

# Serco Capital Markets Event

Serco Group plc  
13 December 2017





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## Forward looking statements

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# Introduction

Rupert Soames, Group Chief Executive

**Serco Group plc**

13 December 2017





# Agenda

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Now . . .	Introduction	Rupert Soames
	Transformation to Growth	Rupert Soames & Angus Cockburn
	Defence and Justice & Immigration overviews, and operating cross-sector and internationally	Kevin Craven & Mark Irwin
14:30	<i>Short break</i>	
	Split into two sector breakouts Justice & Immigration and Defence	
14:40	Session 1	
15:50	Session 2	
17:00	Return here for <b>Wrap-up and Q&amp;A</b>	Rupert Soames, Angus Cockburn, Mark Irwin, Kevin Craven & Dave Dacquino
17:40	<i>Drinks reception</i>	

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# Reminder: our strategy as described in Q1 2015

## Our Ambition

To be a superb provider of public services by being the best managed business in our sector

### 2014 **Stabilise**

- Hire new management
- Develop strategy and plan
- Identify issues
- Undertake Contract and Balance Sheet Review
- Stabilise morale
- Roll out corporate renewal

### 2015-17 **Transform**

- Rationalise portfolio
- Strengthen balance sheet
- Mitigate loss-making contracts
- Re-build business development
- Strengthen sector propositions
- Improve risk management
- Rebuild confidence and trust
- Build differentiated capability
- Improve execution

### 2018-20 **Grow**

- Build out geographical footprint
- Move into new sub-segments
- Leverage scale and capability
- Harvest benefits of transformation
- Continuously review portfolio

