Chief Executive's review
A record year of delivery

> We are pleased with our strong performance in FY24, having delivered record revenue, operating margin expansion and a good return on invested capital. Mitie is a cash generative business with a robust balance sheet, and we are committed to investing in accelerated growth, as well as returning surplus funds to shareholders via share buybacks.
>
> **Phil Bentley**
> Chief Executive Officer

Our divisions are all performing well, with Technical Services, Central Government & Defence and Communities delivering double digit revenue growth, and Business Services more than replacing all of the revenue from certain short-term public sector contracts.

As a result of this positive outturn, we have met or significantly exceeded all of the financial targets set out in the previous Three-Year Plan (FY22 – FY24), and this has been reflected in Mitie's Total Shareholder Return over the period (80% TSR; #10 in FTSE 250).

We have now started to execute our new Facilities Transformation Three-Year Plan (FY25 – FY27), through which we expect to accelerate growth and extend Mitie's market leadership position. Our confidence in achieving this is underpinned by a record £19bn pipeline of opportunities, through which we will add further Key Accounts and deliver transformational Projects in higher growth categories, as well as by strategic M&A, which will add to our existing Projects capabilities.

We have secured a number of new contracts and projects in the fourth quarter of FY24 and first quarter of FY25, which give us good business momentum and we expect to offset, in the medium-term, the contracts lost and ending in FY24. Margin enhancement initiatives are also expected to deliver further benefits in the current year, and we will continue to generate strong cash flows and enhanced shareholder returns.

My appreciation goes to our 68,000 colleagues. Through their hard work, allied to our technology-led approach, Mitie is transforming the built environment and the lived experience for thousands of public and private sector customers and their colleagues.

FY25 will be another year of delivery towards our medium-term targets and meeting our high single digit revenue growth expectations for the year.

Our Facilities Transformation Three-Year Plan (FY25 – FY27), pages 24 to 25

We have met or significantly exceeded all of the targets in our previous Three-Year Plan (FY22 – FY24)

Metric	Target	Achievement in FY24	
Annual revenue growth	Mid-to-high single digit	11%	✓
Operating profit margin	4.5% to 5.5%	4.7%	✓
EBITDA	£200m	£268m	✓
Free cash flow	£100m per annum	£158m	✓
Average leverage	1.0x maximum	0.6x	✓
ROIC	>20%	26.4%	✓

Overview

Mitie delivered a strong financial performance and made further strategic progress in the year ended 31 March 2024. Revenue (including share of JVs and associates) grew by 11% to a record £4,511m (FY23: £4,055m), operating profit before other items grew by 30% to £210m (FY23: £162m) and basic EPS before other items grew by 29% to 12.3p (FY23: 9.5p).

We achieved an operating profit margin before other items of 4.7% (FY23: 4.0%) in the full year, which included a margin of 5.3% in the second half of the year. Sustainable margin improvement was a key pillar of our previous Three-Year Plan (FY22 – FY24), and, building on the successful delivery of this, we have a clear path to achieving an operating margin of at least 5% by FY27.

Based on the equivalent statutory measures, Group revenue increased by 13% to £4,445m (FY23: £3,945m), operating profit increased by 42% to £166m (FY23: £117m) and basic EPS increased by 44% to 9.8p (FY23: 6.8p). The increase in basic EPS reflected improved profitability and a £5m reduction in other items after tax to £32m (FY23: £37m). Further details are set out in the Finance review.

Our strategy and targets

Our achievements against all of the targets (based on alternative performance measures) in the previous Three-Year Plan (FY22 – FY24) are highlighted on page 26.

Our new Three-Year Plan (FY25 – FY27) pivots the business from traditional Facilities Management to technology-driven Facilities Transformation. Mitie is the market leader in the UK, with deep capabilities to aggregate workflow and workforce data across the built environment, and a trusted partner to thousands of blue-chip public and private sector organisations. We have advanced our core capabilities through targeted investments in technology and strategic M&A, alongside the work of our exceptional colleagues, to meet the changing needs of our customers.

