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Serco Group PLC
17 December 2025

Strong 2025 performance; positive momentum into 2026

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Serco Group plc, the international provider of critical government services, today provides its scheduled trading update for 2025 and initial guidance for 2026.

Strong 2025 performance anticipated, increasing profit and cash guidance

- **Revenue:** c.£4.9bn, up 3% at constant currency including 1% organic growth
- **Underlying operating profit:** expected to be around £270m; with margin of 5.5%
- **Financial position:** free cash flow guidance increased to £170m, leverage of c.0.9x net debt to EBITDA
- **Order intake:** strong with c.£5.5bn of contract awards, and book-to-bill of at least 110%. Around two thirds of awards in defence, weighted to UK and North America
- **Pipeline:** expanded again to new decade high, driven by continued demand for high-quality, critical, front-line services in complex operating environments
- **Portfolio development:** completed successful integration of MT&S, disposal of Hong Kong business, Mubadala joint venture mobilised in the Middle East
- **Operational excellence:** around 20% reduction in colleague safety incidents; significantly fewer lost days; improving attrition; strong colleague engagement maintained; high levels of customer retention
- **Building strong leadership team:** new North American and UK & Europe CEOs adding depth of international experience and growth focus
- **Shareholder returns:** latest £50m share buyback completed, £390m returned to shareholders via buybacks since 2021. The Board will review the capital position at the full year in line with our capital allocation priorities

2026 guidance underpinned by good momentum

- **Revenue:** c.£5.0bn expected, including improved organic growth of c.3%, weighted to defence
- **Underlying operating profit:** initial guidance of c.£300m, with expected margin of c.6.0% at the top end of medium-term range, driven by contract ramp-ups, MT&S integration and productivity improvements
- **Financially well positioned:** adjusted net debt of ~£150m expected for 2026. Trading cash conversion anticipated to be in line with our medium-term target of at least 80%

Commenting on today's update, Anthony Kirby, Serco Group Chief Executive, said:

"The Group has demonstrated significant strategic and operational progress throughout the year, as we continue our focus on operational excellence, competitiveness and sustainable growth. I am pleased with the strong performance across financial and non-financial metrics, reflecting the hard work and dedication of all my colleagues around the world.

"The global government services market is substantial, with high barriers to entry and strong growth prospects, particularly in the defence sector. Our significant order intake, of which around two thirds is in defence, and record pipeline further demonstrate the structural drivers of demand for our services, as governments face ever more complex challenges, and look to partners such as Serco to support them.

"We are confident that our robust financial position, innovative solutions and strengthened leadership team, coupled with continued operational discipline, and growing capabilities across the group, culminate in a positive outlook for 2026."

Guidance	**2024**	**2025**		**2026**
	Actual	**Prior guidance**	**New guidance**	**Initial guidance**
Revenue	£4,787m	~£4.9bn	~£4.9bn	~£5.0bn
Organic sales growth	(3)%	~1%	~1%	~3%
Underlying operating profit	£274m	~£260m	~£270m	~£300m
Net finance costs	£33m	~£48m	~£46m	~£50m
Underlying effective tax rate	25%	~23%	~23%	~25%
Free cash flow	£228m	~£130m	~£170m	~£160m
Adjusted net debt	£100m	~£285m	~£265m	~£150m

NB: Guidance uses an average GBP:USD exchange rate of 1.31, GBP:EUR of 1.17 and GBP:AUD of 2.05 in 2025 and for 2026 an average GBP:USD exchange rate of 1.33, GBP:EUR of 1.14 and GBP:AUD of 2.00, based on currency rates as 9

December 2025. We expect a weighted average number of shares for basic EPS of 1,011m in 2025, 995m in 2026 and for diluted EPS 1,033m in 2025, 1,018m in 2026.

Company-compiled consensus for underlying operating profit is £263m for 2025 with a range of £260m-£267m and £285m for 2026 with a range of £279m-£301m.

Expected outcome for 2025

Revenue: We expect revenues of c.£4.9bn in 2025, (2024: £4.8bn), a 2% increase on the prior year, or 3% on a constant currency basis including organic growth of 1%. This reflects growth from new and expanded contracts in defence, justice and citizen services more than offsetting a reduction in revenue from immigration activities. The part-year impact of the acquisition of MT&S will contribute c.2%. We welcome the end of the US Government shutdown which did not materially affect trading in our US business but did delay some new business awards and contract protest resolutions. Further progress has been made in our pipeline of new business opportunities reinforcing our position to capitalise on structural drivers of demand across defence, justice, immigration and citizen services markets.