### **Planned Outcome**

Chosen sectors will grow at ~5-7%

Industry margins in our sectors ~5-6%

Employee engagement >60%



## So far we have:

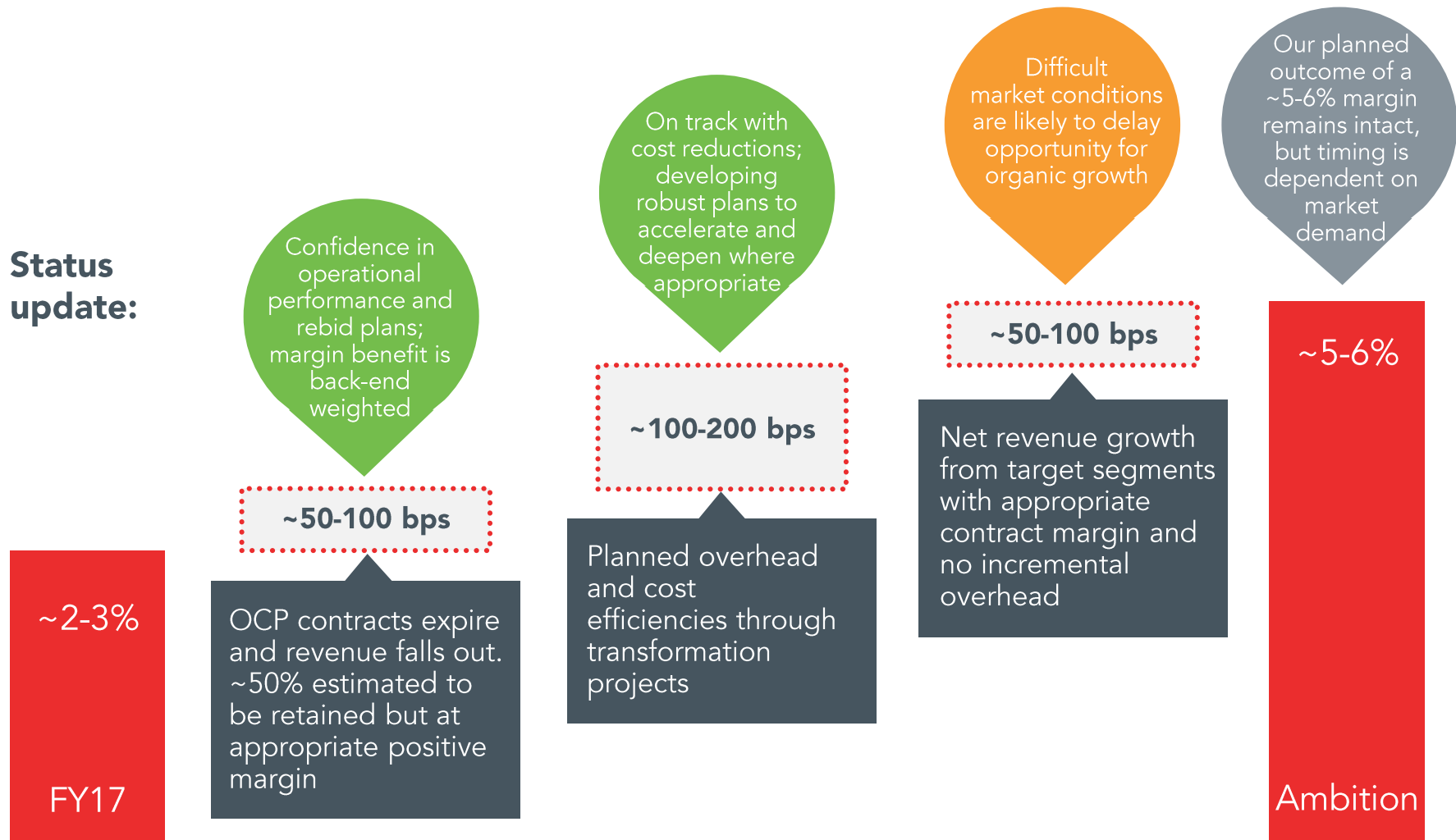
- **Met or exceeded Underling Trading Profit** (UTP) guidance for each of FY15, FY16 and FY17
- Our expectations for FY18 and FY19 are in line with UTP consensus, which imply **strong growth in UTP in each of the next two years**
- **Reduced operating costs** 2014-2017 by >£1bn
- **Stabilised revenue** at ~£3bn
- Vastly improved **operational delivery**
- **OCP outcomes tracking to plan** and within +/-5% across the portfolio
- Employee engagement **up at 56%**, from 51%
- In 2017, we will deliver **over 100% book-to-bill** and largest order intake since 2012
- **But:**
  - Growth in our markets is currently well below historic trend rates of ~5-7%
  - UK market difficult; US in early recovery; Middle East flat ex Rail; AsPac growing
  - Uncertain as to when we will see recovery in UK demand
- Over the next two years: transformation will deliver strong profit growth
- Years 3-5: conversion of some OCP contracts into profitable contracts will help, but we will need revenue growth to leverage lower overheads to fully achieve our margin ambition

**Our ambitions of ~5-7% revenue growth and ~5-6% margin remain intact, but the timing will be dependent on when demand in our target markets reverts to trend**



# 3 steps to achieving our trading margin ambition

## Status update:





# Update on major new bid opportunities

- Largest order intake in FY17 since FY12: over 100% book-to-bill; ~30% win-rate so far against the 7 major opportunities we discussed a year ago
- We have won:
  - New Grafton Correctional Centre (~£1.5bn/20yrs)
  - Barts Health NHS Trust (~£600m/10yrs)
- We have stood down our bidding teams on the KSA and Qatar rail bids
  - Strong technical offers, but huge levels of risk => large risk premiums, therefore price much higher than competitors'
- We have failed to win:
  - NAWCAD prime contract, but anticipate a share through sub-contract relationships
  - Home Office Immigration Escorting Services; well ahead on technical and quality scores, but well behind on price
- Still waiting for news:
  - DFRMO
- 2018 opening pipeline ~£4-5bn: we have added gross ~£2-3bn of new opportunities over the course of FY17. Largest opportunities now in the new bid pipeline are:
  - DFRMO; several US Navy ship/shore modernisation; US Air Force radar support; UK IDC; COMPASS/AASC incremental regions; Australian prisons; Australian defence 'deployable health'
- Larger rebids/extensions in 2018 and 2019 are:
  - CMS; DIBP; Dubai Metro; US GIC; Northern Isles Ferries; COMPASS; PECS



