

Results for the 6 months ended 30 June 2012

Capita plc

Wednesday 25 July 2012

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Agenda

1. Summary – Paul Pindar, Chief Executive
2. Financial results – Gordon Hurst, Group Finance Director
3. Creating long term value:
 - Organic growth – Maggi Bell, Business Development Director
 - Acquisitions – Paul Pindar
4. Summary & outlook – Paul Pindar

H1 2012 – The 3 key essentials

- Hit numbers
Profits, earnings & dividends all up 10%
- Return to organic growth
Reverse -7% decline in 2011
On track for +3% in 2012
- Improve cash conversion
2011 full year: 85%
2012 half year: 93%

H1 2012 highlights

- £1.3bn major contract wins vs £2bn in full year 2011
- £3bn+ has left the pipeline year to date – significant momentum
- Pipeline replenished to £4.1bn
- £271m fundraising - £129m spent on 10 acquisitions in first 7mths
- Significant additions to Senior Management talent

Financial results

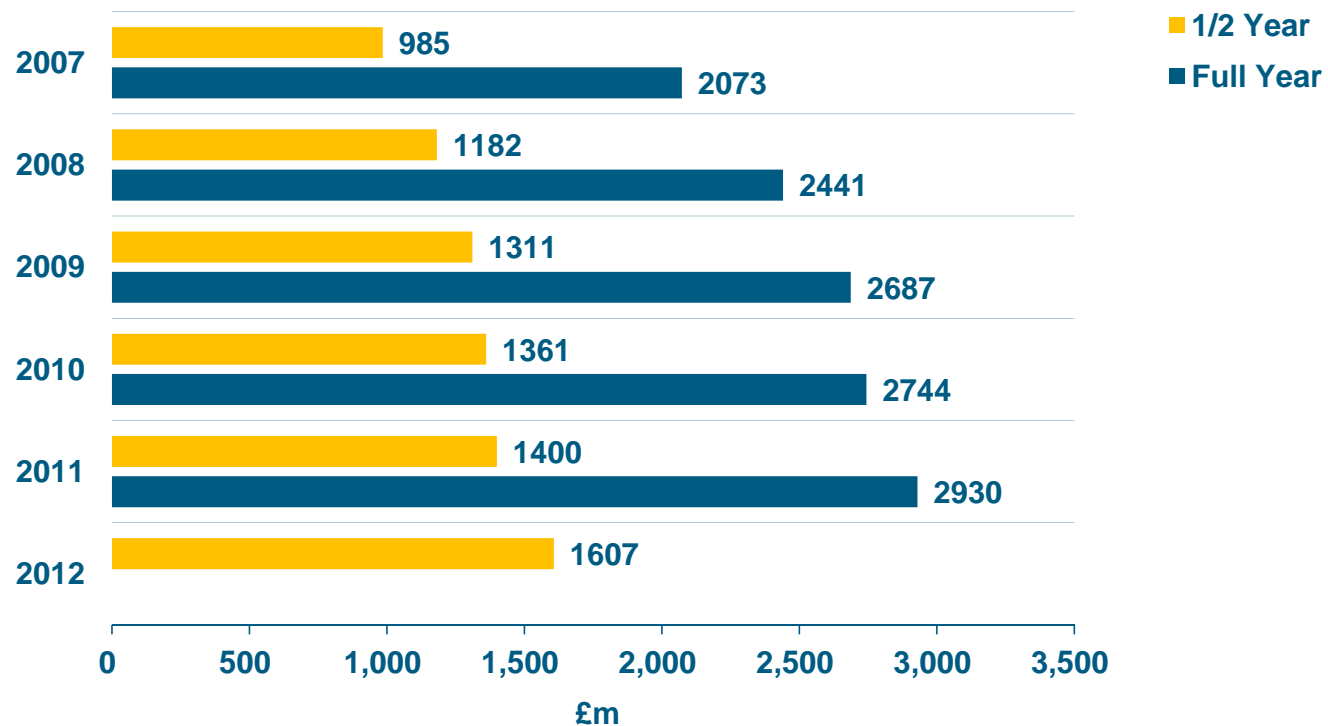
Gordon Hurst

Group Finance Director

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Financial results – revenue

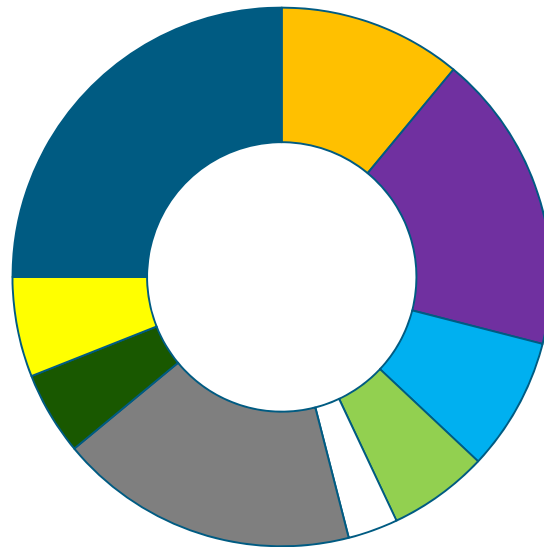
Comparative growth 15%
5 year H1 compound growth 10%



Financial results – revenue by market

Private sector 54% (full year 2011: 52%)

Public sector 46% (full year 2011: 48%)



- Central government 11% (9%)
- Local government 18% (18%)
- Education 8% (11%)
- Health 6% (5%)
- Emergency services 3% (3%)
- Life & pensions 18% (19%)
- Insurance 5% (6%)
- Financial services 6% (5%)
- Other private 25% (22%)

2012 half year (2011 year end)

Financial results – H1 revenue growth

	£m 6 months to 30 June 2012	£m 6 months to 30 June 2011	Growth
Turnover	1607	1400	15%
2012 acquisitions	(32)	-	(2%)
2011 acquisitions	(179)	-	(13%)
Growth excl. acquisitions	1396	1400	0%

Key specific contract declines:

