25 January 2024
Mitie Group plc

Q3 FY24 Trading Update

Record quarterly revenue with growth +14% yoy
£62m free cash flow generated Q3 year-to-date vs £25m in prior period
Full year guidance for operating profit of at least £190m reiterated

Mitie Group plc ("Mitie" or "the Group") (LSE: MTO), the UK's leading facilities transformation company, today provides a trading update for the three-month period ended 31 December 2023 ("Q3 FY24").

Q3 Highlights

- Record revenue[1] of £1,146m, an increase of 14% on Q3 FY23, reflecting continued growth in Key Accounts and Projects upsell, contract re-pricing and infill M&A
- Good sequential trading momentum, with Q3 revenue 6% above Q2 and 9% above Q1
- Total contract value ("TCV") of £0.9bn wins/renewals/extensions in Q3; TCV of £3.5bn in the first nine months of the year, 46% ahead of the same period last year
- Two strategic acquisitions completed for a consideration of £21m, taking the total year-to-date investment in higher growth, higher margin infill M&A to £65m[2]
- Closing net debt of £122m (31 March 2023: £44m), with strong free cash flow of £62m supporting planned capital deployment actions, including £73m of shareholder returns
- £50m share buyback programme nearing completion; up to c.£8m of exercise receipts from the 2020 SAYE scheme (vested Dec 2023) to be applied to further share buybacks
- The Group remains on track to deliver guidance for operating profit before other items of at least £190m in FY24 (FY23: £162m)

Mitie delivered a strong performance in Q3 FY24 with revenue increasing 14% year-on-year to a record £1,146m (Q3 FY23: £1,005m). This increase reflected organic growth of 10.0%, inclusive of 4.1% contract re-pricing, through Key Accounts (net contract wins and losses and contract growth) and Projects upsell. Infill M&A completed since 1 October 2022 contributed a further 4.0% of inorganic growth.

Revenue has also grown sequentially in each quarter, reflecting good trading momentum and the increasing contribution from strategic growth initiatives. Q3 FY24 revenue of £1,146m was 6% ahead of Q2 FY24 (£1,079m), and 9% ahead of Q1 FY24 (£1,053m).

In the nine months to 31 December 2023 revenue of £3,278m was 12% ahead of the same period last year (£2,928m).

New contract wins and renewals

During the quarter we won and extended or renewed a number of significant contracts worth up to £0.9bn TCV[3] (Q3 FY23: £0.3bn). Contract wins and extensions or renewals in the nine

[1] Including share of JVs and associates
[2] Net of cash acquired and excluding deferred performance-linked consideration and earnouts
[3] Including estimates for projects and variable works

months to 31 December 2023 increased by 46% to £3.5bn compared with the same period of the prior year (£2.4bn).

Notable Q3 FY24 wins included Aena in Spain, Department for Work and Pensions (DWP) projects work, increased security provision for the Home Office, expanded cleaning and security services across Landsec's estate, and additional station guarding for Network Rail. The renewal rate of 84% reflected the loss of two significant contracts, as previously communicated. Notable contract renewals and extensions in the quarter included Facebook, Home Office and Ministry of Justice, King George Hospital, Landsec and Network Rail.

Acquisitions
We completed the strategic acquisitions of Cliniwaste (October), a specialist in treating plastic waste in healthcare environments, and GBE Converge Group (November) in Q3 FY24 for a total consideration of £21m. GBE is a leading independent provider of fire and security solutions in the construction, data centre and Information and Communications Technology (ICT) sectors and complements our recent acquisition of JCA Engineering.

Q3 FY24 Divisional performance

Business Services
Revenue of £381m was 7% ahead of the same quarter last year (Q3 FY23: £356m), benefiting from contract re-pricing, recent acquisitions including GBE, Linx International and RHI Industrials, projects and variable works (largely driven by our intelligence-led approach to tackling elevated levels of crime in the retail sector) and net wins, partially offset by scope reductions on contracts such as the Afghan Relocations and Assistance Programme.

Technical Services
Revenue of £337m was 17% ahead of the same quarter last year (Q3 FY23: £287m), benefiting from the growth in businesses acquired in prior periods (including Rock and JCA Engineering), net wins, and continued growth in projects and variable works across IFM contracts, including for the National Air Traffic Services (NATS) contract won in late FY23.

Central Government and Defence (CG&D)
Revenue of £237m was 19% ahead of the same quarter last year (Q3 FY23: £199m), primarily driven by projects work across a number of the largest CG&D contracts, such as FDIS and DWP, and due to the consolidation of the Landmarc military training estate as a subsidiary[4] (c.£11m additional revenue in Q3).

Communities
Revenue of £191m was 17% ahead of the same quarter last year (Q3 FY23: £163m), driven by contract re-pricing and an increase in the provision of services for the Immigration Escorting Services contract.