# Morals of the tale

- As the variation in margins on new contracts compress and converge around net trading profit margins of ~5-6%, so it becomes more important that we avoid taking contracts that will lose money
- We will continue to be cautious about risk; “no deal is better than a bad deal”
- Whilst organic growth will be the priority, in-fill acquisitions may offer a lower-risk approach to growing revenue and scaling overheads
  - Carillion health FM acquisition in UK: ~6x EBIT; selected contracts add ~£1bn to our order book; strong strategic fit and margin enhancing
  - BTP in US: ~7x EBIT + will add strong technical skills + will add pipeline
- Potential for further opportunities of in-fill acquisitions



# Savings to date and current cost base

Angus Cockburn, Group Chief Financial Officer

Serco Group plc  
13 December 2017





# Achieved our cost challenge with >£1bn reduction

- **Cost challenge:** to match significant revenue reduction with an equivalent reduction in total costs
  - Ensuring direct costs volume-adjust for contract attrition and disposal impacts
  - Targeting shared service and overhead costs to also volume-adjust, or pursue approximate scale-adjusting through a programme of specific cost actions
- **Achieved:** >£1bn reduction in revenue scale between FY14 and FY17 (~28% reduction) has been broadly matched by **>£1bn reduction in total costs** (~27% reduction); this total cost reduction includes the programme of shared service and overhead costs cumulatively reducing by >£100m

£m	FY14	FY15	Change	% Ch.	FY16	Change	% Ch.	FY17e*	Change*	% Ch.
Revenue	3,955	3,515	(440)	(11%)	3,048	(467)	(13%)	~2,830	(218)	(7%)
Underlying Trading Profit (UTP)	113	96			82			~63		
Exclude: share of profit from JV&As	(30)	(37)			(33)			~(26)		
Underlying Trading Profit ex. JV&As	83	59	(24)	(29%)	49	(10)	(17%)	~37	~(12)	(24%)
<b>Implied total costs</b>	<b>(3,872)</b>	<b>(3,456)</b>	<b>(416)</b>	<b>(11%)</b>	<b>(2,999)</b>	<b>(457)</b>	<b>(13%)</b>	<b>~(2,793)</b>	<b>(206)</b>	<b>(7%)</b>
Include: costs offset by OCP util'n**	(41)	(125)	84		(84)	(41)		~(70)	(14)	
<b>Total costs</b>	<b>(3,913)</b>	<b>(3,581)</b>	<b>(332)</b>	<b>(8%)</b>	<b>(3,083)</b>	<b>(498)</b>	<b>(14%)</b>	<b>~(2,863)</b>	<b>(220)</b>	<b>(7%)</b>

Cumulative cost reduction of >£1bn

\* Given the material currency movements in FY17, these are stated at constant currency to FY16. This reduces FY17e Reported Revenue of ~£2,950m by ~£120m to ~£2,830m, UTP of ~£70m by ~£6-7m to ~£63m, and implied total costs of ~£2,987m by £113m to ~£2,874m.

