Capita

Half year results 2020

18 August 2020

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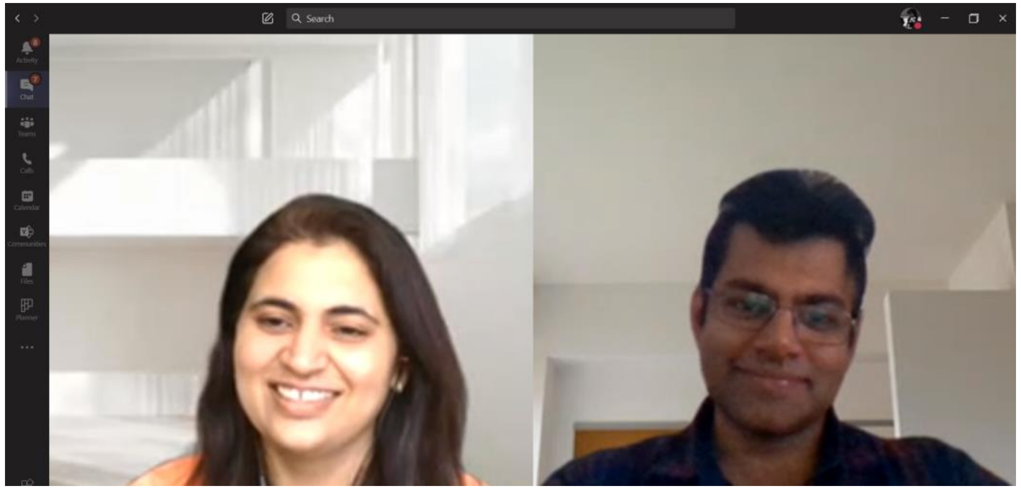
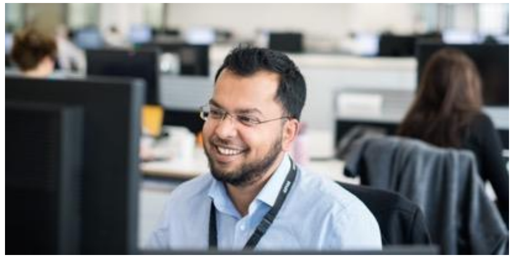
A big thank you





Overview

Continuing to improve the business

- Fixing underperforming contracts, improving operational delivery and strengthening client relationships
- £73m delivered in the cost transformation programme
- Winning and renewing significant contracts with more opportunities in the pipeline

Robust response to COVID-19

- Colleagues' safety prioritised; over 50,000 employees working remotely and 4,400 furloughed at peak
- Decisive action to deliver resilient core of long-term digital BPO and software contracts
- Robust cost and cash preservation measures deliver £57m to offset revenue loss in the first half

Simplify the portfolio and strengthen the balance sheet

- Accelerated strategic decisions, including to focus on a portfolio of software capabilities better aligned to Capita's core services and vertical markets
- Disposal proceeds to be used to strengthen the balance sheet by reducing net debt and pension liabilities

Outlook

- Expect COVID-19 to continue to negatively impact volumes and transactional revenue
- Strong cost action and holiday accrual reversal to benefit H2
- Expect to meet H2 covenants; net debt returns towards 31 December 2019 levels
- Inflection to sustainable cash flow[1] delayed by 1-2 years
- Continue to build a more focused, sustainable business for the long term

All numbers are now on a post IFRS 16 basis Adjusted, refer to Alternative Performance Measures.(APMs)

[1] Sustainable free cash flow = reported free cash flow including restructuring costs, pension deficit payments, non-recourse receivables financing and payment of deferred VAT

Our plan: to do fewer things, better

Simplify

- Focus on strong positions with growth potential
- Use common, scalable capabilities
- Streamline cost base
- Empower our people to deliver

Strengthen

- Strengthen leadership and governance
- Investment in asset base, technology and people
- Win more of the right work
- Stronger balance sheet

Succeed

- Progressive, purpose-led, responsible business
- Innovative and creative
- Generates sustainable revenue growth and cash flows

Financial results

Patrick Butcher

All figures included within this presentation are on an adjusted basis, post IFRS 16, unless otherwise stated. Impact of IFRS 16 on profit is £6m loss, impact to net debt is £529m

Financial overview

- Revenue lower because of expected 2019 contract losses and COVID-19 impacts
- Profit before tax impacted by lower revenue and lower margins on some contract renewals, partially offset by cost saving initiatives

- Cash from trading operations improved by timing on movements in contractual working capital
- Free cash flow enhanced by accelerated customer payments and lower capex
- Net debt also benefits from VAT deferral, lower restructuring costs and lower pension deficit payment than H1 2019

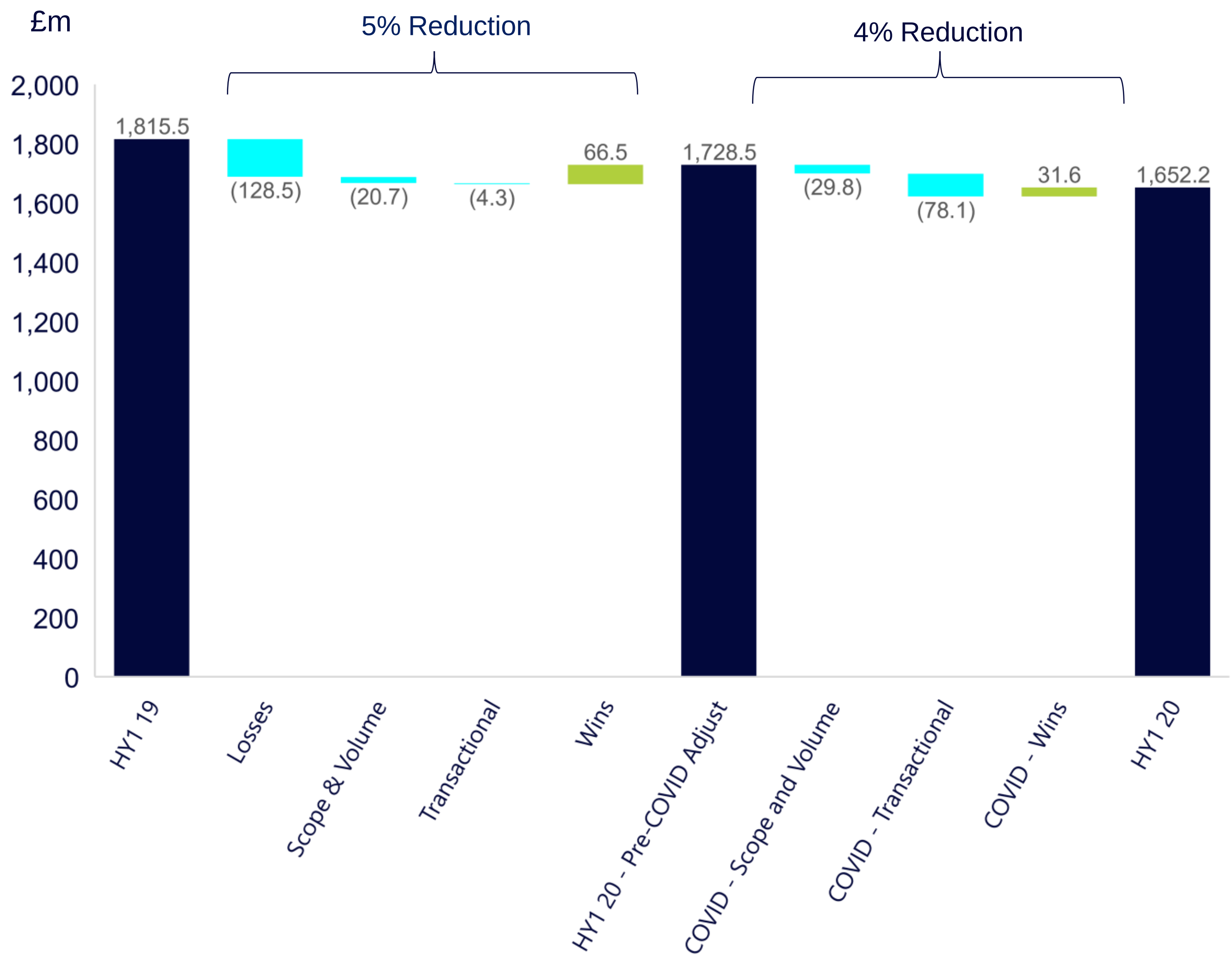
Key financial metrics	£m HY20	£m HY19	Change
Revenue	**1,652.2**	1,815.5	(163.3)
Divisional profit margin	**7.5%**	11.0%	(3.5)
Profit before tax	**30.1**	117.8	(87.7)
EBITDA	**150.8**	241.3	(90.5)
Cash from trading operations	**193.3**	187.8	5.5
Free cash flow	**176.0**	30.1	145.9
Net debt movement	**256.6**	(105.1)	361.7
Headline net debt*	**(1,096.6)**	(1,353.2)	256.6
Liquidity*	**704.1**	494.7	209.4