[4] As noted in the H1 results on 23 November 2023, Mitie reached an agreement with its joint venture partner in Landmarc to amend the shareholder agreement and received clearance following mandatory notification under the UK National Security and Investment Act 2021 on 16 November 2023

Share buyback programme

Our current £50m share buyback programme is nearing completion. In the nine months to 31 December 2023, 45m shares were purchased at an average price of 98p and a cost of £44m, including c.30m shares to satisfy the 2020 SAYE scheme that vested in December 2023.

The 2020 SAYE scheme has been our most successful yet, with over 1,600 predominantly frontline colleagues gaining an average of £13,000 each from their savings plans. Since the scheme vested, 24m shares have been exercised by employees, and Mitie has received £6.5m from the 27.3p discounted option price paid by employees towards each share. Once all of the shares have been exercised, cash receipts will increase to c.£8m.

It is Mitie's intention to use the c.£8m of exercise receipts for further share buybacks within the current programme. The net spend by the Group of £50m is unchanged by this (reducing the average price to c.85p) and all shares purchased using the c.£8m will be cancelled.

Net debt

Period end net debt (post-IFRS 16) was £122m (including £30m cash acquired on the consolidation of Landmarc), an increase of £9m from 30 September 2023, and £78m from 31 March 2023.

The increase in net debt since 31 March 2023 reflects the capital allocation policy that we set out at our Capital Markets Day in October 2023, with strong free cash flow generation of £62m (nine months to 31 December 2022: £25m[5]) being reinvested into planned capital deployment actions. Total capital deployment spend of £152m included the share buyback programme (£44m), share purchases for employee incentive schemes (£20m), acquisitions (£65m), and dividend distributions (£29m), partially offset by cash receipts from the 2020 SAYE scheme (£6m). There has also been an £18m increase in lease obligations in FY24 as we continue to transition our fleet to electric vehicles. Q3 FY24 average daily net debt was £162m (Q3 FY23: £103m).

Outlook

Our strategy of focusing on Key Accounts growth (supported by a record £19bn pipeline of opportunities), Projects upsell and infill M&A drove a strong performance in the third quarter. We expect good revenue momentum to continue into the fourth quarter, albeit against a very strong prior year comparative for Projects work. As such, Q4 revenue growth is expected to moderate to mid-single digits, still comfortably ahead of the wider FM market.

Our strong performance, combined with the ongoing delivery of margin enhancement initiatives, means that the Group remains on track to deliver operating profit before other items of at least £190m in FY24.

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[5] Excluding the £45m impact of the closure of the Customer Invoice Discounting facility

Revenue (including share of JVs and associates), £m	Q3: 3 months to 31 Dec 2023	Q3: 3 months to 31 Dec 2022	% Increase /(decrease)	Q2: 3 months to 30 Sept 2023	% Increase/ (decrease) Q3 v Q2 FY24
Business Services	**381**	**356**	**7.0**	**359**	**6.1**
Cleaning and Security	*316*	*295*	*7.1*	*299*	*5.7*
Landscapes	*17*	*18*	*(5.6)*	*14*	*21.4*
Spain	*28*	*24*	*16.7*	*27*	*3.7*
Waste	*20*	*19*	*5.3*	*19*	*5.3*
Technical Services	**337**	**287**	**17.4**	**326**	**3.4**
CG&D	**237**	**199**	**19.1**	**199**	**19.1**
Communities	**191**	**163**	**17.2**	**196**	**(2.6)**
Local Government & Education and Healthcare	*135*	*118*	*14.4*	*147*	*(8.2)*
Care & Custody	*56*	*45*	*24.4*	*49*	*14.3*
Mitie Group	**1,146**	**1,005**	**14.0**	**1,079**	**6.2**

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About Mitie

Founded in 1987, Mitie looks after the places where Britain works, and is the leading facilities transformation company in the UK. We offer a range of services to the public sector through our Central Government & Defence and Communities (Local Government & Education, Healthcare and Care & Custody) divisions. Our Technical Services (Engineering Services) and Business Services (Security, Cleaning, Landscapes, Spain and Waste) divisions serve private sector customers in areas such as Financial & Professional Services, Industrials, Retail and Transport, and increasingly the public sector.

Mitie employs 65,000 people. We take care of our customers' people and buildings, through the 'Science of Service', and we are transforming facilities to be more flexible, safe, sustainable, and attractive to all. Mitie continues to execute its technology-led strategy and in the past twelve months has received multiple industry awards including B2B Marketing Team of the Year, Best Low Carbon Solution and Net Zero Carbon Strategy of the Year. Targeting Net Zero by the end of 2025, our ambitious emissions reduction plans have also been validated by the Science Based Targets initiative (SBTi). We have been recognised as a UK Top Employer for the sixth consecutive year. Find out more at www.mitie.com.