

Capita plc (“Capita” or the “Company”)

Capital Markets Presentation

Capita, a leading provider of business process services, will host a Capital Markets presentation this afternoon for institutional investors and analysts. The presentation will set out the Group’s strategic themes of “Better Efficiencies, Better Technology, Better Delivery, Better Company” and the key strategic priorities for its two divisions – Capita Public Service (CPS) and Capita Experience (CE), as well as setting out the Group’s updated medium-term targets.

The Company is prioritising business sectors where Capita has strong expertise, wins today and sees material opportunities in the future. They are Public Services, Contact Centres and Pension Solutions. We are managing for value some areas of the Group, including our closed book life & pensions, mortgage services, networks and standalone software activities.

Delivery of the Group’s strategy will be accelerated through a number of key initiatives across both CPS and CE, including:

- Restructuring and right sizing the organisation to reduce costs; drive efficiency and cash flow
- Introduction of targeted, standardised, repeatable product propositions to capitalise on shifting demand – e.g. the announcement of CapitaContact with AWS on 10 June
- Development of core market propositions for selective service offerings
- Partnerships with technology hyperscalers to address industry trends and client demands

Capita Public Service is a leading Business Process Services and IT Services, software and managed services partner to the UK Public Sector, operating in an addressable market of £16.4bn which is growing at around 4% per annum. CPS’s vision is to improve the productivity and citizen experience of public services through using technology enabled services, supported by our partner ecosystems.

Demand for our services across the Public Sector is shifting towards digitally enabled services, to improve productivity for the Government and improve citizen user experiences. To capitalise on this, CPS has identified four key propositions to drive sustainable growth: Digital Business Services; Citizen Experience; Workforce Development and Place. These propositions offer substantial sales potential across public sector client groups in the UK, through enhanced repeatability and cost-efficient delivery, particularly in the areas of modern, technology-enabled Public Sector Business Process Outsourcing and National Preparedness.

Capita Experience is one of Europe’s leading customer experience businesses operating in four countries: the UK, Ireland, Germany and Switzerland, with global delivery centres in South Africa and India, serving leading brands in the Telco & Media, Utilities, Retail and Financial Services sectors. The core contact centre business is implementing a significant reorganisation and digitisation to close the margin gap with its peers in the market and improve its competitive position as it was historically slow to introduce standard omni-channel and multi-language capability offerings and traditionally implemented limited off/near shoring which has resulted in a relatively high-cost base and EBIT margins of less than 1%. The addressable contact centre market in EMEA is currently £28.0bn with **growth** of around 4% per annum, providing significant opportunity for our business in the medium-term. The division also delivers **Pension Solutions** in the UK, a higher growth and higher margin business, in a market worth £3.0bn which is projected to grow by 3% per annum.

The call and contact centre industry is evolving rapidly through technological advancement and shifting consumer expectations. The introduction of Gen AI offers the potential to deliver lower cost solutions and improve human agent productivity, which plays to the strengths of Capita, a people-centric business augmented by technology. Similarly, in Pension Solutions there is a growing demand for automation and digital platforms.

Our growth and margin improvement in CE will be underpinned by:

- More off/nearshoring of operations
- Standardised omni-channel and multi-language offerings
- Integration of Gen AI internally and externally for customers
- Repeatable, modular and scalable solutions to support channel and industry expansion, and quick market entry including nine new customer service bundled offerings launching during 2024
- Targeted offerings in specific service lines
- Expanding the call centre portfolio in adjacent markets in EMEA over time, using existing infrastructure

Driven by the execution of this strategy, the Company is announcing improved **medium-term targets** for the Group as follows:

- *Low to mid-single digit revenue growth*
- *6%-8% EBIT margin*
- *65%-75% operating cash conversion*
- *Net financial debt leverage of ≤1x*
- *Continued reduction in lease liabilities from property rationalisation*

Underpinning margin expansion across both divisions is the Group’s efficiency programme which is expected to deliver £160m of annualised cost savings by Q2 2025, of which £90m has already been actioned. Capita expects to reinvest around £50m of these savings, over the period to the end of 2025, on an annualised basis in driving growth through technology and ensuring price competitiveness.

Adolfo Hernandez CEO, Capita said:

“Today we are outlining our plans to enable Capita to become a better company with an improved financial performance generating cash-backed profits. We have strong foundations on which to build, and our priority is on delivering swift and far-reaching business improvement rather than a fundamental change in our market focus. We are becoming a leaner and more agile business, delivering services with much greater use of technology, particularly through partnerships with the hyperscalers. Our technology strategy will be organic, with low capital intensity and will be principally funded through partial reinvestment of our previously announced £160m cost saving programme and refocussing of the business towards more profitable customer solutions.

The joint go-to-market solutions with technology hyperscaler partners such as Microsoft, AWS, Salesforce and ServiceNow will drive

market differentiation, ensuring a large proportion of higher-margin repeatable deals with improved cost predictability, as demonstrated with the recent collaboration with AWS on CapitaContact. Through optimising our commercial processes, we will ensure a growing and prioritised sales pipeline, with greater visibility to deliver in-year revenue.

We are developing a culture across the Group focused on creating a better company that supports improved profitability and sustainable cash generation. Our £160m of efficiency savings are a good starting point and remain on track to be implemented by Q2 2025. EBIT margins will improve to 6%-8% over the medium-term, leading to sustainable free cash flow generation from 2025 onwards."

No additional material information on trading or outlook will be disclosed at this afternoon's event. There is no change to 2024 guidance which, as set out previously, is for adjusted revenue to be broadly in line with 2023, for improved EBIT margins vs 2023 and for a free cash outflow of £70m-£90m.

The presentation will be webcast at 2pm on 13 June 2024. The link to the webcast is: <https://webcast.openbriefing.com/capita-cmd24/>.

For more information, please contact:

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About Capita

Capita is a modern outsourcer, helping clients across the public and private sectors run complex business processes more efficiently, creating better consumer experiences. Operating across 8 countries, Capita's 41,000 colleagues support primarily UK and European clients with people-based services underpinned by market-leading technology. We play an integral role in society - our work matters to the lives of the millions of people who rely on us every day.