*Comparative as at 31 December 2019

Change in revenue

Overall revenue declined; driven by the following:

- 2019 contract losses, mainly (£62m) local government hand-backs (sign posted in 2018) e.g. Birmingham, and Southampton Councils, DIO and BAE Systems in Technology Solutions
- Contract wins include the first full year of DFRP revenue (£11m in H1), projects performed for the BBC and a number of smaller wins within Software
- Scope and Volume (volume-based framework contracts) and transactional revenue, mainly in Specialist Services, Government Services and People Solutions impacted by COVID-19.
- This has been offset by additional revenue won, mainly within Government Services, to assist with the UK's response to COVID-19, including contracts with DWP and various NHS schemes



Cost saving

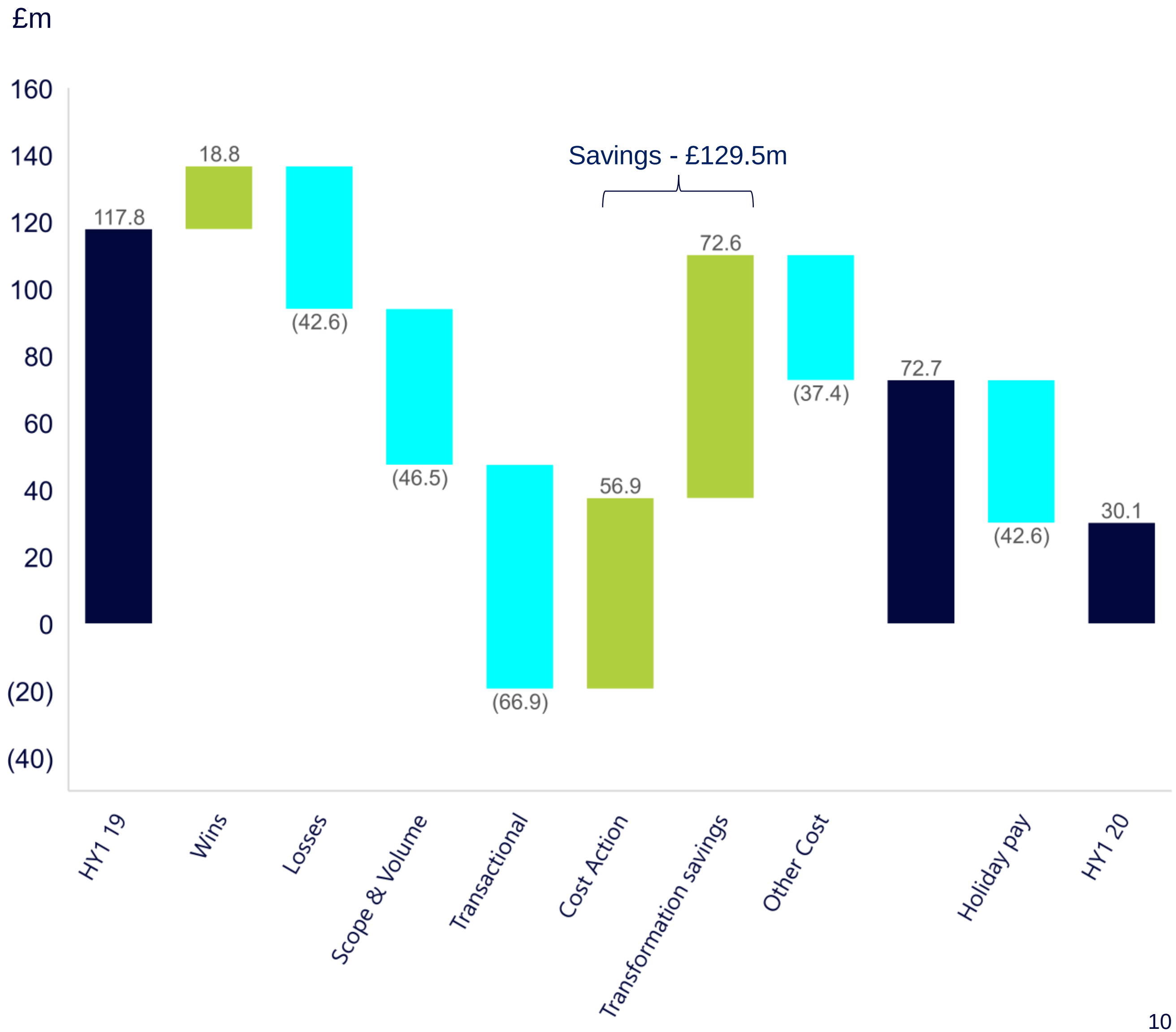
- Programmatic approach continues to deliver gross cost savings
- Savings delivered in H1 achieved through:
  - Increased process efficiency through automation and use of Global Delivery Centres for a centralised approach to delivery
  - Technology savings across Capita
  - Lower overall property occupancy through rearrangement/ consolidation
  - Reduction in use of external contractors and effective supplier management programme
- Implemented COVID-19 cost actions, including staff, discretionary expenditure and property savings
- Still see a significant pipeline through execution of restructuring of central support teams identified in H1 of £25m, and further delivery of initiatives achieved in H1 resulting in £274m of total cost savings expected in 2020

	£m 2018/2019	*£m H1 20*	*£m Expected flow through to H2 20 of savings achieved*	£m Expected cumulative savings to FY20
2018/9 year on year recurring savings	**160**	***33***	***10***	**203**
2020 year on year recurring savings	**-**	***30***	***84***	**114**
Total cumulative recurring savings	**160**	***63***	***94***	**317**
2020 planned one-off savings	-	*10*	*7*	17
2020 COVID-19 cost actions	-	*57*	*43*	100
Total		***130***	***144***	

Profit before tax

Reduction in profit before tax:

- Margin on contract wins not enough to offset contract losses
- “Scope and volume” includes the impact of lower margins on contract renewals and the impact of contract provisions (£6m) and impairments (£6m)
- Reduction in transactional revenue and contractual volumes, mainly due to COVID-19, results in high initial margin impact, because of fixed and semi-fixed cost base. Cost action has been taken to partially mitigate the impact and will take further effect in H2
- Other costs includes and inflation (including the introduction of real living wage) additional depreciation and run costs on completed transformation programmes and an increase to bad debt provision offset by lower bonus assumptions
- Non-cash increase in holiday pay accrual reflects delays in colleagues taking leave and impact of additional leave from senior management salary reductions



Group income statement summary

- Lower revenue has reduced divisional operating profit by £75m which is explained on the following pages
- Group Support Services increased by £13m and is analysed below

- Lower adjusting items reflect gain on Eclipse and lower restructuring costs and are analysed further in an appendix

- Significant investment in Consulting drives 11% increase in revenue; action taken to reduce cost for H2
- Shared services reflects centralisation of some activities and increases in growth and marketing expenditure
- Group Head Office costs decreasing as a result of lower bonus assumptions

£m	**H1 20**	**H1 19**
Revenue	**1,652.2**	1,815.5
Divisional operating profit	**122.7**	197.8
Group Support Services	**(65.1)**	(51.7)
Operating profit	**57.6**	146.1
Interest	**(27.1)**	(27.7)
Share of loss from associates	**(0.4)**	(0.6)
Adjusted Profit before tax	**30.1**	117.8
Adjusting items	**(58.6)**	(86.6)
Reported (loss)/profit before tax	**(28.5)**	31.2

£m	**H1 20**	**H1 19**
Consulting start up (loss)/profit	**(8.0)**	0.6
Shared services	**(42.0)**	(33.0)
Group head office costs	**(15.1)**	(19.3)
Total Group Support Services	**(65.1)**	(51.7)

Summary Financial performance by Division

- This table provides an overview of the results by division which are covered in more detail in the following pages
- Profit reductions, both expected and COVID-19 related have been spread across the divisions, but most significantly in Specialist Services

	Revenue £m		Profit £m		Margin %		Cash from trading operations £m	
	HY20	**HY19**	**HY20**	**HY19**	**HY20**	**HY19**	**HY20**	**HY19**
Software	**173.4**	170.7	**38.2**	46.6	***22.0%***	*27.3%*	**86.5**	90.9
People Solutions	**245.7**	271.6	**17.8**	28.5	***7.2%***	*10.5%*	**8.5**	21.9
Customer Management	**561.8**	569.5	**41.6**	53.9	***7.4%***	*9.5%*	**42.3**	11.7
Government Services	**364.8**	424.2	**14.3**	20.0	***3.9%***	*4.7%*	**18.5**	(5.4)
Technology Solutions	**190.5**	224.2	**14.9**	28.7	***7.8%***	*12.8%*	**37.9**	44.9
Specialist Services	**102.4**	143.2	**(4.1)**	20.1	***(4.0%)***	*14.0%*	**5.4**	25.0
Divisional Results	**1,638.6**	1,803.4	**122.7**	197.8	***7.5%***	*11.0%*	**199.1**	189.0
Group Support Services	**13.6**	12.1	(65.1)	(51.7)	**-**	-	(5.8)	(1.2)
Group Results	**1,652.2**	1,815.5	**57.6**	146.1	***3.5%***	*8.0%*	**193.3**	187.8

