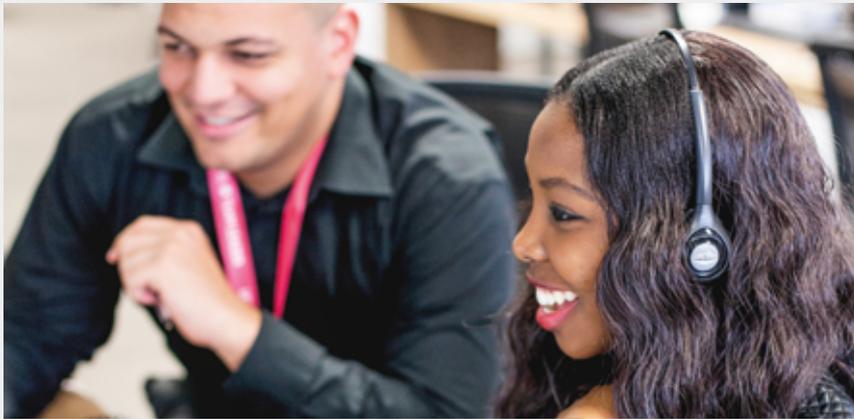


Divisional strategy and performance continued

# Customer Management



**Capita is a leading provider of multi-channel customer engagement services, underpinned by full-service business management capabilities, in the UK, Switzerland and Germany.**

We primarily serve customers in the telecommunications, retail and utility sectors, from a mix of onshore locations in Europe and offshore locations in India, Poland, South Africa, Argentina and Bulgaria.

The division also provides remediation, complaints management and collections services, including TV Licensing. Our approach is to build shared outcome partnerships, increasingly based on partnering for value, not transactional supply. The value we bring to our clients is increasingly built around transforming the customer experience through the application of data insight and analytics. These enable us to manage complex, high-value interactions, drive positive quality improvement, and improve financial benefits for clients.

## 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 underpin our core value proposition that we '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, deploying a range of operational, technology and process capabilities from within both Customer Management and the wider Capita group. This commitment to outcomes and 'making great experience happen' is core to our differentiation in the marketplaces in which we operate. Our operational scale allows us to derive meaningful insight from our customer interaction data, driving business improvement across our operations. Consequently, we are able to build longer-term, more strategic partnerships, with richer solutions.

Adjusted revenue  
**£794.2m**

2017: £828.9m

Order book  
**£2,011.8m**

2017: £1,843.6m

Adjusted operating profit  
**£39.6m**

2017: £57.8m

Adjusted operating margin  
**5.0%**

2017: 7.0%

Employees  
**30,000**

### Countries of operation

- UK
- Germany
- Switzerland
- South Africa
- India
- Poland
- Argentina
- Bulgaria

### Key services and contracts

#### Services

- Customer experience enhancement
- Revenue generation
- Escalated case/complaints management

- Digital transformation.

#### Contracts

- O2
- TV Licensing
- British Gas
- npower

### Key markets

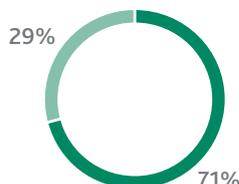
- Retail
- Telecoms and media
- Utilities
- Automotive
- Financial services
- Travel and leisure

### Revenue by market



- Private sector
- Public sector

### Revenue by type



- Long-term contractual
- Short-term contractual

### Strategic priorities 2018–2020:

- Invest in our infrastructure to ensure consistent, high-quality service delivery, including facilities, core technology and tools.
- Build new digital platforms to support all channels and customer on behalf of clients.
- Build enhanced data and analytical platforms and capabilities to enable the business to drive insights from customer interactions into our client engagements.
- Implement a stronger operating framework to standardise our operational routines and transfer best practice across our operations, both on and offshore.
- Invest in improved consultative selling capability to increase origination, pipeline and order book.
- To standardise best practice, improve our infrastructure, invest in people, increase our use of technology and offshoring.
- Diversify and accelerate growth in some of our secondary sectors, notably financial services and travel and leisure.

### 2018 progress against strategic priorities:

- Investment in sales resource to drive origination and consultative selling, reflected in order book growth in 2018.
- Pilots built for both omni-channel and new automation technologies, ahead of full production in 2019, underpinning our differentiated customer experience approach.
- Customer Experience Improvement methodology proposition embedded and rolled out to first tranche of clients.

## Divisional financial summary

	2018 £m	2017 £m	change %
Adjusted revenue	794.2	828.9	(4.2)
Adjusted operating profit	39.6	57.8	(31.5)
Adjusted operating margin	5.0%	7.0%	
Order book	2,011.8	1,843.6	9.1

### Our market and growth drivers

We are the largest provider of customer management services in the UK with a 14% market share. The UK market is estimated to be worth £4bn a year and is expected to grow at approximately 4% per annum through 2022 (source: Nelson Hall). The German and Swiss customer management markets are estimated to be valued at £4bn per annum and are expected to grow at around 5% per annum through to 2022.

In both the UK and Europe, Capita competes with a range of local and global players for transactional contracts, typically priced on a price per FTE hour basis, and a smaller number of strategic players for outcome-based contracts. In Germany, the market has consolidated following a period of low growth and pricing pressure. Clients are seeking partnerships which are characterised less by FTE numbers and more by a range of value-adding services: revenue generation, complaints management, digital channels and data/insight. This increasingly complex service offering provides opportunities for players with deeper outsourcing capabilities. Customer experience is getting wide organisational attention from our clients, as they seek more sustainable models for attracting and retaining customers and driving revenue growth.

### Financial performance

Adjusted revenue fell by 4.2%, due to contract scope changes and lower volume in the UK retail and energy sectors and Switzerland. Adjusted operating profit decreased due to: the aforementioned decline in revenue; a weaker performance in Europe, which was impacted by lower profits in Switzerland, and a slightly higher loss on our contract with mobilcom-debitel; increases in some cost items including the adoption of General Data Protection Regulation; and the dropping-out of a one-off contract modification benefit in 2017. Excluded from 2018 adjusted profit is a charge of £61.7m from the impairment of acquired intangibles (refer to note 3 of the consolidated financial statements).

### Sales and operational performance

Our order book increased by 10% to £2.0bn in 2018, due to the extension and expansion of existing contracts and signing of new contracts to deliver high-quality services for a number of leading clients, including:

- The extension and expansion of our existing contract with Germany's largest integrated telecommunications provider, taking over the operation of three contact centres and 640 employees. This contract is estimated to be worth £300m (€340m) to Capita to December 2022.
- British Airways selected us to deliver a new five-year contract to deliver enhanced customer services from our global centre in Cape Town, South Africa.
- Expanded contract with Southern Water for end-to-end customer services – including the management of back-office billing processes, correspondence-handling, print and mail – worth £30m over five years.
- Expanded contract with the Financial Services Compensation Scheme (FSCS) – to consolidate all its claims handling services, including all inbound and outbound customer contact – worth £37m over four years and nine months.
- Extensions of our contracts with: npower, worth £41m over three years; Marks & Spencer, worth £70m over five years; and BBC Audience Services for five years.

The transformation of our seven-year customer services contract with mobilcom-debitel – one of Germany's largest mobile, internet services and telecoms products providers – is now progressing well. During 2018, the investment of management time has improved contract performance, and we delivered all transformation milestones on time. This included the roll-out of a new multi-channel telephony platform and the launch of IOS and Android mobile apps. We continue to plan to reach break even on the mobilcom-debitel contract by the end of 2020.