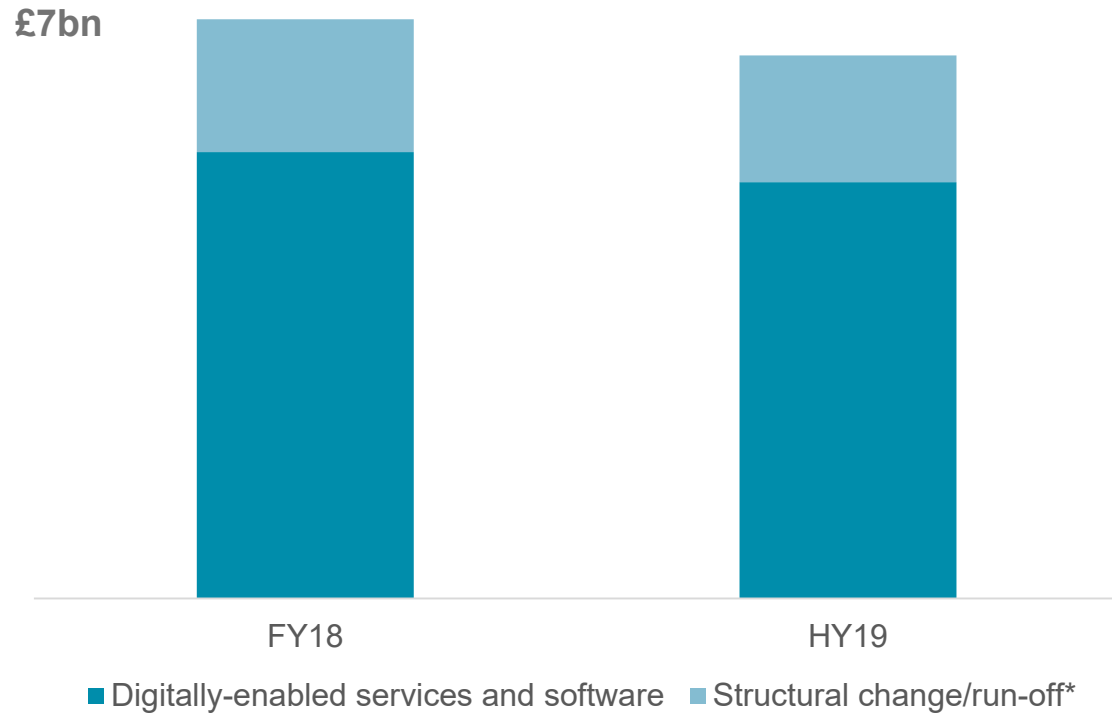
Financial overview

All figures included within this presentation are on an adjusted basis unless otherwise stated. To enable comparability year on year, all slides are presented pre-IFRS 16. Analysis of post-IFRS 16 results provided in appendix.

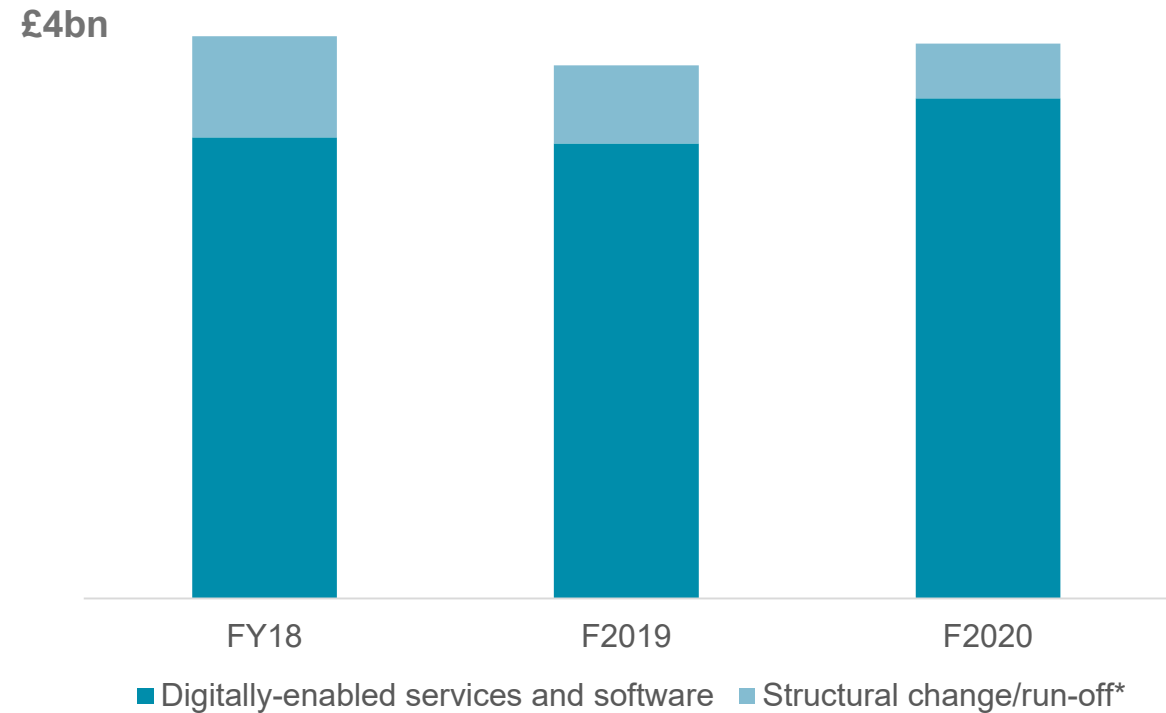
Key financial metrics	£m HY19	£m HY18	% Change
Revenue	1,851.6	1,976.8	(6.3)
Operating profit	142.1	158.4	(10.3)
Operating profit margin	7.7%	8.0%	-
Interest	(15.4)	(27.6)	(44.2)
Profit before tax	126.1	130.8	(3.6)
Earnings per share (p)	5.86	10.22	(42.6)
Free cash flow	(20.2)	(109.0)	(81.5)
EBITDA*	402.8	465.3	(13.4)
Net debt*	(666.0)	(729.5)	(8.7)
Net debt/EBITDA*	1.7x	1.6x	-