Software

Revenue

- Underlying revenue has grown due to “Go-Lives” and license upgrades which have offset contracts ending in Secure Solutions and Services and AMT Sybex
- Revenue has been resilient in the face of COVID-19 with downside concentrated in the online payments business

Divisional profit

- The profit impact of the loss of high margin payment services revenue could not be fully mitigated in the short term
- Margin has been further impacted by the ending of certain support contracts, increase in depreciation and amortisation and investment in digital development centre

£m	H1 20	H1 19
Revenue	**173.4**	170.7
Divisional profit	**38.2**	46.6
Divisional profit margin	***22.0%***	*27.3%*
EBITDA	**44.4**	**52.2**
Contractual working capital	**42.2**	38.7
Cash from trading operations	**86.5**	**90.9**
Capital expenditure	**(9.9)**	(9.6)
Operational free cash flow	**76.6**	**81.3**

Cash flow

- Cash from trading operations reflects decline in divisional profitability, partially offset by working capital improvements
- Contractual working capital inflows are H1 weighted
- Continued capital investment through the cycle

Note: The net impact to the trading divisions on the adoption of IFRS 16 is nil, as we have assumed all assets are owned by the Group. The impact of IFRS 16 within the Group is recognised within GSS.

People Solutions

Revenue

- Public sector contract losses in the Resourcing business and a decline in transactional revenue in the division, were not offset by contract wins
- Transactional revenue in the Learning (£9m)and Resourcing (£5m) businesses has been impacted by COVID-19

Divisional profit

- The profit impact from lower revenue and cost increases has been partially mitigated through cost actions and service level agreement credits, offset by investment made to improve service levels in the Pensions business
- The margin impact of transactional revenue decline due to COVID-19 and other factors have been partially mitigated by cost reduction actions

£m	H1 20	H1 19
Revenue	**245.7**	271.6
Divisional profit	**17.8**	28.5
Divisional profit margin	***7.2%***	*10.5%*
EBITDA	**25.2**	**35.7**
Contractual working capital	**(16.7)**	(13.8)
Cash from trading operations	**8.5**	**21.9**
Capital expenditure	**(2.9)**	(9.0)
Operational free cash flow	**5.6**	**12.9**

Cash flow

- Contractual working capital variances reflects movements in Learning Services and in Resourcing and Pensions
- £6m reduction in capital expenditure reflects reduced spend across transactional business

Note: The net impact to the trading divisions on the adoption of IFRS 16 is nil, as we have assumed all assets are owned by the Group. The impact of IFRS 16 within the Group is recognised within GSS.

Customer Management

Revenue

- The impact of new business (including additional scope with Southern Water, a UK retail bank and projects with the BBC) broadly offsets volume decline in existing contracts (Deutsche Telekom, closed book L&P contracts)
- The impact of COVID-19 on existing business has been largely offset by new business generated by the pandemic including contracts with the NHS (Crown NHS)

Divisional profit

- The ongoing cost transformation programme partially mitigating the impact of lower volumes, policy attrition and inflationary pressures on pay
- The margin impact due to change in revenue mix resulting from COVID-19 has been partially offset by cash preservation measures
- Due to lower than expected benefits from the Mobilcom transformation the associated contractual assets of £6m were impaired in the half

£m	H1 20	H1 19
Revenue	**561.8**	569.5
Divisional profit	**41.6**	53.9
Divisional profit margin	***7.4%***	*9.5%*
EBITDA	**54.5**	**65.1**
Contractual working capital	**(12.2)**	(53.4)
Cash from trading operations	**42.3**	**11.7**
Capital expenditure	**(3.6)**	(7.2)
Operational free cash flow	**38.7**	**4.5**

Cash flow

- Contractual working capital improvement reflects a reduction in net AI/DI outflow and CFA inflows
- £3m reduction in capital expenditure reflects outlook

Note: The net impact to the trading divisions on the adoption of IFRS 16 is nil, as we have assumed all assets are owned by the Group. The impact of IFRS 16 within the Group is recognised within GSS.

Government Services

Revenue

- Local government contract terminations £62m have driven most of the year on year decline partially offset by the impact of the first full year of contract wins with STA and DFRP
- Transactional revenue for FERA, Local Government and Entrust has been reduced due to COVID-19. This has been partially mitigated by a new DWP contract

Divisional profit

- The margin impact of lower revenue along with bid costs for new business has been broadly mitigated by cost actions
- The margin drop through on contracts impacted by COVID-19 has been broadly mitigated by cost reduction actions
- The initial loss on DFRP (£6m) has a one off impact on half and full year profit

£m	H1 20	H1 19
Revenue	**364.8**	424.2
Divisional profit	**14.3**	20.0
Divisional profit margin	***3.9%***	*4.7%*
EBITDA	**17.0**	**25.4**
Contractual working capital	**1.5**	(30.8)
Cash from trading operations	**18.5**	**(5.4)**
Capital expenditure	**(3.4)**	(4.1)
Operational free cash flow	**15.1**	**(9.5)**

Cash flow

- Contractual working capital variances reflect increased AI/DI inflows, partially offset by outflows from increased CFA's
- DFRP was a net £11m inflow

Note: The net impact to the trading divisions on the adoption of IFRS 16 is nil, as we have assumed all assets are owned by the Group. The impact of IFRS 16 within the Group is recognised within GSS.

Technology Solutions

Revenue

- Contract exits in 2019, including BAE Systems, and reduced demand for our professional services, have been partially offset by increased scope across TFL
- COVID-19 has impacted transactional revenue due to restrictions in accessing client sites, a slowdown in the corporate reseller market and volume reduction with transport clients, partially offset by COVID-19 wins in IT services

Divisional profit

- The loss of high margin legacy contracts together with depreciation on infrastructure improvements have adversely impacted divisional profit, these have been partially mitigated by transformation activity to reduce the cost base
- The margin drop through on revenue impacted by COVID-19 has broadly been mitigated by cash preservation actions

£m	H1 20	H1 19
Revenue	**190.5**	224.2
Divisional profit	**14.9**	28.7
Divisional profit margin	***7.8%***	*12.8%*
EBITDA	**26.7**	**37.4**
Contractual working capital	**11.2**	7.5
Cash from trading operations	**37.9**	**44.9**
Capital expenditure	**(6.7)**	(10.7)
Operational free cash flow	**31.2**	**34.2**

Cash flow

- Contractual working capital variances reflect net AI/DI inflows, partially offset by an outflow from increased CFA's largely on TFL Networks
- Capital expenditure is £4m lower reflecting revised business outlook

Note: The net impact to the trading divisions on the adoption of IFRS 16 is nil, as we have assumed all assets are owned by the Group. The impact of IFRS 16 within the Group is recognised within GSS.

Specialist Services

Revenue

- A number of contracts ended in 2019, including HS2 and Sussex Police. These have not offset by new contract wins
- Revenue in the transactional businesses of Travel and Events and Enforcement has been particularly impacted by COVID-19
- The Insurance Services and PageOne businesses have remained resilient

Divisional profit

- Despite management action to mitigate the impact of COVID-19, including furloughing staff, the impact of lost revenue on the divisional margin has only partially been mitigated

£m	H1 20	H1 19
Revenue	**102.4**	143.2
Divisional profit	**(4.1)**	20.1
Divisional profit margin	***(4.0%)***	*14.0%*
EBITDA	**(2.1)**	**21.6**
Contractual working capital	**7.5**	3.4
Cash from trading operations	**5.4**	**25.0**
Capital expenditure	**(0.8)**	(1.3)
Operational free cash flow	**4.6**	**23.7**

Cash flow

- Revenue reduction and lower profits drive reduced cashflow

Note: The net impact to the trading divisions on the adoption of IFRS 16 is nil, as we have assumed all assets are owned by the Group. The impact of IFRS 16 within the Group is recognised within GSS.