Our customers are looking for asset optimisation, a reduced carbon footprint and higher levels of assurance for security and cleanliness, whilst embracing hybrid-working and creating a 'Great Place to Work'. This all requires cyber-secure data driven insights to inform better decision-making.

These needs for transformation are underpinned by attractive macro trends, including decarbonisation, the modernisation of the built environment, and changes in legislation and the regulatory landscape, that benefit both our core service lines and Projects business.

Our ambitious financial targets (based on alternative performance measures) for our new Facilities Transformation Three-Year Plan are set out below and are designed to deliver enhanced shareholder returns over the period.

- High single digit revenue compound annual growth rate
- >5% operating margin by FY27
- EBITDA >£300m by FY27
- EPS growth above that of revenue growth, despite higher corporation tax rates
- £150m annual free cash flow by FY27

Accelerating growth

Our technology-led Facilities Transformation strategy is expected to deliver accelerated growth through the key pillars of: 1) Key Account growth; 2) Projects upsell; and 3) Infill M&A. We are targeting high single digit revenue growth annually.

In FY24, organic growth through Key Accounts (net wins and contract growth) and Projects upsell contributed 7% to revenue growth, inclusive of contract re-pricing of 4%. Infill M&A completed since 1 April 2022 contributed a further 4% of inorganic growth.

Key Account growth:
New contract wins, scope increases and extensions/renewals totalled £6.2bn Total Contract Value (TCV) in FY24 (FY23: £4.3bn). New and expanded Key Accounts of £4.4bn TCV included: Aena in Spain; further Amazon sites; the Defence Infrastructure Organisation (DIO) overseas estate in Germany and wider Europe; Department for Transport (DfT); Future Defence Infrastructure Services (FDIS) Service family housing refurbishment projects work; Home Office immigration services; Landmarc scope increases; Landsec additional cleaning and security; and Phoenix Group.

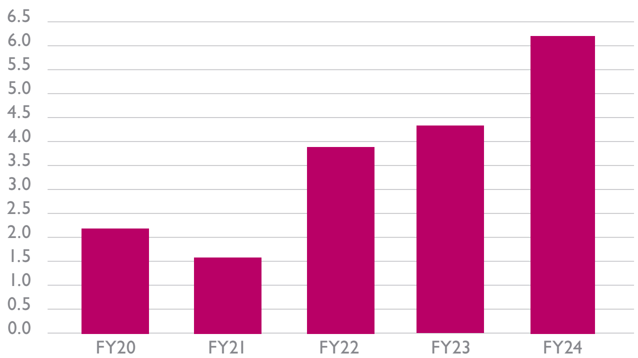
Notable extensions/renewals of £1.8bn TCV included: the Department for Work and Pensions (DWP); the Foreign Commonwealth & Development Office (FCDO); GSK; HMRC; the Home Office and Ministry of Justice; JLL; Landsec; Lloyds Banking Group (LBG); Network Rail; and Sky.

Mitie's renewal rate reduced to 79% (FY23: >90%). We have a large, diversified portfolio of customers, and contract renewals are therefore completed on a rolling basis throughout each year. During FY24, two notable contracts with a combined c.£70m per annum secured contract value were not renewed (one due to pricing and the other seeking an international provider), and this was reflected in the renewal rate. Both contracts were handed over towards the end of FY24, although we will continue to provide sub-contracted Security, Waste and Landscaping services for one and expect to continue delivering higher margin Projects work for both.