Revenue stabilising

Capita's Order Book

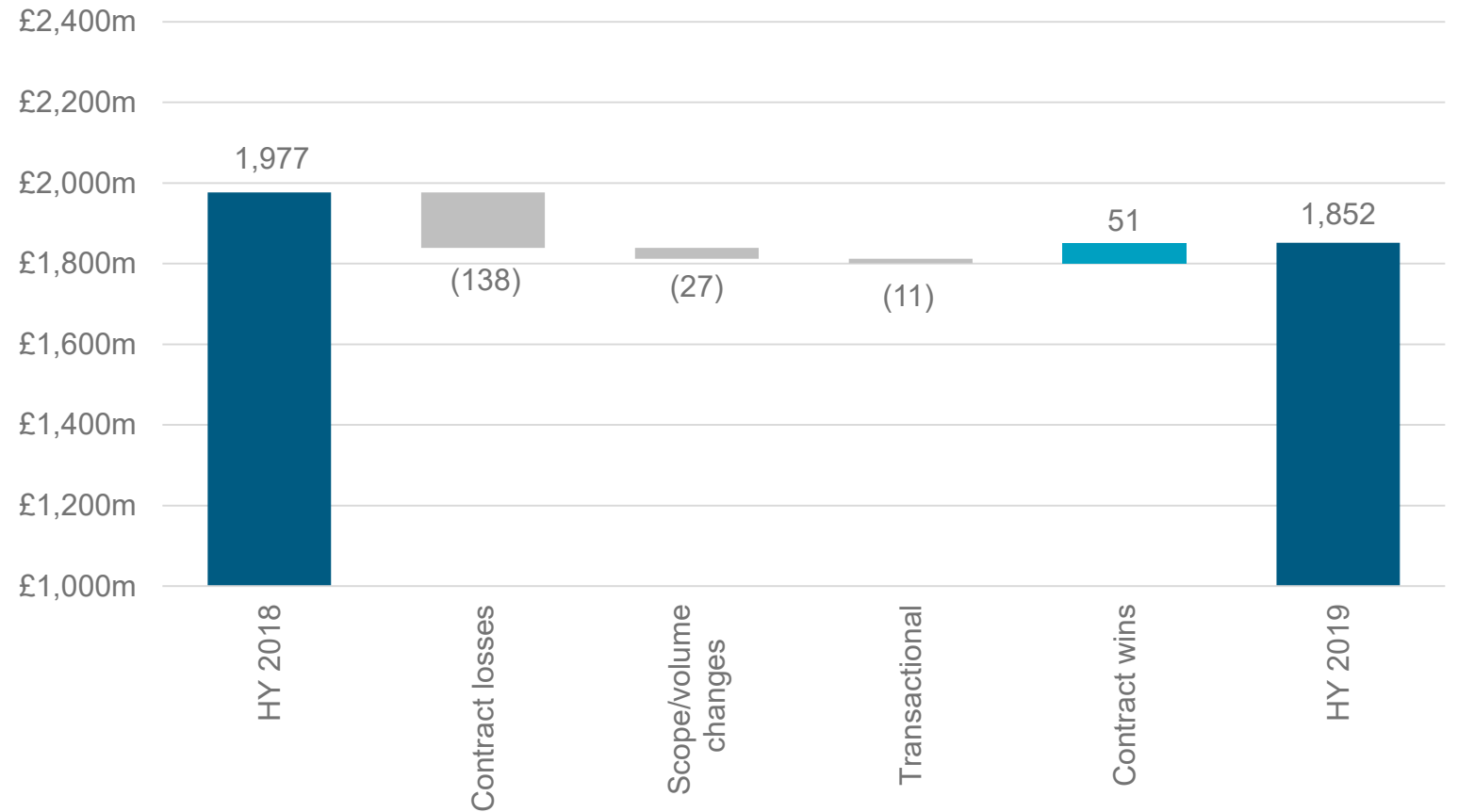


Revenue



Change in revenue

- Contract losses:
 - Chose not to rebid – Tascor Escorting & Detention
 - Terminated early – Prudential and Marsh
- Reduction in volume and scope changes from Specialist and Networks partly offset by growth within Smart Metering
- Contract wins including TfL within IT&N and Government Services



Change in revenue by division

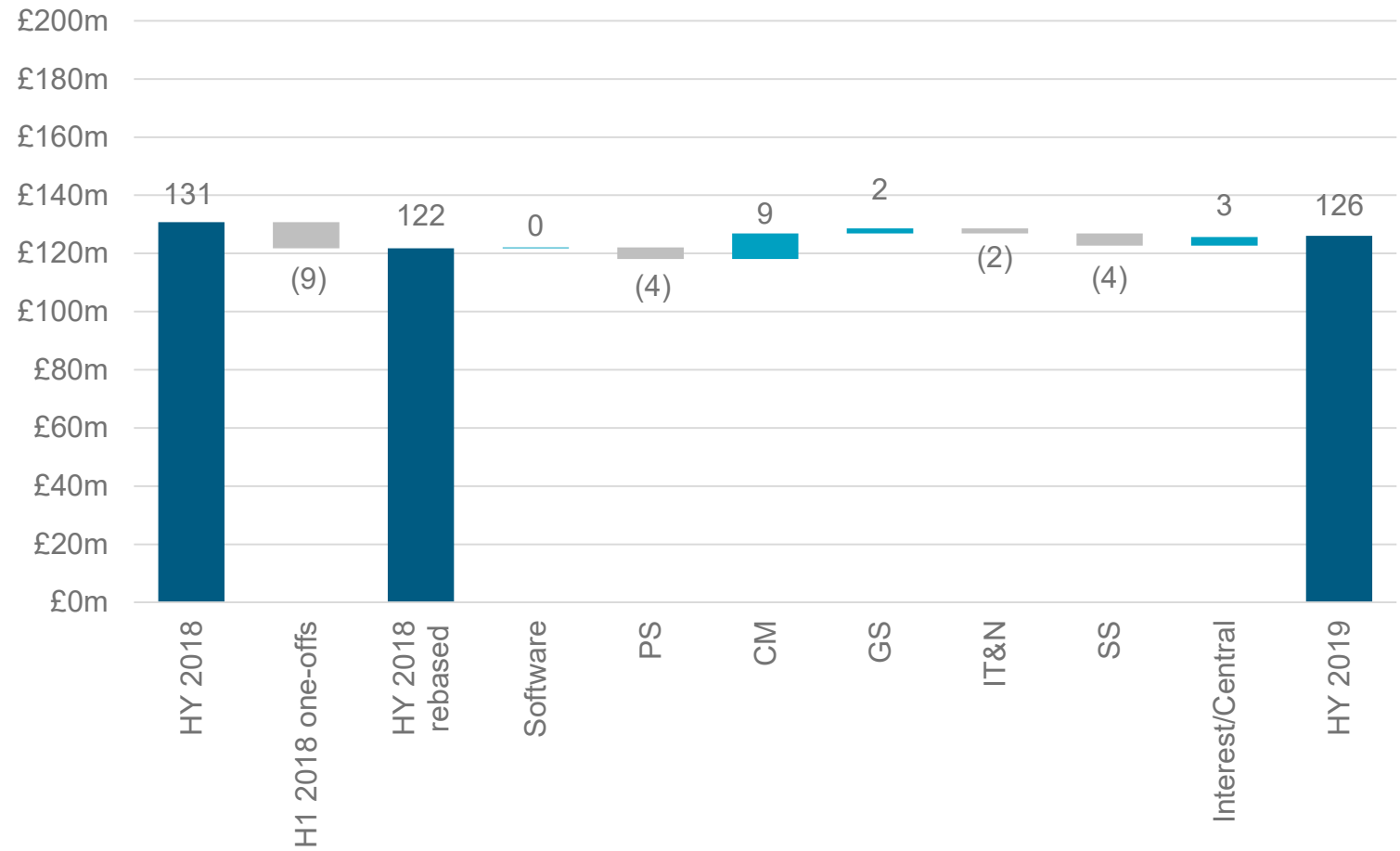
- Reduction in Software due to a large active licence coming to an end
- Stable overall performance in People during a period of transformation, CL1 exit offset by other revenue wins
- Customer Management revenues reflect some terminations and lower business volumes in certain retail customers
- Loss of Tascor E&D offset by growth within Smart Metering in Government Services
- Specialist impacted by Marsh and Pru terminations in 2018
- Further losses expected in second half in Local Government and Life Insurance

	Revenue £m		Change %
	HY19	HY18	
Software	192.3	200.5	(4.1)
People Solutions	253.4	252.5	0.4
Customer Management	399.2	404.6	(1.3)
Government Services	413.6	407.9	1.4
IT & Networks	213.5	213.4	0.0
Specialist Services	376.1	493.2	(23.7)
Central	3.5	4.7	(25.5)
Total	1,851.6	1,976.8	(6.3)

Movements in profit before tax by division

PBT

- One-off gains in 2018, Marsh £9m
- Software: lower revenue and investment in new sales capability offset by cost reduction
- People Solutions: lower volumes from public sector resourcing and investment in new capability
- Customer Management: operational efficiencies and reduced losses on mobilcom-debitel
- Government Services: Reduced losses on PCSE
- Specialist Services: Loss in trading from Prudential offset by cost reduction
- Other: reduction in interest costs offset by functional investments



Divisional financial performance

	Profit £m		Margin %	
	HY19	HY18	HY19	HY18
Software	49.2	48.8	25.6	24.3
People Solutions	12.5	16.4	4.9	6.5
Customer Management	26.0	17.2	6.5	4.3
Government Services	20.4	18.6	4.9	4.6
IT & Networks	23.8	25.5	11.1	11.9
Specialist Services	67.7	81.1	18.0	16.4
Central	(57.5)	(49.2)	-	-
EBIT	142.1	158.4	7.7	8.0
Interest	(15.4)	(27.6)	-	-
Share of (loss) in associates	(0.6)	-	-	-
PBT	126.1	130.8	6.8	6.6

Free cash flow

Working capital outflow £130m

- Deferred and accrued income and trade receivables reflects the net impact of advanced billing in Software and IT&N, offset by reduced deferred income on Local and Central Government contracts due to the timing of milestone payments on transformation contracts and customer hand-backs
- Movement in trade payables reflect investment made in improving supplier payment terms and payment timing differences at period end
- Other movements in working capital reflect timing differences on VAT and a reduction in CFA's