Cash flow and net debt movement

- Contractual working capital reflects favourable movements in Government Services and Customer Management, resulting in a small increase in cash from trading operations
- Capex investment shows planned reductions in response to changing mix from capital to operating expenditure; further reductions in response to the COVID-19 pandemic will take effect in H2
- Other working capital benefits from £77m of advanced customer receipts, planned improvements in working capital management and the release of 2019 bonus accrual
- £32m of pension deficit payments deferred to H2 2020
- Other cash flows include £45m net proceeds from the sale of Eclipse Legal Services, more than offset by other business exits and contingent consideration payments, and a payment of £21m to buy out a property lease

£m	HY20	HY19
EBITDA	**150.8**	**241.3**
Contractual working capital movement (DI, CFA and AI)	**42.5**	(53.5)
Cash from trading operations	**193.3**	**187.8**
Net capital expenditure	(49.0)	(64.3)
Other working capital	31.7	(93.4)
Free cash flow	**176.0**	**30.1**
VAT deferral	**117.3**	-
Receivables financing	**32.8**	-
Pension deficit payment	**(14.1)**	(57.1)
Restructuring	**(28.1)**	(57.7)
Axelos dividend payment*	**(10.6)**	-
Other cash flows	**(16.7)**	(20.4)
Movement in headline net debt	**256.6**	**(105.1)**

*Dividend payment to Axelos paid in H2 2019

Key COVID-19 Cost and Cash Actions

- The staff cost actions of £25m will largely phase out as crisis phase ends, but more may be needed depending on recovery shape and timing
- Discretionary and property will inform longer term planning to capture potential long term gains
- HQ savings of £25m implemented for H2; rises to £50m in 2021
- The VAT deferral provides cushion throughout 2020
- Management action may extend the other cash phasing benefits
- Further disposals are planned in 2020 and being considered for 2021

Key Cost Actions £m	HY20	Potential future impact
Staff	**24.5**	Furlough/Pay reductions end Q4
Discretionary	**28.6**	Benefits in Q3/Q4, with 2021 potential
Property/Other	**3.8**	Remote working unlocks future value
Total	**56.9**	

Key Cash Action £m	HY20	Potential future impact
VAT Deferral	**117.3**	Unwinds 2021
Advanced Receipts	**76.8**	Could be repeated at H2
Receivables financing	**32.8**	Available H2
Pension deferral	**32.0**	Due H2, possibility for further deferral
Eclipse disposal	**45.1**	Further disposals planned
Total	**304.0**	

Net debt and covenants

- Cash conservation actions have reduced net debt by £257m.
- IFRS 16 increases net debt by £529m
- Pre IFRS 16 the net debt/EBITDA ratio was 1.9 times
- Medium term gearing target will be kept under review, arithmetically it would increase from 1 to 2 times to 1.7 to 2.7 times; 2.7 times at HY20

- £163m, net of swaps, repaid on 30 June 2020
- Compliant with debt covenants at 30 June 2020 and compliance expected in December 2020

Net Debt metrics*	**£m HY20**	**£m FY19**
Adjusted net debt (excluding IFRS 16 and restricted cash)	**609.5**	832.7
Adjustments	**(41.6)**	(42.1)
Pre IFRS 16 headline net debt	**567.9**	790.6
Impact of IFRS 16 on net debt	**528.7**	562.6
Headline net debt	**1,096.6**	1,353.2

Net Debt/EBITDA	**£m HY20**	**£m FY19**
Rolling 12 month EBITDA (post IFRS 16)	**403.6**	**496.1**
Headline net debt to adjusted EBITDA	**2.7**	**2.7**
Euro PPN covenant (<3.5)	**2.1**	**2.2**
US PPN covenant (<3.0)	**1.5**	**1.7**

*For details please see Appendix and Alternative Performance Measures.

Liquidity and debt maturities

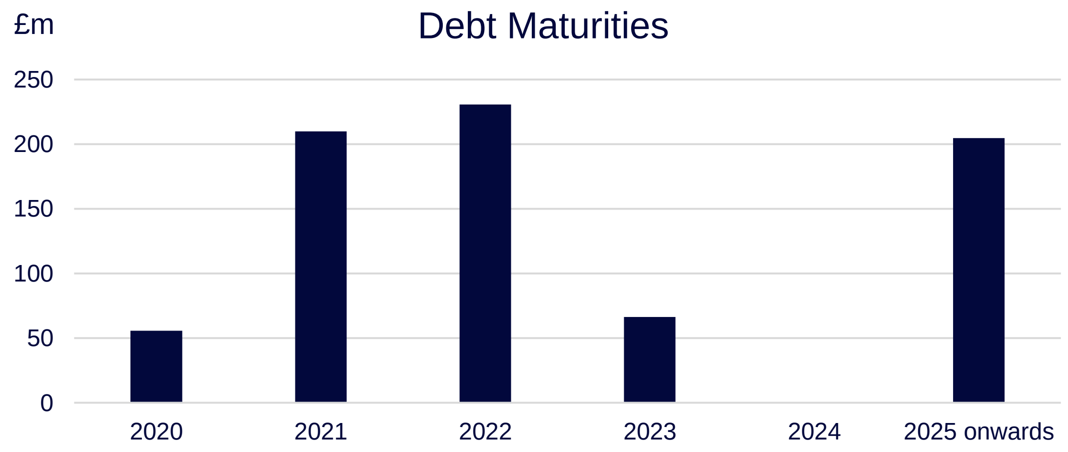
Liquidity

- Cash conservation actions in H1 have improved liquidity by £209m to £704m
- Backstop facility added giving £94m additional liquidity; increased to £150m in August
- RCF expires August 2022, with an option to extend to August 2023 with lenders' consent

Liquidity	£m HY20	£m FY19
RCF	**452.0**	414.0
Backstop (bridge) facility	**93.5**	-
RCF borrowings	**(170.0)**	-
Available facilities	**375.5**	**414.0**
Unrestricted cash	**328.6**	80.7
Total liquidity	**704.1**	**494.7**

Maturities

- £163m of USPP repaid on 30 June. A further £56m matures on 30 September
- Upcoming maturities of circa £500m will be addressed through asset disposals (e.g. ESS) and a planned re-financing if market conditions allow



Forward Planning Assumptions

The uncertainties created by the current and potential future impact of the COVID-19 on our business means that forecasting is inherently uncertain and so guidance is not provided, however our current planning assumptions are:

Revenue: expected to continue in line with or slightly down on H1

Adjusted profit: cost savings and holiday pay accrual reversal improves H2 profit

Net debt: reversal of H1 cash benefits returns net debt towards December 2019 levels

ESS disposal: completes in 2020 but not included in assumptions above

All figures are on an adjusted basis unless otherwise stated and post-IFRS 16. For details please see Alternative Performance Measures.

CEO update
Jon Lewis

COVID-19 Response

Our Pandemic Framework

01

Review

Early monitoring of the developing external situation and international health guidance. Business continuity preparations and scenario planning begins.

02

Respond

Endurance as we manage the crisis and protect the health, safety and wellbeing of colleagues. The way we work adjusts to ensure business continuity and stability in the "eye of the storm".

03

Reimagine

Ongoing sense of stability is established as we begin to emerge from the crisis. This 'temporary new normal' allows us to begin planning for future ways of working.

04

Return

The transition to future ways of working begins, although social distancing and modified ways of working are still required to manage the ongoing risk of Covid-19.

05

Reform

Following the end of the crisis, supporting health and wellbeing remains a priority as we fully embrace the changes we've made. Our future ways of working become reality and the 'new normal' is business as usual.

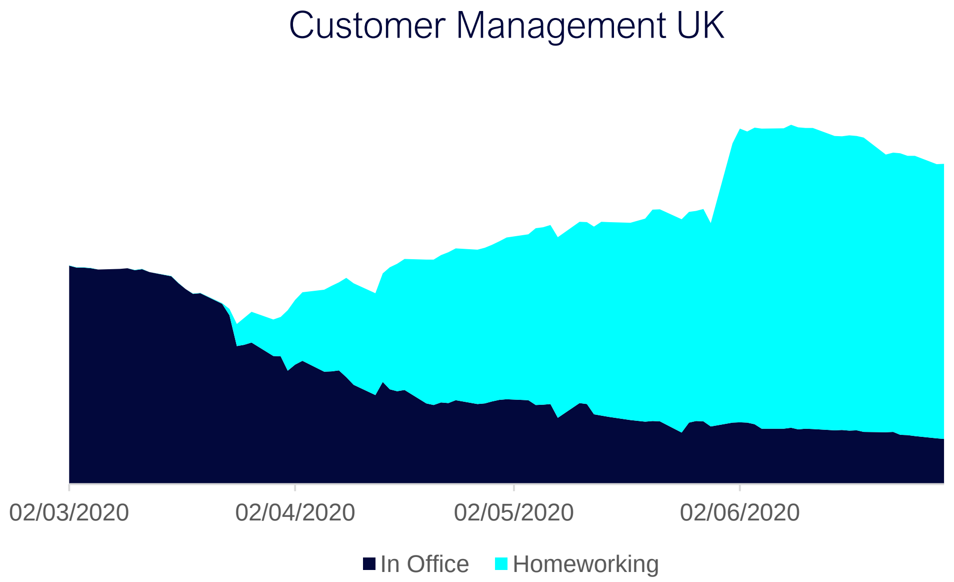
Making sure our people are safe

Maintaining services for clients

Cash **preservation**

COVID-19 – decisive action to maintain service delivery and preserve cost and cash