Key Account growth – record wins and renewals/extensions, and pipeline of new opportunities

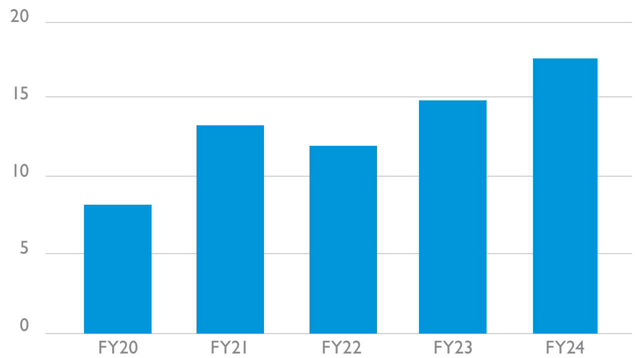
£6.2bn TCV wins and renewals/extensions

£bn



£18.6bn pipeline of opportunities

£bn



Our total order book increased by 18% to £11.4bn (FY23: £9.7bn), including an increase of £0.5bn TCV from the consolidation of Landmarc. Our pipeline of new opportunities stands at a record £18.6bn.

Projects upsell:
In FY24, we continued to see sustained demand from our customers for transformational projects across their estates and, as a result, Projects revenue across the Group increased by 37% to £1.1bn (FY23: £0.8bn).

The largest driver of this growth was buildings infrastructure work, including lifecycle upgrades to improve asset efficiency, the design and build of inspirational workplaces, and retrofits to ensure buildings meet evolving regulatory requirements. This work accounted for over 70% of Projects revenue and grew by c.40% year-on-year. We continue to see demand for decarbonisation technologies, such as solar, electric vehicle (EV) charging and battery storage, whilst data centre fitouts have also been an area of growth as major cloud-service providers expand their UK presence. We have enhanced our expertise in this area through the acquisitions of JCA Engineering and GBE Converge.

Projects are delivered across all of our divisions, with the largest contributors to revenue growth in FY24 being Central Government & Defence and Technical Services (see Operating Review for further details by division).

Our projects are typically short in duration (one to three months, on average), individually £100k - £150k on average, and around 80% of revenue is delivered through Key Accounts upsell. Whilst some projects are one-off in nature, we often work with customers on rolling programmes, such as the refit of branches for LBG, solar panel installations at David Lloyd Clubs and the refurbishment of housing for the DIO.

Underpinning our work is the Mitie Projects Centre of Excellence (PCoE), driving innovation and productivity, and managing the operating platform including construction, design & management regulations, the project management playbook, and QHSE standards and training. The PCoE also serves as a knowledge centre to support our 2,500 Projects employees across the business.

Infill M&A:
During FY24, Mitie completed seven acquisitions for a combined consideration of £66m, net of cash acquired and excluding employment-linked earnouts.

Our position as a leader in the intelligence and technology-led Fire & Security market has been enhanced by the acquisitions of RHI Industrials (May) – a leading installer of high-tech security and access controls, and GBE Converge (November) – a leading independent provider of fire, security and information and communications technology solutions. Smaller security acquisitions included Linx International (April) – a leading risk management and consulting business, and Biservicus (September) – a Spanish security business.

Enhancing our Mechanical & Electrical (M&E) engineering credentials, we acquired JCA Engineering (September) – a leading principal contractor for complex engineering projects across the UK, with a particular focus on critical environments such as data centres, healthcare and life sciences. We also purchased the assets of G2 Energy (via a liquidation process in July) – a leading high voltage and battery energy storage contractor, and Cliniwaste (October) – a specialist in treating plastic waste.

Additionally, in November, Mitie completed an agreement with its joint venture partner in the 'Landmarc' military training estate to amend the shareholders' agreement. This resulted in Landmarc being consolidated as a subsidiary of Mitie from this date and enables Landmarc to benefit from the wider capabilities of our business.

Operating margin progression

We have a clear path to a target operating profit margin before other items of at least 5% by FY27. This will be achieved through our ongoing programme of margin enhancement initiatives and operational leverage, alongside the contribution from higher margin infill M&A and Projects works. We expect these management actions to more than offset the continued impact of inflation and pressure on contract pricing in a highly competitive environment.