Net capex investment of £64m

£m	HY19	HY18
EBITDA	186.7	199.8
Working capital	(129.8)	(257.4)
Normalisation of period end cash management (including non-recourse receivables financing)	-	(146.0)
Deferred and accrued income, and trade receivables	(100.8)	(92.5)
Trade payables, accruals and prepayments	(19.9)	17.7
Other movements in working capital	(9.1)	(36.6)
Interest	(13.6)	(16.7)
Taxation	(2.2)	14.8
Net capex	(64.3)	(55.5)
Provisions / Other non-cash movements	3.0	6.0
Adjusted free cash flow	(20.2)	(109.0)

Capital expenditure: continued investment

Invested £64m HY 2019

- Ongoing upgrade of core functional reporting systems
 - Finance, HR and sales
- Maintenance investment decreases by £25m
 - Foundational investment in 2018 not repeated in H1 2019
- Growth driven by Software
 - Investment in new propositions and enhancing existing, successful offerings

Net capital expenditure	£m HY19	£m HY18
Capability/efficiency/productivity	34	11
Maintenance	15	40
Growth	15	4
Total	64	55

Free cash flow to net debt

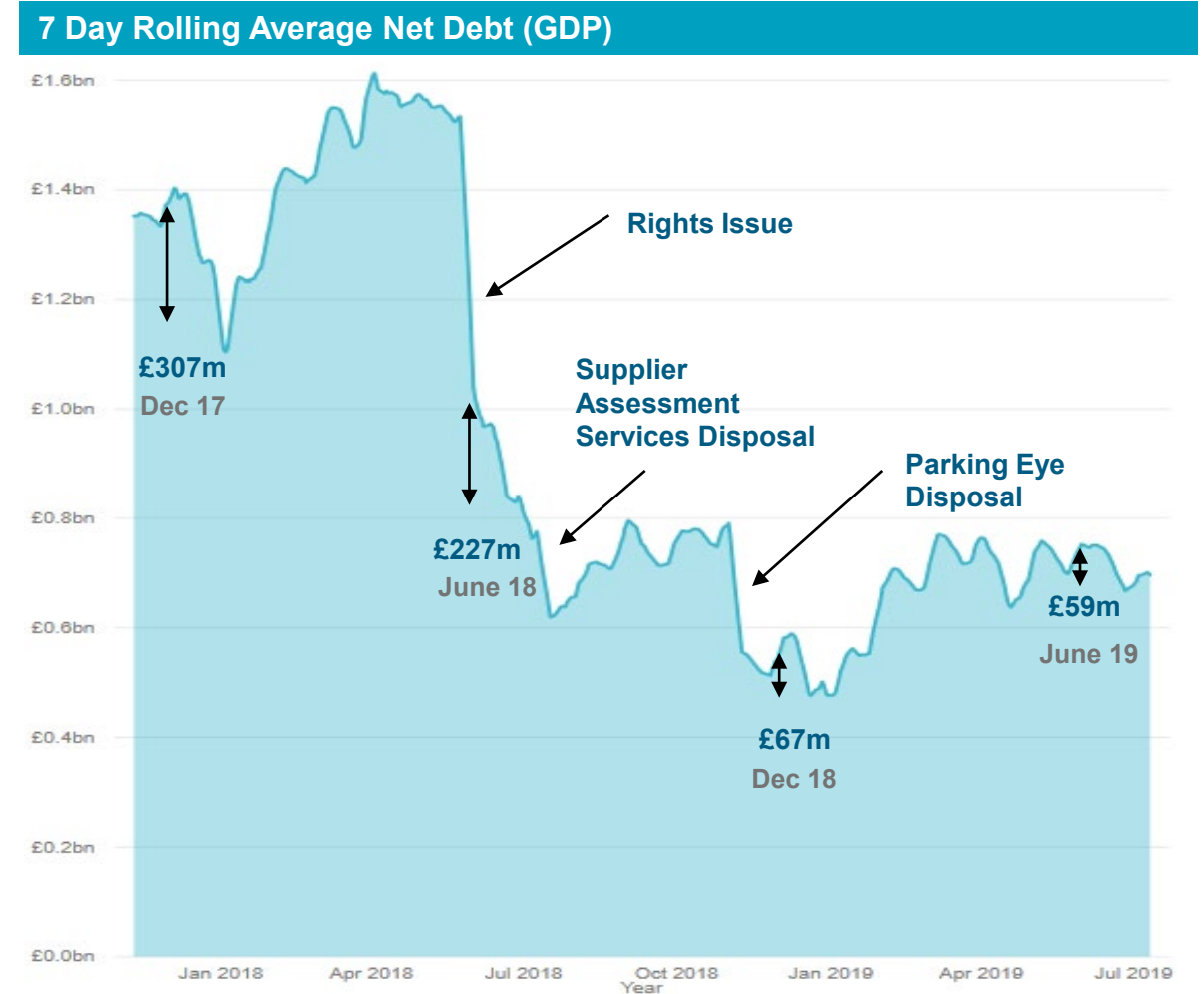
- Restructuring costs £58m including professional fees
- Pension deficit cash payment £57m, second year of 2017 actuarial valuation settlement
- Repayment of £100m term loan

£m	HY19	HY18
Adjusted free cash flow	(20.2)	(109.0)
Known commitments:		
Restructuring	(57.7)	(37.3)
Cash (used by) from discontinued operations	3.1	(97.4)
Net deferred and contingent consideration	(7.1)	3.3
Specific litigation and claims	-	(9.0)
Pension deficit payment	(57.1)	(4.5)
Make whole payment on US and euro PPN	-	(7.6)
Business exits	(5.5)	(6.0)
Net proceeds of rights issue	-	671.1
Other cash flows from investing/financing activities	(9.8)	(17.8)
Cash movement in net debt	(154.3)	385.8
Net debt repayment*	(111.4)	(257.7)
(Decrease)/Increase in cash and cash equivalents	(265.7)	128.1

Building a sustainable balance sheet

- As a responsible business, we have strengthened our balance sheet
- Covenant adjusted net debt* reduced from £1,153m to £666m since 31 December 2017
- Seasonal management of net debt ceased and in-month variability reduced from £307m in December 2017 to £59m in June 2019 (1.5% of 2018 turnover)
- Gearing reduced to within target range of 1 to 2x*
- Equipment lease commitment reduced from £72.3m (31 December 2017) to £21.7m at 30 June 2019
- No supplier finance arrangements in place
- Disposals and rights issue contributed over £1bn of capital in 2018

Arrows indicate Net Debt movement from June 1st to June 30th and December 1st to December 31st



Balance sheet gearing

Increase in net debt and leverage ratio

- Bank debt maturity
 - £100m repaid in May 2019
- PPN* maturity
 - £75m net of swaps repaid in July 2019
- Undrawn £600m revolving credit facility maturing 2020/21
 - £81m matures August 2020 remainder in August 2021
- Net debt / EBITDA** ratio within target of 1 to 2x (pre-IFRS 16)

	£m HY19	£m FY18
Opening net debt	(466.1)	(1,117.0)
Cash movement in net debt	(154.3)	654.1
Non-cash movements	(3.1)	(3.2)
Closing net debt	(623.5)	(466.1)
Cash	376.9	642.7
Debt net of swaps	(1,000.4)	(1,108.8)
Net debt / EBITDA**	1.7x	1.2x

IFRS 16 Leases: key points

Key impacts:

- Right of use Asset (RoUA) recognised on balance sheet of £568m
- Net present value of future rental payments included as lease liability on the balance sheet of £644m
- Operating lease rental replaced with depreciation (RoUA) and interest (lease liability) in the P&L
- Improvement in operating profit and margin as the resulting depreciation is lower than the rental charge
- As interest is accrued using the effective interest rate method there is an increase in interest costs and a consequent reduction in profit before tax due to the length and maturity of leases in our portfolio
- Net debt increases by lease liabilities
- Impact on debt covenants neutral to favourable*
- Free cash flow improves as principal rent payments are classed as financing cash flows, however interest remains in operating cash flow

No impact on:

- Total cash flow
- Prior year comparatives as elected modified retrospective approach
- How we run our business

FY19 financial guidance – second year of a major transformation

	Pre-IFRS 16
Net finance costs	c.£40m
Profit before tax	PBT expected to be between £265m and £295m
Net debt*	Net Debt to EBITDA ratio to be in the upper half of our target range of 1 to 2 times