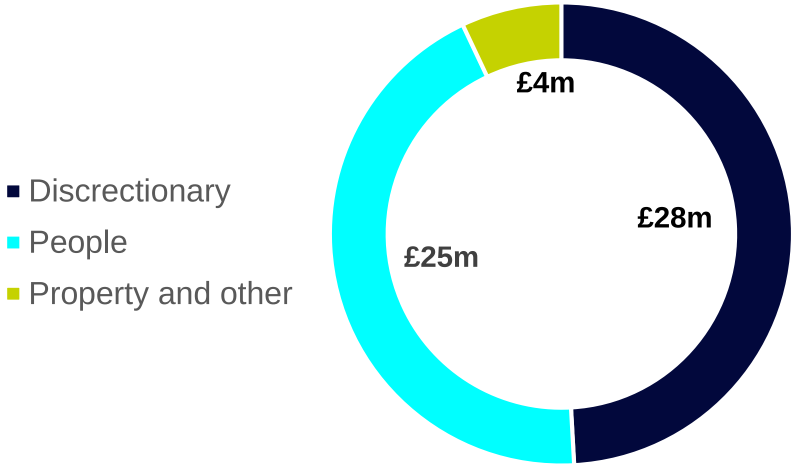
Fast and effective shift to remote working capability



ZURICH®

The reaction from everyone has been astonishing. Working in collaboration we’ve been able to embrace and quickly rolled out technology which is new to the Life business to enable effective home working and maintain customer experience.

Securing £57m of additional savings



Discretionary – travel, marketing, professional services

People – salary cuts, bonuses, contractor reductions, furlough

Property and other – variable running costs

- Implementing additional Group cost savings in H2
- Longer term, sustainable cost savings from new ways of working being developed

Continuing the transformation:
Strengthening operations to drive revenue, profit and cash margins

Fixing underperforming contracts

ARMY

NHS England

Primary Care Support England

mobilcom debitel

Improving operational efficiency

Teachers' Pensions

Renew contracts on better terms

HM Government

Target higher margin digital BPO contracts

Transport for London

HM Revenue & Customs

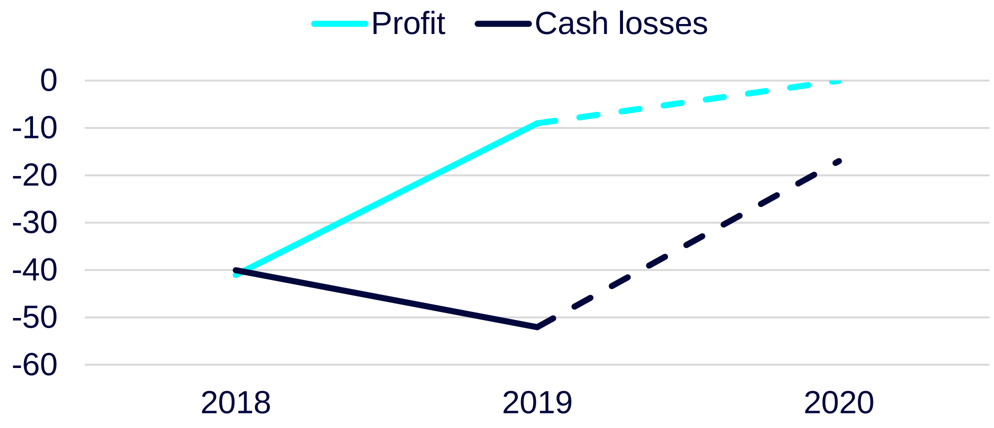
2018 **2020**

Fixing underperforming contracts

- Prioritise delivering on our commitments to our clients
- Strengthening operational delivery
- Stabilise revenue – contract renewal rate at 70%
- Become a trusted supplier – COVID contracts

Remedial contract examples: RPP, PCSE, mobilcom-debitel

Improving profit and reducing cash losses



NHS England

Primary Care Support England

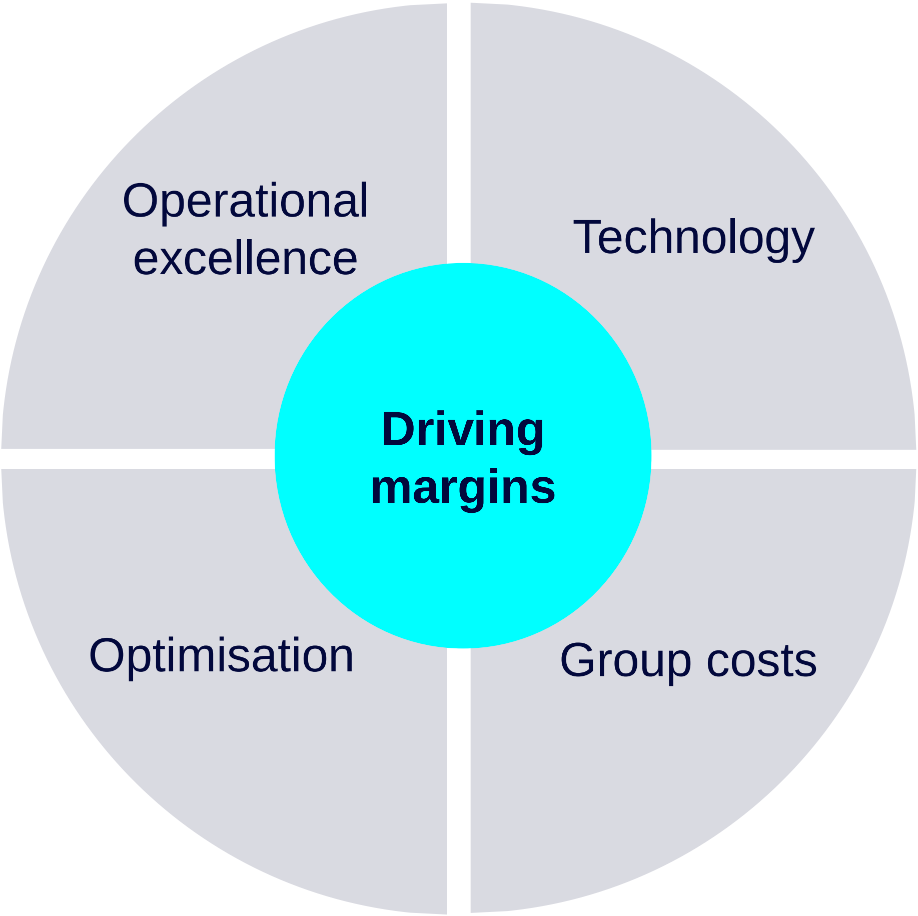
Forecast c.£30m cash improvement on the PCSE contract in 2020

Sustainable cost savings through operational efficiency

£63m in sustainable savings delivered in H1 2020;

- Measuring and reducing cost of poor quality
- Better contract management
- Planning, process, performance

- Updating the operating model
- Consolidation of business units and legal entities
- Shared service centre



- Digitising Customer Experience
- Automation and RPA
- Digital Development Centre

- Procurement savings
- Benefits from systems implementation (Workday, Salesforce)

Over £150m of cumulative efficiency cost savings expected in FY 20

Winning more of the right work

Major contract wins in H1

European telco client	£114m	Technical and fulfilment services for residential and business customers
Teachers Pensions	£60m	Greater digital and data elements to pension administration for 1.3m people
Irish Water	£60m	Digital transformation, CX and data analytics for new client
NHS region	£19m	Digital and data healthcare decisions software

Key upcoming opportunities in H2

Navy Training	£1bn	Transforming Navy training through increasing use of digital technology
Insurance	£370m	Outcomes-based customer contract using analytics and CX tools
TfL ULEX	£355m	Extension + technology transformation
Mortgage services	£50m	Proprietary digital mortgage origination platform

Targeting more reliable, deliverable, higher margins

Simplifying the software portfolio

We continue to prepare our commercial off-the-shelf products for sale e.g. ESS

Software capability is critical to Capita's consulting, transformation and digitally-enabled services strategy

Consolidating all our software development capability in the Digital Development Centre

	Proprietary		3rd party/partner		Microservice	
Platform	one		salesforce	aws	ResponsEye	
Product	Omiga	Standards & Testing Agency	Grant distribution		Healthcare decisions	eye
Use	Mortgage BPO processing	Schools testing administration	Digital grant distribution service	Market leading customer contact solution	Remote triage capability	Emergency response tool

