

Serco Group plc announces full year results 2024

6 months ago



[Serco](#) has released its full year results for 2024, which show strong performance in 2024, and good momentum into 2025. Highlights include:

Strong performance in 2024

- Revenue: £4.8bn in 2024, in line with guidance; improving organic trend as we moved through the year led by our North American Defence business.
- Underlying operating profit: £274m, up 10% in the full year, and an increase of 30% in the second half compared to the same period in 2023.
- Margin: 60 basis point increase in full year underlying operating profit margin to 5.7% with progress in all regions, reflecting ongoing focus on efficiency and productivity.
- Reported operating profit: ~£130m, reduction due to an exceptional £115m non-cash goodwill impairment charge in Asia Pacific.
- Order intake: +7% to £4.9bn, book-to-bill of 102%, order book of £13.3bn.
- Cash flow: Very strong free cash flow at £228m, ahead of guidance of ~£170m, trading cash conversion has averaged more than 100% since 2019, ahead of our medium-term guidance of 80%+.
- Strong financial position: adjusted net debt £100m, £45m lower than prior guidance, leverage c.0.3x net debt to EBITDA, and pro-forma net leverage of 1.2x including proposed acquisition of MT&S. The Board will review the capital position again at the half year.
- Attractive shareholder returns: £140m share buyback in 2024, taking the total amount returned to shareholders through buybacks to £340m since 2021, recommended final dividend of 2.82 pence

per share, +24% year on year.

Good momentum into 2025

- Dynamic global backdrop driving demand: Mounting fiscal challenges and geopolitical complexity mean we are able to leverage our capabilities, expertise, and value proposition to deliver critical services for our government customers better, faster, and more efficiently.
- Record pipeline: Entered year with highest level of potential new work in more than a decade at £11.2bn, 11% higher than prior year end.
- High visibility: Robust order book combined with low level of rebids or extensions in 2025 and only one contract above 2% of Group revenue due for rebid before 2028.
- Good momentum in early 2025: Order intake of more than £1bn including the landmark UK Armed Forces Recruitment Service contract.
- MT&S acquisition strategically and financially compelling: US\$327m acquisition of leading US Defence business from Northrop Grumman agreed and expected to complete in mid-2025, resulting in a US\$2bn North America business delivering 10% margins, and a £2bn Defence business across the Group.
- Guidance for 2025: Revenue in line with 2024, organic growth across other parts of business offsetting expected reduction from immigration in Australia and UK of c.7%; ongoing focus on efficiency and productivity will largely compensate for known headwinds on underlying operating profit.

Year ended 31 December	2024	2023	Change at reported currency	Change at constant currency
Reported revenue	£4,787m	£4,874m	(2) %	— %
Underlying operating profit	£274m	£249m	10%	12%
Reported operating profit	£130m	£272m	(52) %	
Underlying earnings per share (EPS), diluted	16.67p	15.36p	9%	
Reported EPS (i.e. after non-underlying items), diluted	4.10p	17.93p	(77) %	
Dividend per share (recommended)	4.16p	3.41p	22 %	

Free cash flow	£228m	£209m	9%	
Net cash inflow from operating activities	£419m	£393m	7%	
Adjusted net debt	£100m	£109m	(8)%	
Reported net debt	£630m	£562m	12%	

Mark Irwin, Serco Group Chief Executive, said:

“Our 2024 results reflect another year of strong operational and financial delivery across the Group.

We accelerated trading momentum through the second half of the year, which allowed us to achieve full year revenue in line with guidance, underlying operating profit up 10%, a 60 basis point increase in margins and deliver significantly more free cash flow than initially expected. We had excellent order intake of £4.9bn resulting in a robust £13bn order book, and we ended the year with a strong pipeline of qualified new business opportunities exceeding £11bn to underpin future growth.

Our strong balance sheet has enabled delivery against all our capital allocation priorities by investing in organic business development, increasing our dividend by 22% and completing the planned share buyback of £140m; and, as announced in January, we have agreed the strategically important and financially compelling acquisition of MT&S from Northrup Grumman, which we expect to complete in mid-2025. MT&S will transform our capabilities in the critical areas of technology-enabled military training and satellite ground network software services. The combination of Serco and MT&S further enhances the growth potential of our US platform and our international defence business.

Our people have always been at the heart of our business, and we are pleased that colleague engagement improved from already high levels, attrition rates are markedly reduced and importantly, we have achieved significant improvement in safety outcomes across the business. I am immensely proud of the commitment of all my Serco colleagues around the world and remain deeply grateful for their contribution to our success.

In a global environment of continuous change and increasing complexity, Serco’s purpose to impact a better future by enabling more efficiency and greater agility in the delivery of critical services for governments has never been more relevant. We enter 2025 with confidence that we will continue to deliver profitable growth and make further progress in executing our strategy to create value for customers and shareholders.”

Guidance for 2025

Our focus in 2025 remains steadfast on reinforcing our market positioning by concentrating on growth, operational excellence and competitiveness. The outlook for 2025 anticipates revenue will be similar to 2024 with underlying organic growth of 7% offsetting reductions in the UK and Australian immigration contracts. Underlying operating profit will reduce only slightly despite previously advised headwinds from immigration and higher UK national insurance contributions. The conversion of profit to cash will continue

to be strong at over 80%, contributing to a strong balance sheet.

As we look ahead to 2025, we have the highest level of potential new work in our pipeline in more than a decade at £11.2bn. Post the period end we were awarded a landmark UK Armed Forces Recruitment Service contract with an estimated value of £1.0bn over the initial seven-year term and up to £1.5bn should the Ministry of Defence elect to exercise all three one-year extension options beyond the initial term.

The acquisition of MT&S is expected to complete in mid-2025, subject to regulatory approvals, and will be included in guidance at that point.