Projects upsell – one of the largest UK Projects businesses, with broad capabilities

£1.1bn
Projects revenue
+37% y-o-y

c.80%
of revenue from core customers

£150k
typical project value

1-3mths
typical project length


David Lloyd – solar PV installations


Rolls-Royce – production hall refurb


KAO – data centre fitout


Pillswood – battery storage

0.7ppt
operating profit margin expansion to 4.7%

£40m
savings through margin enhancement initiatives

£158m
Free cash flow generation

In FY24, the Group achieved the final target in its previous Three-Year Plan (FY22 – FY24), reaching an operating profit margin before other items of 4.7%. This represents an increase of 0.7ppt on the prior year (FY23: 4.0%), and an increase of 2.4ppt since the start of the Plan (FY21: 2.3%). Consistent with the previous year, our H2 performance exceeded that of H1, both for revenue and operating profit, resulting in an operating profit margin of 5.3% in the second half of FY24.

The increase across the year reflects improved underlying trading and the delivery of £40m of savings through margin enhancement initiatives, more than offsetting the net impact of cost inflation that we were unable to pass through to customers (£6m) and the completion of certain short-term public sector contracts (£16m).

Approximately £28m of these savings were delivered through our Target Operating Model (TOM) programme, optimising our organisational structure, centralising transactional finance teams, outsourcing certain back-office functions and consolidating systems and processes. The balance of savings were delivered through further Interserve synergies (£5m), Operational Excellence initiatives (£4m), and the continued roll out of the Coupa digital supplier platform across the divisions (£3m). The costs associated with the delivery of margin enhancement initiatives are included in 'cash other items'.

We expect to complete the TOM initiatives during FY25. Over the new Facilities Transformation Three-Year Plan (FY25 – FY27), the focus for margin enhancement initiatives will shift towards operations and contract efficiencies, including an optimised organisational structure within customer accounts, improved contract productivity, and an increase in the use of Artificial Intelligence (AI) analytics to drive efficiencies in the deployment of resources and raise customer engagement.

Sustainable free cash flow generation

Mitie is cash generative, a function of strong profitability, tight working capital control and a disciplined approach to capex. In FY24, the Group generated £228m of cash from operations (FY23: £117m), leading to a free cash inflow of £158m (FY23: £66m). This free cash inflow reflected growth in operating profit, alongside working capital process improvements that contributed a one-off benefit of c.£25m in the year.

The Group is targeting free cash flow generation of c.£150m per annum by FY27, as we expect increased profitability and continuing working capital process improvements to offset structural headwinds from growth in the Projects business and customers demanding longer payment terms. Strong free cash flow generation, combined with our robust balance sheet, underpins the proactive and disciplined capital allocation of our financial resources.

Infill M&A – enhancing our Projects capabilities in higher growth segments

Our customers' changing needs (see pages 8 and 9)

- Optimising asset performance and maximising productivity
- Transforming estates, workplaces and customer experience
- Creating healthier and more sustainable spaces
- Protecting people, property and assets
- Accelerating the path to Net Zero

Expertise acquired over our previous Three-Year Plan (FY22 — FY24)

- DAEL, P2ML, 8point8 Training
- JCA
- Biotecture, cliniwaste
- RHI Industrials, Linx, gbe:converge, esoteric
- G2, Custom Solar, Rock Power Connections

Future M&A targets

- Design
- Sustainability Consulting
- Fire & Security
- Decarbonisation Technologies

Proactive and disciplined capital allocation

Our capital allocation policy prioritises a progressive dividend (within a target payout range of 30-40%) and the purchase of all shares to fulfil employee share schemes to mitigate shareholder dilution. We will also continue to pursue strategic infill M&A, primarily targeting higher growth, higher margin projects businesses in the key areas of Buildings Infrastructure, Decarbonisation and Fire & Security. Excess funds will be returned to shareholders through share buybacks.