Digital Development Centre

Strategic update: Software

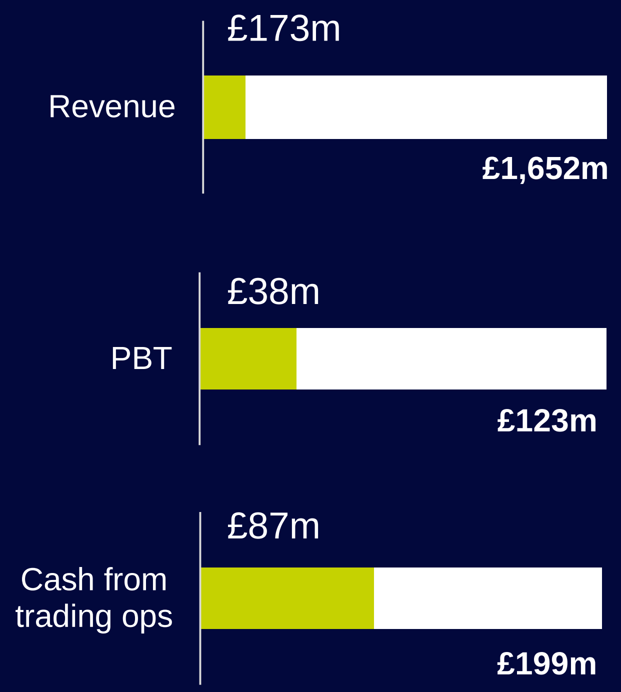
COVID-19

- Reputational benefits recognised as a result of rapid response to COVID-19
- 97% of SLAs being delivered

- Increasing move to microservices and digital componentry as a catalyst for pan-Capita digital services
- Continuing to invest in new product development, leveraging the Digital Development Centre's common tools and best practice processes with rapidly reducing development cycles
- Growth in order intake due to benefits of recent sales transformation and improved deal execution

Order intake continues to grow[1]:

- **Key wins and renewals**: city council Capita One win (£6m), NHS win (£19m), police force Secure solutions renewal (£4m)



Pipeline	**Unweighted £m**
Total	696

Order book	**H1 2020 £m**
£m	559

1 Adjusted for Eclipse Legal Services

Strategic update: People Solutions

COVID-19

- Improved client relationships and COVID response leading to extensions + willingness to review terms on certain contracts

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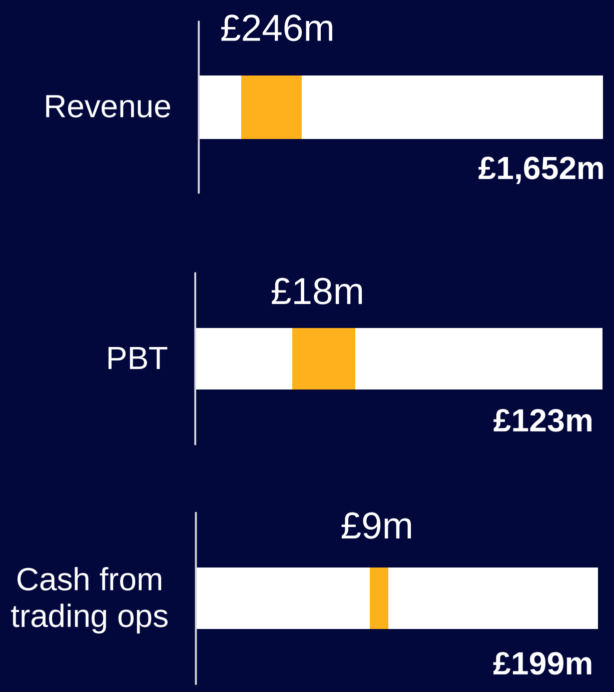
- New leadership team delivering improved client service and identifying opportunities for structural efficiency gains - current focus on Pensions Administration
- Investment in digital products and automation platforms to adapt to new ways of working
- Future benefit expected from Government skills agenda and pensions consulting

Refreshed account management

- **Key wins and renewals:** COVID wins (£3m), major financial services organisation renewal (£8m), Crown Commercial Services renewal (£29m), CCS renewal (c.£80m), Teachers' Pension Scheme renewal (£60m).



Pipeline	Unweighted £m
Total	1,375

Order book	H1 2020 £m
£m	456

Strategic update: Customer Management

COVID-19

- Mobilisation of COVID-related work in short time scales;
- High service levels to clients maintained despite challenges in operational delivery

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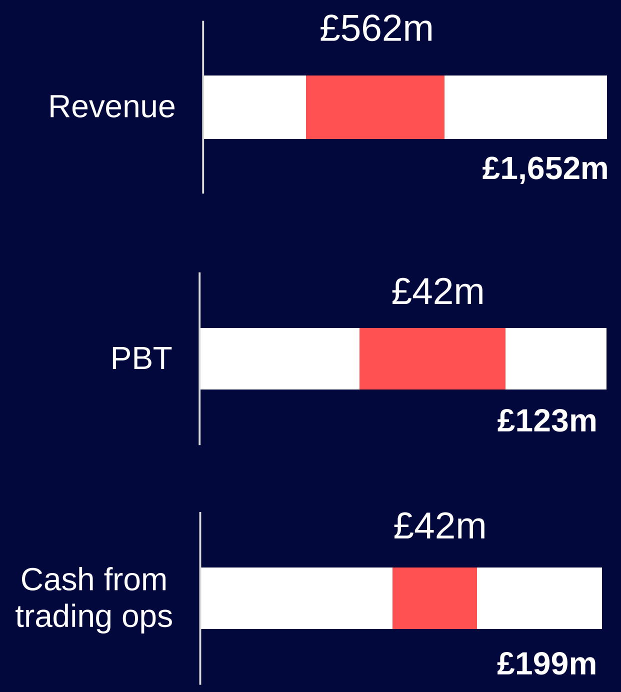
- Low staff attrition rate leading to recruitment, training and customer service benefits
- Accelerating investment in market-focused areas like CX and digital platforms such as chatbot and cloud-based technologies

Several large pipeline opportunities are expected to be awarded in the second half

- **Key wins and renewals:** COVID-related wins (£33m), UK retail bank (£33m), Irish Water (£60m), Europeans telecoms provider (£114m).



Pipeline	Unweighted £m
Total	9,219

Order book	H1 2020 £m
£m	2,500

Strategic update: Government Services

COVID-19

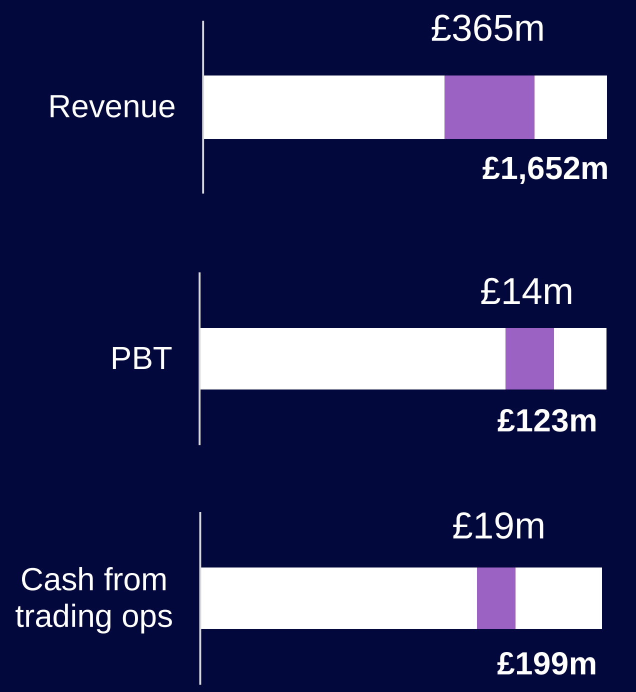
- Significant support for Central Government – gateway to wider Capita contract wins (NHS, DWP)

- Last year of expected Local Government net losses
- Contract performance has improved, with better execution and a material reduction in the cost of poor quality. Becoming a trusted partner to Government.
- Benefits from focus on fewer specific verticals, leading to strong pipeline development
- Expecting longer term tailwinds from COVID-19 response support and longer-term investment in digital and infrastructure

Good H1 wins including COVID-19 work; large pipeline opportunities in H2

- **Key wins and renewals:** COVID related projects (£30m) and Electronic Monitoring renewal (£114m), local authority extension (£13m)

We won TfL ULEX (£355m) in July



Pipeline	Unweighted £m
Total	9,246

Order book	H1 2020 £m
£m	2,019

Strategic update: Technology Solutions

COVID-19

- Agile response to customer demands has enabled them to continue operating as normal
- Supported 35,000 Capita employees to move to remote working