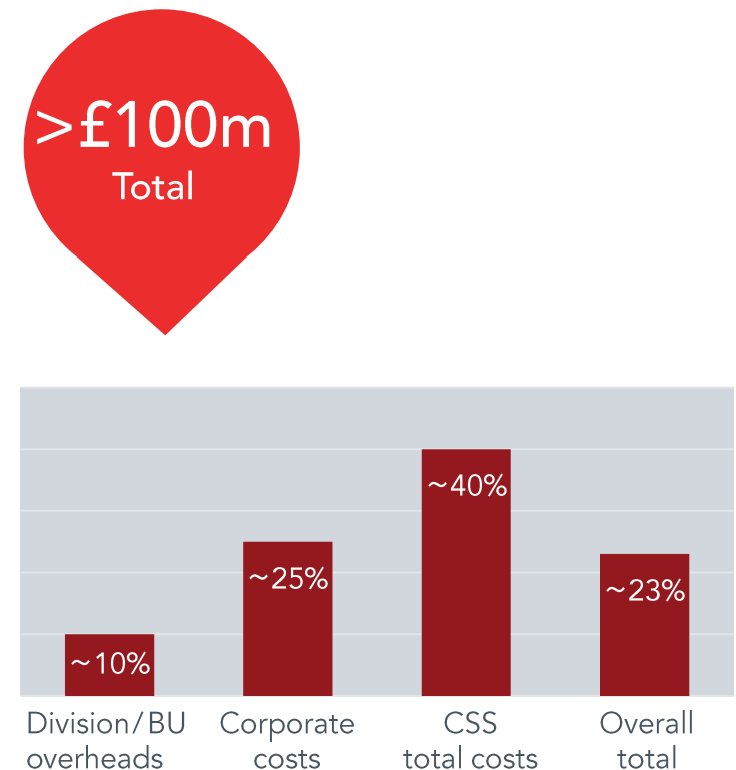
\*\* FY14 reflects £2m OCP utilisation of previously established provisions together with £27m of in-year costs on the ACPB contract that were written off as part of the Contract and Balance Sheet Review and £12m of loss recognised within exceptionals for UK clinical health; FY15 reflects total OCP utilisation on both Trading (£114m) and exceptional (£11m) to reflect the total cost base.



# Overhead savings to date driven by initial stages of transformation of shared services and organisational design

- Cumulative three-year **reduction of >£100m** or ~23% of overheads and CSS costs
- Within this, we will have achieved our FY17 target of ~£20m savings from central support functions and overheads
- Key activities over the last three years have included:
  - Driving greater efficiency in the operation of shared services
  - Implementing better use of our scale in procurement
  - Reducing the number of management layers
  - Initial transformation programmes covering
    - Finance (eg transaction processing services)
    - IT (eg secure corporate environment)
    - HR (eg recruitment and payroll)

