23 July 2024
Mitie Group plc

Q1 FY25 Trading Update

Good trading momentum continues with Q1 revenue up 10.5%
Significant contract wins and renewals across public and private sectors

Mitie Group plc ("Mitie" or "the Group") (LSE: MTO), the UK's leading Facilities Transformation company, provides a trading update for the three-month period ended 30 June 2024 ("Q1 FY25" or the "period").

Q1 Highlights

- Revenue[1] grew by 10.5% to £1,164m (Q1 FY24: £1,053m), benefiting from prior year acquisitions, an increase in projects and variable work and pricing
- £2.0bn TCV[2] (Q1 FY24: £1.1bn) of contract wins and extensions/renewals, including a three-year extension with one of our largest customers and several 'marquee' Key Account wins
- Good start to new three-year programme of margin enhancement initiatives; on track to deliver c.£20m of cost savings in FY25
- FY25 share buyback programme of £50m commenced in April 2024; 21m shares purchased to date at 119p average price (of which 10m shares have been cancelled)
- Closing net debt of £182m (31 March 2024: £81m), reflecting a seasonal working capital outflow, leases and capital allocations. Average daily net debt of £173m (Q4 FY24: £168m)
- ESM Power acquired after the period end for £5.5m initial cash consideration, enhancing the Group's presence in the growing high voltage power connections market

Commenting on the results and outlook, Phil Bentley, CEO, said:

"The good trading momentum from last year has continued into the first quarter of FY25, with double digit revenue growth from our Projects business, including the benefit from the previous year's acquisitions. Contract wins and renewals also remained high, following a record final quarter in FY24, reinforcing the strength of our market leading, technology and data-rich capabilities.

"This will be a year of investment in our new Facilities Transformation Three-Year Plan (FY25 – FY27), through which we expect to accelerate growth and deliver superior financial returns, from adding further Key Accounts, growth in Projects and infill M&A.

"We have made a good start to our new programme of margin enhancement initiatives which will raise the operating margin over the medium-term, and we remain on track to deliver our high-single digit revenue growth expectations for the year."

Revenue growth

Revenue for the period (including share of joint ventures and associates) increased by 10.5% to £1,164m compared with the same quarter last year (Q1 FY24: £1,053m). This good performance was driven by the contribution from prior year acquisitions, an increase in projects and variable work, and pricing, which more than offset net contract losses and the completion of certain short-term public sector contracts in the prior year.

The increase included organic growth of 4.4%, inclusive of 3.2% pricing, with infill M&A contributing a further 6.1% of inorganic growth.

[1] Including share of joint ventures and associates
[2] Total Contract Value (TCV); including estimates for projects and variable work

Contract wins and extensions/renewals
During the quarter we won or extended/renewed a number of significant contracts with up to £2.0bn TCV (Q1 FY24: £1.1bn TCV), following on from a record final quarter in the prior year.

Notable new 'marquee' Key Account wins included security services for Aldi, British Airways and Lidl, Community Health Partnerships cleaning and security, Dublin City University engineering services, EY IFM and projects, Halfords engineering and Fire & Security services, Home Office scope increases, and the Ministry of Justice Millsike Prison contract.

We secured a further three-year extension with Lloyds Banking Group, our largest private sector customer. Other notable renewals/extensions included Bank of Ireland, Bellrock, Marsh & McLennan Companies, NHS Property Services and Royal London Mutual Insurance.

Acquisitions
Shortly after the period end, we exchanged contracts to acquire ESM Power, a leading high voltage electrical engineering business, for £5.5m initial cash consideration. ESM Power will enhance Mitie's expertise in the growing high voltage power connections market, adding design capabilities, private network solutions and maintenance to support our customers in the upgrade and decarbonisation of their power requirements. Completion is expected on 31 July 2024.

We continue to target higher growth, higher margin infill M&A to deepen our capabilities in the areas of Buildings Infrastructure, Decarbonisation and Fire & Security.

Margin Enhancement Initiatives
We have made a good start to our new three-year programme of margin enhancement initiatives, shifting our focus from general overheads to operations and in-contract efficiencies. In Q1 we identified, and started to implement, improvements to account structures across our top 10 Key Accounts, reduced the use of third-party contractors in Waste, Landscapes and Fire & Security and prioritised workstreams to improve first time fix rates for assets. We remain on track to deliver c.£20m of cost savings through margin enhancement initiatives in FY25.