Transformation update and divisional review



Jon Lewis



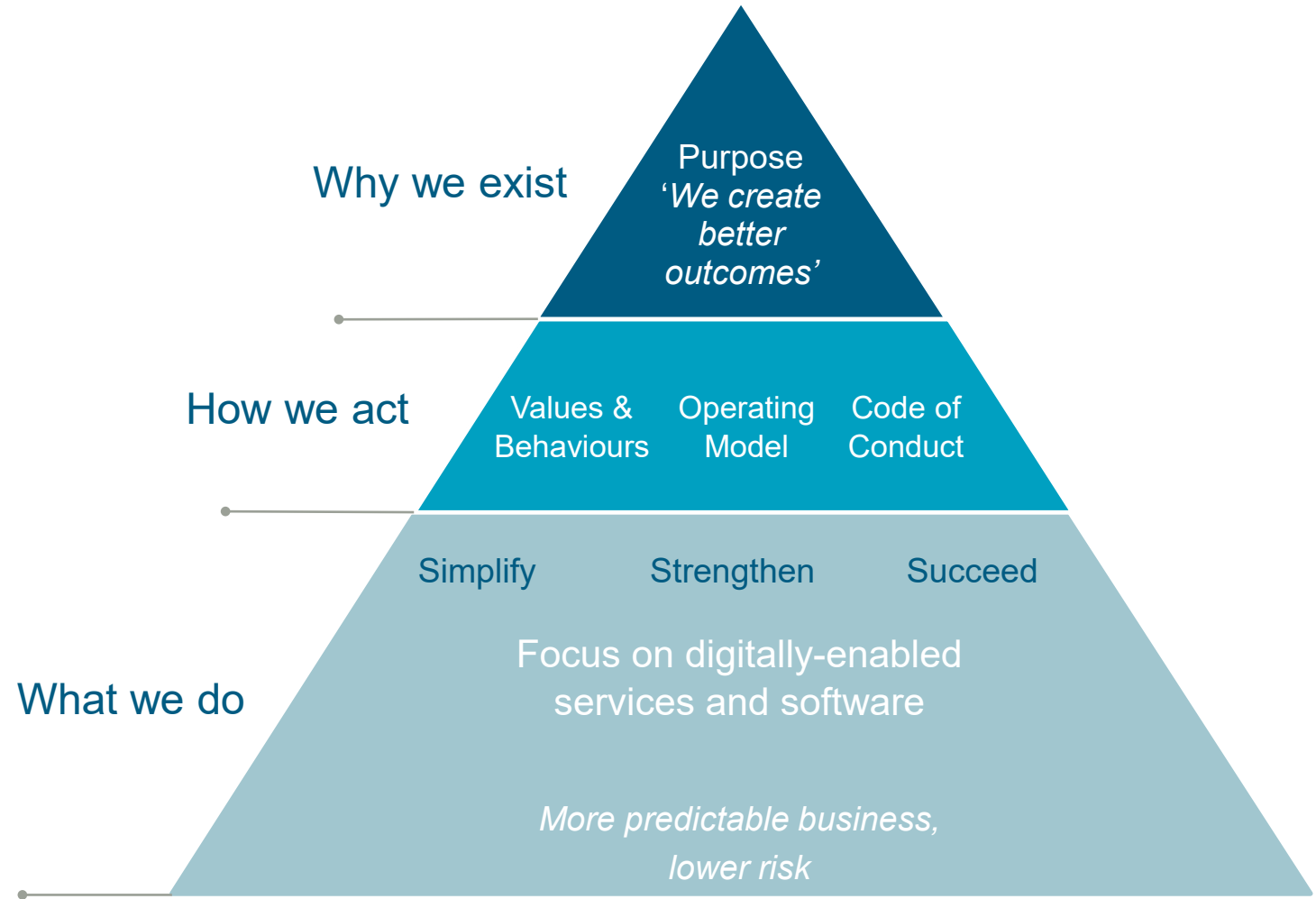
Governance: responsible business

Operating model launched January 2019

- Foundation for 'One Capita'
- Enables us to deliver more consistently
- Facilitates pan-Capita collaboration

Responsible business strategy

- Employees appointed to Board as non-Execs
- First ever supplier charter launched
- Prompt payments
- Delivering pension deficit reduction plan
- Seeking Fair Tax Mark accreditation



1



People: investment beginning to deliver a return

Valuing and investing in our people

- Performance management rolled out
- New HR management system and Capita Academy to come

Employees are on the journey with us

- Employee satisfaction and Glassdoor ratings up
- Voluntary turnover down

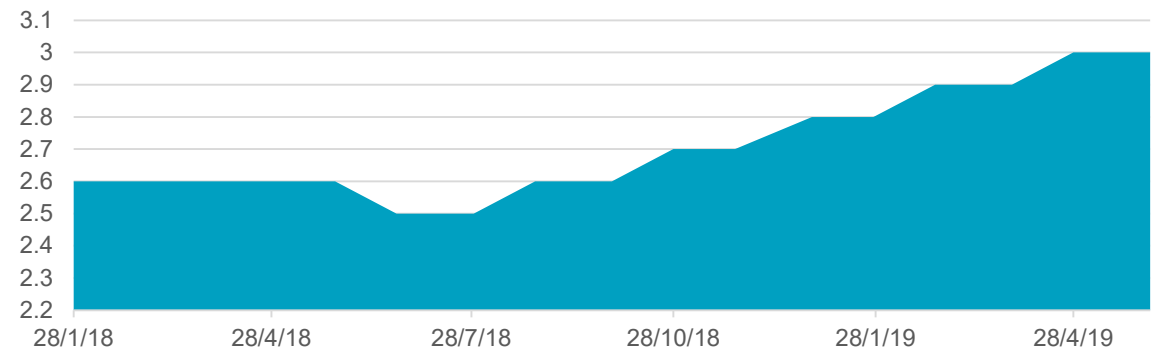
Leadership strengthened further

- Better organisational capacity to deliver transformation

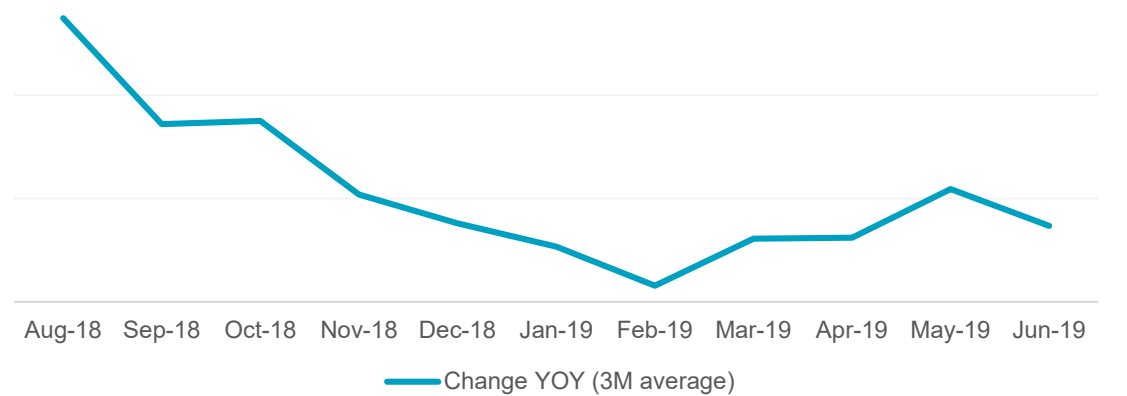
Diversity

- Improved gender diversity statistics

Glassdoor employer rating trend*



Employee voluntary turnover





Managing contracts: further progress in 2019

RPP Army Recruiting



- Highly successful 'Your Army' recruitment campaign
- Record regular soldier training starts in 2019 to date (since 2012)
- Improvement recognised by NAO

NHS PCSE



Primary Care Support England

- Operational service delivery stable – actions from PWC audit implemented
- Ophthalmic payments and Performer List solutions due to be rolled out from second half
- Still remains a complex contract with multiple stakeholders
- Continue to target break even by end 2020

mobilcom-debitel



- Good operational progress
- Customer experience improved - average waiting time reduced by one third
- On track to meet break even by end of 2020