## Three-year cumulative savings and % cost reduction by area

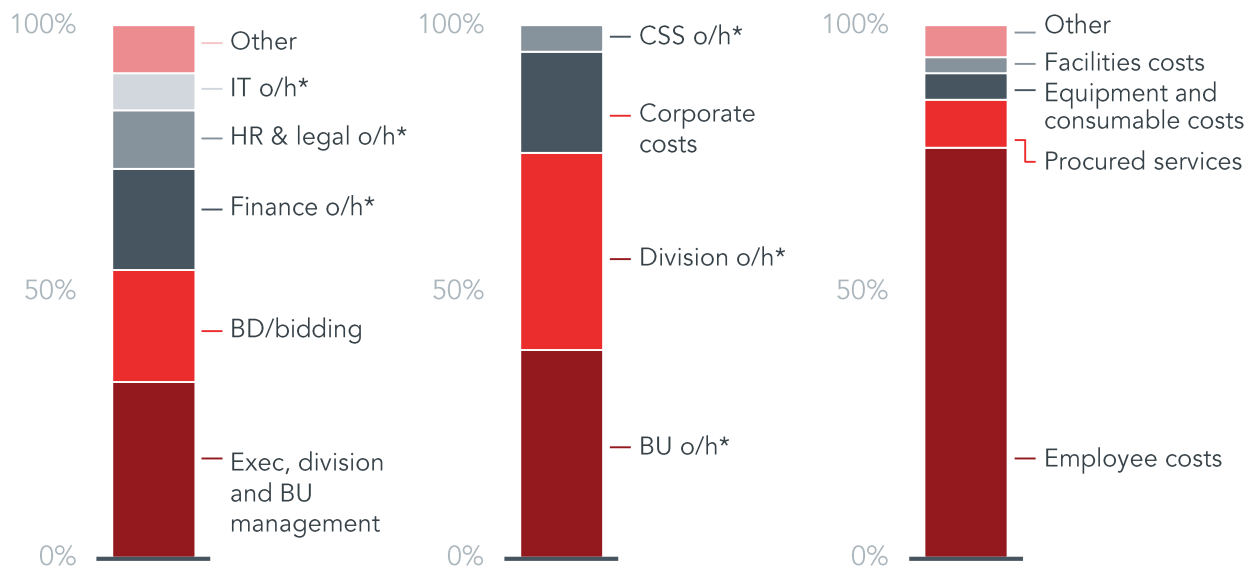




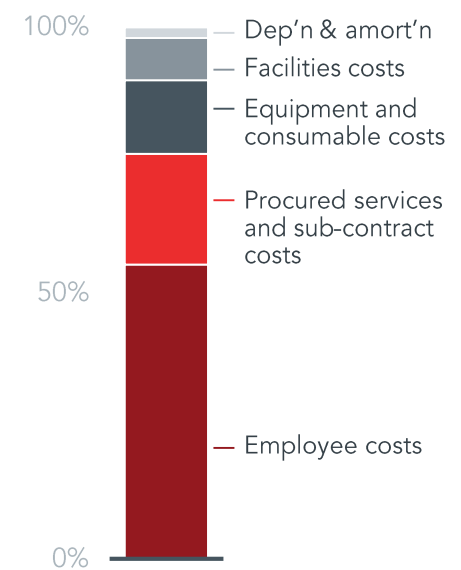
## Transformation journey began with a comprehensive data cleanse

- Key deliverable of Finance Function improvements: launch of new Finance Data Structures enabling full understanding of costs and margins via consistently applying new principles, definitions, global chart of accounts and recharges; accompanied by improved employee categorisation data
- Contract profit now consistently includes shared service and other function costs directly attributable to operating the contract => supports drive for efficiencies and Continuous Improvement initiatives
- Transformation is targeting savings by function/cost centre/type across both overhead and contract costs

### Overhead costs FY17e by function, cost centre and type



### Contract costs by type



\* o/h = residual overheads, ie Finance /IT / HR & Legal / CSS costs not directly attributable to operating a contract; majority of these functional costs are directly attributable to contracts and therefore appropriately charged to contract costs



## Finance Transformation update

Current focus on four key initiatives to drive further cost and quality improvements

1

Transitioning to an outsourced Centre of Excellence for reporting, forecasting, planning and analysis

2

Significant onshore headcount reduction with redefined Finance Business Partner roles that provide improved support to contracts and business units

3

Rolling out the new FP&A tool across the business with full 'go live' in place for the 2018 budget cycle

4

Improving further the accuracy, consistency and overall quality of data to support best in class decision-making

**Delivered £4m of Finance Function annual cost savings since 2015, and on track for further reductions of ~£3m pa in 2018**



## Summary of cost actions to date and positioning for future transformation

- Successfully removed **>£1bn** of total cost to date, including **>£100m** from shared services and overheads
- Finance Transformation is on track, delivering both a cost saving from the function itself, but importantly also creating an enhanced service to support transformation elsewhere across the business
- **Our ambitions of ~5-7% revenue growth and ~5-6% margin remain intact, but the timing will be dependent on when demand in our target markets reverts to trend**
- **In the meantime, we can and will compensate for a weaker short-term organic revenue outlook through increased actions on the cost base**
- **Our delivery since 2015 has been remarkably close to plan, and we are already seeing margin progression**

### Underlying Trading Margin Progression

Actual H2 16	Actual H1 17	Guidance H2 17	Guidance FY18	Outlook FY19
2.1%	2.3%	~2.5%	~2.7%	~ 3.0-3.5%



