



10 May 2011

## **THE CAPITA GROUP PLC – INTERIM MANAGEMENT STATEMENT**

The Capita Group Plc (“Capita”), the UK’s leading business process outsourcing (“BPO”) and professional services company, is today issuing its interim management statement, covering the 4 months to 30 April 2011 and progress to date. This statement coincides with Capita’s Annual General Meeting which is taking place today.

### **Update on performance, acquisitions and financial position**

Capita’s businesses have performed solidly in the first 4 months of 2011 and our operational performance for clients remains excellent. We are experiencing a busy sales period with a record bid pipeline and a strong list of opportunities sitting behind the pipeline, reflecting the appetite for outsourcing, particularly across the life and pensions and local government markets. We have also been active in the period acquiring organisations with complementary skills which will add further value to the Group.

We are maintaining good progress across our key financial metrics and are well placed to achieve reasonable revenue growth and continued margin progression this year.

### **Generating profitable growth organically and through acquisitions of small to medium sized businesses**

**Contracts and renewals:** To date in 2011, we have signed 7 new contracts with an aggregate value of £313m. These are new, extended and expanded contracts to administer the Teachers’ Pension Scheme, provide life and pensions administration for MetLife, deliver a shared services contract for the London Boroughs of Bromley and Lewisham, provide IT outsourcing for English Heritage, deliver revenues administration for the London Borough of Brent, provide managed resourcing services regarding contractors for EDF Energy, and an agreement with the National Policing Improvement Agency (NPIA) to be one of 3 companies on the Digital Interviewing Framework.

We have also announced that we are in discussions with Zurich Financial Services Group (“Zurich”) regarding a potential extension of Capita’s existing contract to administer some of the processes for Zurich’s UK operations, and the expansion of its scope to support some of Zurich Global Life’s administration hubs in Europe and the Middle East. Contract negotiations continue to progress well and we are looking for service commencement during Q3 this year.

We announce the size of our bid pipeline twice a year at our half and full year results. Our bid pipeline is a snapshot of bids, worth £10m or above, where we have been shortlisted to the last 4 or fewer. Our bid pipeline stood at a record level at £4.7bn on 24 February 2011 (Feb 2010: £3.7bn) and contains opportunities across all our target markets. There are 3 bids in

our bid pipeline where the potential client has publicly announced that Capita is on the shortlist. These are the bids to administer army recruitment for the MOD, to support Edinburgh City Council and the rebid to administer TV licensing for the BBC.

We face no material rebids (greater than 1% of previous year's revenue) until 2012.

**Market update:** The market for outsourcing has become more active following a quiet 2009 and 2010. In the private sector, opportunities are particularly buoyant in the life and pensions, financial services and insurance markets. In the public sector, the number of new tenders across our areas of expertise is now at the levels enjoyed prior to the May 2010 elections and the public sector spending freeze. The most active public sector markets are local government and the defence market.

Opportunities in central government are beginning to emerge. We believe that the Government remains focussed on delivering more cost effective public services with the support of the private sector and, alongside this, encouraging wider participation in this market by SMEs and third sector organisations. A spectrum of engagement models, such as joint ventures and mutuals, are currently being explored and we welcome the opportunity to engage in delivering services in this manner.

Capita's vast experience of a range of delivery models positions us well as a considered partner. Our successful public sector joint venture in Service Birmingham has delivered substantial savings to the Council, while also improving public services and investing in local community initiatives led by charities and other third sector organisations.

**Acquisitions:** To date in 2011, we have acquired 6 businesses for a total cash consideration of £80m. These acquisitions have strengthened and added further scale in our target markets, opened up additional market segments and added new complementary capabilities to the Group.

The acquisitions are: Xayce, a business transformation consultancy focussed on the financial services market; the securitised commercial loan administration business of Barclays Capital Mortgage Servicing Limited, adding further scale to our financial services operations; Talis Information Limited, a provider of management software and managed services, extending our offering to the academic and public sectors; Right Document Solutions, a provider of document consultancy and managed print services, increasing our capabilities in this area; Tribal Group Plc's health and government divisions, adding further expertise to our health offering and extending our government consultancy capabilities; and Technophobia, a developer of next generation web applications extending our IT offering.

There continues to be a good volume of potential acquisitions priced at attractive levels and we expect to acquire further businesses this year to enhance our capabilities and to take us into complementary areas.

### **Building further service delivery infrastructure and capabilities in Poland and India**

Capita's plans to create a multi-lingual shared services centre in Krakow, Poland, are on schedule. We have opened temporary offices and have signed heads of terms to lease a 500

seat capacity shared services centre in Krakow city centre. With effect from Q4 2011, services will be delivered to existing clients and with effect from 2012 they will be delivered to new clients. The business centre language will be English and services will be delivered in the primary European languages in accordance with the requirements of our clients.

Capita India continues to provide excellent financial and service quality benefits to the Group from its business centres in Mumbai, Pune and Bangalore. We have further enhanced our capacity and capabilities to maintain the high quality of existing service delivery and provide capacity to support new business opportunities.

## **Outlook**

Capita is well placed to achieve steady revenue growth and continued margin progression in 2011.

As indicated at our Preliminary Results in February, we expect turnover growth to be modest in the first half of 2011 due to the quieter sales activity in 2010 and the continued impact of public spending cuts on a small number of our trading activities. Our record bid pipeline and buoyant wider sales activity provides us with a good platform for better progress in the second half of the year, with decisions expected on several bids in the bid pipeline in Q3 and Q4 this year.

We see the benefits of the operational efficiencies we implemented in 2010 and our increasing scale and capabilities continuing to drive forward our margins in the first half and the year as a whole.

**-ends-**

### **For further information:**

The Capita Group Plc

Tel: 020 7799 1525

Paul Pindar, Chief Executive

Shona Nichols, Corporate Communications Director

### **Media enquiries**

Capita press office

Caroline Mooney

Tel: 0207 654 2152 or 020 7654 2399 (out of hours)

**The Capita Group Plc** is the UK's leading provider of BPO and integrated professional support service solutions. With 37,000 people at more than 350 sites, including 64 business centres across the UK, Ireland, the Channel Islands and India, the Group uses its expertise, infrastructure and scale benefits to transform its clients' services, driving down costs and adding value. Capita is quoted on the London Stock Exchange (CPI.L), and is a constituent of the FTSE100 with revenues for 2010 of £2,744 million. Further information on The Capita Group Plc can be found at: <http://www.capita.co.uk>