Disposal of Great Southern Rail in Australia

30 March 2015

Serco Group plc (Serco), the international service company, has agreed the sale of its Great Southern Rail (GSR) business to Australian private equity firm Allegro Funds for an enterprise value and cash consideration of £2.5m. The transaction is part of the disposal programme of businesses identified as not being core to Serco’s future strategy, as announced initially in November 2014. The sale is expected to complete in the coming months, subject to customary closing conditions and approvals.

GSR offers award-winning multi-day tourist rail experiences traversing Australia’s unique landscape, including The Ghan, The Indian Pacific and The Overland. The Strategy Review undertaken in 2014 identified that the business was not aligned with Serco’s future strategy given GSR’s historical lack of profitability, as well as limited synergies with the rest of Serco’s transport portfolio.

For the year to 31 December 2014, the financial result of the business was revenue of £58m and a pre-exceptional operating loss of £3m. Within the 2014 results there was an exceptional charge of £37m in relation to the business, consisting of a £23m non-cash impairment to reduce the carrying value of net assets to the estimated recoverable amount, and £14m in relation to the break costs of leases to be settled in cash by Serco in 2015.

As a result of taking these charges in the prior year and given the seasonal phasing of the business, the disposal is not expected to have a material impact on our forecast of around £90m Trading Profit for the Group for 2015. The Group’s revenue forecast of approximately £3.5bn would reduce by approximately £50m. A net exceptional loss on disposal of approximately £6m is expected to be charged in the 2015 financial year, driven by additional lease-break cash costs that could not be provided for in 2014.

Rupert Soames, Group Chief Executive Officer, said: “Great Southern Rail is an iconic and award-winning Australian tourism business operated by some great people. However, Serco needs to concentrate on its core as a leading supplier of public services and we cannot provide the focus and investment GSR needs to thrive. We will continue to build a strong Transport business where Serco’s capabilities can be deployed and transferred internationally, and our recent contract award to support the new North South Railway in Saudi Arabia is testament to the progress we are making.”

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About Serco
Serco is an international service company, which combines commercial know-how with a deep public service ethos.

Around the world, we improve essential services by managing people, processes, technology and assets more effectively. We advise policy makers, design innovative solutions, integrate systems and - most of all - deliver to the public.

Serco supports governments, agencies and companies who seek a trusted partner with a solid track record of providing assured service excellence. Our people offer operational, management and consulting expertise in the aviation, BPO, defence, education, environmental services, facilities management, health, home affairs, information and communications technology, knowledge services, local government, science and nuclear, transport, welfare to work and the commercial sectors.

More information can be found at www.serco.com

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