National Strategies	25
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Service Birmingham	8
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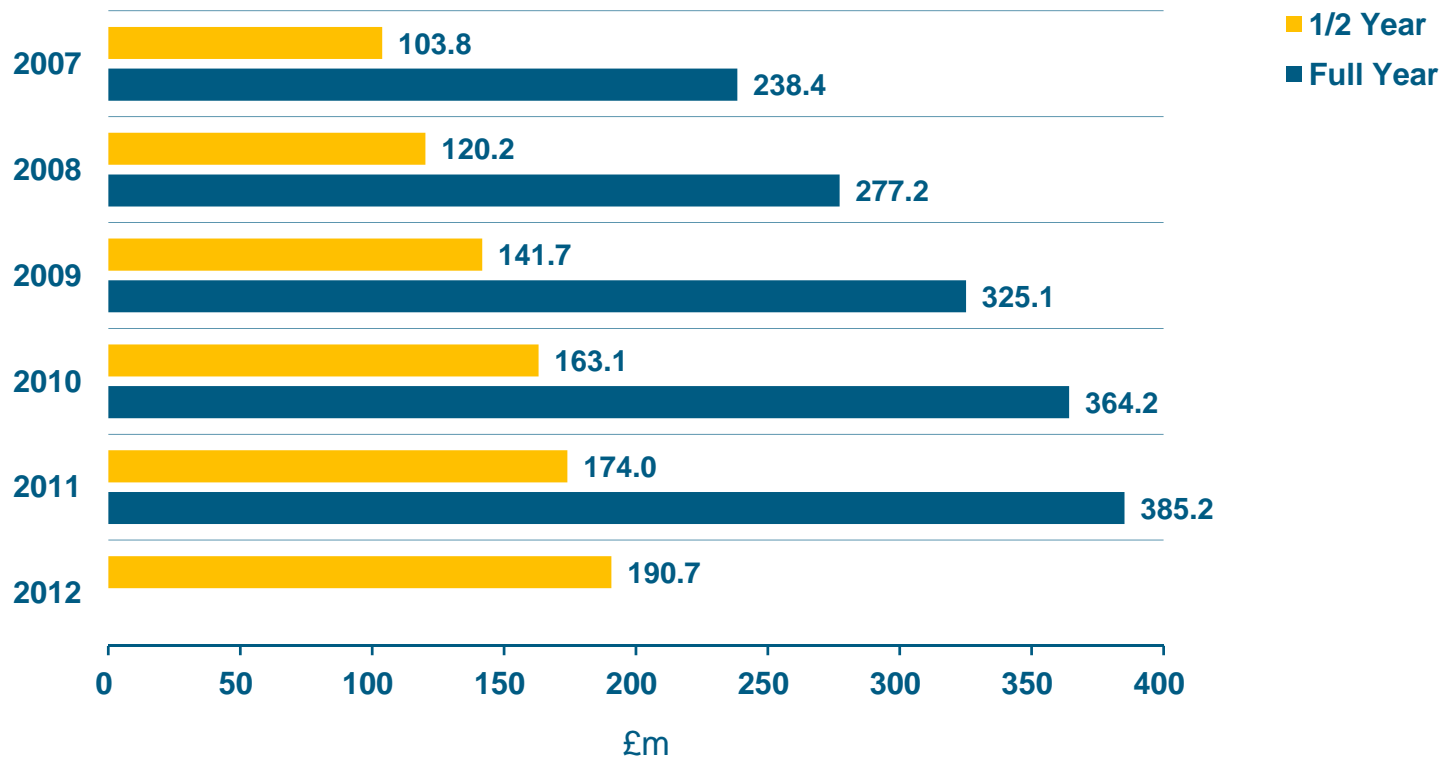
Life and pensions projects	20
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eircom	12
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Total	65	(5%)
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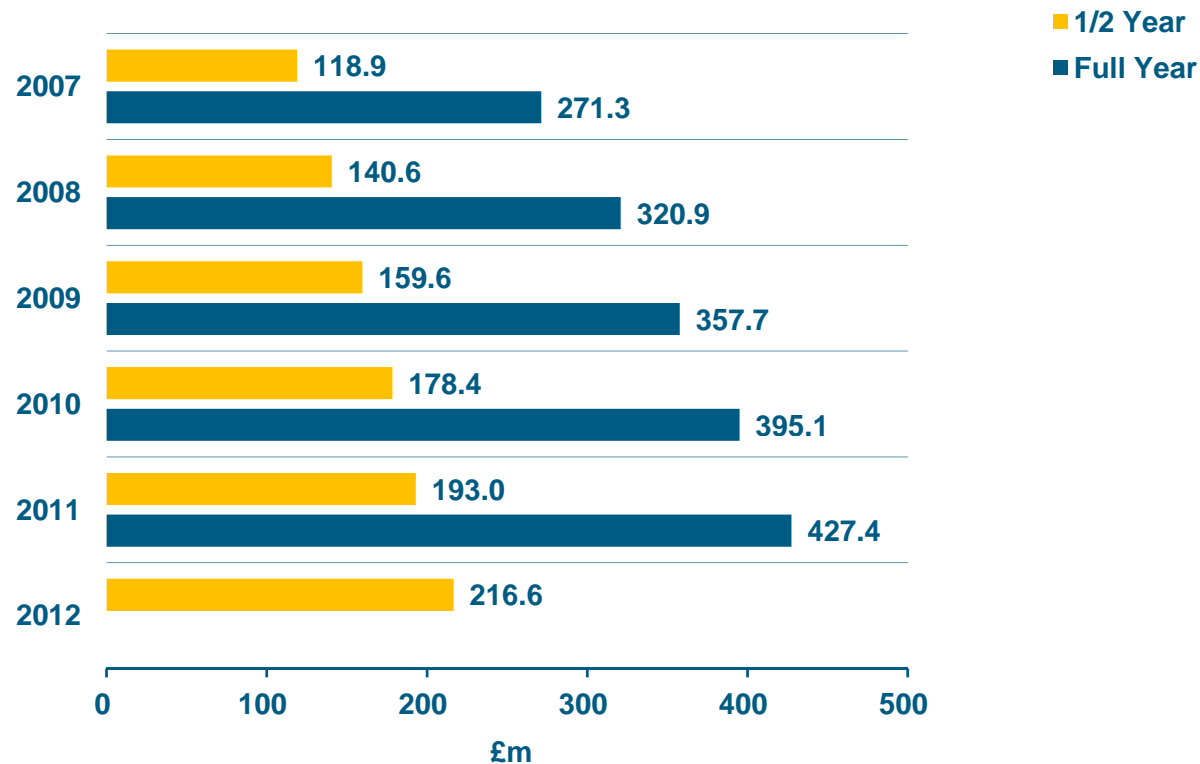
Financial results – underlying profit before tax*