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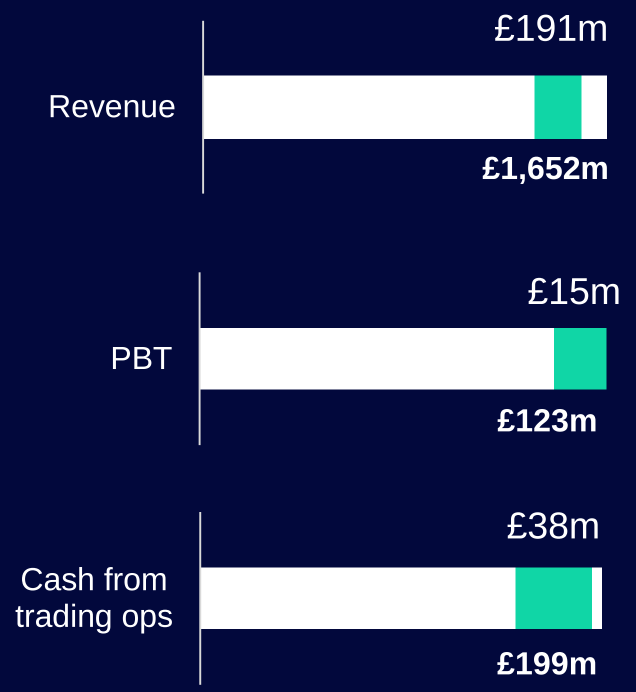
- Core digital offerings are all increasingly in demand as the market adapts to new ways of working
- Continuing cost savings through ongoing Group and divisional consolidation
- Continued investment in our capabilities (data, Cloud, security) to build on improving external perception

Order book growth due to upselling

- **Key wins:** TfL Emergency Services Network (£24m), Cheshire East Council (£8m), AEGIS London (£4m)



Pipeline	Unweighted £m
Total	2,095

Order book	H1 2020 £m
£m	417

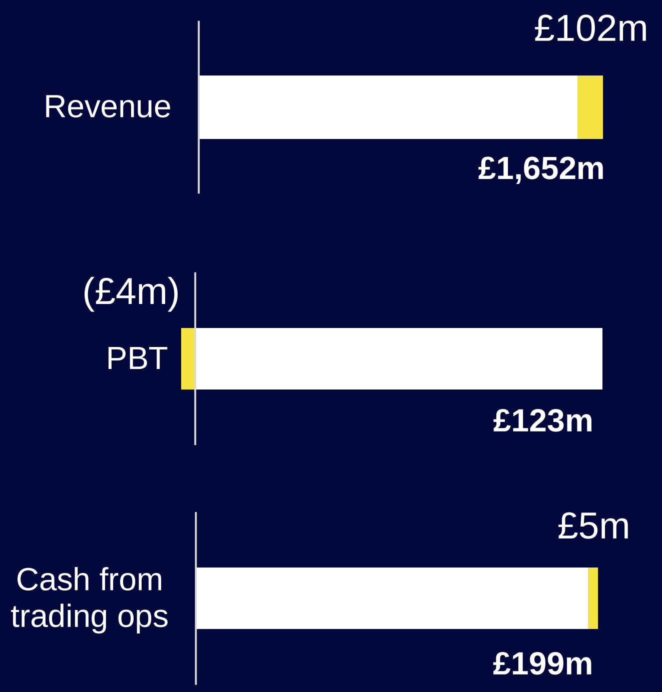
Strategic update: Specialist Services

COVID-19

- 11 mostly transactional businesses - impacted by COVID-19 in varying degrees

- 11 mostly transactional businesses - impacted by COVID-19 in varying degrees
- Insurance, Page One, Tascor and Translation & Interpreting have proven resilient
- Travel and Events – severe impact, slow recovery into 2021
- Enforcement, local councils starting to re-commence services following cessation of activity in Q2 2020. It is anticipated that this market will return by Q2 2021

- Radically restructuring the businesses most impacted to restore profitability - reducing overheads and property footprint
- Aiming to achieve higher operating margins, albeit from a lower revenue base
- View to dispose once market conditions are favourable



Pipeline	Unweighted £m
Total	487

Order book	H1 2020 £m
£m	287

Strengthening the balance sheet

- Addressing elevated leverage with short term and long term actions
- Initiatives generating £304m of cash benefit in H1
- Operating cash flow beginning to improve as transformation accelerates; though sustainable operating cash flow now 1-2 years away
- £500m of debt maturity 2020-2022 (£56m in 2020; £210m in 2021; £230m in 2022)
- Disposal of ESS: proceeds to strengthen the balance sheet by reducing net debt and pension liabilities
- Further disposals being considered; ready to issue bond when conditions are supportive

Summary

Robust response to COVID-19

- Focus on our colleagues and delivering client services
- Deliver cost and cash mitigation programmes

Simplify the portfolio and strengthen the balance sheet

- Disposal of ESS; proceeds to strengthen balance sheet
- Expect to meet 31 December covenants

Strategic imperatives

- Continue to simplify the organisation around core growth markets
- Cash margin improvement

Long-term opportunity unchanged

- Continue to target increasing, sustainable free cash flow

Q&A

Appendix

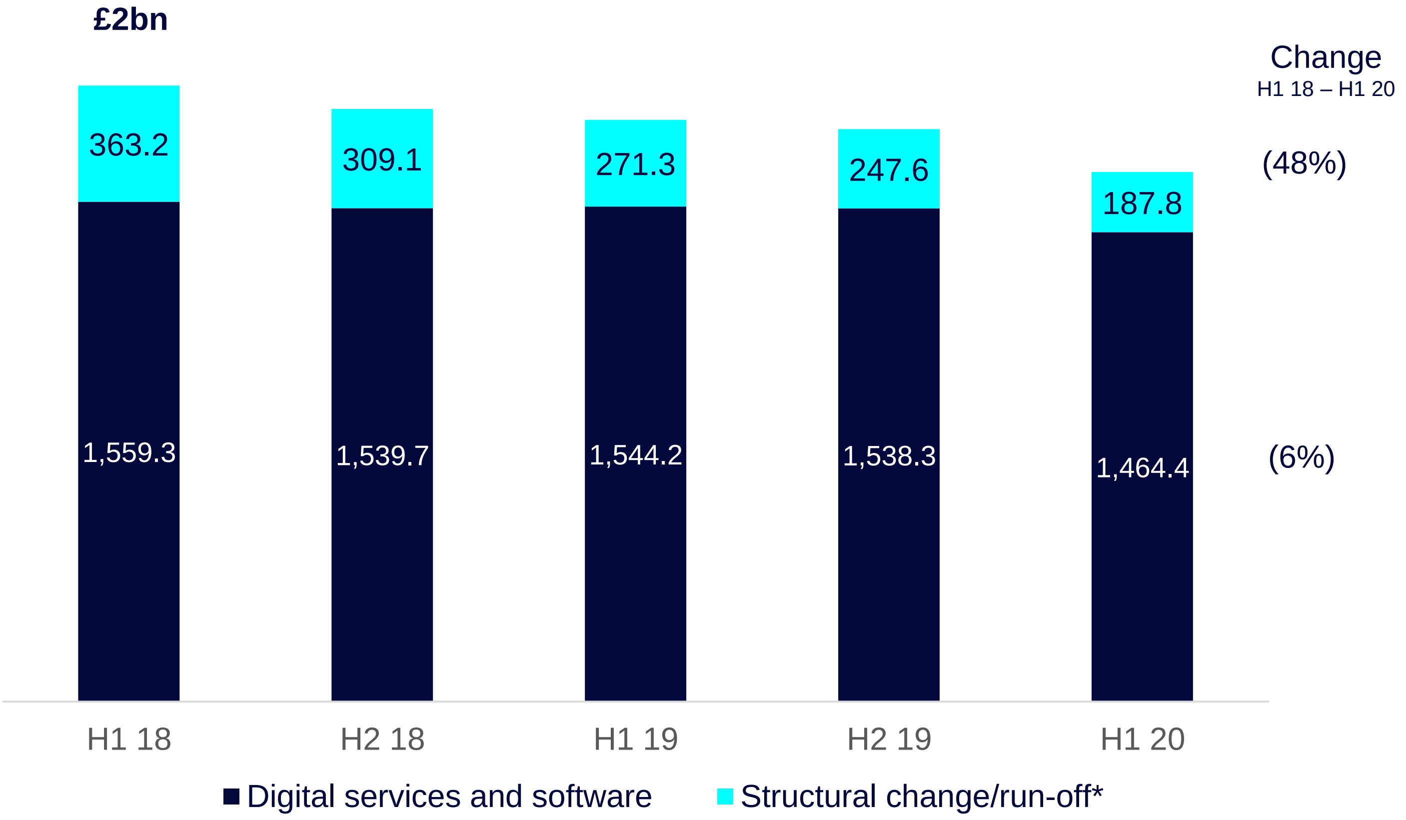
There are a number of items excluded from adjusted PBT