Consistent with this approach, the Board is recommending a final dividend of 3.0p per share which, when added to the 1.0p interim dividend paid, takes the total dividend for FY24 to 4.0p per share. This is a 38% increase on the prior year (FY23: 2.9p) and represents a payout ratio of 33% (FY23: 30%). The final dividend will be paid on 5 August 2024, following approval at the 2024 AGM.

During FY24, we completed a £50m share buyback programme, net of £8m cash proceeds received from the vesting of the 2020 Save As You Earn (SAYE) scheme (c.30m shares were purchased via the buyback to fulfil this scheme). We also purchased 20m shares at a cost of £20m for employee incentive schemes, and we invested £66m in the seven infill acquisitions outlined on page 28.

Over the past two years (FY23 and FY24), we have purchased a total of 127m shares (of which 95m have been cancelled) for £100m net cost via share buybacks and 70m shares for £57m into our trusts for employee incentive schemes. The average price per share for these combined share purchases was 80p.

We commenced our current £50m share buyback programme on 15 April 2024. We will hold c.10m shares in treasury to fulfil the 2021 SAYE scheme, vesting in January 2025, and cancel all shares purchased in excess of this. Within the current programme we have purchased 7m shares at an average price of 119p.

Strong balance sheet

Closing net debt of £81m (FY23: £44m) reflects our strong free cash flow generation being more than offset by capital deployment actions totalling £150m, alongside a £45m increase in lease obligations as we continue to transition our fleet to electric vehicles (EV) and extend the duration of leases. Average daily net debt was £161m in FY24 (FY23: £84m) and leverage was 0.6x average net debt / EBITDA (FY23: 0.4x). We are targeting a leverage range of 0.75x to 1.5x in our new Facilities Transformation Three-Year Plan (FY25 – FY27).

Recognised industry leader

Technology leadership

Our competitive advantage is embedded in our people and industry-leading technology, and this has been a key contributor to a record Net Promotor Score of +60. Through ongoing investment, we continue to enhance our unique Mitie Digital Platform and deliver transformative, data-driven, 'intelligent' solutions to meet the changing needs of our customers.

This includes Intelligent Engineering – where we are leading in predictive and preventative maintenance; Intelligent Security – where we are pioneering the deployment of resources in response to risk and threat intelligence; Intelligent Cleaning & Hygiene – where we are delivering demand-led cleaning via our sensor technology; and Intelligent Projects – where our new Emissions Intelligence service will enable the automation of emissions data capture and reporting, and the creation of Net Zero pathways for our customers.

These solutions leverage our deep capabilities to aggregate workflow and workforce data across the built environment through our data lake and are increasingly being enriched by the application of Artificial Intelligence and Machine Learning (AI/ML).

Capital allocation – investment in growth and increasing shareholder returns

	FY24	FY25-27
1. Progressive dividend policy	33% pay-out ratio	Pay-out ratio 30% – 40%
2. No share dilution	Market purchase of 20m shares for incentive schemes for £20m	c.15m shares p.a.
3. Infill M&A	£66m of acquisitions completed	c.£75m of acquisitions p.a.
4. Share buybacks	Acquired 58m shares (26m cancelled) for £50m[1]	Excess funds returned to shareholders

Leverage 0.75x – 1.5x (average net debt/EBITDA)

1. Net spend, including c.£8m cash receipts from the exercise of 2020 SAYE scheme shares (vested in December 2023).

During FY24, we have been developing Mitie's GenAI diagnostic dashboards (Mozaic) in each of our core service lines, using real-time data to increase visibility across our customers' estates and inform decision-making. Through our predictive analytics capabilities, we are evolving our service delivery to demand-led cleaning and front of house services, threat intelligence and carbon reporting, and predicting and resolving asset issues before they fail.