# Next steps in our transformation & winning good business

Rupert Soames, Group Chief Executive

Serco Group plc  
13 December 2017





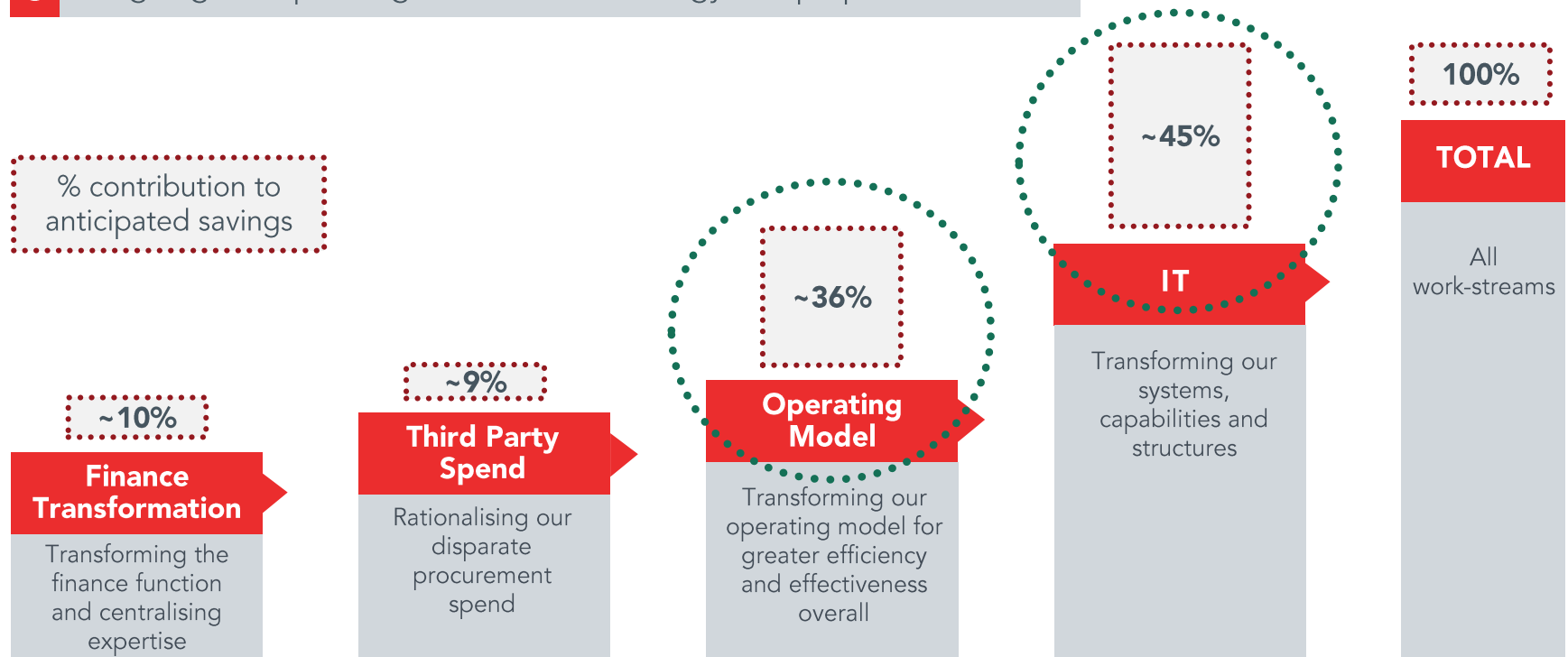




# Transformation – to deliver 100-200 bps margin improvement

## The aim:

- 1 ▶ Ensuring cost base does not limit our competitiveness or profitability
- 2 ▶ Enabling our return to growth is the priority
- 3 ▶ Aligning our operating model to our strategy and purpose





# Focus on operating model transformation: building an efficient and effective corporate structure...

## Example guiding principles ...

### Operating model

~36%

Transforming our operating model for greater efficiency and effectiveness overall

- **Remove duplicate roles** in organisational design
- Achieve **greater economies of scale** and **leverage** our buying power
- Adopt tried and tested service delivery models and drive faster service improvements through **better use / management of 3<sup>rd</sup> parties**
- Enable enhanced product solutions by **sharing best practice** and lessons learned (e.g. through CoPs and CoEs)
- **Standardise delivery**
- **Greater aggregation of functional services** to avoid duplication
- Contract managers to be **focused on customer and P&L**

