

Serco hikes profit outlook once more as boss prepares to hand over the reins

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outsourcing giant [Serco](#) has hiked its profit outlook once again as the group said strong growth had helped more than offset a £480 million slump in Covid-19 contract revenues.

The firm said it is now on track for full-year underlying trading profit of around £235 million, up £5 million on its previous guidance, with turnover set to come in at around £4.5 billion for 2022, slightly above the result for 2021.

Serco – which runs security, transport and immigration contracts – has already previously hiked its profit guidance this year as it has been able to counter falling demand for Covid-19 contracts with a surge in orders elsewhere across the business and cost savings.

Outgoing boss [Rupert Soames](#) said: “2022 will turn out much better than we expected at the start of the year as strong growth across the business largely replaced Covid contracts.

“Revenue is expected to be 8% higher and underlying trading profit around 20% better than we anticipated when we first gave guidance in December 2021.

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“To deliver this in the midst of such a challenging geo-political and economic backdrop underlines the strength of our business-to-government platform.”

I have been privileged to lead teams of outstandingly capable people who are deeply committed to the work that they do and who take responsibility for making a difference

The group's rosier profit outlook also comes despite the firm handing out £9 million in one-off payments to about 45,000 non-management staff since August to help with the cost-of-living crisis.

It had feared over a sizeable second half hit from the loss of significant revenues from Britain's test and trace services, with the firm revealing earlier this year that it was in line for a £480 million impact from lower demand for Covid-19 contracts over the current year.

But the group said this has been helped by strong growth and new business, with it expecting order intake to reach at least £4 billion in 2022 and its north [American](#) defence business having had a “particularly strong year” for orders.

Serco added that 2023 is set to be in line with forecasts for underlying trading profits to be “similar” to 2022, at around £235 million.

The update marks the last for chief executive Mr Soames – the grandson of Sir [Winston Churchill](#) – who is handing over the reins at the end of December to Mark Irwin, a private equity veteran who has been at Serco since 2013.

Mr Soames said: "This is the last trading update I will give as chief executive of a public company, in which capacity I have served for nearly 20 years.

"Throughout that time, I have been privileged to lead teams of outstandingly capable people who are deeply committed to the work that they do and who take responsibility for making a difference."