Underlying operating profit: Underlying operating profit is expected to be around £270m, (2024: £274m), ahead of previous guidance of c.£260m and including an estimated currency translation headwind of c.£6m. This follows a good second half performance including productivity improvements and contract organic growth. For the year overall, contract mobilisations and ramp ups, combined with our ongoing focus on efficiency and contract performance improvements have significantly reduced the impact of previously disclosed profit headwinds. These included higher UK national insurance contributions, the end of our immigration contract in Australia and lower activity levels within our UK & Europe immigration business. The acquisition of MT&S is expected to contribute c.£8m in the seven-months of ownership after c.£7m transaction and integration costs. This is expected to result in a c.5.5% margin for the full year, which is slightly ahead of previous guidance.

Financial position: Free cash flow continues to be strong and is expected to be around £170m for the year, with cash conversion approximately 90%. Adjusted net debt is anticipated to be c.£265m (31 December 2024: £100m), after the £246m acquisition of MT&S and buyback of £50m. This means net debt to EBITDA leverage is forecast to be c.0.9x, below our medium-term target of 1-2x. The £50m share buyback launched in August 2025, was completed in December, contributing to shareholder returns via buybacks since 2021 of c.£390m. The Board will review the Group's capital position at the full year in line our capital allocation priorities.

Portfolio development: As part of our disciplined portfolio development, we sold our Hong Kong operations in September 2025. The business accounted for around 1% of Group revenue and mainly provided tunnel support services in the transport sector with limited alignment to our international portfolio. Our Mubadala partnership in the Middle East is strengthening our market access in the region, while the acquisition of MT&S, which has been successfully integrated, expands our defence capabilities, both in North America and internationally.

Strategic and operational progress: Order intake is expected to be around £5.5bn with a book-to-bill of at least 110% and major contract wins in the year strengthening our position, particularly in the defence market. In the second half of the year, major awards included the successful retention of HMP Dovegate in the UK, a contract to support Canada's Future Aircrew Training Programme, and in Australia a new award to operate justice transport services in the state of Victoria. Our focus on operational excellence supported a significant reduction in colleague safety incidents, fewer lost working days and improving levels of attrition. In addition, we have made progress with efficiency initiatives and contract performance improvements including within our AsPac division.

During the year, we strengthened our leadership team including the appointments of Michael LaRouche, as CEO of North America, and Fiona Walters, who will become CEO, UK & Europe in the first quarter of 2026. They both bring considerable international experience and significant track records of sustainable growth and performance.

Outlook for 2026

Revenue: We anticipate revenues of around £5.0bn, with organic revenue growth expected to rise to c.3%, which excludes the full year impact of the MT&S acquisition, the disposal of our Hong Kong operations and transfer of certain contracts to our Mubadala joint venture in the Middle East. Growth is forecast to be strongest in North America and UK & Europe, driven primarily by new and mobilising contracts in defence, justice and citizen services, more than offsetting the anticipated reduction in immigration revenues in UK & Europe and Australia.

Underlying operating profit: Underlying operating profit is anticipated to be around £300m. The increase includes the full-year contribution from the acquisition of MT&S, contract ramp-ups and our initiatives to improve productivity and efficiencies across the portfolio, partially offset by anticipated lower immigration activities. This supports margin guidance of c.6.0%, which is at the top of our medium-term target range of 5-6%.

Net finance costs and tax: Net finance costs are expected to be around £50m, slightly higher than 2025 due to the full year effect of funding the acquisition of MT&S. The underlying effective tax rate is expected to be around 25%.

Financial position: Continued strong free cash flow is expected at around £160m in the year, in line with our medium-term target of converting more than 80% of profit into cash. We expect adjusted net debt to end the year at approximately £150m.

Ends.

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About Serco

Serco brings together the right people, the right technology and the right partners to create innovative solutions that make a positive impact and address some of the most urgent and complex challenges facing the modern world.

With a primary focus on serving governments globally, Serco's services are powered by more 50,000 people working across defence, space, migration, justice, healthcare, mobility and customer services.

Serco's core capabilities include service design and advisory, resourcing, complex programme management, systems integration, case management, engineering, and asset & facilities management.

Underpinned by Serco's unique operating model, Serco drives innovation and supports customers from service discovery through to delivery.

More information can be found at www.serco.com

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