Divisional performance

Business Services
Revenue of £403m was 11.9% better than the same quarter last year (Q1 FY24: £360m), driven by contract pricing and the contribution from prior year acquisitions, which more than offset the completion of certain short-term public sector contracts in FY24.

Technical Services
Revenue of £326m was 5.2% better than the same quarter last year (Q1 FY24: £310m), primarily driven by the acquisition of JCA Engineering in the prior year and an increase in projects work on IFM contracts, including for the BBC and BAE. This more than offset the loss of one notable private sector contract that completed at the end of FY24.

Central Government & Defence
Revenue of £217m was 4.3% ahead of the same quarter last year (Q1 FY24: £208m), largely driven by a new contract to maintain the UK Army base estate in Germany (mobilised 1 June 2024), an increase in projects work, contract pricing and the consolidation of Landmarc. This more than offset the loss of one notable public sector contract at the end of FY24.

Communities
Revenue of £218m was 24.2% ahead of the same quarter last year (Q1 FY24: £175m), largely due to further increases in the provision of services for the Immigration Escorting Services contract within Care & Custody, pricing, and net contract wins.

Share buyback programme
As part of our continued Capital Allocation policy, in April 2024 we announced a £50m share buyback programme for FY25. To date, 21m shares have been purchased at an average price of 119p, of which 11m shares have been held in treasury to satisfy the 2021 Save As You Earn scheme (vesting in January 2025), with all shares purchased in excess of this being cancelled. We will continue to return excess funds to shareholders via share buybacks, increasing leverage towards our targeted leverage range of 0.75x to 1.5x (average net debt / EBITDA). At 30 June 2024, our trailing 12-month leverage was 0.6x.

Net debt
Net debt at 30 June 2024 was £182m, an increase of £101m from 31 March 2024. This increase in net debt reflects an expected working capital outflow, as we pay our supply chain for the increased volume of project works undertaken in the final quarter of the prior year, as well as the ongoing investment into the projects business, and some longer customer payment terms.

There has also been an £11m increase in lease obligations in the quarter as we continue to transition our fleet to EV. Finally, £14m of share purchases for the buyback programme and £9m of share purchases for the Employee Benefit Trust were completed, a £4m dividend was paid to the Landmarc minority shareholder, and £8m of payments for employment-linked earnouts/completion accounts on acquisitions were paid out. Average daily net debt in Q1 FY25 was £173m (Q4 FY24: £168m).

Financial Calendar
The Group will report future results on the following dates:
- H1 FY25 Results - 21 November 2024
- Q3 FY25 Trading Update - 23 January 2025

END

Revenue (including share of joint ventures and associates), £m	3 months to 30 June 2024	3 months to 30 June 2023	% Increase/(decrease)
Business Services	**403**	**360**	**11.9**
Cleaning and Security	*329*	*302*	*8.9*
Landscapes	*15*	*14*	*6.2*
Spain	*39*	*25*	*56.6*
Waste	*20*	*19*	*5.2*
Technical Services	**326**	**310**	**5.2**
CG&D	**217**	**208**	**4.3**
Communities	**218**	**175**	**24.2**
Local Government & Education	*66*	*63*	*6.8*
Healthcare	*77*	*68*	*12.3*
Care & Custody	*75*	*44*	*68.9*
Mitie Group	**1,164**	**1,053**	**10.5**

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About Mitie

Founded in 1987, Mitie employs 68,000 colleagues and is the leading technology-led Facilities Transformation company in the UK. We are a trusted partner to around 3,000 blue chip customers across the public and private sectors, working with them to transform their built estates, and the lived experience for their colleagues and customers, as well as providing data-driven insights to inform better decision-making.

In each of our core services of Engineering (Hard Services) and Security and Cleaning & Hygiene (Soft Services) we hold market leadership positions. We also upsell Projects capabilities in the areas of building fitouts and modernisation, decarbonisation, fire & security, and telecoms infrastructure. Our sector expertise includes Central Government, Critical National Infrastructure, Defence, Financial Services, Healthcare & Life Sciences, Local Government & Education, Retail & Logistics and Transport & Aviation.

Over the previous Three-Year Plan (FY22 – FY24) Mitie delivered a Total Shareholder Return (TSR) of 80% (#10 in FTSE 250). Our new Facilities Transformation Three-Year Plan (FY25 – FY27) will extend Mitie's market leadership position through accelerated growth and deliver enhanced shareholder returns.

We hold industry-leading ESG credentials, including a place on the CDP Climate change A List, and in the past 12 months we have 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 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.