

Mitie: “Encouraging sales momentum and effective management of inflationary pressures in H1; increased interim dividend and increase to FY23 guidance”

3 years ago



[Mitie](#) has released its HY results for the six month period ending 30 September 2022.

Performance is strong with new contract wins and recent acquisitions more than replacing the short-term revenue boost from COVID-related contracts in the first half of last year.

Guidance for the full year has been increased with operating profit before other items expected to be at least £145m.

Highlights

- Revenue¹ was £1,923m as new contract wins, acquisitions and price inflation more than offset the boost in the same period last year from short-term COVID-related contracts (H1 FY22: £1,912m)
- Total contract value of £1.5bn added during H1, with renewal rates over 90%. Book to bill ratio of 107%⁵
- Operating profit before other items^{1,3,4} was £68.0m, down 20% (H1 FY22: £85.3m), and operating profit margin before other items⁴ 1.0ppts lower at 3.5% (H1 FY22: 4.5% was boosted by higher margin short-term COVID-related contracts)
- Excluding short-term COVID-related contracts⁶:

- Revenue grew 16%, reflecting good momentum across all divisions and effective management of inflationary pressures
- Operating profit before other items of £65.4m was 45% better (H1 FY22: £45.0m) with margin of 3.4% (H1 FY22: 2.7%), as margin enhancement initiatives started to deliver
- Operating profit after other items¹ was £50.5m (H1 FY22: £59.2m), as reduced other items (£17.5m of other items³ in H1 FY23 versus £26.1m in H1 FY22) partially offset the reduction in COVID-related contracts
- Average daily net debt for the six months to 30 September 2022 was £62m (FY22: £25m), following the unwind of the £45m customer invoice discounting, the £50m share buyback and £20m FY22 final dividend, with leverage remaining comfortably below our long-term target of less than 1.0x average net debt/EBITDA
- Interim dividend increased 75% to 0.7p per share (H1 FY22: 0.4p per share)
- £10m Winter Support package to help our colleagues manage the cost-of-living crisis
- Increased guidance for FY23, with operating profit before other items now expected to be at least £145m

Commenting on the first six months of the year, Phil Bentley, Group Chief Executive, said:

“Our strong performance in the first six months of the year reflects good underlying momentum across all divisions. New contract wins, recent acquisitions and pricing have more than replaced the short-term revenue boost from COVID-related contracts in the first half of last year. Our strategy is delivering underlying revenue growth and cost savings from our margin enhancement initiatives, whilst inflationary pressures are being carefully managed.

“In the first six months of the year we have invested £19m in three fast growing, high margin businesses and, looking forward, we continue to see opportunities to invest in future growth through ‘bolt-on’ acquisitions. We returned £70m to shareholders via the share buyback programme and the FY22 final dividend, and are increasing our interim dividend to 0.7 pence per share.

“As always, we owe our 68,000 colleagues huge thanks for their hard work across all our contracts, including the mobilisation of a record number of new contracts in the first half of this year. We continue to be focused on ensuring Mitie is an ‘employer of choice’ by providing a market leading employee benefits package. With the current cost-of-living crisis, a number of initiatives focused on supporting our lower paid colleagues are being launched in the second half.

“Although inflationary pressures will continue into the second half, historically our second half performance is stronger, with increased revenues from projects, seasonal winter work, and the ramp-up of margin enhancement savings coming through as the year unfolds. We therefore expect to deliver operating profit before other items of at least £145m for FY23.”

1. From continuing operations and including share of JVs and associates.
2. The comparatives for the six months ended 30 September 2021 have been restated for the change in accounting policy for Software as a Service (SaaS) arrangements as a result of the International Financial Reporting Interpretations Committee (IFRIC) agenda decision. Refer to Note 1.
3. Other items are as described in Note 3. In H1 FY23 £10.6m relates to non-cash amortisation of acquired intangible assets (H1 FY22: £11.3m).

4. Operating profit includes share of profit after tax from joint ventures and associates. Operating profit margin is operating profit as a percentage of revenue including share of joint ventures and associates.
5. Total order book includes secured fixed term contract work, variable (including estimated variable work) and project work. Book to bill ratio is the relationship between orders received and revenue recognised for the period
6. Performance before other items, performance excluding COVID-related contracts, net debt and free cash flow are presented as Alternative Performance Measures. Explanations as to why these measures are presented, and reconciliations to the equivalent statutory measures, are set out in the Appendix to the condensed consolidated financial statements