

CAPITA



Results for the year ended 31 December 2012

Full year results presentation

28 February 2013

Agenda

1. Introduction – Paul Pindar, Chief Executive
2. Financial results – Gordon Hurst, Group Finance Director
3. Creating growth: major sales & market potential – Maggi Bell, Group Business Development Director
4. Acquisitions – Paul Pindar
5. Enhancing our business proposition – Andy Parker & Vic Gysin, Joint COOs
6. Summary & outlook – Paul Pindar

Strongly positioned for growth across multiple markets

2012 key highlights

Record sales year, £4.0bn of contract wins:

- double last year's record year
- 90% new contracts / 10% extensions
- better than 1 in 2 win rate

Delivered against plan:

- hit numbers profits, earnings & dividends all up +10%
- return to organic growth +3% in 2012 (-7% in 2011)
- improved cash conversion 110% in 2012 (85% in 2011)

Excellent progress in our newest markets

2013 organic growth strongly underpinned

High degree of confidence for 2013

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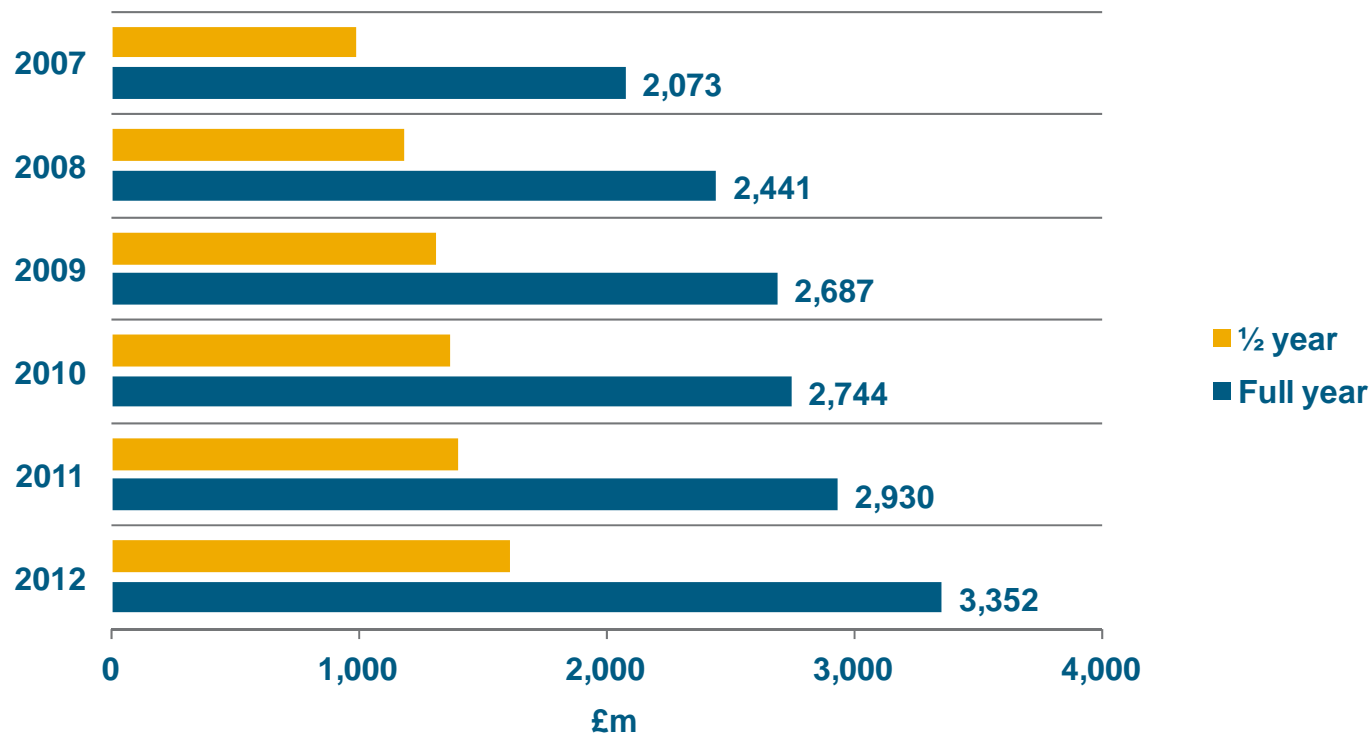
Financial results

Gordon Hurst

Group Finance Director

Financial results – revenue

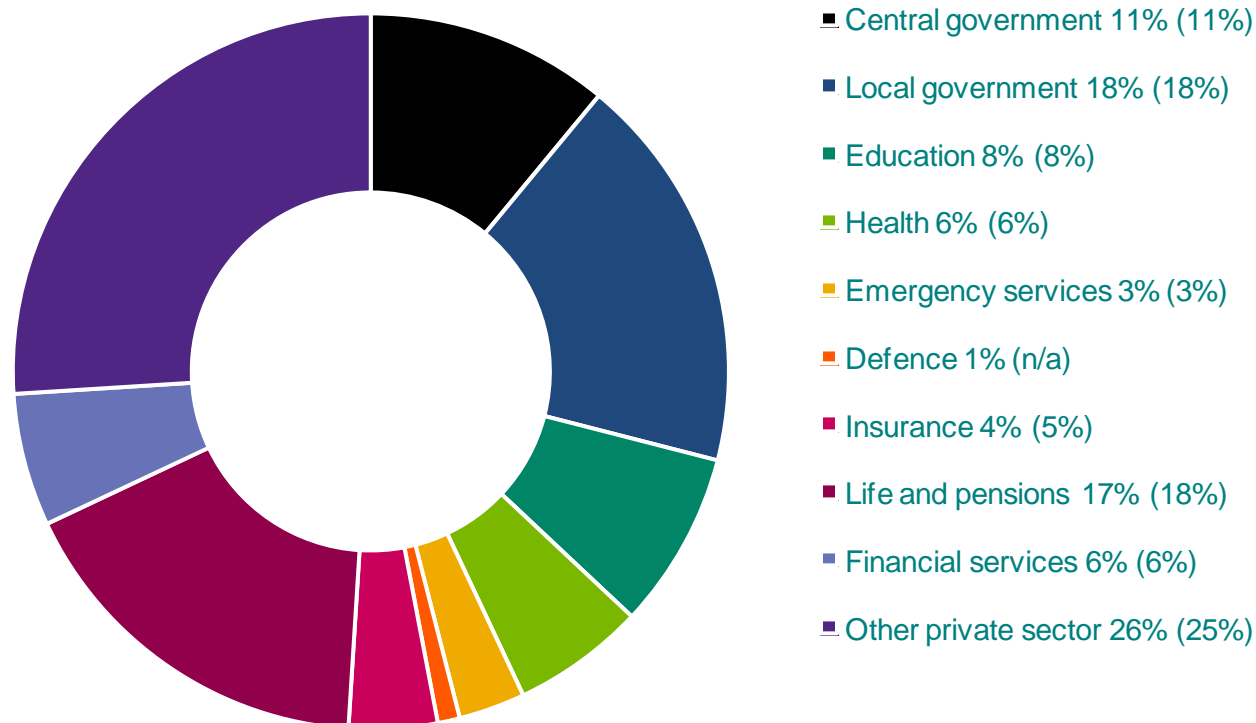
Annual growth 14%
5 year compound growth 10%



Financial results – revenue by market

Private sector 53% (half year: 54%)

Public sector 47% (half year: 46%)



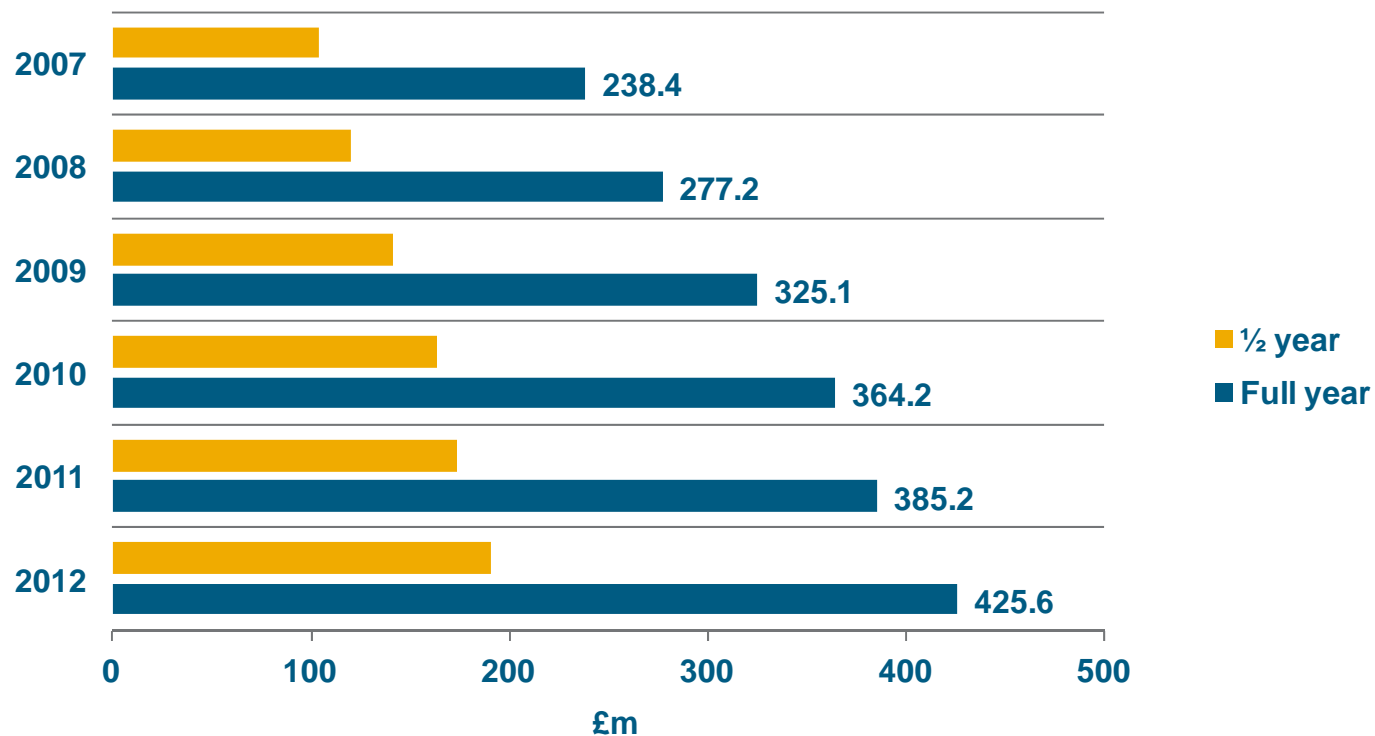
2012 year end (half year)

