



# Divisional structure and IFRS 16

August 2020

## Purpose

- To provide the market with data to help with modelling for results from H1 2020 onwards
- Divisions re-presented to show the new structure – reallocation of business units into and out of Specialist Services
- The tables show the 2019 divisional adjusted revenue<sup>1</sup> and adjusted operating profit<sup>1</sup> numbers. These have not yet been adjusted for business exits arising in 2020 or IFRS16 and therefore agree to the FY19 Annual Report and Accounts.
- Reminder of IFRS 16 impact on FY 19 income statement, cash flow and balance sheet – all Capita adjusted results<sup>1</sup> will now be on a post IFRS 16 basis

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# Reallocation of business units and associated FY 2019 adjusted revenue<sup>1</sup>

<i>£m</i>	<i>Software</i>	<i>People Solutions</i>	<i>Customer Management</i>	<i>Government Services</i>	<i>Technology Solutions</i>	<i>Specialist Services</i>	<i>Group Support Services</i>	<i>Total Group</i>
<b>2019 Adjusted revenue</b>	<b>375.4</b>	<b>500.5</b>	<b>802.4</b>	<b>777.9</b>	<b>429.3</b>	<b>744.5</b>	<b>17.4</b>	<b>3,647.4</b>
<i>Axelos</i>	-	47.6	-	-	-	(47.6)	-	-
<i>Capita Intelligent Communications</i>	-	-	-	-	20.5	(20.5)	-	-
<i>FERA</i>	-	-	-	36.2	-	(36.2)	-	-
<i>Irish BPO</i>	-	-	36.3	-	-	(36.3)	-	-
<i>Life &amp; Pensions</i>	-	-	265.2	-	-	(265.2)	-	-
<i>Mortgage Services</i>	-	-	74.7	-	-	(74.7)	-	-
<i>PageOne</i>	(10.2)	-	-	-	-	10.2	-	-
<i>Tascor</i>	-	-	-	(26.0)	-	26.0	-	-
<i>Other</i>	(5.3)	(5.6)	3.0	5.3	-	(4.5)	7.1	-
<b>Re-presented adjusted revenue<sup>1</sup> as per 2020 structure</b>	<b>359.9</b>	<b>542.5</b>	<b>1,181.7</b>	<b>793.4</b>	<b>449.8</b>	<b>295.7</b>	<b>24.4</b>	<b>3,647.4</b>

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# Divisional adjusted revenue<sup>1</sup> and adjusted operating profit<sup>1</sup> on new divisional basis – 2019 half year and full year

£m	Adjusted revenue	
	HY19	FY19
Software	177.9	359.9
People Solutions	271.6	542.5
Customer Management	585.1	1,181.7
Government Services	424.4	793.4
Technology Solutions	224.2	449.8
Specialist Services	143.2	295.7
Group Support Services	12.1	24.4
<b>Total</b>	<b>1,838.5</b>	<b>3,647.4</b>

Adjusted operating profit	
HY19	FY19
48.9	101.6
28.5	66.7
56.4	121.5
20.0	50.8
28.7	59.6
20.1	44.3
(58.3)	(138.4)
<b>144.3</b>	<b>306.1</b>

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# IFRS 16

- The Group adopted IFRS 16 on 1 January 2019 using the modified retrospective approach.
- Leases across the Group are centrally managed and controlled. As a result, the Group's right-of-use lease assets, lease liabilities, and the related depreciation are included within Group trading and central services.
- The IFRS 16 interest charges are included on a total group basis only, in line with other finance costs.
- The divisions continue to recognise rental costs on an IAS 17 basis as they do not control the use of the asset, and this is reversed in the Group trading and central services segment and replaced with the above IFRS 16 depreciation and interest cost. Under the modified retrospective approach, comparative information is not restated. Impact on key metrics: revenue, PBT, cash from operations/FCF and net debt
- Due to the Group transformation plan, which includes a rationalisation of Capita's properties, the Group's lease portfolio is expected to change over the next few years. Any changes to the lease portfolio will be accounted for when transacted as required under IFRS 16 and our Group policy.

# Impact of IFRS 16 on adjusted<sup>1</sup> FY 2019

Red text = selected pre-IFRS 16 adjusted financial data points.

Income statement	£m FY19	£m IFRS 16 adjustment	£m Pre-IFRS 16 FY19
<b>EBITDA</b>	<b>505.4</b>	<b>110.9</b>	<b>394.5</b>
Depreciation	(157.3)	(99.2)	(58.1)
Operating profit	317.8	11.7	306.1
Interest	(56.2)	(25.7)	(30.5)
<b>Profit/(loss) before tax</b>	<b>261.0</b>	<b>(14.0)</b>	<b>275.0</b>

Adjusted free cashflow <sup>1</sup>	£m FY19
<b>Free cash flow (pre-IFRS 16)</b>	<b>(61.3)</b>
Financing of lease liability	90.0
<b>Free cashflow (post-IFRS 16)</b>	<b>28.7</b>

Balance Sheet as at 31 Dec 19	£m FY19	£m IFRS 16 adjustment	£m Pre-IFRS 16 FY19
<b>Non-current assets</b>	<b>2,777.0</b>	<b>497.3</b>	<b>2,279.7</b>
Right-of-use assets	480.9	480.9	0.0
Financial assets	82.2	11.3	70.9
Deferred taxation	181.6	5.1	176.5
Other	2,032.3	-	2,032.3
<b>Current assets</b>	<b>1,199.5</b>	<b>(14.1)</b>	<b>1,213.6</b>
Trade and other receivables	748.4	(17.7)	766.1
Financial assets	25.1	3.6	21.5
Other	426.0	-	426.0
<b>Current liabilities</b>	<b>2,303.5</b>	<b>43.8</b>	<b>2,259.7</b>
Trade and other payables	619.8	(26.7)	646.5
Lease liability	81.9	81.9	0.0
Provisions	71.3	(11.4)	82.7
Other	1,530.5	-	1,530.5
<b>Non-current liabilities</b>	<b>1,737.0</b>	<b>480.7</b>	<b>1,256.3</b>
Lease liability	480.7	480.7	0.0
Other	1,256.3	-	1,256.3
<b>Net assets/(liabilities)</b>	<b>(64.0)</b>	<b>(41.3)</b>	<b>(22.7)</b>

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## Impact of IFRS 16 cont.

Balance sheet gearing	£m FY19	£m IFRS 16 adjustment	£m Pre-IFRS 16 FY19
<b>Opening net debt</b>	(466.1)	-	<b>(466.1)</b>
Adoption of IFRS 16	(643.9)	(643.9)	-
Cash movement in net debt	(241.2)	93.7	<b>(334.9)</b>
Non-cash movements	(2.0)	(12.4)	<b>10.4</b>
<b>Closing net debt</b>	<b>(1,353.2)</b>	(562.6)	<b>(790.6)</b>
Lease liability	(562.6)	(562.6)	-

Headline leverage ratio	Pre-IFRS 16	Post IFRS 16
Net debt / EBITDA	<b>2.0x</b>	2.7x

Prior to further property transformation we expect the lease liability to reduce each year due to the average length of our leases. (We also expect the P&L loss to reduce each year due to the interest curve)