Comparative growth 10%
5 year H1 compound growth 13%

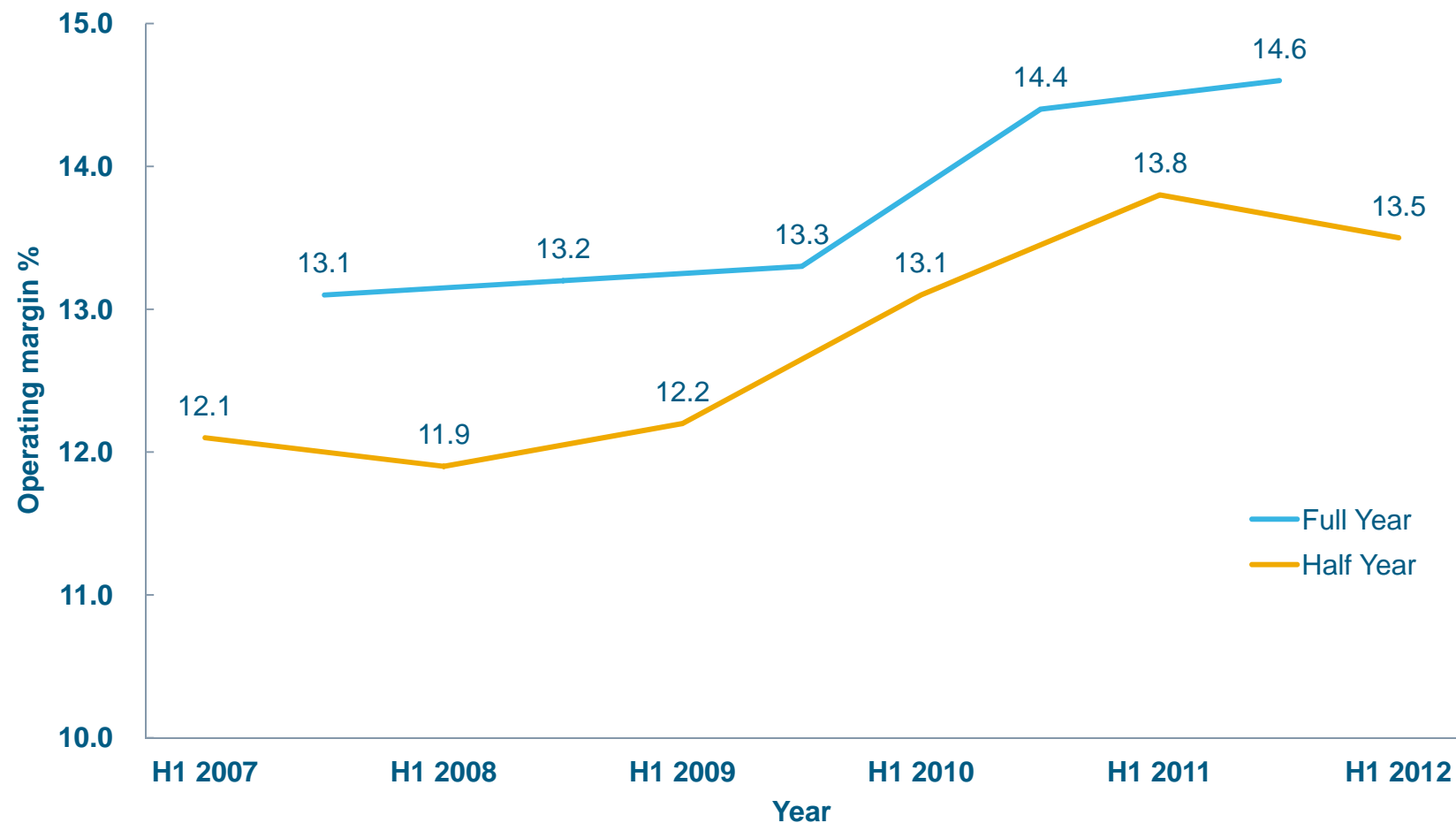


Financial results – underlying operating profit*

Comparative growth 12%
5 year H1 compound growth 13%

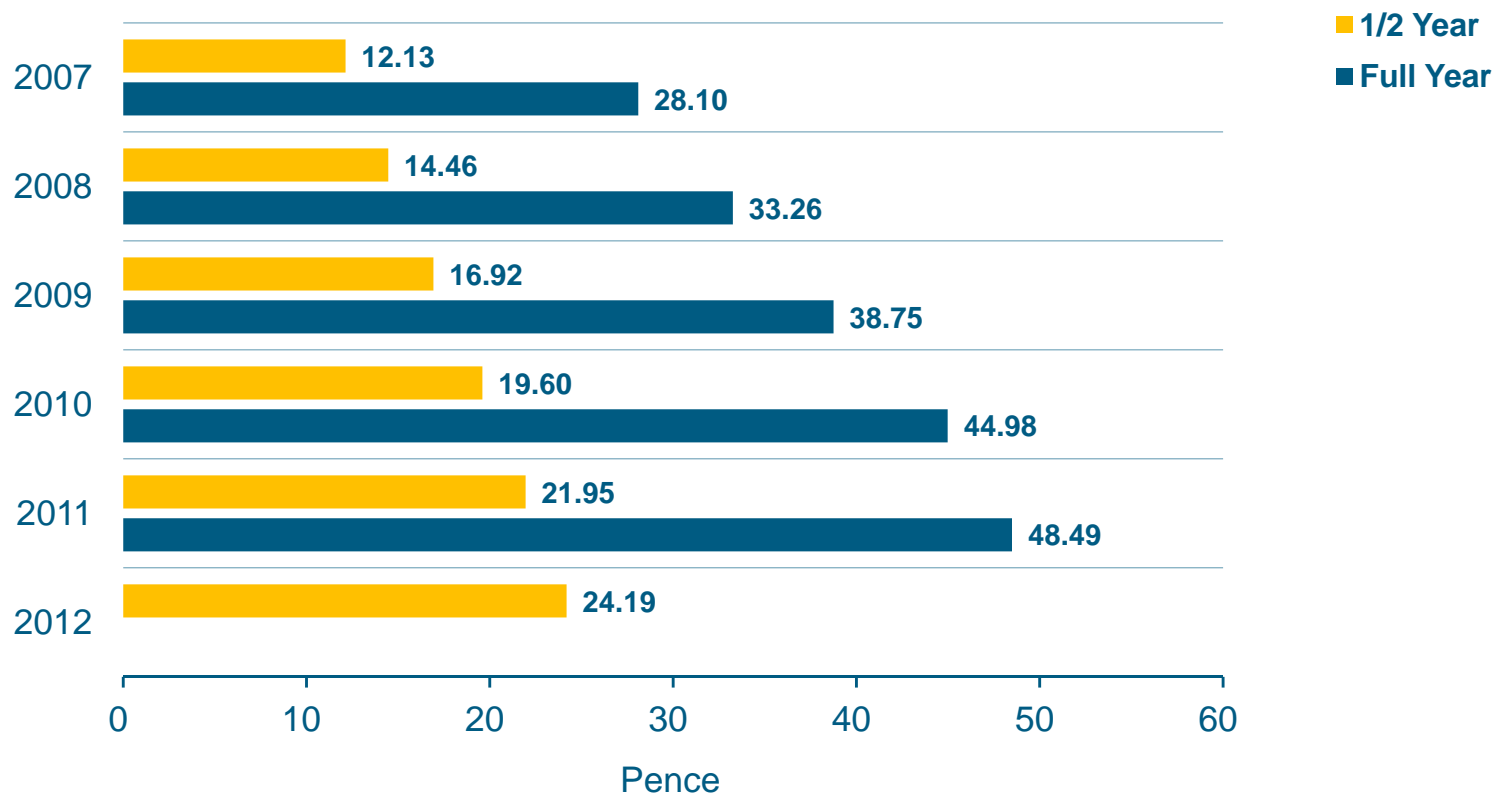


Financial results – underlying H1 operating margin*



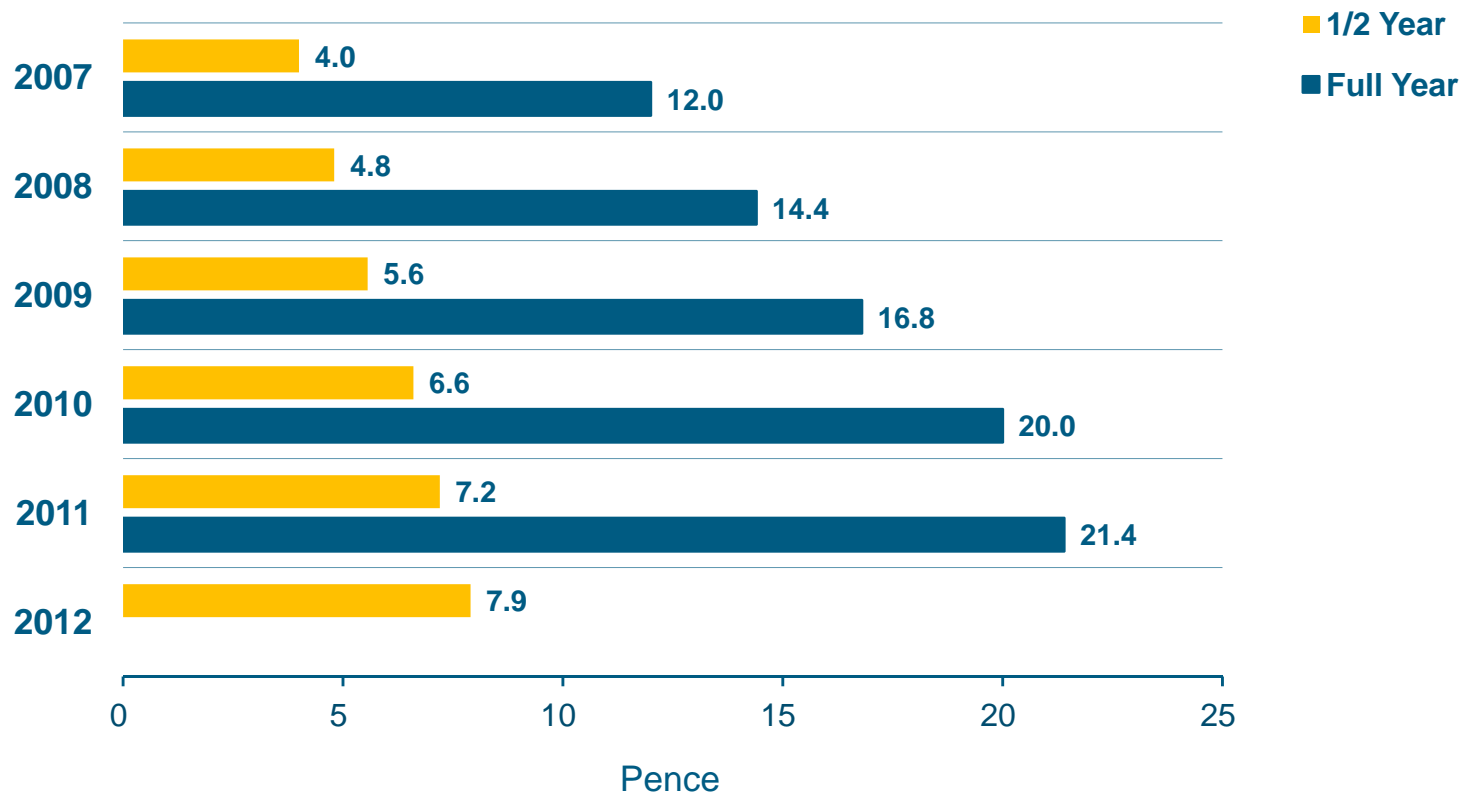
Financial results – underlying earnings per share*