Financial results – revenue growth

	£m 2012	£m 2011	Growth
Revenue	3,352	2,930	14%
2012 acquisitions	153	-	5%
2011 acquisitions	174	-	6%
Revenue growth excl. acquisitions	3,025	2,930	3%

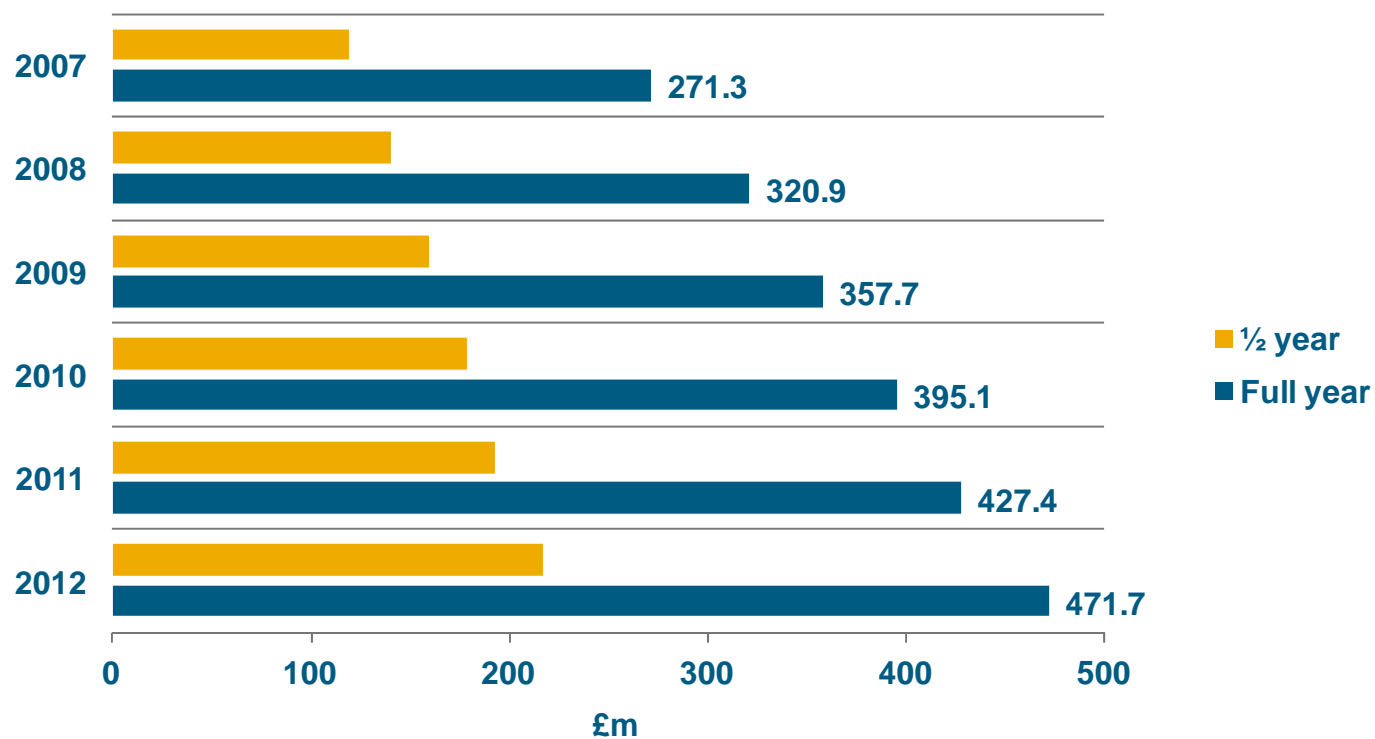
Financial results – underlying profit before tax*

Annual growth 10%
5 year compound growth 12%



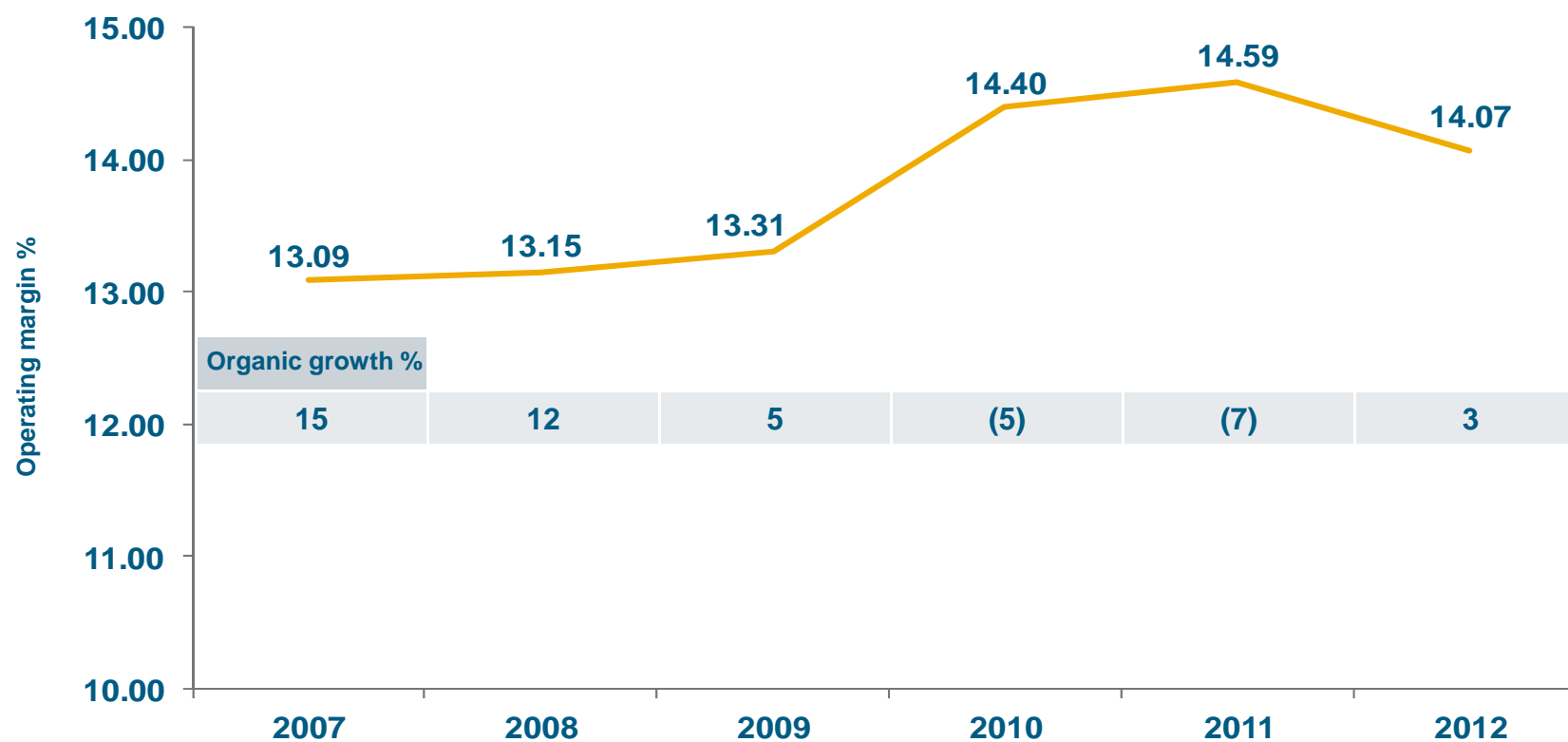
Financial results – underlying operating profit *

Annual growth 10%
5 year compound growth 12%



Financial results – underlying operating margin*

Annual decrease 52 bpts



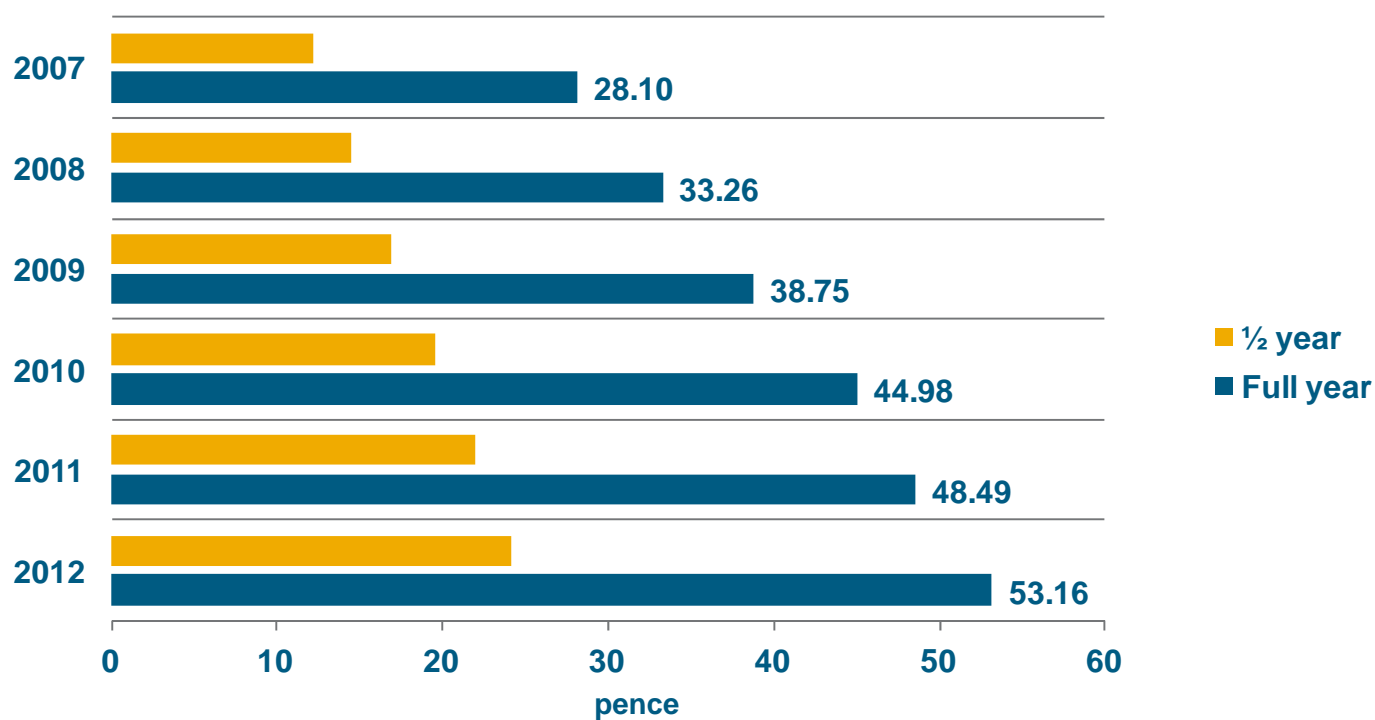
Financial results – notable items affecting operating margin