- Amortisation of acquired intangible assets is run down from previously acquired businesses
- Significant restructuring represents costs of previously communicated Group multi-year transformation plan, including accelerating cost savings to mitigate the financial impact of COVID-19
- Business exits, reflects gain on disposal of Eclipse Legal Services, aborted disposal costs where the anticipated disposal was aborted due to the impact COVID-19 had on the underlying businesses, and trading results of businesses in the process of being disposed of or exited
- Other costs reflect movements in the mark-to-market valuation of certain financial instruments and movement on provisions for litigations and claims

	£m H1 20	£m H1 19
Reported PBT	**(28.5)**	**31.2**
Amortisation and impairment of acquired intangibles	**20.2**	28.7
Significant restructuring	**40.0**	56.5
Business exits	**(13.8)**	(0.7)
Other	**12.2**	2.1
Adjusted PBT	**30.1**	117.8

Revenue changes: an alternative view

- We have described elements of the Life and Pensions Business and certain multi-service local government contract as structurally challenged/run off
- This analysis provides more detail on this breakdown
- Structurally challenged/run off businesses revenue has declined by 48% from H1 18 – H1 20



*Structurally challenged local government multi-service or legacy IT-dependent life insurance contracts

Order book* bridge FY19 to H120

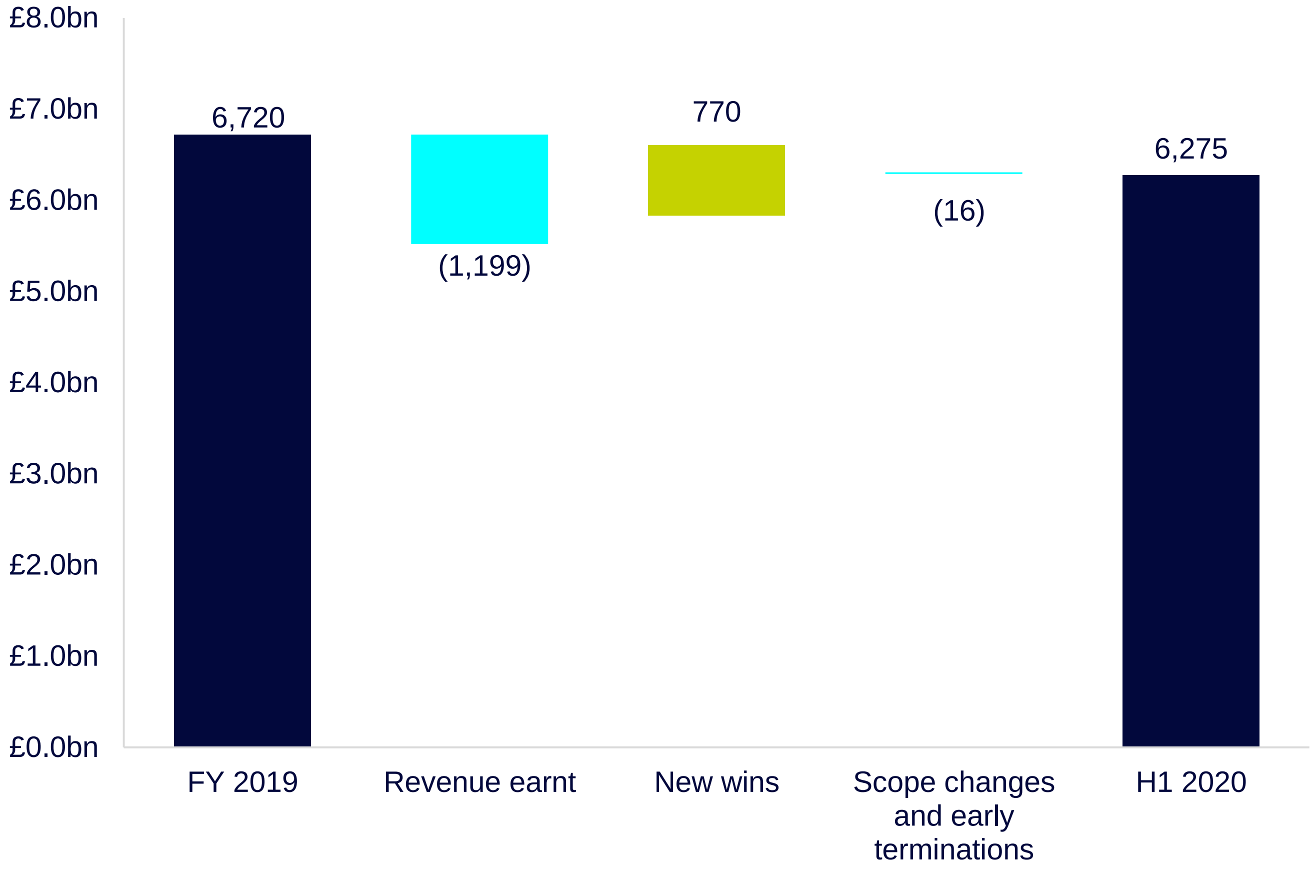
Relevant to approximately half of revenue base

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

Wins yet to offset revenue earnt

Wins in H1 include wins with Irish Water £58m, a High Street Bank £33m within Customer Management, TFL Station and Tunnelworks £25m within Technology Solutions and Teachers pension £61m in People Solutions.

Number of other small wins across all divisions with the largest within Software, Customer Management and Technology Solutions.



*Order book represents the consideration to 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, scope changes, contract extensions (unless pre-priced), revenue from frameworks and trading businesses.

Overall revenue split

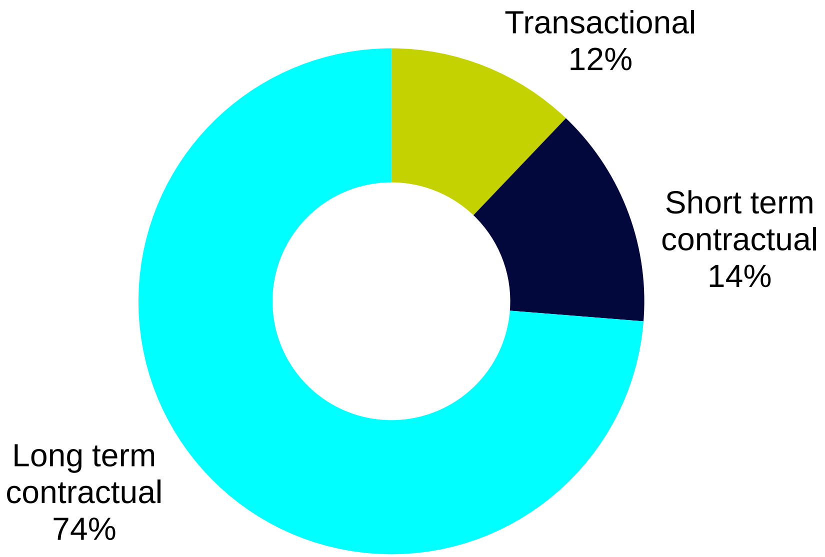
Revenue split – based on IFRS 15 definitions:

- 74% long term contractual
- 14% short term contractual
- 12% 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 FY19



Impact of IFRS 16

Profit/(loss)	£m H1 20	£m IFRS 16 adjustment	£m Pre-IFRS 16 H1 20
EBITDA	**150.8**	**(53.7)**	**97.1**
Depreciation	**(72.5)**	**44.5**	**(28.0)**
Operating profit	**57.6**	**(9.2)**	**48.4**
Interest	**(27.1)**	**12.8**	**(14.3)**
Profit/(loss) before tax	**30.1**	**(3.6)**	**33.7**

Balance Sheet gearing	£m H1 20	£m IFRS 16 adjustment	£m H1 20
Opening net debt	(1,353.2)	562.6	**(790.6)**
Cash movement in net debt	307.5	(61.4)	**246.1**
Non-cash movements	(50.9)	27.5	**(23.4)**
Closing net debt	(1,096.6)	528.7	**(567.9)**

Adjusted free cashflow	£m H1 20
Free cashflow (post-IFRS 16)	**176.0**
Financing of lease liability	**(40.4)**
Free cashflow (pre-IFRS 16)	**135.6**

Leverage ratio	Headline	US PP covenants	Other financing agreements
Net debt / EBITDA*	**2.7**	**1.5**	**2.1**

Glossary

Acronym	Division	Description
Software	Software	• Specialist enterprise software, in specific vertical markets • Leader in education, emergency services, local government & utilities
PS	People Solutions	• 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	• Leading provider of multi-channel customer contact services in the UK, Germany and Switzerland • Primarily serving clients in telecommunications/media, retail and utilities, from a mix of locations in UK, Europe, India and South Africa
GS	Government Services	• Government's strategic partner for transformation and delivery of tech-enabled business services • Processing, administration & IT services to local government, education & health
TS	Technology Solutions	• End-to-end enterprise IT services • Managed network solutions, datacentre and cloud infrastructure, managed IT support, testing, cyber security and consulting
SS	Specialist Services	• 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