Comparative growth 10%
5 year H1 compound growth 15%



Financial results – dividends

Comparative growth 10%



Financial results – cash flow statement

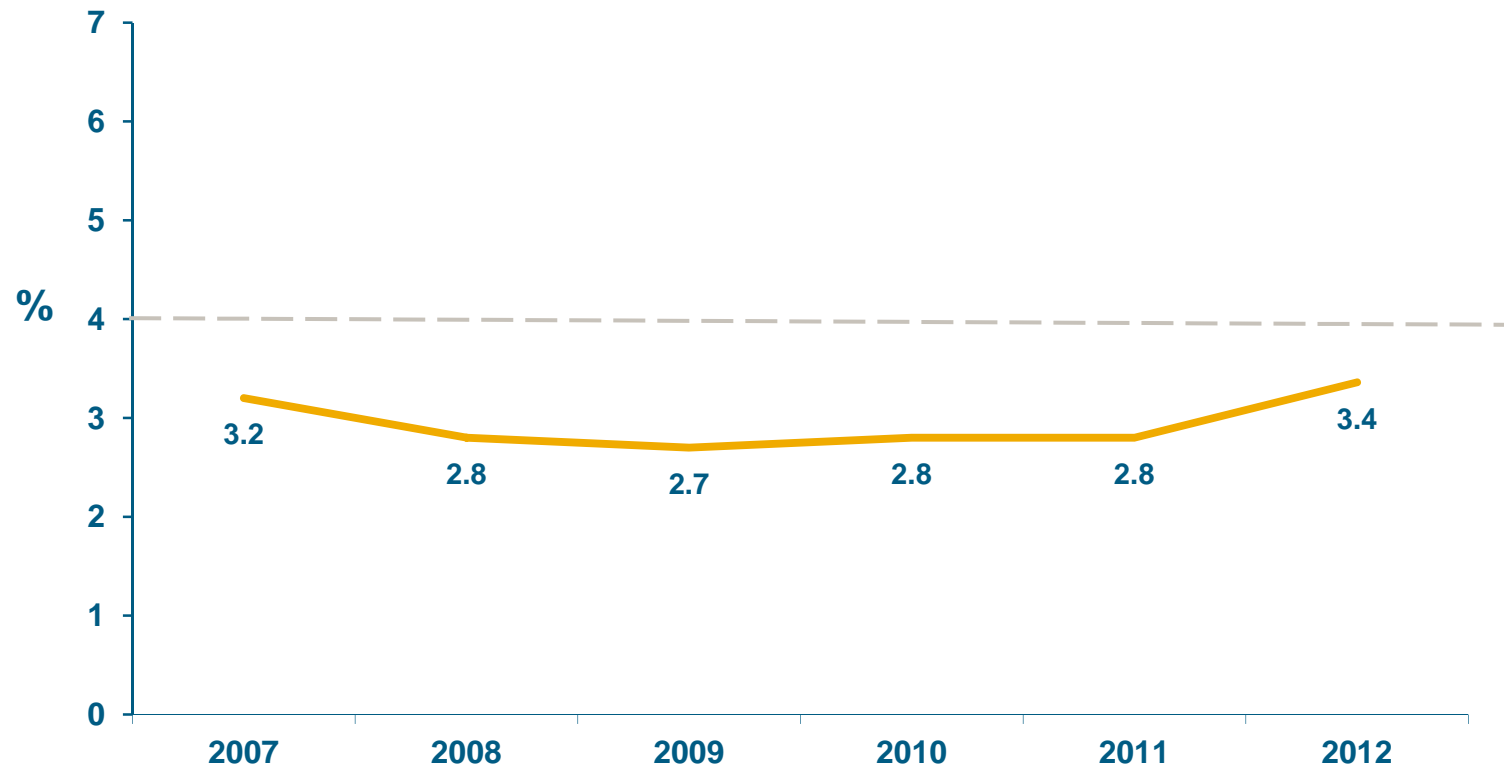
	£m 6 months to 30 June 2012	£m 6 months to 30 June 2011
Cash flow from operating activities	201	180
Net interest paid	(23)	(18)
Taxation paid	(29)	(27)
Capital expenditure	(54)	(38)
Free cash flow	95	97
Acquisitions and disposals	(148)	(135)
Equity dividends paid	(87)	(81)
Share issue net proceeds	271	-
Share option proceeds	3	3
Net debt (repaid)/issued	(18)	101
Other financing	(2)	1
Increase/(decrease) in cash in the period	114	(14)

Financial results - working capital

Major movements:	£m 30 June 2012
TV Licensing revised payment terms	10
Prudential deferred income release	11
AXA WIP (reduces 2013)	6
TV Licensing new contract WIP (reverses H1 2013)	5
RPP – new contract (reverses 2014/2015)	6
Other	9
	47

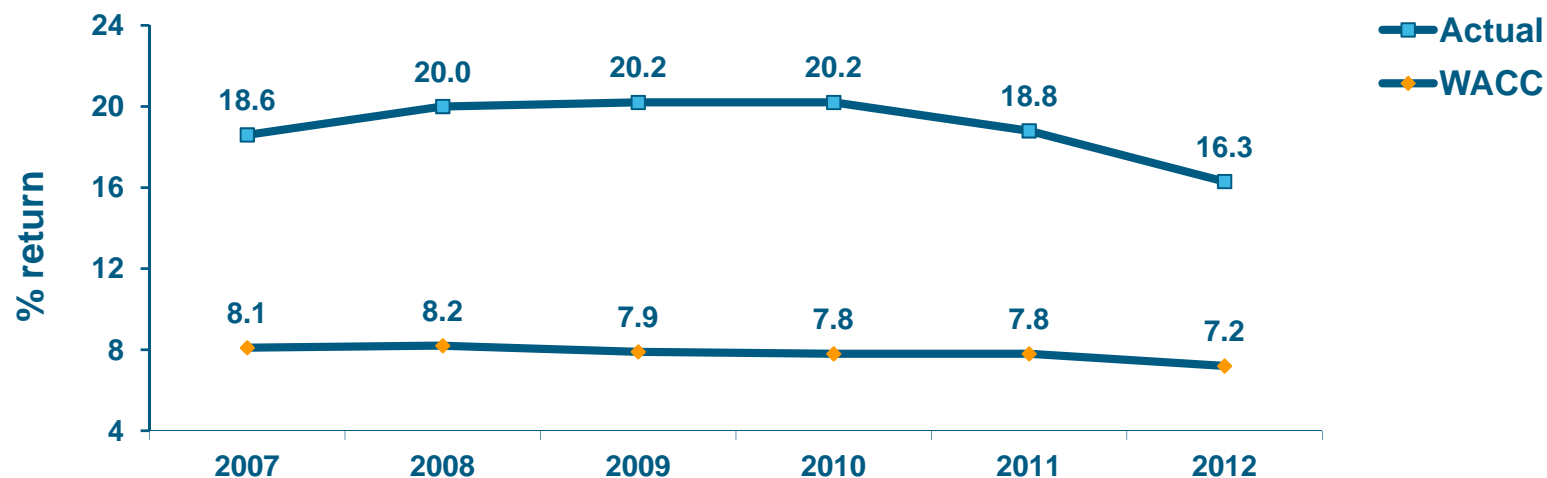
Favourable historic payment terms reverting to the industry norm
No adverse material reversals forecast after 2012

