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Record year for Mitie as revenues exceed £4bn for the first time

3 years ago

Mitie has reported a record year and continued strategic progress and says it is “entering FY24 with confidence” after releasing its results for FY23.

Highlights

- Record revenue of £4,055m (FY22: £3,997m), as wins, renewals, acquisitions and inflationary contract re-pricing more than offset contracts that were not renewed and the prior year benefit from short term Covid work
- Total contract value (TCV) of £4.3bn awarded in FY23; renewal rates remain over 90%; book to bill ratio of 105%
- Operating profit before other items of £162m (FY22: £167m), versus previous guidance for ‘at least £155m’, and operating profit margin of 4.0% (FY22: 4.2%), with the prior year being boosted by higher margin Covid work
- Excluding Covid work, revenue and operating profit before other items increased by 14% and 44% respectively
- Basic EPS before other items increased by 3.3% to 9.5p (FY22: 9.2p), benefiting from the refinancing of debt instruments and share buybacks
- Operating profit of £117m (FY22: £72m) and basic EPS of 6.8p (FY22: 2.2p), reflecting lower other items
- Free cash flow of £66m (FY22: £147m), after closing the customer invoice discounting facility (£45m impact)
- Average daily net debt of £84m (FY22: £25m), reflecting the capital allocation policy announced last year. Closing net debt of £44m (FY22: £27m net cash)

- Strong balance sheet with leverage of 0.4x (average net debt/EBITDA)
- Recommended final dividend of 2.2p per share versus 1.4p last year; total dividend up 61% to 2.9p (FY22: 1.8p), as payout ratio rises to 30% (FY22: 20%)
- Shares for all employee incentive schemes to be purchased (FY23: £38m spent), eliminating the otherwise dilutive effect of issuing new shares to fulfil vesting awards
- New £50m share buyback programme announced in April 2023, with the first £25m tranche underway
- FY24 has started positively, and the Board is therefore confident in meeting its growth expectations for the year

Commenting on the results, Phil Bentley, Group Chief Executive, said: “Mitie’s performance in FY23 has surpassed the Board’s expectations. We entered the year with the challenge of replacing almost £450m of short-term and higher margin Covid-related contract revenue. Thanks to the hard work of our 64,000 colleagues and our technology-led approach, we have achieved this, and more.

“Group revenue in FY23 exceeded £4bn for the first time, reflecting good momentum from our new contract wins, renewals and extensions, alongside contributions from contract re-pricing and acquisitions. Basic earnings per share grew by 3.3% to 9.5p, benefiting from the refinancing of debt instruments and share buybacks, despite operating profit being slightly lower than last year due to the completion of the higher margin Covid work.

“When we exclude short-term Covid work, revenue and operating profit before other items increased by 14% and 44% respectively. Our operating margin excluding Covid work of 3.8% (FY22: 3.0%) reflects growth in projects work and the focus on margin enhancement initiatives. We expect to deliver an additional £5m of Interserve synergies, and therefore increase our guidance for total synergies to £55m by the end of FY24, significantly ahead of our initial expectation of £30m at the time of acquisition.

“Mitie has been transformed over the last six years, and we have made further significant progress this year against each of our strategic pillars. We are now the largest facilities management business in the UK, and our unrelenting ambition is to drive the business to reach its full potential, not just financially but also through its positive contribution to the environment and society.

“Thanks go to all of our colleagues for their hard work in providing an exceptional service to our customers throughout the year. Our Net Promoter Score (NPS) rose a further 3pt to +42 in our survey conducted at the year end. Investing in our people and ensuring that Mitie is an ‘employer of choice’ remain top priorities. Our encouraging business performance during the year enabled us to offer a £10m Winter Support package to help our colleagues through the cost-of-living crisis. Our employee engagement score rose by 7ppt to a record 57% of colleagues ‘fully engaged’.

“FY24 has started positively. Since the start of the year, we have won and extended a number of significant new contracts and we have a healthy pipeline of new opportunities, combined with the full year benefit from major contracts won and extended in the final months of FY23.

“We will continue our disciplined approach to bidding for contracts, even if it is challenging to maintain renewal rates at the current level, and we will continue to seek growth opportunities, both organically and through strategic bolt-on acquisitions in the decarbonisation, security technology and telecoms infrastructure sectors. We have already completed two acquisitions in FY24, both of which strengthen our capabilities as the UK's leading intelligence and technology-led security provider.

"We also expect to deliver further progress in FY24 on our ongoing programme of margin enhancement initiatives, including increased synergies from the Interserve acquisition, and efficiencies across our labour, third-party and overhead cost base, which will more than offset inflationary headwinds.

"This positive momentum carried forward into the new financial year gives the Board confidence in meeting its growth expectations for FY24. Mitie is cash generative and has a strong, stable, and flexible balance sheet to support increased returns to shareholders and future growth opportunities."