	Basis points	
Start-ups/acquisitions		
Reliance – break even in 2012	(10)	
Army Recruitment contract	(12)	
Offshore – Poland and South Africa start-ups	(9)	
		(31)
Contracts		
Courts' interpretation contract	(10)	
DVLA vehicle excise duty service contract	(23)	
		(33)
Trading		
Customer Management sustained margin improvement	45	
General Insurance underperformance	(16)	
Property Services underperformance	(18)	
Other trading/mix	1	12
Net		(52)

Financial results – underlying earnings per share*

Annual growth 10%

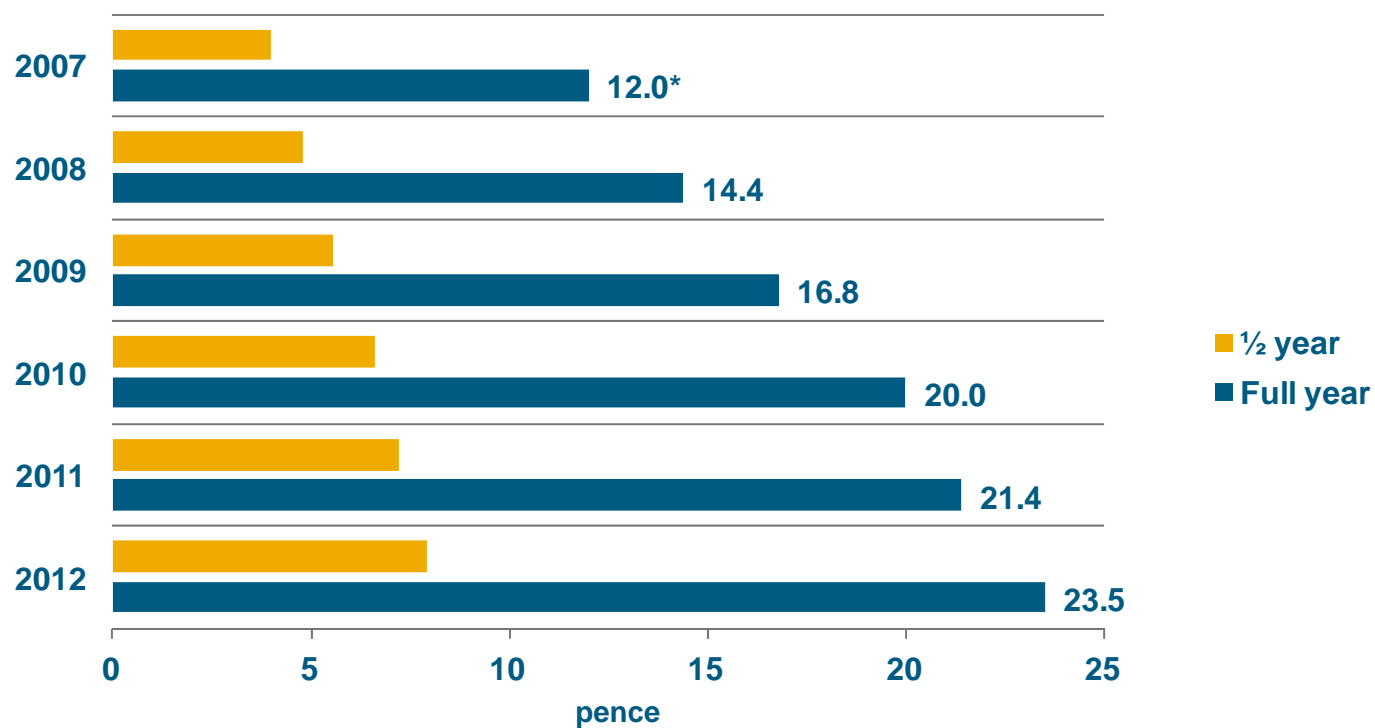
5 year compound growth 14%



Financial results – dividends*

Annual growth 10%
Dividend cover 2.26x

5 year compound growth 14%
Dividend yield 2.8%



Financial results – cash flow statement

	£m 2012	£m 2011
Cash flow from operations before settlements	519	364
Net interest paid	(46)	(42)
Taxation paid	(62)	(63)
Capital expenditure	(95)	(102)
Free cash flow	316	157
Settlement of Arch cru & Cumbria CC pension deficit	-	(28)
Total acquisition costs (including debt paid)	(184)	(384)
Purchase of intangibles	(6)	(8)
Equity dividends paid	(138)	(125)
Share issue	271	-
Net debt (repaid)/issued	(20)	518
Share option proceeds	11	4
Other financing	(1)	(1)
Increase in cash in the period	249	133

Financial results – cash flow from operating activities

	£m 2012	£m 2011
Operating profit	472	427
Depreciation	73	70
Share based payment	9	8
Pensions	(7)	(33)
Movements in provisions*	(18)	(9)
Movements in working capital	(10)	(99)
Cash flow from operations before settlements**	519	364
Operating cash conversion	110%	85%

Cash – a change of emphasis

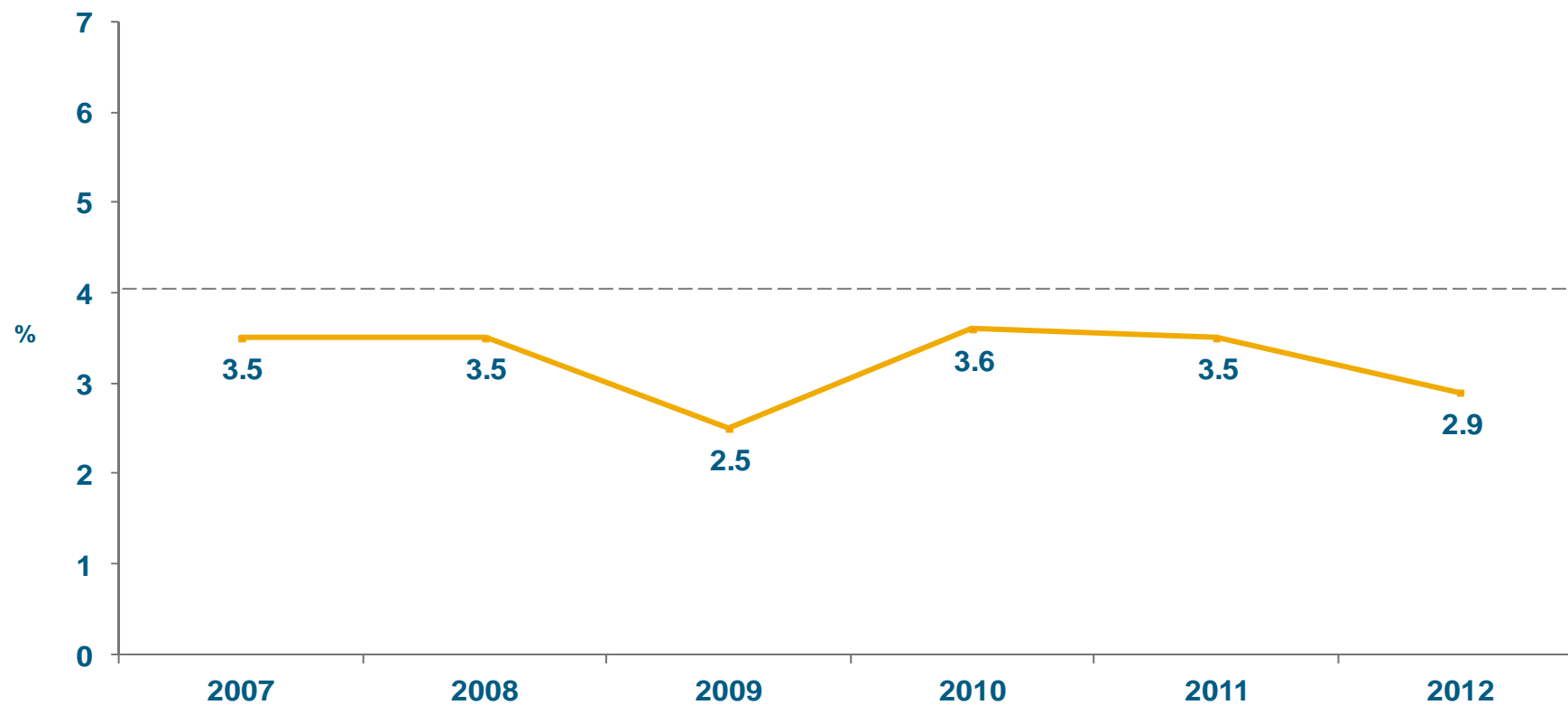
History:

- Successful focus on beneficial payment terms
- Good credit control
- Yielded strong cash flow

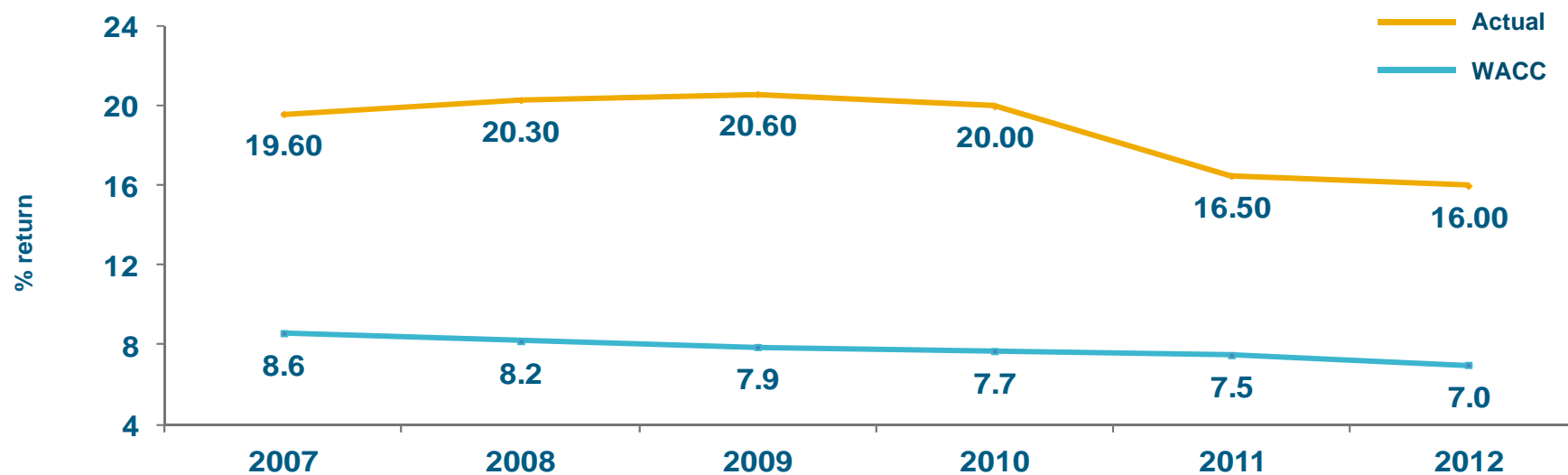
The 'new world':

- Advanced payment terms harder to achieve
- Therefore we have identified further ways to drive strong cash flow:
 - greater emphasis on cash management beyond finance team to senior management
 - divisions given greater incentives/penalties to improve use of working capital
 - cultural change – stronger emphasis on cash generation throughout the group
- Return to yielding strong cash flow, even in the 'new world'
- Operating profit to operating cash expected to remain at or around 100% for the foreseeable future

Financial results – capex as % turnover

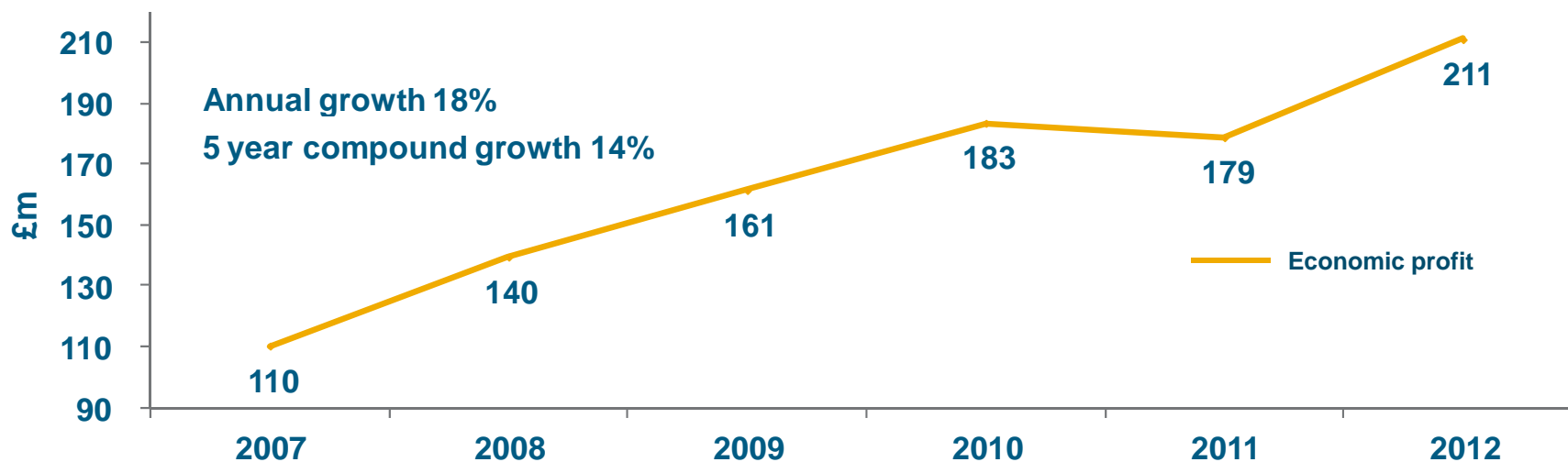


Financial results – underlying net return on capital



	2007	2008	2009	2010	2011	2012
Operating profit (£m)	271	321	358	395	427	472
Avg capital (£m)	998	1,155	1,271	1,491	1,976	2,348
Tax (%)	27.7	27.0	26.8	24.5	23.5	20.5

Financial results – post tax economic profit*



	2007	2008	2009	2010	2011	2012
PBIT	271	321	358	395	427	472
Average capital	998	1,155	1,271	1,491	1,976	2,348
Tax (%)	27.7	27.0	26.8	24.5	23.5	20.5
WACC (%)	8.6	8.2	7.9	7.7	7.5	7.0
Capital charge (£m)	86	95	100	115	148	164
Tax (£m)	75	87	96	97	100	97

Financial results – balance sheet gearing

	£m 2012	£m 2011
Net debt		
Bond debt †	1,148	1,176
Net bank facilities drawn	-	105
Cash in bank	(320)	-
Term debt	185	-
Other	3	5
Total underlying net debt	1,016	1,286
Interest cover	10.2x	10.2x
Net debt to EBITDA*	1.99	2.48

† Underlying net debt after impact of currency and interest swaps
 *Adjusted for December 2011 last 3 months of acquisitions

Financial results – debt profile

31 December 2012 debt profile:

- £1,148m of private placement bond debt with maturities from 2013 to 2021 with a 32%/68% fixed/floating rate mix
- Only £99m matures before August 2015
- £185m 2 year term loan facility maturing in February 2014
- £425m revolving credit facility maturing in December 2015 of which £nil utilised at 31 December 2012
- Comfortable with long term ratio of net debt to EBITDA in the range of 2 to 2.5

Impact of new IAS 19 pension accounting standard

- Effective from 31 December 2013 year end
- We will restate 2012 for a like-for-like comparison
- No changes to cash contribution
- From 2013, we will split out financing element of the pension charge from operating costs

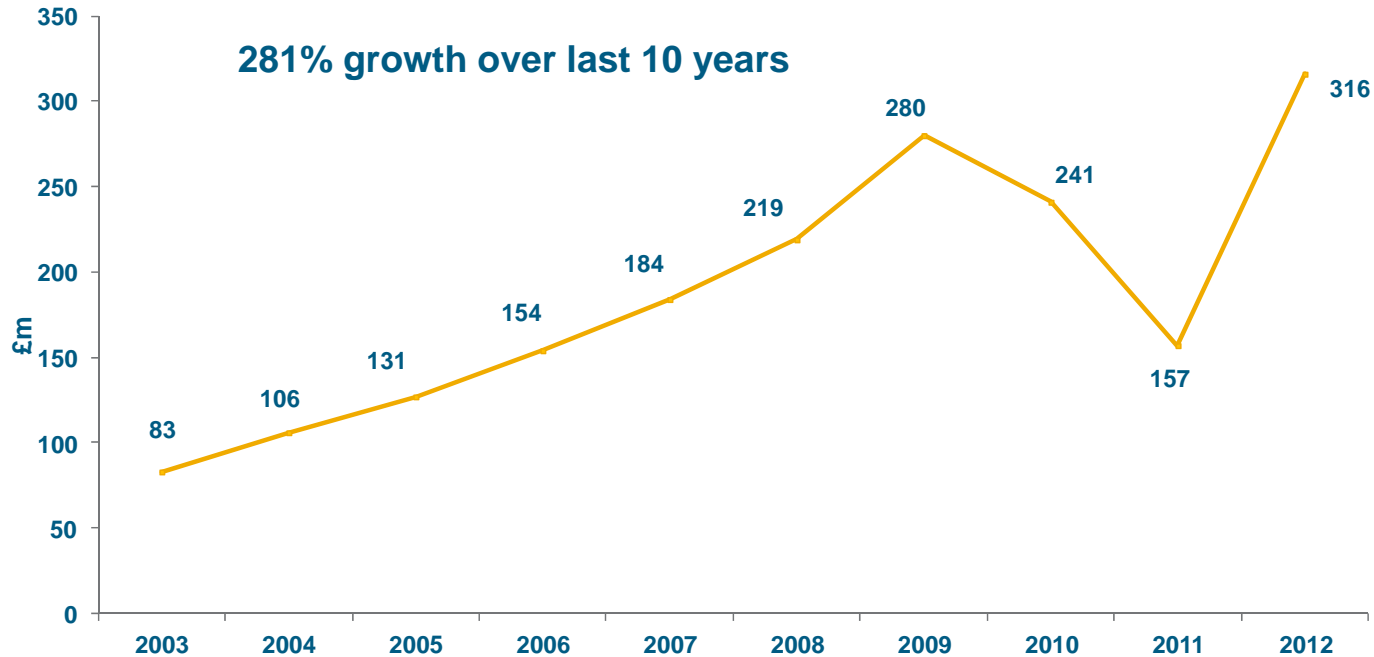
Numerical effect:

	Previously reported 2012	Incremental effect on 2012	Restated 2012	Change	Est incremental effect in 2013
Revenue	3,351.8		3,351.8		
Operating profit	471.7	(5.0)	466.7		(6)
<i>Margin</i>	14.07%		13.92%	(0.15%)	
Financing costs	(46.1)	(3.6)	(49.7)		(4)
Profit before tax	425.6	(8.6)	417.0	(2.0%)	(10)
EPS	53.16p		52.09p	(2.0%)	

An embedded delivery model driving shareholder value



Free cash flow growth



£1.87bn free cash flow generated over last 10 years

- Ordinary dividends
- Special dividends
- Share buy backs
- Acquisitions

£900m

£565m

£1,571m

£1.47bn
returned to shareholders
(gross)

£1.2bn
returned to shareholders
net of equity raised in 2012

Total shareholder return

Over 10 years to 31 December 2012:

	FTSE 100	Capita
Capital appreciation ¹	+47%	+190%
Returns from dividends	+66%	+75%
Total shareholder return	+113%	+265%

Delivering long term shareholder value

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Creating growth: Major sales & market potential

Maggi Bell

Group Business Development Director

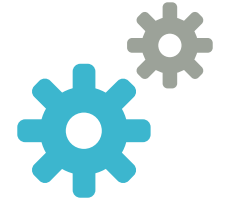
Creating growth – 2012 major contract wins

Total value in 2012: £4.0bn (FY 2011: £2bn)

Contract	Value (£m)	Duration	Type
Army Recruiting Partnering Project (RPP)	497	10	New
Civil Service Learning contract	100	2 (+2)	New
3 customer management contracts for Debenhams plc, a further leading retailer and Scottish Power	161	3 to 5	New & extended
West Sussex County Council	154 & 18	10 & 2	New & extended
North Tyneside Council	152	15	New
PIP Central England & Wales	140	5	New
PIP Northern Ireland	65	5	New
London Borough of Barnet	320	10	New
Staffordshire County Council	1,700	20	New
Fire Service College	200	10	New (evergreen concession)
Aggregate value major deals over £50m	3,507	Weighted duration: 10yrs	97% new / 3% extensions
23 contracts £10m - £50m	496	2 to 10 years	New & extensions
Overall aggregate value	4,003	90% new / 10% extensions	

Record sales year

Creating growth – 2013 major contracts



- **Major new contracts and extensions to date:**
 - New 10 year contract with Carphone Warehouse valued at £160m
 - 2 year extension to Civil Service Learning agreement valued at £60m

Good start to 2013 sales wins

Existing major contracts due for rebid

Criteria: more than 1% of 2012 revenue of £3,352m

Year	Contract	Original value per annum (£m) ¹
2013	None	-
2014	None	-
2015	None	-
2016	None	-
2017	None	-
2018	None	-
2019	Phoenix	48

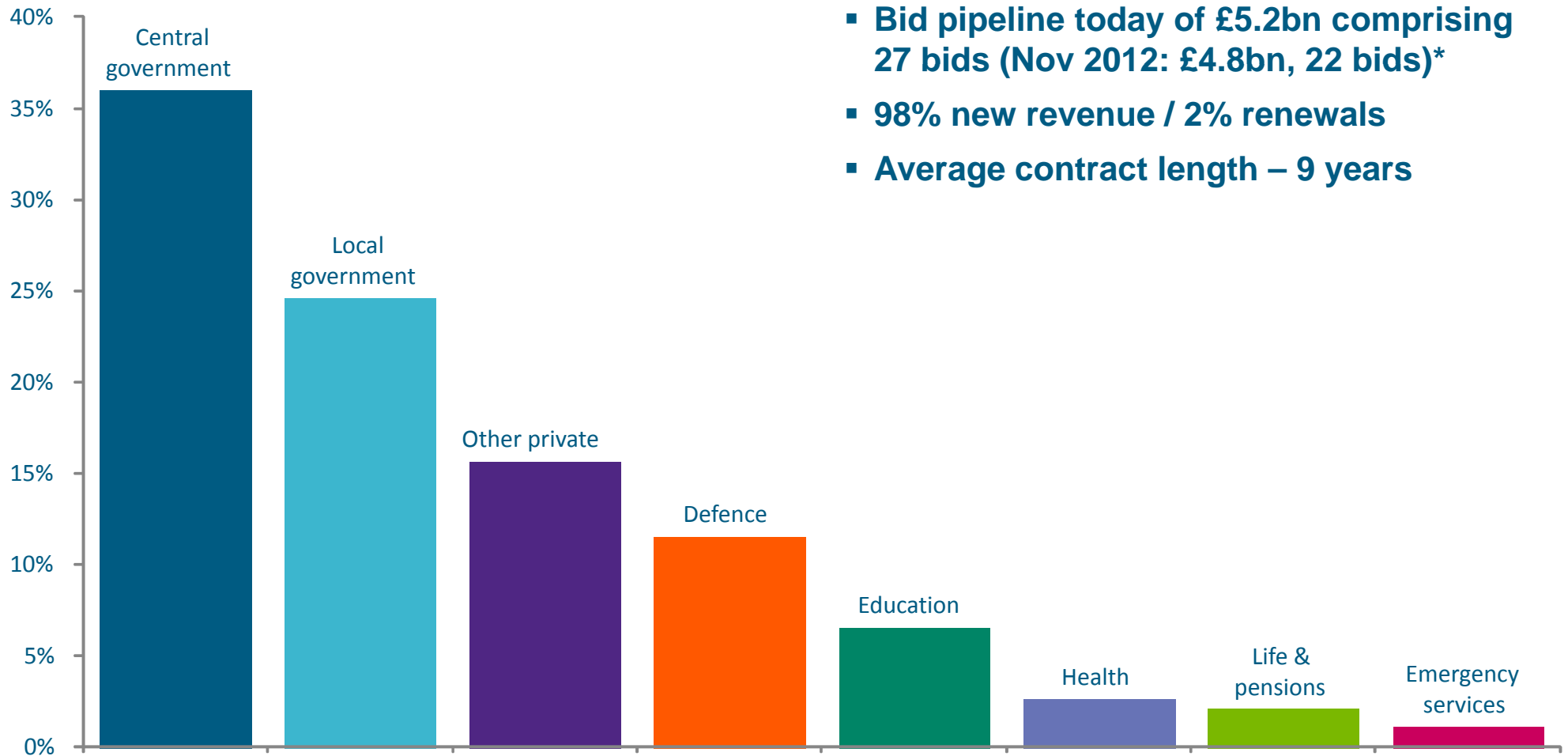
High degree of revenue visibility

Future raw material – bid pipeline



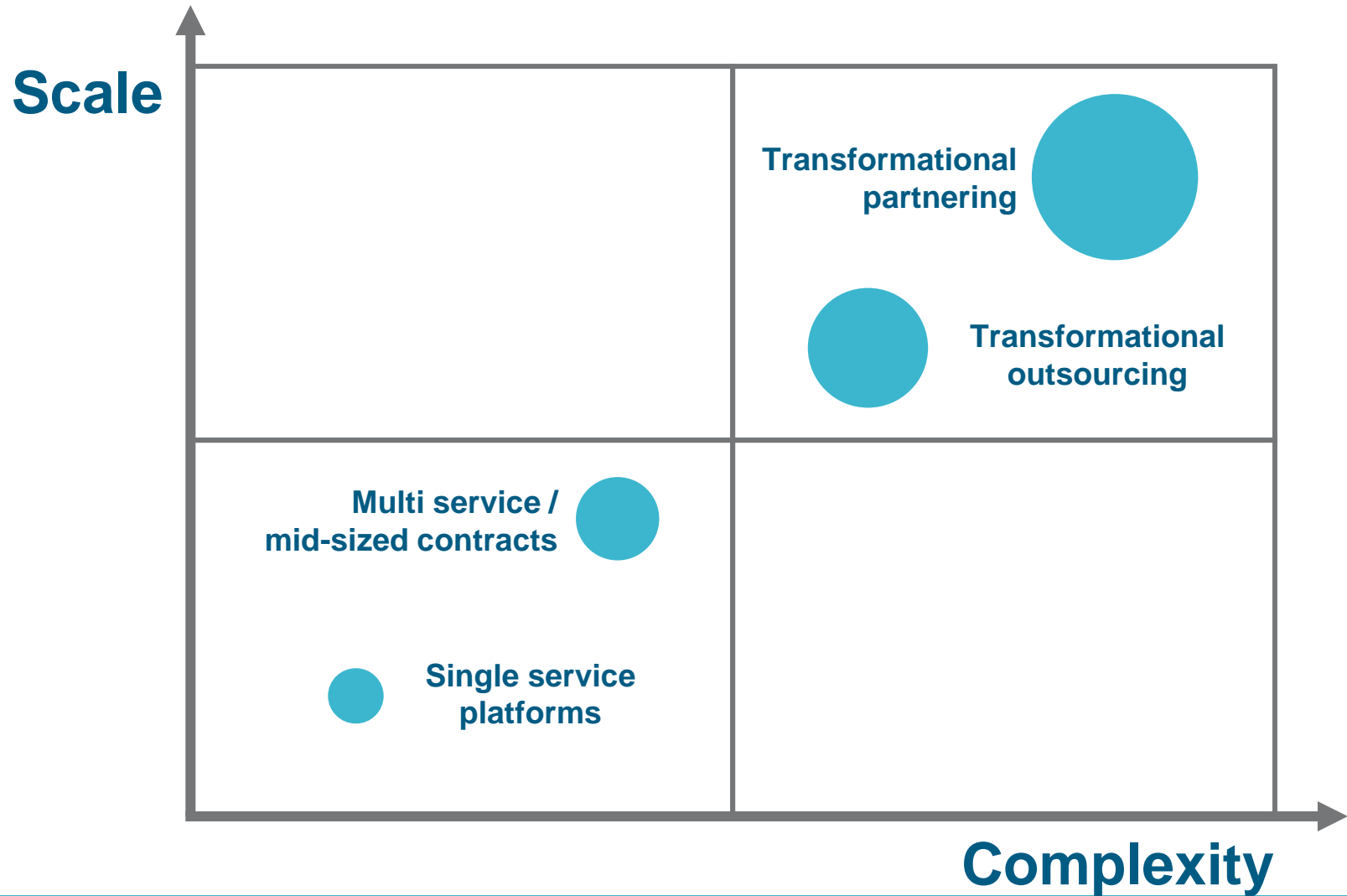
- **Internal benchmark for inclusion unchanged for 13 years**
- **Business grown 4-fold in that period**
- **Deal value of opportunities significantly increased**
- **New benchmark**
 - Lower threshold £25m 2.5x increase
 - Upper threshold £1bn 2x increase
- **Reconciliation over 5 reporting periods provided**

Generating growth – bid pipeline



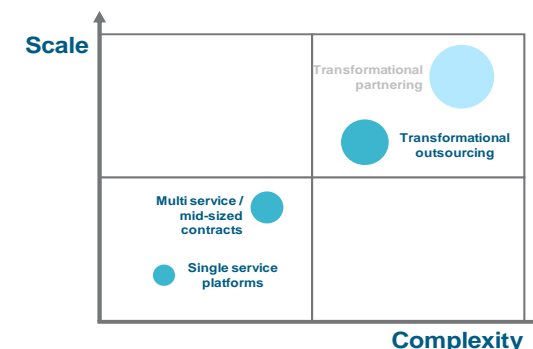
- Bid pipeline today of £5.2bn comprising 27 bids (Nov 2012: £4.8bn, 22 bids)*
- 98% new revenue / 2% renewals
- Average contract length – 9 years

Major deal characteristics



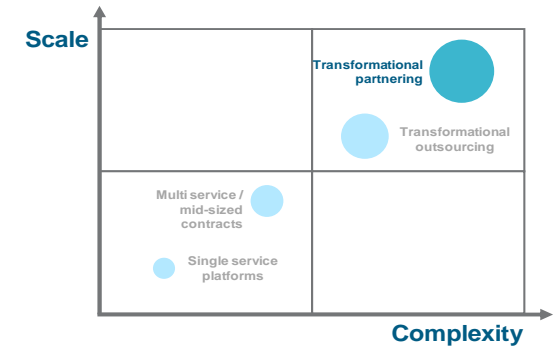
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Major deal characteristics



	Single service	Multi service/mid-sized contracts	Transformational outsourcing
Client objectives	<ul style="list-style-type: none"> ▪ Clients benefit from Capita's shared platforms, economies of scale and reduced admin costs 	<ul style="list-style-type: none"> ▪ Support demand, transformation, cost saving ▪ Provide flexibility, introduce innovation, mitigate/change risk 	<ul style="list-style-type: none"> ▪ Reduce costs ▪ Improve service ▪ Improve outcomes
Relationship structure	<ul style="list-style-type: none"> ▪ Delivered via Capita on/offshore platforms ▪ Annual roll-over, high repeat rate or secured under medium contracts of 2-5 years ▪ Increasingly secured via frameworks in the public sector 	<ul style="list-style-type: none"> ▪ Average 3-10 year contract length and increasingly longer ▪ On/offshore delivery ▪ Vanilla products and increasingly more complex, added value services ▪ Fixed/variable pricing 	<ul style="list-style-type: none"> ▪ BPM contract ▪ Fixed term (10+ years) ▪ Fixed price ▪ Risk transfer ▪ KPI driven
Client selection criteria	<ul style="list-style-type: none"> ▪ Flexibility and control ▪ Specific expertise ▪ Benefit from cost efficient shared platforms ▪ Best of breed technology and infrastructure 	<ul style="list-style-type: none"> ▪ Expertise in multiple workstreams ▪ Benefit from cost effective share platforms ▪ Expertise in customer analytics 	<ul style="list-style-type: none"> ▪ Financial stability ▪ Scale economics ▪ 'Referenceability' ▪ Cross-sector experience

Major deal characteristics



Transformational partnering

Client objectives

- Increase revenue
- Support economic regeneration
- Improve services
- Job creation

Relationship structure

- Long-term partnership
- JV / Mutual
- Contracted revenue plus evergreen concession
- Specialist SMEs / subcontractors
- Business growth focus

Client selection criteria

- Trusted relationship – partnering behaviour
- Deep market knowledge
- Financial stability
- Growth track record

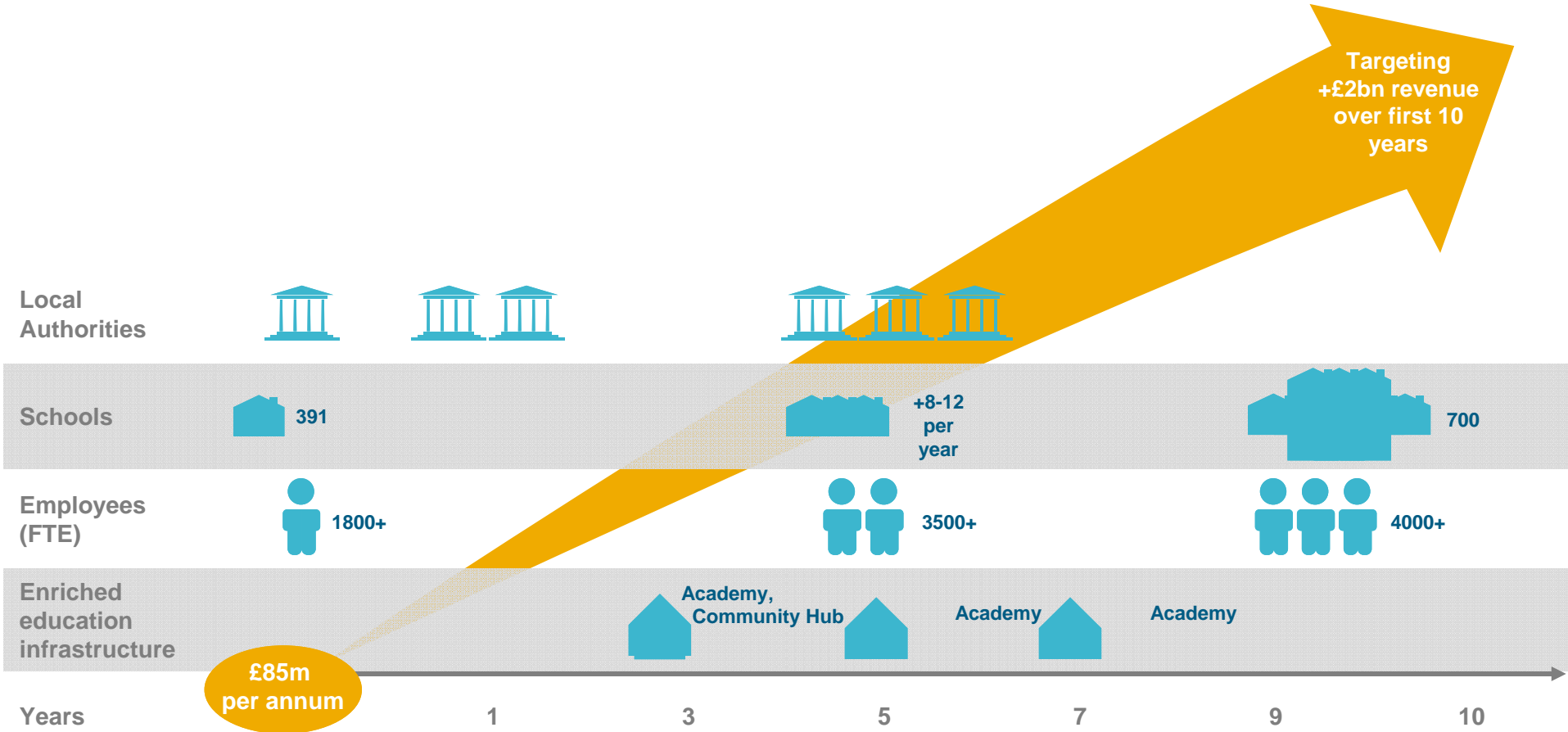
Key development – largest 2012 sales win

Staffordshire County Council JV summary

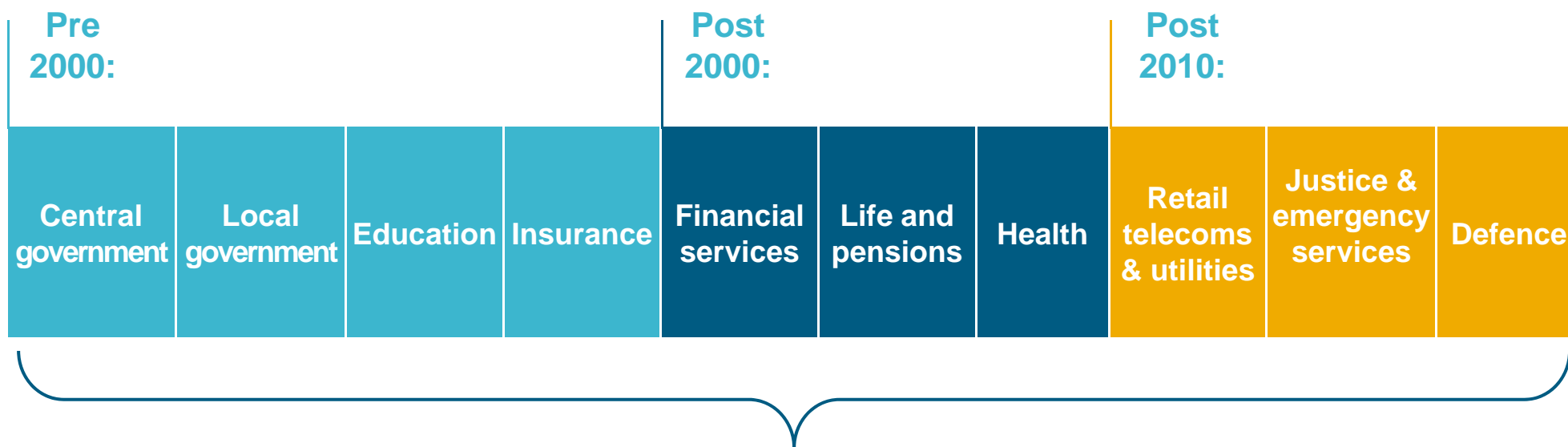
- Establish JV as a new education support services business
- UK education support services market estimated at ~£16bn p.a.
- Top quartile education services + Capita transformation and growth
- Our largest single contract win: £1,700m over 20 years
- Provide a range of bundled front line support services including education support, transformation, learning & development and property
- Contract due to commence in April 2013, initially in Staffordshire region
- **JV is targeting total revenue of at least £2bn over first 10 years**

Established BPM markets – exploring new generation of delivery models

Staffordshire JV – significant growth potential



Diversification of company capabilities and market potential



**Total UK BPM market
£117bn p.a.**

Building capability across a wide range of markets and sectors

Diversification of company capabilities and market potential

Public Sector	Central government ¹	Education	Health	Justice & emergency services	Defence	Local government
Multiple market drivers	<ul style="list-style-type: none"> ▪ Real terms cuts in expenditure ▪ Maximise revenue collection and generation ▪ Enhance outcomes to citizens 					
Total spend	£294.8bn ²	£97.2bn ²	£126.2bn ²	£15.0bn ²	£39.3bn ²	£104.1bn ²
Private Sector	Insurance	Financial services	Life and pensions	Other private		
Multiple market drivers	<ul style="list-style-type: none"> ▪ Refocus on core business ▪ Increase market share ▪ Customer retention ▪ Regulatory remediation and change ▪ Digital solutions 					
Expanding markets	P&C BPO expected to grow CAAGR 6.7% Health CAAGR 10.7% 2012-2016 ³		Banking BPO expected to grow 3.4% CAAGR 2012-2016 ³		Life Insurance BPO expected to grow CAAGR 10% 2012-2016 ³	CMS BPO expected to grow 6.5% CAAGR 2012-2016 ³

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Acquisitions

Paul Pindar
Chief Executive

Creating growth – 2012 acquisitions

14 acquisitions totalling £178m

Enhancing our capabilities – Division	Acquisition	Value*
Life & Pensions (employee benefits)	Bluefin Corporate Consulting	50.0
Health & Wellbeing	Aviva's occupational health business	2.5 (+1.5)
	Medicals Direct	13.2 (+2)
	Clinical Solutions	20.0
Property Services	Northcroft	1.2
IT Services	Smiths Consulting	10.0 (+2)
Customer Management & International	Full Circle (offshore capability)	1.0 (+2)
Justice & Secure Services	Fortek	3.5 (+1.7)
	Reliance Secure Task Management	20.0
Investor & Banking Services	Whale Rock	4.0 (+4.0)
Workplace Services	Expotel	16.0
	Medicare First	8.5
	The Security Watchdog	6.7
General Insurance	Fish Administration	21.0

* Value in brackets represents maximum contingent consideration

Creating growth – 2013 acquisitions to date

Enhancing our capabilities – Division	Acquisition	Value*
IT Services	Northgate Managed Services	65.0

- **Updated RNS criteria:** +£25m acquisitions to be announced (previously +£10m)

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Enhancing our business proposition

Andy Parker
Joint COO

Justice & Secure Services

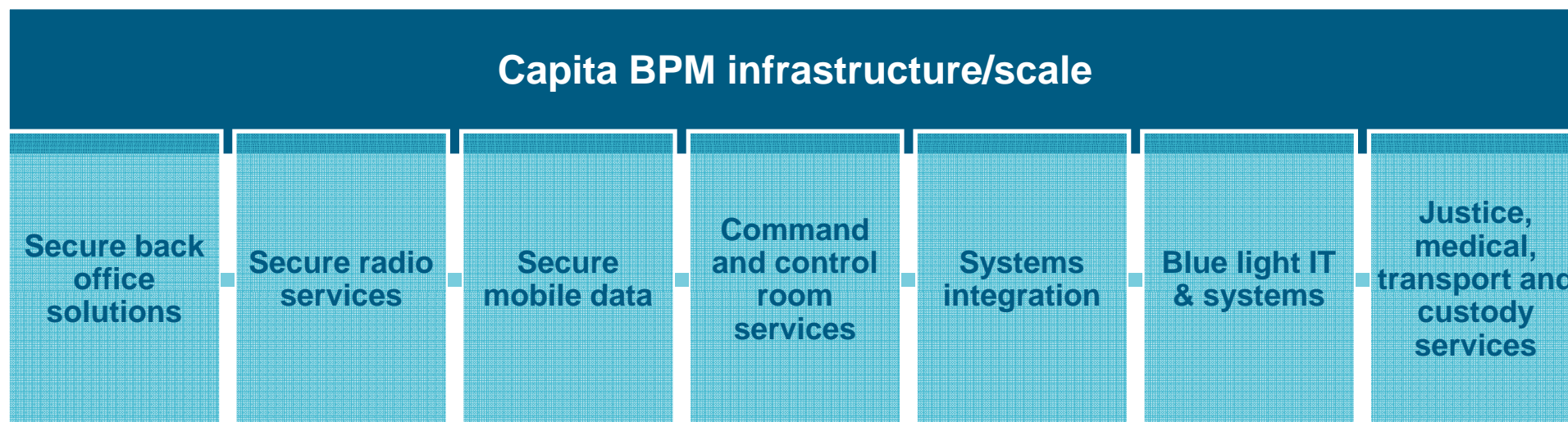
- Market entry in December 2010
- £140m on 6 acquisitions
- Today, Capita is leading the way in back office services to the UK emergency and non-critical sectors
- New division created in 2012, Justice & Secure Services
- Full year 2012 revenue of £198m
- Target 50% growth to revenue of £300m in 2013
- Securing contracts with new and existing clients as a result of combined capability and existing Capita infrastructure and scale



Acquisition history:

SunGard Public Sector	<ul style="list-style-type: none"> • Dec 2010, £86m* / + 950 people • ICT, radio network services, communications systems 	ALS	<ul style="list-style-type: none"> • Dec 2011, £7.5m* / +65 people • Translation and interpreting services to the public and private sector
Beat Systems	<ul style="list-style-type: none"> • Jul 2011, £8m* / + 30 people • Secure mobile data solutions permitting access to central systems and mobile reporting 	Fortek	<ul style="list-style-type: none"> • May 2012, £3.5m* / +65 people • Command, control and communication systems to UK emergency services and abroad
Cedar HR	<ul style="list-style-type: none"> • Sep 2011, £15m* / + 45 people • Leading provider of integrated back office management software to UK policing 	Reliance	<ul style="list-style-type: none"> • Aug 2012, £20m* / +2,000 people • Medical assessment and criminal justice support services including forensic medical, custody support, secure transport services

Justice & Secure Services – a compelling end-to-end offering



Justice & Secure Services – significant milestones

London Fire & Emergency Planning Authority

- Control room services, mobilisation and communications technologies
- £20m/10 years
- Allows multiple applications to reside on a single PC, creating savings, ensuring reliability and reducing power usage.

East Midlands police forces

- First 'shared back office' system for UK police forces (Leicestershire, Nottinghamshire and Derbyshire)
- £2.3m/5 years
- Streamlines 3 HR systems, significantly reducing costs for each force.

Fire Service College (FSC)

- Selected to run FSC by Department for Communities and Local Government
- FSC is the UK's largest single provider of specialist operational fire and rescue training
- Capita to bring commercial expertise to grow services.

New market area, significant scope to support and improve delivery

Justice & Secure Services

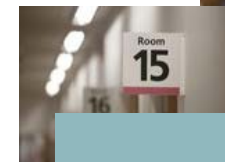


Addressable market per annum for justice and emergency services: **approx £8bn***

▪ Police	£4,400m
▪ Fire	£560m
▪ Ambulance	£225m
▪ Amber light	£230m
▪ Health secure transport	£300m
▪ MOJ	£1,000m
▪ Border & immigration	£1,180m
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	£7,895m

Significant potential for growth

Health & Wellbeing

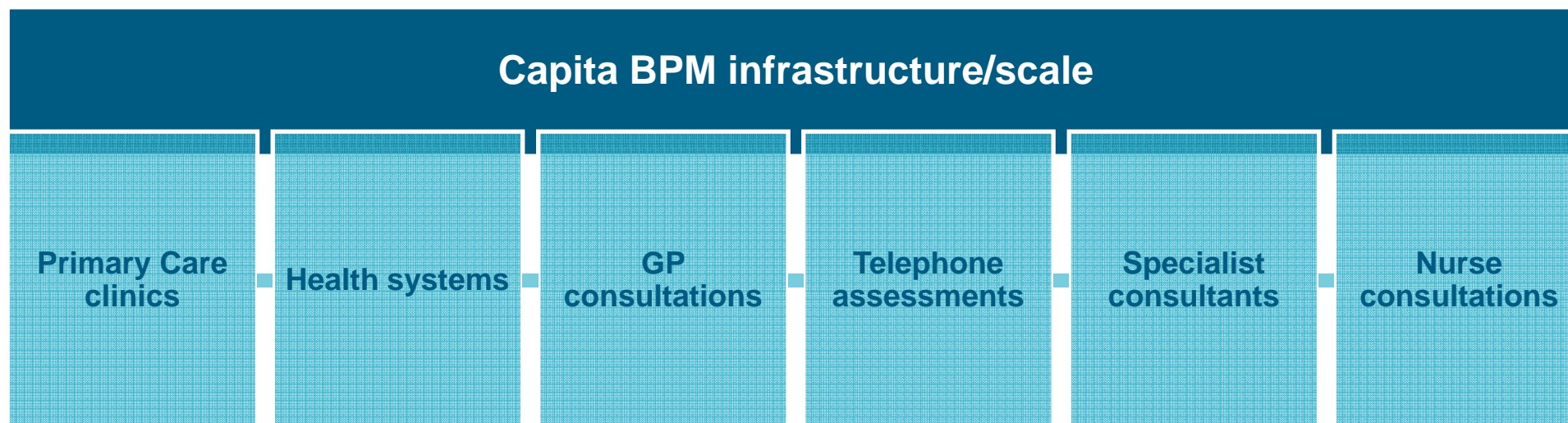


- 2004: entered the health market with the acquisition of AON Health Solutions
- Full year 2012 revenue of £176m
- Today, Capita delivers single service solutions and full BPM for health & wellbeing clients across the public and private sectors

Key acquisition history:

Inventures	<ul style="list-style-type: none"> • Feb 2010, £7m* • Consultancy providing programme & project management for NHS and public sector 	IB Solutions	<ul style="list-style-type: none"> • December 2010, £23m* • Provider of financial accounting and purchasing software
Premier Medical Group	<ul style="list-style-type: none"> • June 2010, £60m* • Provider of medical reporting and screening 	Clinical Solutions	<ul style="list-style-type: none"> • May 2012, £20m* • Provider of clinical decisions support and products for healthcare professionals
First Assist	<ul style="list-style-type: none"> • September 2010, £12.5m* • Telephone advice and assistance services 	Medicals Direct Group	<ul style="list-style-type: none"> • May 2012, £13m* • Provider of medical screening services

Health & Wellbeing – a compelling end-to-end offering



Health & Wellbeing



Personal Independence Payment (PIP)

- Secured 2 of 4 UK contracts to deliver PIP assessments:
 - Central England & Wales - £140m over 5 years
 - Northern Ireland - £65m over 5 years
- Part of Government's welfare reform agenda
- Existing and acquired capabilities combined to provide a compelling proposition
- Demonstrates Capita's expertise in health market
- Utilising both existing Capita centres, those of disability group partners and home visits
- All assessments conducted by a trained healthcare professional
- Engaged with disability groups to ensure we deliver services appropriately and sensitively

Securing organic growth opportunities in new markets

Health & Wellbeing – addressable market



Public sector health market:

Central government & national agencies

Addressable market p.a.¹

£1bn

Community services

£2.4bn

Social care

£2.5bn

Specific service areas:

Total market¹

Insurance market: medico legal assessments

£250m

Forensic medical examination services (FME)
estimated core police market (excl. the Met)

£63m

UK occupational health (OH) market

£400m

Global oil & gas OH & medical
support services market

£500m+

International assistance (IA):

Global insurers and corporates

£690m

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Enhancing our business proposition

Vic Gysin
Joint COO

Customer service and debt management

>£12.5bn p.a. addressable opportunity¹



Acquired July 2011

- Delivering outsourced customer service, retention, sales & debt collection



Acquired October 2011

- Delivering web-based solutions for customer management

Growth sectors

- Retail
- Utilities
- Telecoms
- Travel, media & leisure

Support sectors

- Financial services
- Central government
- Public sector / charities

Customer service and debt management

Running our clients' end customer operations

Acquire

- Lead-generation
- Order-taking

Service

- In-bound support
- Web content management

Fulfill

- Case management
- Indexing

Grow

- Customer retention
- Outbound campaigns

Collect

- Early-stage
- Late-stage arrears

Transforming our clients' operations

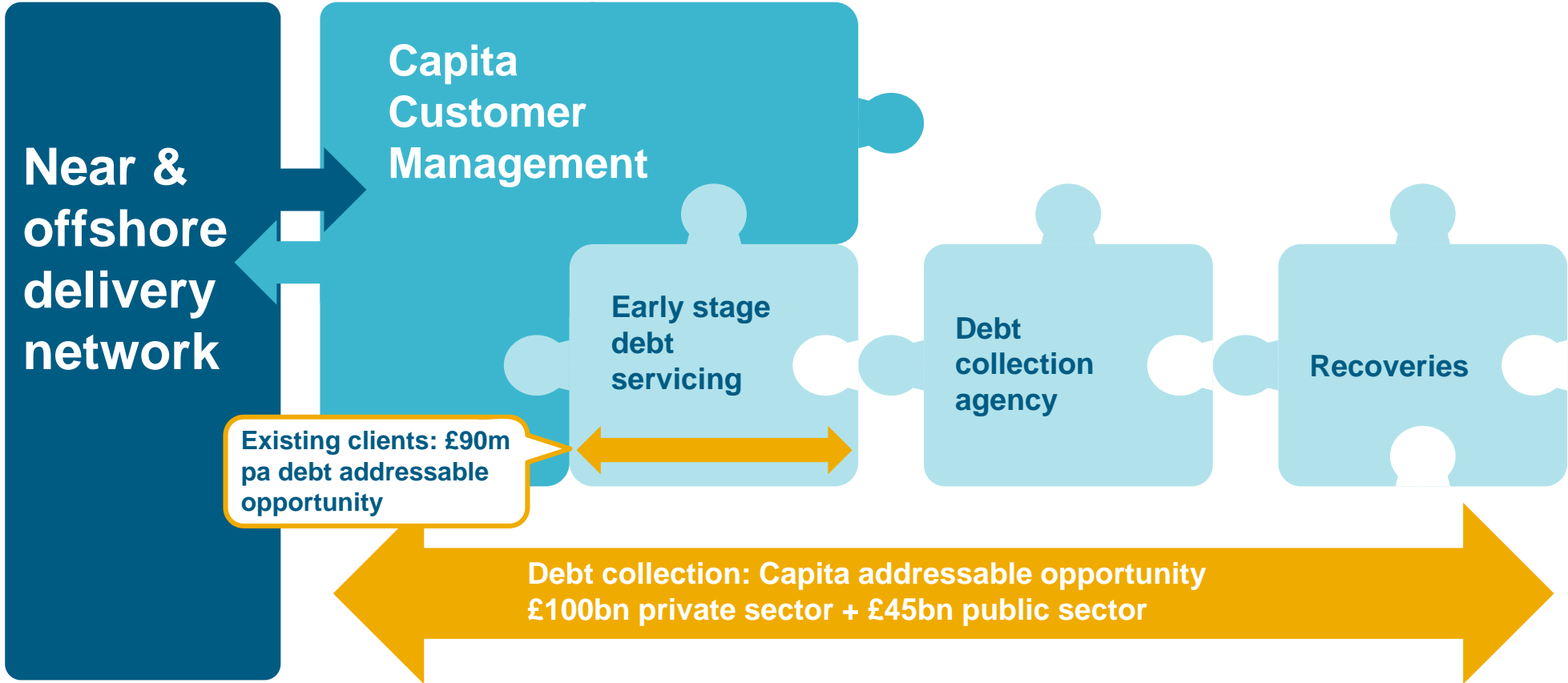
Customer analytics / insight (e.g. social media listening)

Process improvement (e.g. workflow, resource management)

Channel shift (i.e. to responsive self-serve) → contact reduction

Leveraging our scale & specialist Group skills

Customer service and debt management



Customer service and debt management

Creating more valuable client propositions



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Customer service and debt management



Carphone Warehouse

- Announced January 2013
- 10 year contract worth approx £160m
- Provide all non store customer contact
 - channel migration to reduce costs
 - 38% overall cost savings
 - improved use of customer data to increase revenue
 - property rationalisation
 - collections
- 700 staff will transfer to Capita
- Expected to commence 1 April 2013

Building new client relationships

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Summary & outlook

Paul Pindar

Chief Executive

Investment in people & processes



- **Combining entrepreneurial focus with industrialised processes**
- **Further embedding key financial, operations and governance procedures**
- **Continuing to strengthen senior management:**
 - 2 new divisional directors recruited
 - 31 senior operations managers
 - 5 senior commercial and finance managers
 - 6 senior sales people
 - current priority is to strengthen property and insurance leadership
- **Moving divisions towards a market sector focus**
 - 'mini FTSE 250' encourages innovation
 - access to Group scale and infrastructure
 - cross selling opportunities across divisions
 - combining Life & Pensions and General Insurance
 - establishing an end-to-end debt management offering in Customer Management division
 - Updated organisation structure (see appendix)

Strongly positioned

- **Highly visible future revenues via medium to long term major contracts**
- **Clear, achievable growth profile**
- **Market leader – unrivalled capability and scale**
- **Attractive and growing end markets**
- **Diversified risk across customers and sectors**
- **Cost efficient business model: industry leading double digit operating margins**
- **High levels of cash conversion**
- **Robust balance sheet**
- **Consistent, experienced management team**

Committed to creating shareholder value

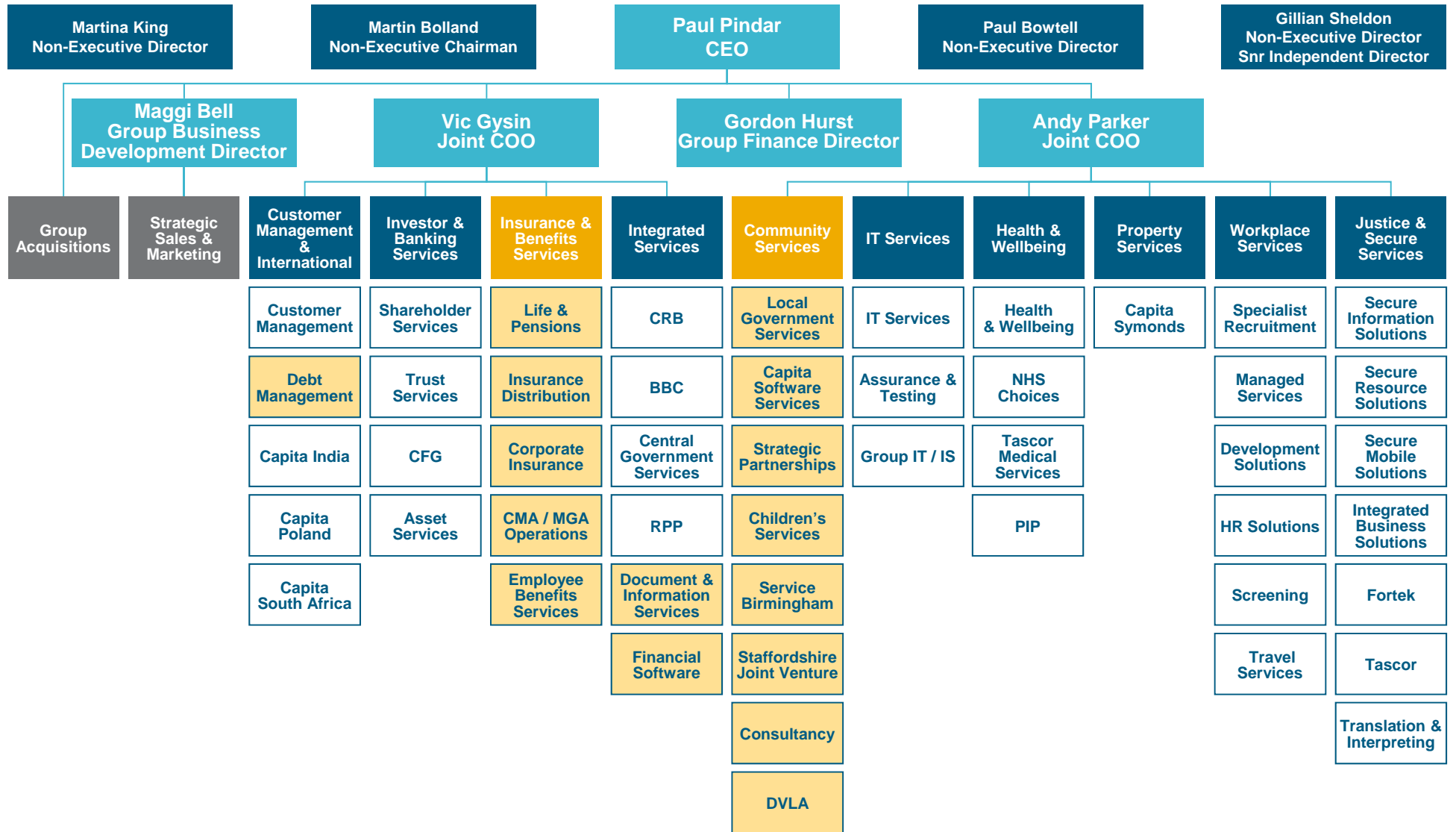
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Results for the year ended 31 December 2012

Appendix

New organisational structure – 2013



Bid pipeline - restatement

	New criteria (£25m+ / £1bn cap) £bn	Previous criteria (£10m+ / £500m cap) £bn
Full year 2012 results (Feb 2013)	5.2	4.8
IMS (Nov 2012)	4.8	4.0
Half year 2012 (July 2012)	4.6	4.1
Full year 2011 results (Feb 2012)	4.7	4.6
Half year 2011 (July 2011)	4.7	4.7

CAPITA



Results for the year ended
31 December 2012