Financial results – half year capex as % of turnover



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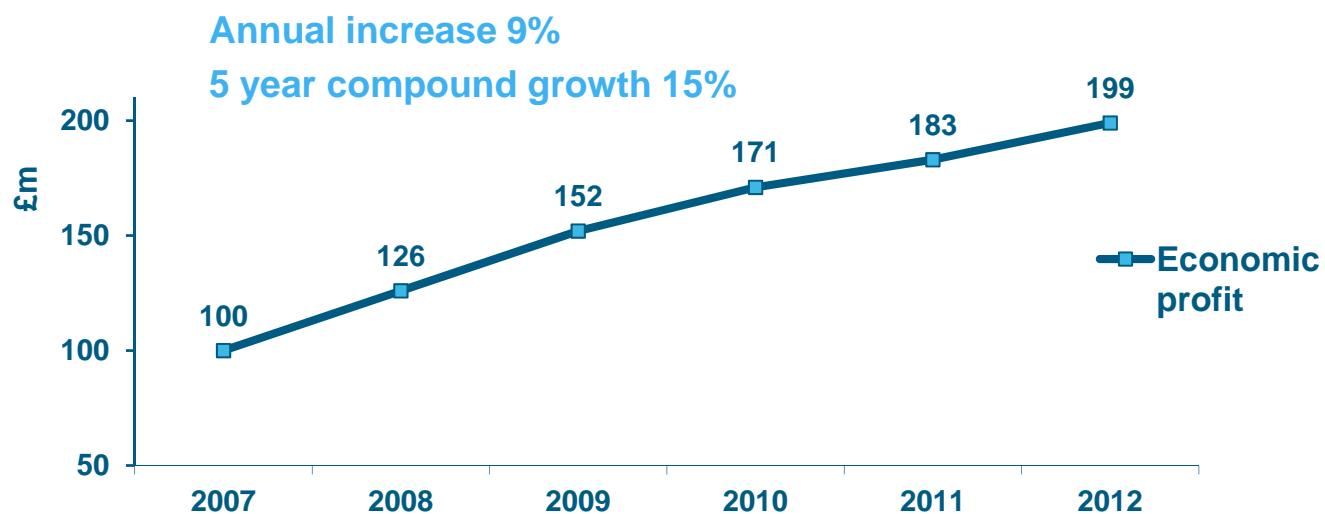
Financial results – % post tax return on capital (debt plus equity) – 12 months to 30 June 2012



	2007	2008	2009	2010	2011	2012
PBIT (normalised)	245	293	340	377	410	451
Avg capital (£m)	954	1067	1230	1377	1671	2187
Tax (%)	27.7	27.0	26.8	26.0	23.5	21.0
Annual acquisition spend	114	147	178	301	341	129*

Financial results – post tax economic profit

12 months to 30 June 2012



	2007	2008	2009	2010	2011	2012
PBIT (normalised)	245	293	340	377	410	451
Avg capital (£m)	954	1,067	1,230	1,377	1,671	2,187
Tax (%)	27.7	27.0	26.8	26.0	23.5	21.0
WACC (%)	8.1	8.2	7.9	7.8	7.8	7.2
Capital charge (£m)	77.2	87.5	97.2	107.4	130.4	157.5
Tax (£m)	67.8	79.1	91.1	97.9	96.3	94.7

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Financial results – balance sheet gearing

	Net debt	£m 30 June 2012	£m 30 June 2011
	Bonds†	1,151	934
	Term debt	185	-
	Cash in bank	(186)	75
	Other	5	4
		1,155	1,013
	Interest cover	9x	11x
	Net debt to EBITDA	2.2	2.1

Financial results – debt profile

30 June 2012 debt profile

- £1,151m of private placement bond debt with maturities from 2012 to 2021 with a 35%:65% fixed/floating rate mix
- Only £99m matures between July 2012 and August 2015
- £185m 2 year term loan facility
- £425m revolving credit facility maturing in Dec 2015 of which £nil utilised at 30 June 2012

Creating long term value

Maggi Bell, Business Development Director

Paul Pindar, Chief Executive

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Creating organic growth – 2012 major contracts

Contract	Value (£m)	Duration	Type
Army Recruiting Partnering Project (RPP) contract	497	10	New
Civil Service Learning contract	100	2 (+2)	New
3 customer management private sector contracts including Debenhams plc, a further leading retailer and Scottish Power	161	3-5	New & extended
West Sussex County Council	154 & 18	10 & 2	New

17 contracts £10m - £50m	Aggregate value: £325m	Average 4 years	New & extensions
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Total value in H1 2012: £1.3bn (H1 2011: £1.1bn)
74% new contracts & 26% extensions
H1 2012 win rate (by value) 1:2

Recruiting Partnering Project (RPP)

£497m over 10 years

- Selected by the MOD to jointly deliver entire recruitment process for the Army and enabling ICT for the Royal Navy & Royal Air Force
- Represents our first significant BPO contract in the defence sector
- Clients' evaluation criteria focused on:
 - Confidence in solution
 - Value for money
 - Strength of our BPO experience
 - Established presence in the resourcing market – built up via organic growth & acquisition i.e. Recruitment & Assessment Services in 1996
- Implementation underway, on track for service commencement in H1 2013
- Significant prospects emerging on training outplacement/other HR services

Securing large scale, complex contracts in new market segments

Civil Service Learning agreement

£100m over 2 years (+ 2 years)

- Selected by the Cabinet Office as sole supplier to manage provision of training across the Civil Service
- Delivery of 49% of training directly through our learning & development business and the balance through a network of SME providers (all revenue flows through Capita)
- Demonstrates our capability and track record in training developed over 16yrs organically and through acquisition

Efficient procurement & implementation:

- *Procurement completed in 22 weeks from OJEU publication to contract award*
- *Since contract commencement in April 2012:*
 - *Installed end-to-end booking system to prevent leakage*
 - *Launched 73 new eLearning products*
 - *Streamlined 30 different ways of invoicing down to 4*
 - *Developing tailored specialist programmes commissioned by individual departments*

Francis Maude, Minister for the Cabinet Office: *“The company is showing real leadership by pioneering this new approach and committing to working with its supply chain to find the best value and innovation the learning and development market has to offer.”*

UK Border Agency (“UKBA”) – contact management

Up to £30m over 4 years

- Selected as preferred bidder for contact management services to support UKBA in the management of the “overstayer” backlog
- Harnessing capacity within our Dearne Valley contact centre to provide flexible multi-media contact solutions for UKBA, whilst also deploying staff within the UKBA site close by in Sheffield
- Reflects strength of our capability within the contact centre sector and our ability to deploy resources swiftly to provide cost effective solutions to meet clients’ needs and provide Government with value for money
- A further lot for casework services is due to be awarded shortly