2



Managing contracts: building a successful track record of implementations



ControlWorks®

O₂



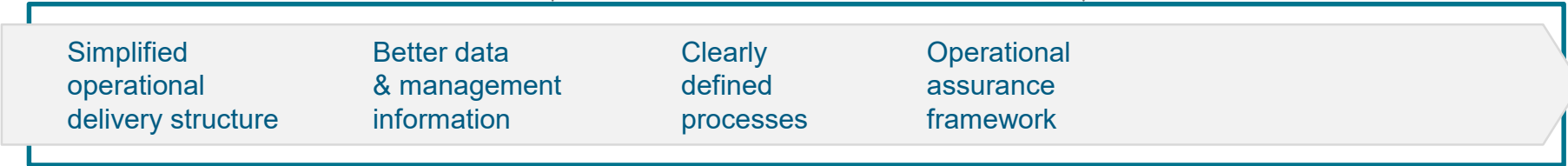
3



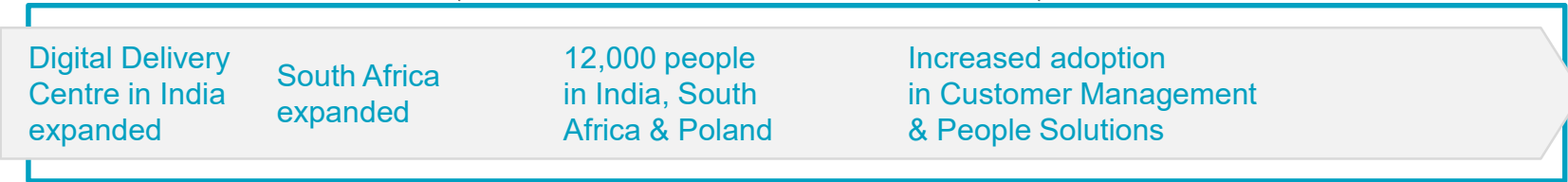
Cost competitiveness: operational excellence

2018 2019 2020

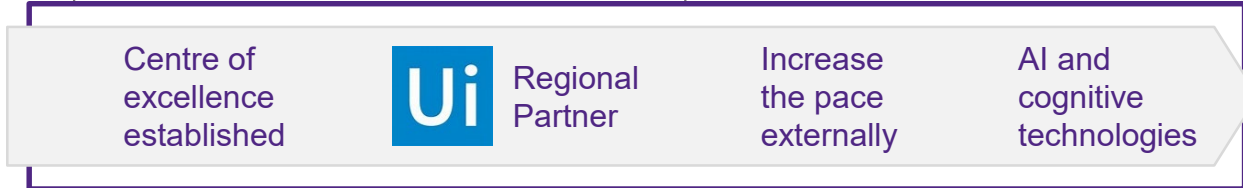
 **Excellence step 1**
Operations Management
 Data, Process & Resource Planning Foundations



 **Excellence step 2**
Global Delivery
 Select delivery location based on capability, capacity, quality and cost



 **Excellence step 3**
Automation
 Increase the use of automation, digital technology and robotics



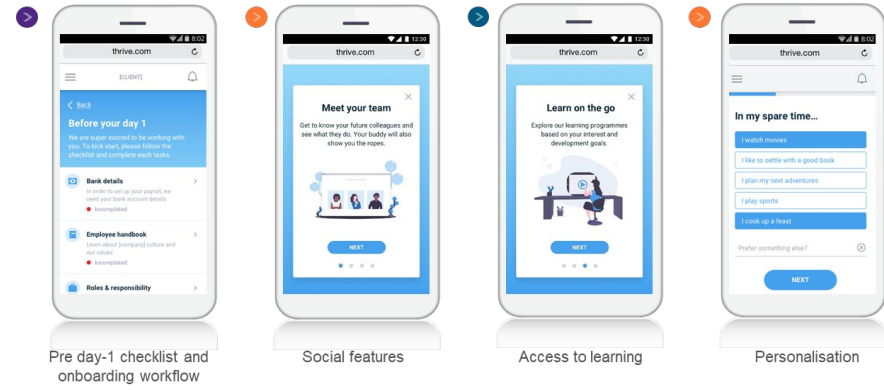
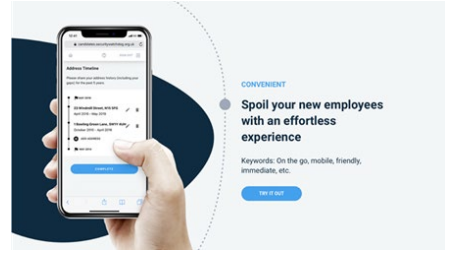
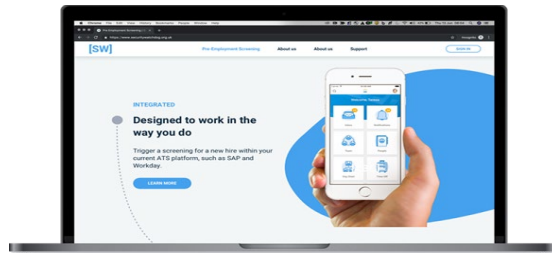
Investing in capabilities: new digital vetting and onboarding services

Security Watchdog

Digital onboarding

- Digitising pre employment screening services
- Improvement in customer service and candidate experience
- Working with channel partners such as Workday
- Launching new service in Q4, with phased go live into 2020

- No current Capita offering
- Complementary product to digital vetting – launching by year end
- Clients benefit from better initial productivity





Reigniting growth: foundations for growth now in place

Consulting capability

- Brought together strong consulting team
- Including existing resources in data analytics and digital
- Early engagements in telecommunications and financial services

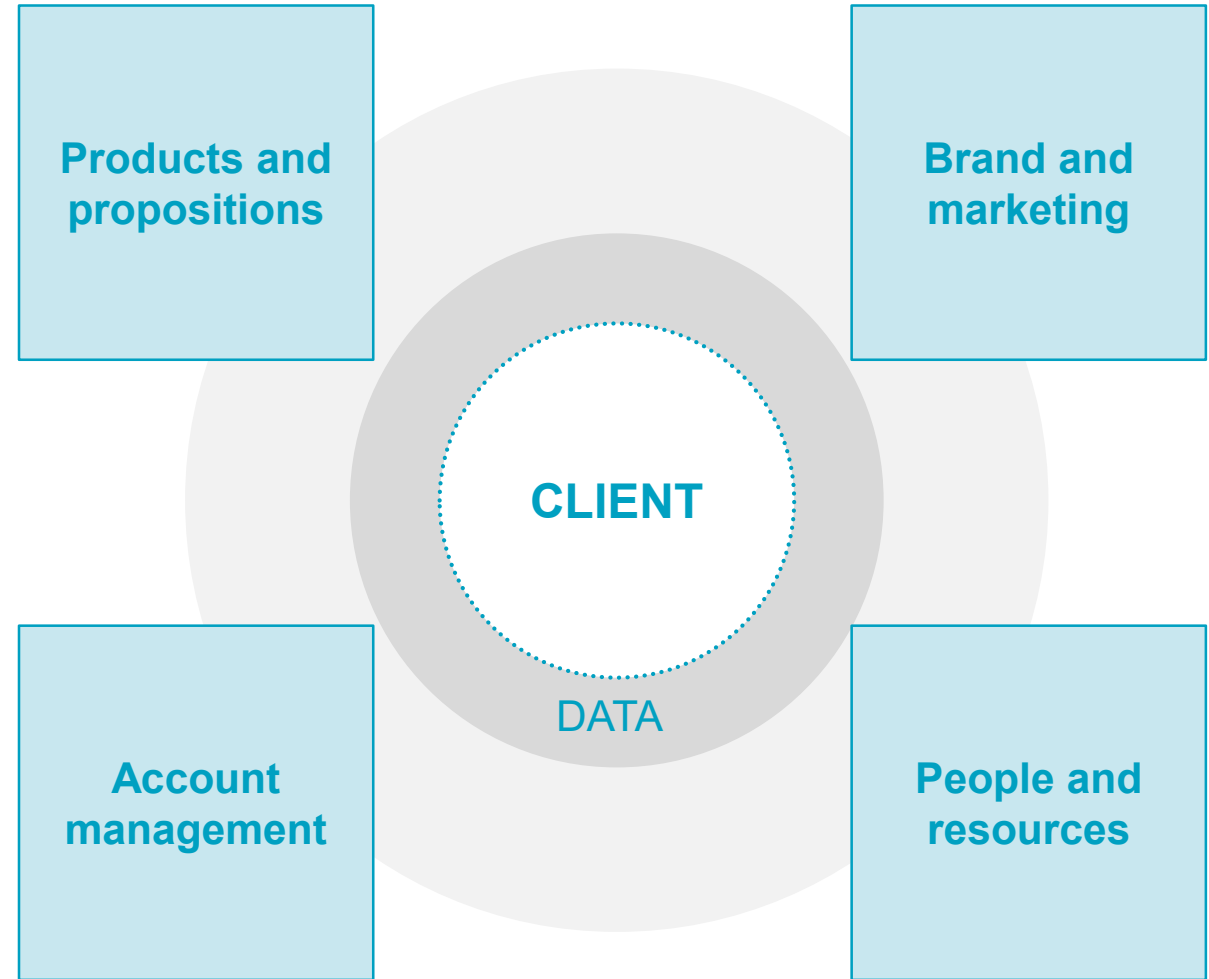
Adding consultative selling to ‘response to tender’

