

# Stock Exchange Announcement

## Update on financial performance and outlook ahead of Capital Markets Event

1 December 2016

Serco Group plc ('Serco' or 'the Group'), the international service company, today provides a further update on financial performance for the 2016 financial year and the outlook beyond. This statement is being made ahead of Serco's scheduled Capital Markets Event which is being held in London this afternoon.

For 2016, better trading performance and currency movements in the first half of the year led us to increase full-year guidance in our May and August updates. This reflected primarily the successful resolution of a number of commercial issues and other factors not expected to repeat in subsequent periods, together with the benefit of foreign exchange movements. During the second half of the financial year our trading performance has been in line with our August guidance, and we therefore continue to expect Revenue of approximately £3.0bn and Underlying Trading Profit of not less than £80m for the year as a whole. Closing net debt at 31 December 2016 is expected to be less than £150m, with the final outcome subject to the timing of working capital movements around the year-end and the translation effect of prevailing currency rates at the closing balance sheet date.

Having now completed our budget review process, our expectations for 2017 are also unchanged on an underlying basis from those discussed in August. At current foreign exchange rates, our 2017 budget implies revenue of approximately £3.1bn and Underlying Trading Profit of between £65m and £70m. In regard to our budget and guidance, it is important to note however, that in reality the range of potential outcomes for 2017 is significantly wider, both to the upside and downside, given Serco's low margins and the sensitivity of our profits to small changes in revenues or costs.

This afternoon's Capital Markets Event for institutional investors and analysts will be led by Serco's wider management team and will focus on Serco's divisional operations and some of its sector propositions. The Strategy Review announced in March 2015 identified three distinct phases in the turnaround of our business. The 'Stabilisation' phase was completed successfully in 2014 and 2015. The 'Transformation' phase is progressing to plan, and, depending on the timing and profile of new business won and subject to the prevailing market conditions, we expect to begin to move into the 'Growth' phase at some point in 2018. At the time of reporting our half year results, the pipeline of larger new bid opportunities stood at £7.3bn; it is currently estimated to have increased to approximately £8bn. No additional material information on trading or outlook will be disclosed at this afternoon's event. The presentations given will be made available on [www.serco.com](http://www.serco.com) after the event has concluded.

Serco will be in a close period between 1 January 2017 and the publication of the results for the 2016 financial year on 22 February 2017. No further Trading Update or Close Period Statement is anticipated ahead of the publication of the results.

Commenting on today's update, Rupert Soames, Serco Group Chief Executive, said: "2016 has seen a lot of hard work and the successful resolution of a number of commercial issues which will result in Underlying Trading Profit materially better than we expected at the start of the year, and which will be in line with the increased guidance we gave in August. Our view of the underlying outlook for 2017 remains unchanged, which means that we are continuing to make good progress with the execution of our strategy for the long-term turnaround of Serco."

**Ends**

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Serco is a leading provider of public services. Our customers are governments or others operating in the public sector. We gain scale, expertise and diversification by operating internationally across five sectors and four geographies: Defence, Justice & Immigration, Transport, Health and Citizen Services, delivered in UK & Europe, North America, Asia Pacific and the Middle East.

More information can be found at [www.serco.com](http://www.serco.com)

## Forward looking statements

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