Securing new opportunities to develop solutions in new market segments

West Sussex County Council

£154m over 10 years

- A new contract for a range of back office services; HR & payroll, finance, office services, procurement, pensions admin in addition to our existing IT contracts
- In addition, secured extension to existing IT contract - valued at a further £18m over 2 years to 2022
- Demonstrates the strength of Capita's proposition and the appetite for outsourcing in local government
- Contract includes provision to deliver services to other public sector partners i.e. local/regional health trusts and local authorities up to the OJEU limit of £750m

Securing major contracts in established markets

Private sector

- Secured 3 new clients including a full customer management service for Debenhams plc and a further 8 customer management contracts
- Demonstrating increasing penetration in retail and utilities alongside our positions in telecoms and financial services
- Established end-to-end outsourced offering following Ventura & Vertex Private Sector acquisitions
- Customer management contracts typically fall into 3 broad categories:
 - first line customer service for high value brands
 - collections and debt management
 - complex case management including complaint handling and remediation activity
- Services extend to omni/multi-channel including voice, email, white mail, webchat and social media listening and engagement
- Increasing demand for multilingual solutions & detailed insight into customer behaviour
- Tools and techniques to reduce costs, increase sales and reduce debt

DEBENHAMS



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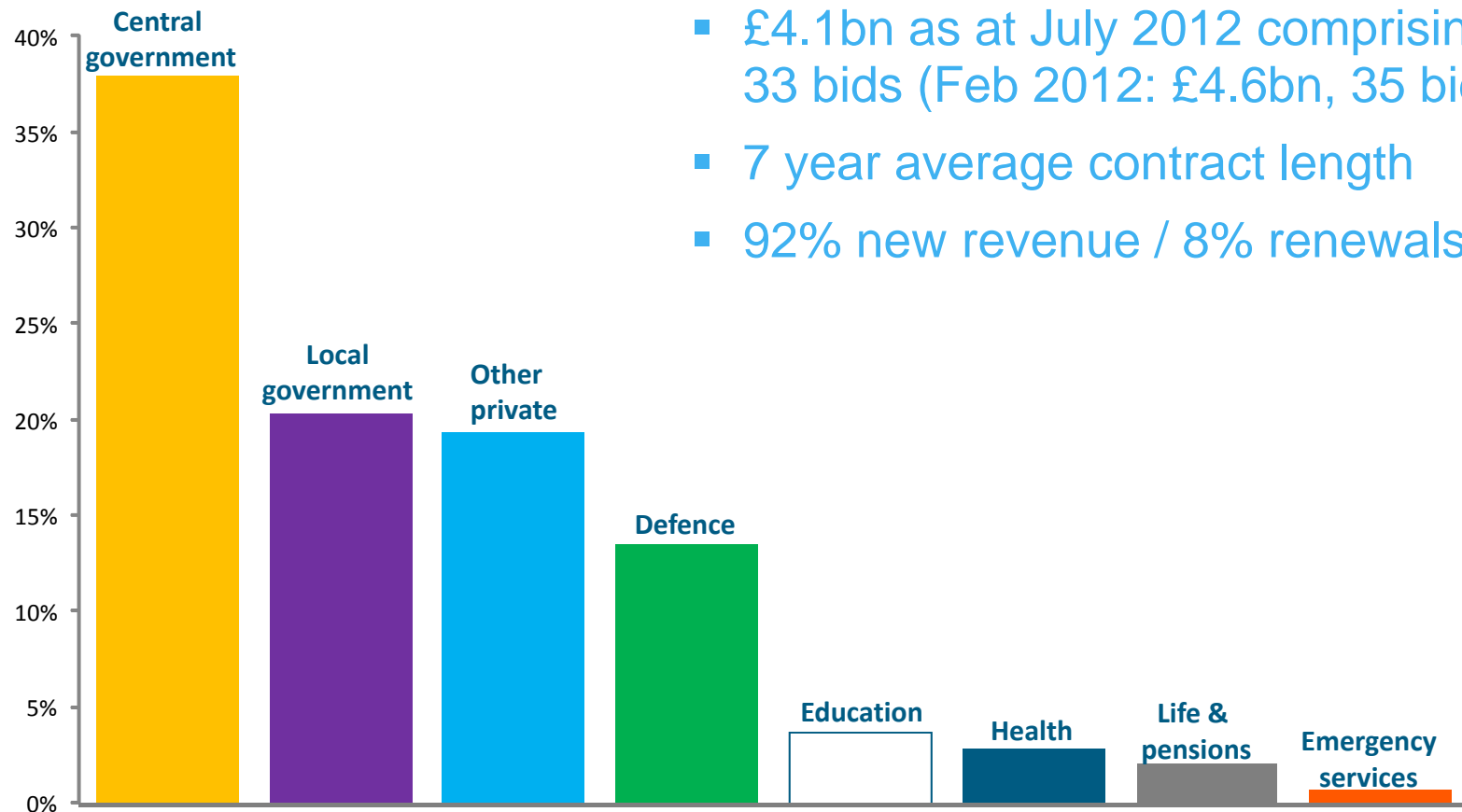
Existing major contracts due for rebid

Year	Contract	Original value per annum (£m)*
2012	None	-
2013	CRB	40
2014	Civil Service Learning*	50
2015	None	-
2016	None	-
2017	None	-
2018	None	-
2019	Phoenix	48

Criteria: more than 1% of 2011 turnover of £2,930m

***Revenues based on original contract value**

Generating growth – bid pipeline



- £4.1bn as at July 2012 comprising 33 bids (Feb 2012: £4.6bn, 35 bids)*
- 7 year average contract length
- 92% new revenue / 8% renewals

Public sector procurement: Frameworks

- Central Government intention to act as “one customer”
- Standardising its approach for less complex procurements
- Increasing number of pan-Government framework contracts – all departments and public sector bodies can buy from a pre-qualified list of suppliers
- Capita has secured places on a wide range of frameworks ranging from sole supplier to multi supplier

Shorter, more efficient procurement

Public sector procurement: Frameworks

Currently held	Published value range £m			Currently bidding	Published value range £m	
	Bottom	Top	Suppliers		Bottom	Top
Health and Disability Assessment Services	300	1,000	10	Applications	1,000	1,000
PSN Connectivity	500	3,000	12	Hosting	100	1,000
PSN Services	500	2,000	29	Estates	400	600
Health-related managed contact centre services	0	500	4	ConsultancyONE	2,000	2,000
IT Managed Services	600	600	12	Supply of locum doctors	100	1,600
Records Management	102	200	5	G-Cloud ii	100	100
Information Management & Learning Services	575	575	18	Occupational Health & Assistance	80	160
Local Govt Software Application Services	500	500	20			
Project Management & Full Design Team Services	516	516	12			
Traffic Management Services	400	3,000	33			
TCV over typical 4 year duration	3,993	11,891			3,780	6,460
Average TCV per annum	998	2,973			945	1,615

Delivering value through acquisitions

Paul Pindar

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Capital raising – background

- Since 2003, Capita has delivered £1.5bn to shareholders through dividends and share buybacks:
 - 113m shares bought back for £560m at an average 499p/share
 - 23% compound growth in ordinary dividend
- £642m spent on acquisitions in 2 years to Dec 2011

Capital raising – rationale

- In Feb 2012, the pipeline of acquisition opportunities was looking weaker
- In March 2012, acquisition pipeline increased including: Bluefin Corporate Consulting (£50m), Clinical Solutions (£20m), Medicals Direct (£13m), Fortek (£4m)
- Our target net debt/EBITDA ratio of 2-2.5x was at top end of comfort level
- Capital raising undertaken in April 2012 to support acquisition strategy whilst maintaining an efficient balance sheet:

No. of shares	Price per share	Net proceeds	% of share capital
40m	685p	£271m	6.5

- Pipeline of potential acquisitions could lead to total spend of £200-250m in 2012

Creating growth – acquisitions to date 2012

Area	Acquisition	Rationale	Value*
Pensions	Bluefin Corporate Consulting	An employee benefits consultancy which complements and extends the capability of Capita Hartshead, our corporate pensions and actuarial consultancy business	50.0
Health	Aviva's occupational health business	Add further depth to our existing BPO health offering, positioning us strongly in the medical assessments & disability support market	2.5 (+1.5)
	Medicals Direct		13.2 (+2)
	Clinical Solutions		20.0
Emergency services	Fortek	Enhances existing command, control & communication solutions, complements Sungard, Beat Systems and Cedar HR acquisitions	3.5 (+1.7)
Resourcing	The Security Watchdog	Enhances our existing screening and recruitment business and will also allow us to bid for large scale screening and vetting work	6.7
Property	Northcroft	Complements our offering with property consultancy cost and project management expertise across a wide range of sectors	1.2
Consultancy	Smiths Consulting	Enhances our existing in-house SAP consultancy capability	10.0 (+2)
Insurance	Fish Administration	Adds greater capacity and valuable new expertise to Capita's specialist insurance broking business	21.0
Offshore delivery	Full Circle	Provides entry into South Africa as an additional quality, low cost delivery centre	1.0 (+2)

10 acquisitions to date in 2012 totalling £129m

Creating value – delivering returns

- Acquisitions strengthen our BPO offering and underpin organic growth e.g. recent contract wins in central government, retail, defence, health and emergency services
- They enable us to maintain competitive edge by developing capability/ scale and by diversifying across a range of markets
- Internal target of achieving a post tax return of 15% after 12 months
- Synergies identified as part of due diligence process
- Significant benefit from integrating into Capita's back office e.g. procurement, HR & payroll, travel, finance & accounting
- Particular strength in acquisitions valued at £5 -10m

Committed to delivering shareholder value

Creating value – delivering returns

*Average post tax return
by vintage:*

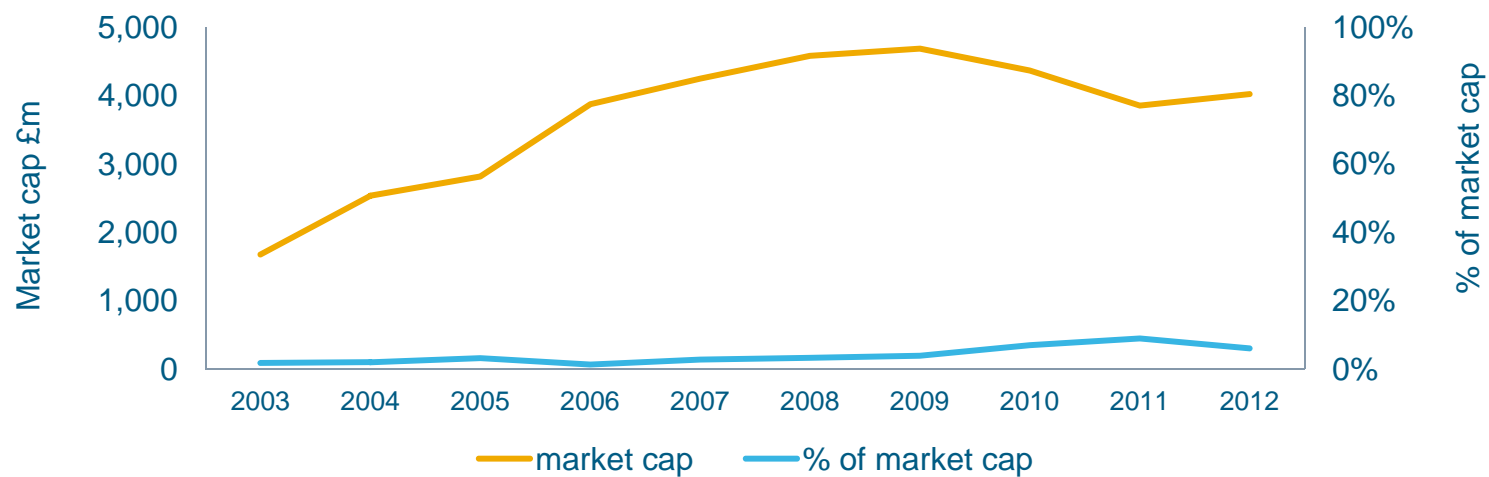
Acquisitions completed 2008-2010	Acquisitions completed 2011	Acquisitions completed 2008 - 2011
13.2%	17.4%	14.7%

*Average post tax
return by value:*

Acquisitions £m (2008-2011)	Number of acquisitions	Average post tax return 2012E
£0>£5	12	19%
£5>£10	11	24%
£10>£20	12	17%
£20>£50	11	13%
£50+	5	13%

Creating value through small-medium sized acquisitions

- Since 2003, acquisition spend as a % of market cap has averaged 4% per annum:



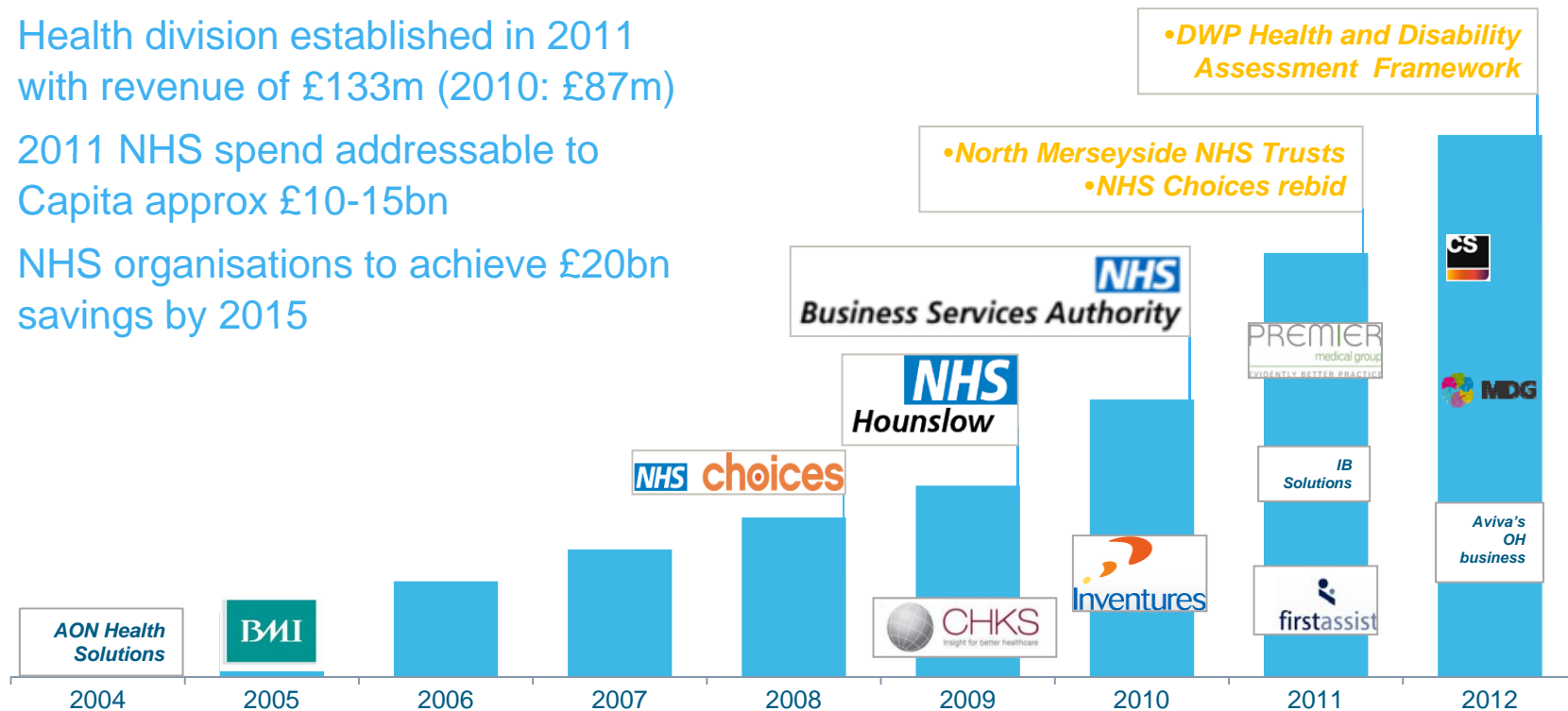
Creating value – diversifying through acquisition

Market	Market entry via acquisition	Year	% revenue by market H1 2012
Central government	-	-	11
Local government	Original management buy-out and formation of Capita	1987	18
Education	SIMS	1994	8
Insurance	Eastgate	2000	5
Other private	IRG plc	2000	25
Financial services	IRG plc	2000	6
Life & pensions	Admin assets of Lincoln Financial Group	2002	18
Health	AON Health Solutions	2004	6
Emergency services	Sungard Public Sector	2010	3

Providing a foothold into new market areas

Creating value – health

- 2004: entered the health market with the acquisition of AON Health Solutions
- Today, Capita delivers single service solutions & full BPO for health & wellbeing clients across the public and private sectors
- Health division established in 2011 with revenue of £133m (2010: £87m)
 - 2011 NHS spend addressable to Capita approx £10-15bn
 - NHS organisations to achieve £20bn savings by 2015



Health – a compelling proposition



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Occupational health & wellbeing	Supporting the NHS
OH services	Specialist health services
OH training	Business solutions
Medical reporting	Commissioning support
Global medical assistance	Clinical decision support
Screening	Advisory services
Legal assistance	IT solutions
Absence management	Estates and facilities
Single and multi service BPO capability	
Flexible delivery model	

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Creating value – customer management

- Enhanced existing offering with acquisition of specialist customer management expertise, Ventura, Vertex Private Sector and CCT
- Added scale, capability and extended our market reach bringing clients from across the utilities, telecoms and retail sectors
- Enable us to secure new business that was previously not possible as separate entities
- Strong bid pipeline across the private and public sectors
- Strong growth expected for the full year 2012

Expanding our capability and scale

Customer management – a compelling proposition



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Multi channel customer service	Billing enquiries
Outbound campaigns	Order processing
Telesales	E-commerce
Collections & debt management	Complaints handling
Customer retention	After sales support
Broadband technical support	Credit control and fulfilment
Single and multi service BPO capability	
Flexible delivery model – on/near/offshore	

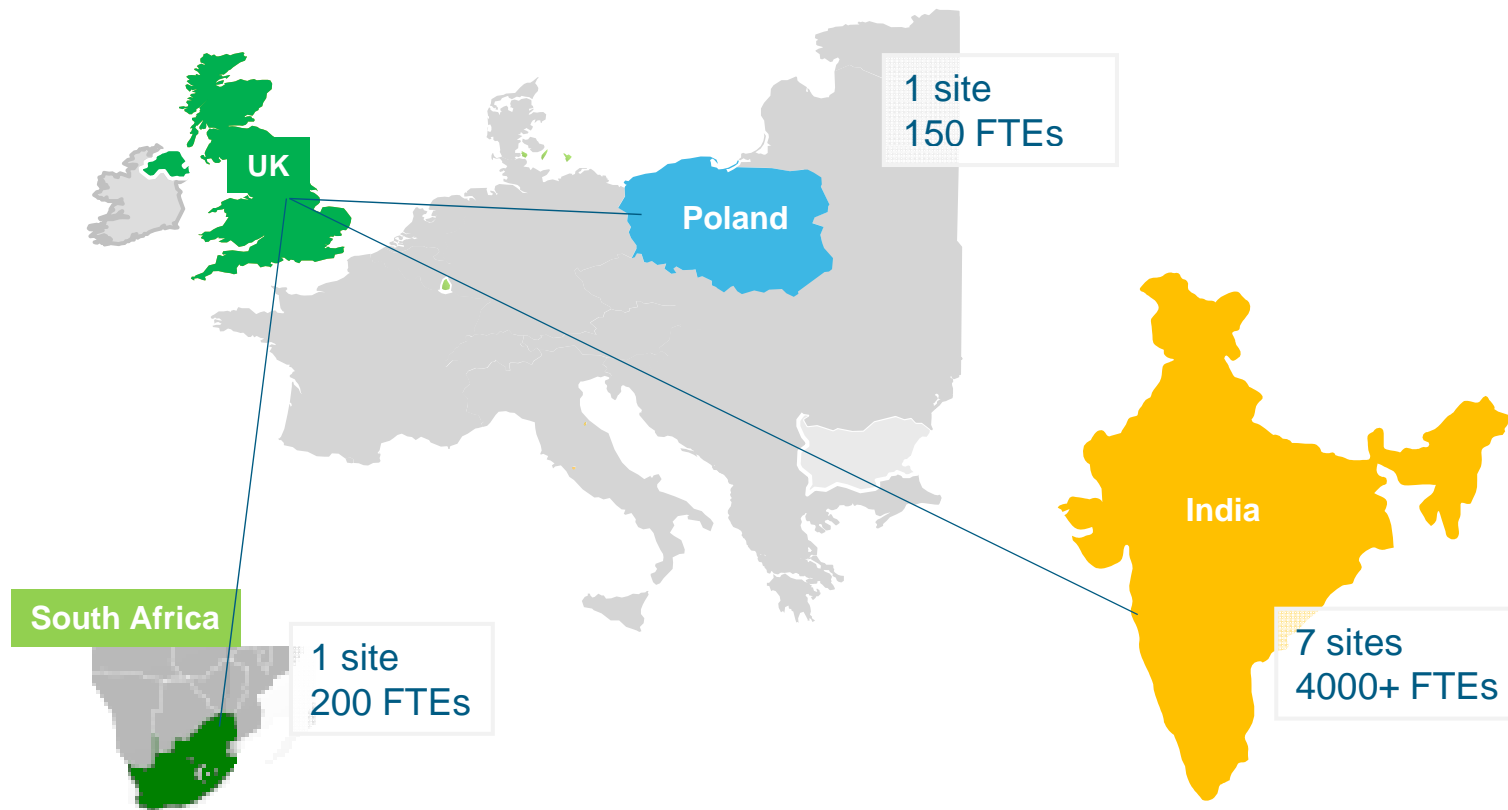
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Creating value – flexible delivery network

- Acquisition of South African based company, Full Circle, for £1m
- Established in 2005 in central Cape Town
- ‘Build, operate & transfer’ model - helping clients to evaluate, develop and transition quickly and cost effectively to South Africa
- Capita will develop business model to offer delivery of fully outsourced customer contact activities for new and existing UK clients
- Current capacity of over 400 seats, with clients including a number of UK blue chip companies
- Business will be integrated into Capita’s global delivery network to provide an additional option for clients and Group work

Enhancing our offshore delivery capability

International delivery capability



Summary & outlook

- Met our 3 key objectives
- Excellent level of contract wins year to date
- A strong pipeline with momentum
- Solid trading across the Group
- Healthy pipeline of small to medium sized acquisitions in our key target markets
- Capital Markets event planned for October 2012 in London

Well positioned for growth in the full year 2012

Capita plc

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