We are also developing GenAI benchmarking dashboards to compare the performance of customer estates to industry standards and competitors, in areas such as energy consumption, to identify opportunities for improvement. These dashboards are being piloted on several Key Accounts in the retail, distribution and financial services sectors.

Smart Workplaces was launched in H1, to consult, design and deliver workplaces that improve the 'lived' experience and, through the adoption of smart technologies, optimise occupancy levels, footprint and the provision of wider services within the building. It includes our digital twin offering, which enables 3D visualisation, experiential design simulations and building information modelling (BIM), to help customers reimagine their workplaces of the future.

Our strategic partnerships with global IT companies such as Microsoft, Vodafone, ServiceNow and Wipro are also developing. In March 2024, we launched our 'Emissions Intelligence' service in partnership with Salesforce.com to provide carbon reporting and reduction tools, complementing our existing suite of Plan Zero services.

We are also leveraging our partnership with Microsoft (MS) to deliver increasingly predictive and preventative solutions to our customers and enhance internal processes. During FY24, we fully integrated Azure ChatGPT into Aria/ESME (which allows customers to report issues via an app), delivering improved customer communications and raising case accuracy to 97%. MS Copilot is delivering efficiency savings, and we are implementing AutoGenAI to continue enhancing bid quality and response times.

Our cyber security credentials are industry leading. We consistently score above A90 on the Security Scorecard (an independently assessed measure), we are a Cyber Essentials Plus and ISO27001 certified company and we have a NIST maturity rating of 4.1.

Environment, Social and Governance (ESG) leadership

Mitie is recognised as a leader in ESG among global industry peers. These initiatives form a key part of how we do business, ensuring we grow sustainably and responsibly. Our leading credentials also enable us to work with our customers to realise their own sustainability and Net Zero ambitions.

During FY24, we secured a place on the CDP Climate Change A List, placing us among only 2% of 21,000 organisations that are assessed annually. We received a Platinum rating from the Sustainable Facilities Management Index (SFMI) for the third consecutive year and, shortly after the year end, we received a 'Low' risk rating from Sustainalytics of 10.5 (previously 12.4) placing us on the threshold of their 'Negligible' risk band.

We have ambitious targets to achieve Net Zero for our operations by the end of 2025, and across our supply chain by 2035, and received validation from the Science Based Targets initiative (SBTi) in April 2023. Our largest carbon emissions relate to our vehicles, and we transitioned a further c.1,900 from diesel to electric vehicles (EVs) in FY24. Our fleet of over 5,000 EVs is one of the largest in the UK and we won Transport/Fleet Management Project of the Year (edie) for our ambitious EV transition plan, among other awards.

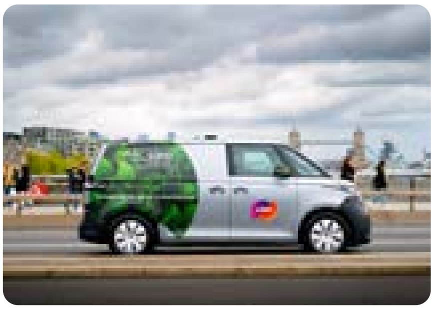
We continue to offer career development opportunities and industry-leading benefits to our colleagues in order to attract and retain the best talent. During FY24, we supported over 1,200 colleagues through apprenticeships and expanded our offer to over 90 technical, professional and managerial courses across a diverse range of areas from heat pump engineers and data technicians to security officers, business administrators and project managers.

We were named in the top 100 Apprenticeship Employers for the third consecutive year, in addition to being recognised as a Top Employer UK and an Inclusive Top 50 UK Employer for the sixth consecutive year.

⊕ Our environment and social value framework, pages 54 to 77

2025

Ambitious target to achieve Net Zero for our operations



>5,000

Our fleet of EVs is one of the largest in the UK

INCLUSIVE TOP50 UK EMPLOYERS

Apprenticeships Top 100 Employers 2023

top EMPLOYER UNITED KINGDOM 2024 CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS