

Capita Group

Industrials
6 March 2025

AI driving transformation in 2025

FY24 was a transformative year for Capita Group. With a new CEO and CFO, the company made good progress on its 'Better Capita' strategy. Capita is at the forefront of the significant opportunity arising from leveraging modern technologies, such as AI, to improve operational efficiencies, scalability and profits. During FY24 Capita began leveraging leading hyperscalers within AI, enabling it to lead the shift to a 'service-as-software' business model, redefining the support services industry. Capita also delivered £140m of annualised cost savings through its accelerated cost reduction strategy in 2024, to create better efficiencies across the wider group. Management confirmed in December 2024 that it had increased its total cost reduction target to £250m by end-December 2025, up from £160m by end-June 2025 previously, primarily driven by increases in the use of AI and generative AI, fundamentally improving its operating model.

FY24 results overview

Adjusted revenue declined 8% y-o-y to £2.4bn, a reflection of prior year losses, volume reduction in its Contact Centres and exits of lower-margin service lines (Regulated Services). Adjusted operating profit increased 5.5% y-o-y to £95.9m, due to the positive impact of the cost reduction programme. Reported PBT (£116m) was boosted by the disposal of Capita One and Fera, while adjusted PBT was £50.0m (FY23: £40.9m). Net debt/EBITDA (pre-IFRS 16) was 0.5x for FY24 and management guidance is for it to remain below 1.0x at FY25. Capita's reduced year-on-year total contract value won for FY24 of £1,513m (FY23: £2,953m) reflects lower levels of contract bidding activity to improve the group's cost competitiveness.

2025 outlook: Strengthening future prospects

Capita has a strong unweighted contract pipeline with £11bn of opportunities; of this £5bn is underpinned by AI. Guidance for FY25 adjusted revenue is broadly in line with FY24, with a small increase in adjusted operating margin (FY24: 4%). Management guided towards positive free cash flow (before the impact of business exits) from end-2025. Capita's medium-term targets are unchanged: an adjusted operating margin of 6–8%, operating cash conversion of 65–75% (guided at 55–65% for FY25) and delivering mid-single-digit adjusted revenue growth year-on-year.

Valuation: 49% discount relative to peers

Capita trades on an FY25e P/E of 5.2x (based on consensus estimates), a 49% discount to peers. We see room for upside as it completes its cost reduction programme and increases the speed at which it integrates AI into its offering.

Consensus estimates						
Year end	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	EV/EBITDA (x)
12/23	2,575.8	196.5	40.9	(0.20)	N/A	3.2
12/24	2,369.1	186.1	50.0	2.11	6.1	3.4
12/25e	2,344.0	197.5	57.0	2.48	5.2	3.2
12/26e	2,406.0	224.0	86.3	3.65	3.5	2.8

Source: LSEG Data & Analytics, Edison Investment Research. Note: Adjusted to reflect business sales or exits during the year or prior year, or which are in the process of being sold or exited.

Price 12.88p
Market cap £219m

Share price performance



Share details

Code	CPI
Listing	LSE
Shares in issue	1,701.3m
Net cash/(debt) at FY24	£(415.0)m

Business description

Capita is a UK-based company that provides consulting, transformation and digital services, delivering innovative solutions, working across both the private and public sectors.

Bull points

- Significant growth potential arising from AI solutions.
- Increased focus on cost savings and operational efficiency.
- Contract renewal rate improvement (92% at FY24) and a strong unweighted pipeline (£11bn with £5bn underpinned by AI).

Bear points

- Highly competitive digital services industry.
- Dependence on client contracts.
- Uncertainty surrounding delivery associated with roll-out of new technology solutions (AI).

Analysts

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