Investing in sales capability, CRM and training

- 650 front line sales people undertook training in HY

Strategic account management

- Southern Water contract expansion



Reigniting growth: recent wins

£0.8bn order intake in H1

£0.5bn order intake in Q3*



Divisional transformation update: plans progressing well

	Strategy and priorities	Progress in 2019
Software	<ul style="list-style-type: none"> One pure-play Software business, with standardised processes Aiming to achieve mid to high single digit revenue growth in 2020 	<ul style="list-style-type: none"> New contracts with Police Scotland, Met Police and SSE 911Eye live with 6 police forces in US STA development work ahead of 'go live' in H2 Further expansion of Digital Delivery Centre, India
People Solutions	<ul style="list-style-type: none"> Connect our offering across the HR value chain Sell more services to existing clients Increase investment in digital solutions 	<ul style="list-style-type: none"> Wins include Home Office and Network Rail Digital pre-employment screening and onboarding services to be rolled out during H2 Improving Army recruitment metrics
Customer Management	<ul style="list-style-type: none"> Improve client outcomes and customer experience Increase use of technology, data & analytics 	<ul style="list-style-type: none"> Expanded contract with Southern Water and extensions of Carphone Warehouse and British Gas Mobilcom-debitel performance improved
Government Services	<ul style="list-style-type: none"> Continuous programme of operational excellence Local government shifting to selling processes as a service 	<ul style="list-style-type: none"> Service levels improved across division Wins: Defence Fire & Rescue, DWP PIP extension
IT and Networks	<ul style="list-style-type: none"> One business, focused on the UK mid-sized market Upgrade legacy IT infrastructure and modernise product offerings Partner of choice for Capita internally 	<ul style="list-style-type: none"> Consolidated service desks and invested in our data centres Wins: Transport for London, Education Authority Northern Ireland extension, Viridian
Specialist Services	<ul style="list-style-type: none"> Continued focus on 'value optimisation' across portfolio Addressing structural decline in IT-dependent life insurance legacy contracts 	<ul style="list-style-type: none"> Zurich partnership growing Wins: Defence Infrastructure Organisation, Taylor Wimpey

Software

Strategy & progress

- Order book momentum continues: new contracts with Police Scotland, Met Police and SSE
- Extended our contract to support UK ambulance radio terminals, communication and mobile data solutions for three years
- Internationalising: encouraging pipeline in US – 911Eye live with 6 police forces
- Digital Delivery Centre, India – now 1,300 people
- Supporting the rest of Capita – STA ‘go live’ in second half
- Aiming to achieve mid to high single digit revenue growth in 2020, with at least maintained margins

What we do

- Pure-play specialised enterprise software business
- Serving sector specific and cross-sector markets – UK and overseas
- Forms a differentiating component of the digitally-enabled Capita offering

HY19 Financial metrics*

£192m revenue

£49.2m profit

25.6% margin

£596m order book

Market growth

UK addressable market **4-5%**
growth per annum to 2020**

Competitive position

- Education MIS: #1 UK
- Emergency services: #1 UK and Australia
- Utilities #1 UK
- Local government: UK top 3
- Resource management: #1 in large/global Tier 1 advisory firms

Products



People Solutions

Strategy & sales progress

- Connect and lever our combined offering across the HR value chain
- New wins include Home Office, Network Rail and Pensions Insurance Corporation
- Selling more services to existing clients – still significant opportunity to do more
- Increased short term investment in client service to meet our service level agreements.
- Increasing investment in digital solutions, underpinned by new unique data and analytics platform
- Digital pre-employment screening and onboarding services to be rolled out H2
- Improving Army recruitment metrics, including highest regular soldier training starts since 2012

What we do

- Full suite of HR offerings across employment life cycle
- Leading market positions in recruitment process outsourcing, consulting, learning, HR advisory, payroll administration and pension and benefits administration, supported by proprietary platforms

Competitive position

- #1 in learning process outsourcing
- #2 in recruitment process outsourcing
- #1 in benefits administration

HY19 Financial metrics*

£253m revenue

£12.5m profit

4.9% margin

£610m order book

Market growth

UK 5%
market growth per annum to 2022**

Key clients



Customer Management

Strategy & sales progress

- Improving client outcomes and customer experience
- Increasing use of technology, data & analytics
- Diversifying into sectors such as travel, leisure and financial services
- Investing in our people to ensure consistent, high quality service – employee retention up
- Investing in tech & automation – new messaging platform
- Improving performance of mobilcom-debitel
- Expanded contract with Southern Water and extensions of Carphone Warehouse and British Gas
- The market for customer management in the UK retail sector remains challenging

What we do

- Leading provider of multi-channel customer contact services in the UK, Switzerland and Germany
- Primarily serving clients in telecommunications/media, retail and utilities, from a mix of locations in Europe, India and South Africa

Competitive position

- #1 in UK customer management
- #1 in Switzerland
- #2 Germany

HY19 Financial metrics*

£399m revenue

£26.0m profit

6.5% margin

£1,879m order book

Market growth

4–5% per annum
forecast growth to 2022**

Key clients



Government Services

Strategy & sales progress

- Operational excellence programme
- Manage structural decline in large local government deals
- Focus on repeatable solutions where Capita has core expertise
- Service delivery has improved across the division, with >95% key performance indicators green.
- Strengthened relationship with Cabinet Office
- TfL ULEZ implemented, STA help desk go live
- Wins: Defence Fire & Rescue, DWP PIP extension

What we do

- Government's trusted partner for transformation and delivery tech-enabled business services
- Processing, administration & IT services to local government, education & health

Competitive position

- Leading UK government BPO provider – 13% market share
- Central – 11% market share
- Local – 15% market share

HY19 Financial metrics*

£414m revenue

£20.4m profit

4.9% margin

£1,971m order book

Market growth

UK £7bn** market size

Potential for medium term opportunities arising from managed exit from the EU

Key clients



IT & Networks

Strategy & sales progress

- Consolidating separately run business units into a single, integrated UK IT Services business
- Introducing shared service centres, with common processes
- Investing in infrastructure for resilience, security and client experience
- Partner of choice for Capita's contracts
- TfL networks transformation going well – won additional work to deploy cellular infrastructure
- Other wins & extensions - energia, Education Authority Northern Ireland and Liberata

What we do

- End-to-end enterprise IT services
- Managed network solutions, datacentre and cloud infrastructure, managed IT support, testing, cyber & consulting
- Provides support across all our large contracts

Competitive position

- Top 10 ITO player
- Focus on mid-tier clients
- Scope to grow share in networks, cloud

HY19 Financial metrics*

£214m revenue

£23.8m profit

11.1% margin

£389m order book

Market growth

UK market **£28bn****
Expected to grow 2% to 2021

Key clients



Specialist Services

Strategy & sales progress

- Stand-alone activities, managed as portfolio
- Focus on value optimisation
- Zurich partnership growing – Capita taking responsibility for administering new Life Protection proposition
- Addressing structural decline in IT-dependent life insurance legacy contracts, to improve our cash flow
- New wins: Capita Workplace Technology with Taylor Wimpey

What we do

- Includes our financial and regulated operations
- Government and specialist commercial partnerships – AXELOS, Fera
- Vertical market services – real estate & infrastructure, travel, translation services, print, legal and enforcement services

HY19 Financial metrics*

£376m revenue

£67.7m profit

18.0% margin

£1,205m order book

16 stand-alone businesses

Key clients & partners



Recap: on track to deliver significant financial transformation

	Our commitments	On track
Greater efficiency	Annualised initial cost out of >£175m by 2020; <i>now £175m by end 2019</i> One-off cost of £150m to achieve	✓
Greater focus	£300m disposal proceeds in 2018; <i>over £400m delivered</i> Simplified organisation	✓
Greater investment	Up to £500m over next three years	✓
Stronger balance sheet	Leverage target of 1-2x* Review diversity of funding over next 2 years	✓
Stronger performance	Achieve double-digit operating profit margins within three years	✓
Sustainable FCF	At least £200m of sustainable annual free cash flow in 2020**	✓

Appendix



Divisional financial performance

£m	Revenue		Profit		Margin %	
	HY19	HY18	HY19	HY18	HY19	HY18
Software	192.3	200.5	49.2	48.8	25.6	24.3
People Solutions	253.4	252.5	12.5	16.4	4.9	6.5
Customer Management	399.2	404.6	26.0	17.2	6.5	4.3
Government Services	413.6	407.9	20.4	18.6	4.9	4.6
IT & Networks	213.5	213.4	23.8	25.5	11.1	11.9
Specialist Services	376.1	493.2	67.7	81.1	18.0	16.4
Central	3.5	4.7	(57.5)	(49.2)	-	-
EBIT	1,851.6	1,976.8	142.1	158.4	7.7	8.0
Interest	-	-	(15.4)	(27.6)	-	-
Share of (loss) in associates	-	-	(0.6)	-	-	-
PBT	1,851.6	1,976.8	126.1	130.8	6.8	6.6

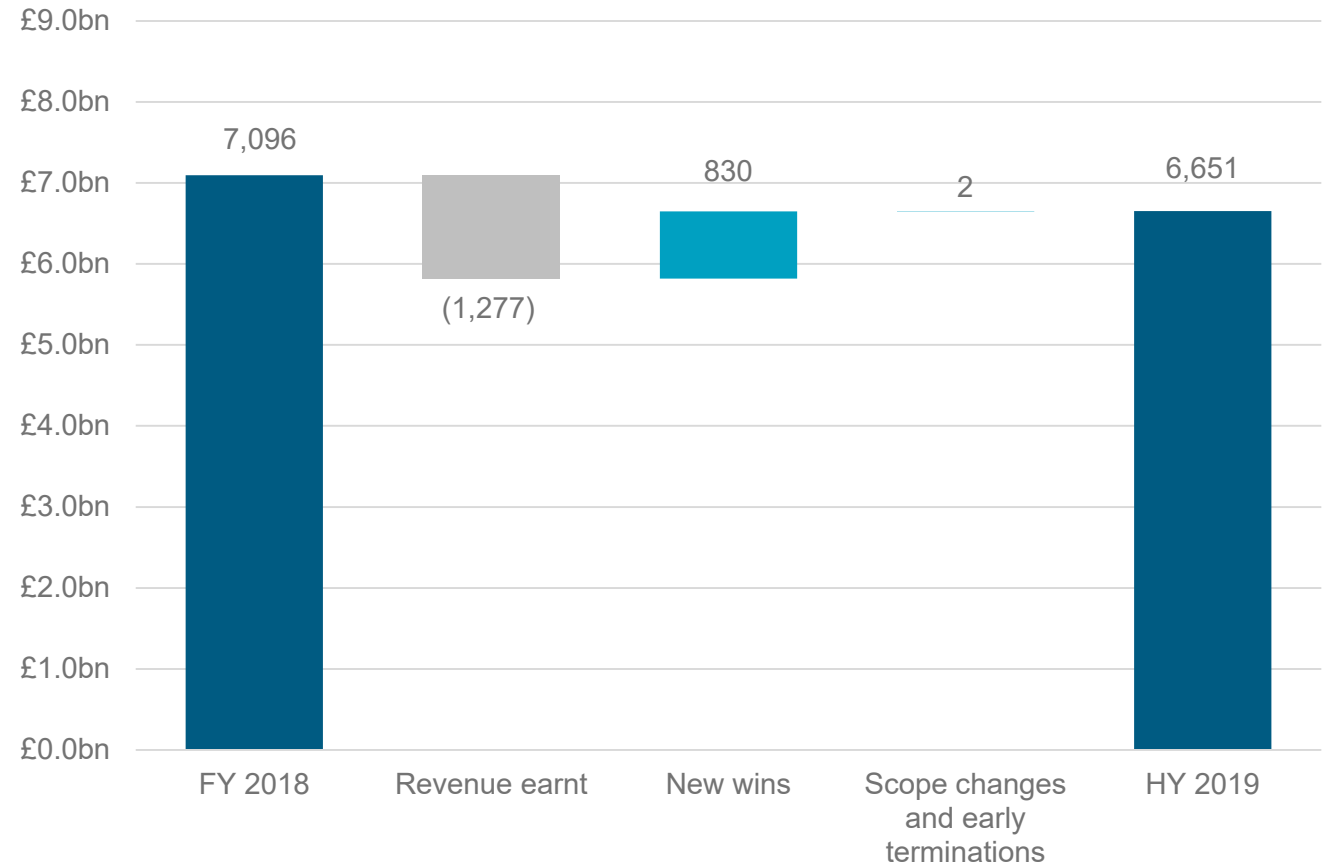
Order book* bridge FY18 to HY19

Relevant to approximately half of revenue base

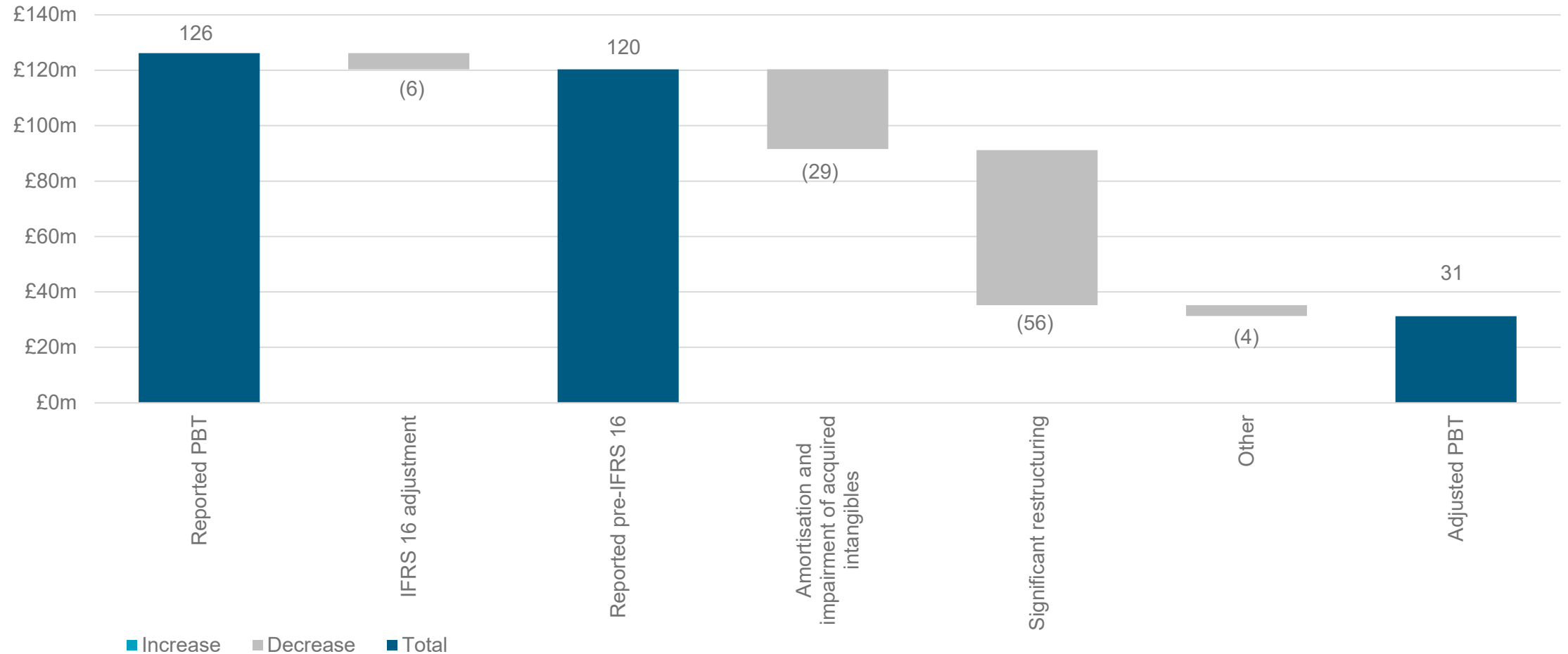
- Includes contracted revenue and software licences
- Excludes contract growth and non-contracted revenue

