



26 July 2022
Mitie Group plc

Q1 trading update **A strong start to FY23 with continued good momentum**

Trading for the first three months of FY23 has been strong, with continued good momentum. Revenue from new contract wins and acquisitions has helped us to surpass the revenue that we delivered in the first quarter of last year, which had included £110m of COVID-related contracts.

Highlights

- Group revenue¹ of £945m was 3% ahead of the same period last year (Q1 FY22 £917m)
- Revenue growth, excluding the COVID-related contracts, was 16%
- New contract wins, renewals and extensions including project work of up to £778m total contract value (TCV) in the quarter
- Acquisitions of P2ML, 8point8 and Custom Solar completed in first quarter
- Average daily net cash was £6m (Q1 FY22 £69m net debt)
- Industry leading MSCI ESG Rating of AA reaffirmed

Revenue growth

Group revenue for the three months to 30 June 2022 (Q1 FY23), including share of joint ventures and associates, was £945m, 3% ahead of the same period last year (Q1 FY22 £917m). Pleasingly, revenue from significant new contract wins, together with acquisitions in the last 12-months, helped to more than replace the prior year revenue contribution from the rapid-response COVID-related contracts which Mitie delivered throughout FY22, and have now ended.

Adjusting for the COVID-related contracts, year on year revenue growth in the first quarter was 16%.

New contract wins and renewals

This year has started encouragingly with new contract wins and renewals/extensions of up to £778m TCV in the first quarter. New wins of £203m TCV include US Visiting Forces (for DIO), Hammerson, Poundland and GSK. Our extension and renewal rate is over 95%, with renewals or extensions for the DIO Ascension Islands, Cyprus and Falklands contracts, as well as Vodafone, Starbucks and Jones Lang Lasalle. Thus far in the second quarter contracts have been renewed with both Sainsbury's and Sellafield.

Acquisitions

During the quarter we have acquired three small, but high growth, high margin businesses. The acquisition of two further telecoms site acquisition and maintenance companies, P2ML and 8point8, create a UK market leading Telecoms Support Services business for Mitie. The acquisition of Custom Solar enhances our decarbonisation offering for our customers.

These three acquisitions take the total number of acquisitions to seven during the last twelve months, with a combined contribution of £17m revenue in the first quarter of the year.

¹ Revenue including share of joint ventures and associates and excluding discontinued operations

Divisional performance

Business Services

Revenue of £304m was 17% lower than the same quarter last year (Q1 FY22 £366m), as Business Services delivered almost all of the short term COVID-related contracts in 2022, which have now ended. Excluding these contracts, underlying revenue increased by 11%, primarily due to the provision of Security at bridging hotels for Afghan refugees, and new contract wins including Hammerson and Poundland.

Central Government and Defence (CG&D)

Revenue in the first quarter of FY23 was £168m, 16% ahead of the first quarter of FY22 (Q1 FY22 £145m). The increase in revenue was due largely to the DIO (FDIS (Scotland & Northern Ireland)) contract, which was won in the prior year, and increased project work with customers.

CG&D has successfully renewed or extended three MOD contracts in the quarter for DIO in the Ascension Islands, Cyprus and the Falkland Islands.

Communities

Revenue of £120m was 10% ahead of the same quarter last year (Q1 FY22 £109m), with the increased revenue coming from the new John Radcliffe hospital contract, and additional decarbonisation related project work.

Technical Services

Revenue of £257m was 20% ahead of the same quarter last year (Q1 FY22 £214m), driven by FY22 contract wins including BAE Systems, Costa and Legal & General and the ongoing, gradual recovery in variable and project works.

The Telecoms companies acquired in the last 12 months (DAEL Telecoms, P2ML and 8Point8) have been successfully integrated into the Technical Services Telecoms division, which is performing well, as is Rock Power Connections, which has been integrated into Mitie Energy.

Specialist Services

Revenue of £96m was 16% ahead of the same quarter last year (Q1 FY22 £83m), primarily driven by the Care & Custody division, where revenue increased by £10m to £39m (Q1 FY22 £29m) due to the increase in the provision of Escorting Services, and the mobilisation of the new contracts for the Dungavel and Derwentside Immigration Removal Centres.

Share buyback

As part of our capital allocation strategy to focus on increasing shareholder returns, a share buyback programme commenced on 9 June 2022 to return an initial £50m to shareholders. On 14 July 2022 the programme was amended to increase the volumes of shares purchased each day to between 25 percent and 50 percent of the average daily trading volumes, in order to mitigate the low liquidity of the stock and improve the effectiveness of the programme. Up to and including Friday 22 July 2022, we have bought and cancelled 10.5m shares at an average price of 60p (cash cost £6.3m).

Net debt

Average daily net cash (on a post IFRS16 basis) for the three months ended 30 June 2022 was £6m, a £75m improvement over the same period last year (Q1 FY22 £69m net debt). This average daily net cash figure was approximately £15m lower than Q4 FY22 (£21m net cash), reflecting the one-off cash outflow relating to the unwind of the invoice discounting facility from £45m at the end of FY22 to £8m at the end of Q1 FY23. The scheme will shortly be closed. In addition, we have made three acquisitions, and commenced the share buyback programme. These one-off outflows also impact closing net debt, which was £83m at 30 June 2022, compared to net cash of £27m at 31 March 2022.

Outlook

We are encouraged by the strong start to the year, which reflects the Group's strategic focus on accelerated growth. A number of margin enhancing initiatives are in flight which will increase margins in the second half of FY23. Labour and parts inflation remains an issue but is being managed through pricing and other efficiencies.

The Board therefore remains confident in the Group's ability to deliver on its expectations for the year.

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Revenue, including share of joint ventures and associates £m	3 months to 30 June 2022	3 months to 30 June 2021	% Increase/(decrease)
Mitie Group	945	917	3%
Business Services	304	366	(17)%
CG&D	168	145	16%
Communities	120	109	10%
Technical Services	257	214	20%
Specialist Services	96	83	16%
COVID-related contracts	12	110	(89)%
Underlying Group (excluding COVID-related revenue)	933	807	16%

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About Mitie

Founded in 1987, Mitie's job is to look after places where Britain works and is the leading facilities management company in the UK. We offer a range of services to the Public Sectors in Central Government and Defence and Communities (Healthcare, Education and Campus & Critical). Our Technical Services (Engineering Services, Energy, Water and Real Estate Services) and Business Services (Security, Cleaning and Office Services) divisions serve private sector customers in Telecoms, Financial & Professional Services, Transport and Industrials and increasingly to the public sector. Finally, our Specialist Services (Care & Custody, Landscapes, Waste Management and Spain) division serves both the public and private sectors in these niche businesses.

Mitie acquired Interserve's facilities management business on 30 November 2020 and now employs 72,000 people. We are the champion of the 'Frontline Heroes' who have kept Britain working during the COVID pandemic. We take care of our customers' people and buildings, through the 'Science of Service', delivering essential services and deploying industry-leading technology to create safe and effective workspaces.