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Serco Boosts Share Buybacks to £150m Following Strong First-Half Performance

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Serco Group has reported a robust set of financial results for the first half of the year, driven by steady revenue expansion, increased profitability, and a notable rise in operating margins.

For the six months ending June 30, the company achieved total revenue of £2.5 billion, reflecting a 4% increase at constant currency, which includes 2% organic growth. Performance was particularly bolstered by the defence sector, which delivered strong organic growth of 10%.

Profitability outpaced top-line growth. Underlying operating profit rose by 9% at constant currency to reach £157 million, while reported operating profit climbed 10% to £145 million. Improved revenue mix, ongoing cost discipline, and productivity gains helped lift the underlying operating margin by 20 basis points to 6.2%.

Increased Shareholder Returns

Reflecting financial strength and steady cash generation, including £65 million in free cash flow, Serco has expanded its planned share buyback programme for the year from £75 million to £150 million. Half of this revised buyback total was already completed in July. Additionally, the company declared an interim dividend of 1.60 pence per share, representing a 10% increase compared to the previous year.

The firm maintained a strong financial position, with adjusted net debt dropping to £228 million and a conservative leverage ratio of 0.75x net debt to EBITDA.

Strategic Outlook and Guidance

Serco's order intake stood at £2.5 billion, achieving a book-to-bill ratio of 100%, while the total opportunity pipeline expanded to £12.8 billion.

Operational highlights for the period included major contract mobilisations, such as replacing support vessels for the Royal Navy, and enhanced resilience across Middle Eastern operations. To streamline operations, the company is focusing on three core sectors: Defence, Justice & Immigration, and Citizen Services, alongside plans to unify its Asia Pacific and Middle East divisions under a single leadership structure.

Looking ahead, management has fully reiterated its full-year guidance for revenue, profit, and cash flow, supported by strong order visibility and ongoing efficiency programmes.