Wins yet to offset revenue earned

DFRP adds £0.5bn to order book in Q3



HY19 reported PBT bridge to adjusted PBT*

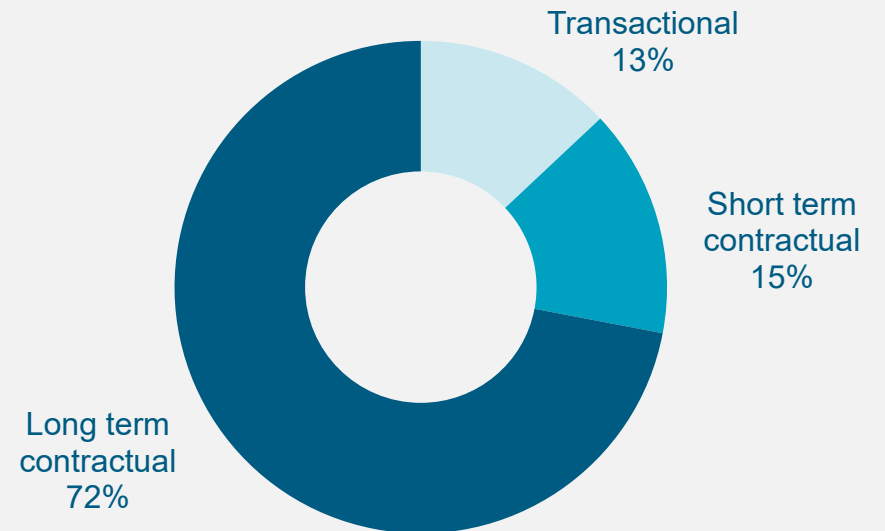


Overall revenue split

- Revenue split – based on IFRS 15 definitions:
 - 72% long term contractual
 - 15% short term contractual
 - 13% transactional
- Considerable variation by division

Categories are consistent with those presented in previous years, with long term contractual representing “Contractual > 2 years” and short term contractual representing “Contractual < 2 years”. Years are based from service commencement date.

Adjusted revenue split HY19



Impact of IFRS 16

Profit/(loss)	£m HY19	£m IFRS 16 adjustment	£m Pre-IFRS 16 HY19
EBITDA	245.7	59.0	186.7
Depreciation	(82.5)	(52.6)	(29.9)
Operating profit	148.5	6.4	142.1
Interest	(27.7)	(12.3)	(15.4)
Profit/(loss) before tax	120.2	(5.9)	126.1

Adjusted free cashflow	£m HY19
Free cash flow (pre-IFRS 16)	(20.2)
Financing of lease liability	56.0
Free cashflow (post-IFRS 16)	35.8

Balance Sheet as at 30 Jun 19	£m HY19	£m IFRS 16 adjustment	£m Pre-IFRS 16 HY19
Non-current assets	2,869.0	532.3	2,336.7
Right-of-use assets	513.6	513.6	-
Financial assets	106.7	13.3	93.4
Deferred taxation	159.4	5.4	154.0
Other	2,089.3	-	2,089.3
Current assets	1,662.2	(11.9)	1,674.1
Trade and other receivables	893.8	(14.9)	908.7
Financial assets	49.3	3.0	46.3
Other	719.1	-	719.1
Current liabilities	2,616.6	49.0	2,567.6
Trade and other payables	652.1	(26.4)	678.5
Lease liability	87.9	87.9	-
Provisions	96.3	(12.5)	108.8
Other	1,780.3	-	1,780.3
Non-current liabilities	1,842.7	503.7	1,339.0
Lease liability	503.7	503.7	-
Other	1,339.0	-	1,339.0
Net assets/(liabilities)	71.9	(32.3)	104.2

Impact of IFRS 16 cont.

Balance Sheet gearing	£m HY19	£m IFRS 16 adjustment	£m HY19
Opening net debt	(466.1)	-	(466.1)
Adoption of IFRS 16	(643.9)	(643.9)	-
Cash movement in net debt	(98.3)	56.0	(154.3)
Non-cash movements	(6.8)	(3.7)	(3.1)
Closing net debt	(1,215.1)	(591.6)	(623.5)
Lease liability	(591.6)	(591.6)	-

Leverage ratio	Headline	US PP covenants	Other financing agreements
Net debt / EBITDA*	1.5x	1.4x	1.7x

Cost competitiveness: delivering to plan

- On track to realise accelerated savings in 2019
- Investing some of savings to drive future growth
- More savings to come in 2020

Cost competitiveness savings				
	2018	FCT 2019	FCT 2020	FCT Total
Cost to deliver savings (in year)	£55m	£95m		£150m
Cumulative savings	£70m	£175m	>£175m	>£175m

FY19 financial guidance – second year of a major transformation

	Pre-IFRS 16	Impact of IFRS 16
Net finance costs	c.£40m	Increase of between £26m and £28m
Profit before tax	PBT expected to be between £265m and £295m	Reduction of between £12m and £14m
Net debt	Net Debt to EBITDA* ratio to be in the upper half of our target range of 1 to 2 times	Net Debt to EBITDA ratio to be in the range of 2 to 3 times

Adjusted results

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

Adjusted profit excludes:

- impact of IFRS 16
- amortisation of acquired intangibles
- impairment of goodwill and acquired intangibles
- the costs/benefits, if significant, of items associated with acquisition and disposal of, or exit from, businesses
- the cost of significant restructuring
- the impact, if significant, of early contract termination and new contracts
- the impact of mark-to-market movements of certain financial instruments
- other items that are significant, unusual and not trading related

Adjusted free cash flow excludes:

- cash flows of the items above excluded from adjusted profit
- financing cash flows, including deficit repayments in respect of defined benefit pension schemes

Executive Committee: new Executive Officer biographies

Chantal Free People Solutions

Most recently Chantal held the position of Managing Director and Head of Human Capital and Benefits, Western Europe for Willis Towers Watson. She is a recognised strategic expert in advising leaders on complex human resources challenges. She holds an MBA in Management from Imperial College, London.

Aimie Chapple Customer Management

Aimie worked for more than 20 years at Accenture, across consulting and business operations, planning and implementing large-scale change programmes. She held several leadership positions at Accenture, including as UKI Chief Innovation Officer. Most recently, she has been a non-executive director of Learning Technologies Group.

Andy Start Government Services

Andy has spent the last 20 years at senior leadership level in FTSE and S&P500 international technology businesses. He ran the military space business for Airbus and was managing director of BAE Systems Avionics. Most recently, he was President of Global Government at FTSE-listed Inmarsat, the world's leading mobile satellite services operator.

Glossary

Acronym	Division	Description
Software	Software	<ul style="list-style-type: none">• Specialist enterprise software, in specific vertical markets• Leader in education, emergency services, local government & utilities
PS	People Solutions	<ul style="list-style-type: none">• Full suite of HR offerings across employment life cycle• Leading market positions in recruitment process outsourcing, learning and benefits administration, supported by proprietary platforms
CM	Customer Management	<ul style="list-style-type: none">• Leading provider of multi-channel customer contact services in the UK, Switzerland and Germany• Primarily serving clients in telecommunications/media, retail and utilities, from a mix of locations in UK, Europe, India and South Africa
GS	Government Services	<ul style="list-style-type: none">• Government's trusted partner for transformation and delivery of tech-enabled business services• Processing, administration & IT services to local government, education & health
IT&N	IT & Networks	<ul style="list-style-type: none">• End-to-end enterprise IT services• Managed network solutions, datacentre and cloud infrastructure, managed IT support, testing, cyber security and consulting• Provides support across all our large contracts,
SS	Specialist Services	<ul style="list-style-type: none">• Includes our financial and regulated operations• Government and specialist commercial partnerships• Vertical market services – real estate & infrastructure, travel, translation services, print, legal and enforcement services