

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014 (as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended)

09 July 2024

## Capita agrees sale of Capita One

Capita plc (Capita) has agreed to sell its standalone software business (**Capita One**), via the sale of Capita One Limited by Capita Business Services Ltd (the **Seller**), to Orchard Information Systems Limited (the **Buyer**), a wholly-owned subsidiary of the MRI Software, LLC (**MRI Software**) (the **Disposal**) in a deal that values Capita One Limited at £200m on a cash-free, debt-free basis. This represents a c.10x multiple on 2023 EBITDA for Capita One of c.£21m.

The Disposal will result in the Capita group (the **Group**) receiving expected gross cash proceeds of approximately £207m upon completion of the Disposal (**Completion**). Prior to Completion, the Group also expects to receive a cash dividend of £4.8m from Capita One.

Capita One provides local authorities, local education authorities and housing associations with revenues & benefits, social housing management and education management software. It helps local authorities drive efficiency, maximise revenue collection, and deliver essential public services as cost effectively as possible.

The sale of Capita One follows an evaluation of certain activities currently carried out by Capita that are not core to the Group's future strategy. As announced on 13 June 2024 at Capita's Capital Markets Event, standalone software activities, including the Capita One business, are part of the Group's activities that are being "managed for value".

The Disposal will realise material value for Capita's shareholders and the net cash proceeds will provide the Group with additional cash resources to strengthen its financial position and further reduce indebtedness, as well as funding for its transformation journey. Although short term pro forma results are expected to be impacted by the Disposal, Capita is maintaining its medium-term guidance for the continuing Group based on the benefits of the cost saving and technology initiatives previously outlined.

MRI Software is a leading provider of real estate software solutions that transform the way communities live, work and play. The Buyer intends to support Capita One's growth plans and further develop its product portfolio and customer base.

The Disposal is expected to complete towards the end of August, subject to satisfaction of the following Completion conditions:

- The sale of Capita One is a Class 1 transaction under the current Listing Rules and is conditional on the approval of Capita's shareholders (to the extent such approval is required by the Listing Rules as may be amended or replaced by the FCA) with a shareholder circular (the Circular) to be published in due course including a timetable for a General Meeting of Capita shareholders; and
- notification and confirmation from the Secretary of State that no further action will be taken under the UK's National Security and Investment Act.

Proposed changes to the Listing Rules, including changes to the rules relating to Class 1 transactions, (the **New Listing Rules**) are expected to be finalised and implemented early in the second half of 2024. If the New Listing Rules are implemented as currently proposed and become effective prior to Completion, they would not require the Disposal to be conditional upon the approval of Shareholders. If, prior to the General Meeting, the FCA announces that the New Listing Rules will become effective before the Completion, the Company would permanently adjourn the General Meeting and the Disposal would cease to be conditional on the approval of Capita's shareholders. The Company would give notice of this by issuing an announcement through a Regulatory Information Service.

The Buyer has paid a deposit of £20m (the **Deposit**) to the Seller's solicitors to be held by them (or a third-party escrow agent) as stakeholder pending Completion or termination of the sale and purchase agreement in respect of the Disposal (the **SPA**). Upon Completion, the Deposit will be released to the Seller and credited against the cash consideration payable by the Buyer at Completion.

If the SPA were to terminate without Completion having occurred, the Deposit is required to be released and returned to the Buyer unless such termination is a result of a breach by the Buyer of its obligations under the SPA (in which case the Deposit shall be released to, and retained by, the Seller).

The SPA includes a joint and several guarantee by each of MRI Intermediate Holdings LLC, MRI Software EMEA Limited and MRI Software Limited in favour of the Seller guaranteeing the due and punctual observance and performance by the Buyer of its obligations under the SPA.

The total assets of Capita One as at 31 December 2023 were £67m and the revenue and profit before tax for the year then ended were £55m and £19m respectively. The EBITDA and operating cash conversion of Capita One for the year ended 31 December 2023 were c. £21m and 92% respectively. Capita One is expected to have cash of c.£18m assuming Completion towards the end of August.

Adolfo Hernandez, CEO, Capita, said: "As I outlined recently at our Capital Markets Event, Capita's strategy is to become a more focused company, prioritising businesses where we can deliver material opportunities in the future, with greater simplification and cost reduction.

"Capita One is a high-quality business that has performed exceptionally well. Under its new owner, it is well positioned to benefit from investment in its strategic growth.

"We remain committed to the local public service market but want to see Capita One be set up for continued success with an owner that can deliver the investment it needs."

Barclays Bank PLC, acting through its Investment Bank ('Barclays') is acting as sole financial advisor and sole sponsor to Capita on the transaction.

**Notes to editors:**

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**About Capita One**

Capita One is a provider of software solutions across the UK public sector, helping local authorities drive efficiency, maximise revenue collection and deliver essential public services as cost effectively as possible. Capita One primarily serves local authorities, local education authorities and housing associations, and the business operates across three sectors: revenue and benefits software, social housing management and education management software. The Capita One senior management team comprises: Jon Peart, Stuart Cheetham, Dave Smedley, Paul Millard, James Allard and Gavin Chamberlain. The Capita One senior management team will be transferring with the business.

**About MRI Software**

MRI Software is a leading provider of real estate software solutions that transform the way communities live, work and play. MRI Software's open and connected, AI-first platform empowers agents, owners, operators and occupiers in commercial and residential property organizations to innovate in rapidly changing markets. MRI Software has been a trailblazer in the PropTech industry for over five decades, serving more than six million users worldwide, including social housing and the public sector. Through innovative solutions and a rich partner ecosystem, MRI Software gives real estate companies the freedom to realize their vision of building thriving communities and stronger businesses. For more information, visit <https://www.mrisoftware.com/uk/>.

**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.

**Important Notice**

Barclays, which is authorised by the Prudential Regulation Authority ('PRA') and regulated in the United Kingdom by the FCA and the PRA, is acting exclusively for Capita and no one else in connection with the proposed sale and will not be responsible to anyone other than Capita for providing the protections afforded to clients of Barclays nor for providing advice in relation to the proposed sale or any other matter referred to in this announcement.

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