## ... outcomes ...

**Cost Efficiency**

**Service Quality**

**Clarity and Simplicity**

**Risk Mitigation**

**Knowledge sharing/re-use**

**Management focus**

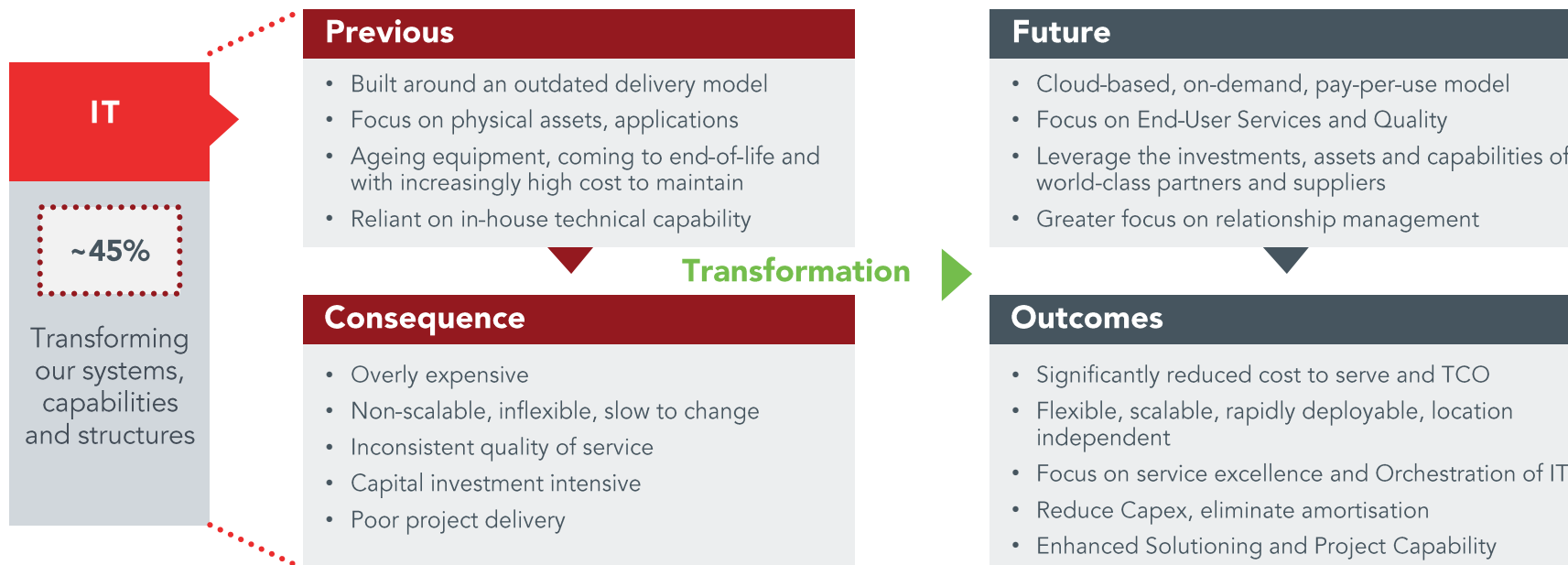


# Focus on IT transformation... "the soul of a new machine"

## IT operating model principles

- Simplify and right-size our IT organisation in line with a more focused business strategy
- Implement an organisational IT model that is common across all divisions (current and future)
- Clarify organisational roles, governance, decision making and operational degrees of freedom
- Reduce layers to improve communication and enable rapid decisions
- Identify and where appropriate remove any duplicated functions/capabilities
- Implement global IT shared services and transition resource wherever possible
- Implement 'Warranted Solutions' and 'Platform as a Service' functionality to enable scale, efficiency and repeatable services
- In designing and implementing the above, dramatically reduce operating costs and overheads

## Wider IT transformation changes & overall impact:





## Win Rates

- Some big wins and book-to-bill ratio of over 100% for the first time since 2012

- Some big wins and book-to-bill ratio of over 100% for the first time since 2012

- Unrecognisably improved from previous years
- Retention rate of ~90%

- Significantly enhanced governance around the bidding process, ensuring quality submissions and appropriate risk mitigations



- Significantly more focus, drive, governance and rigour
- However, significant slowing due to political uncertainties and some unusually large opportunities moving out - will take time to replenish

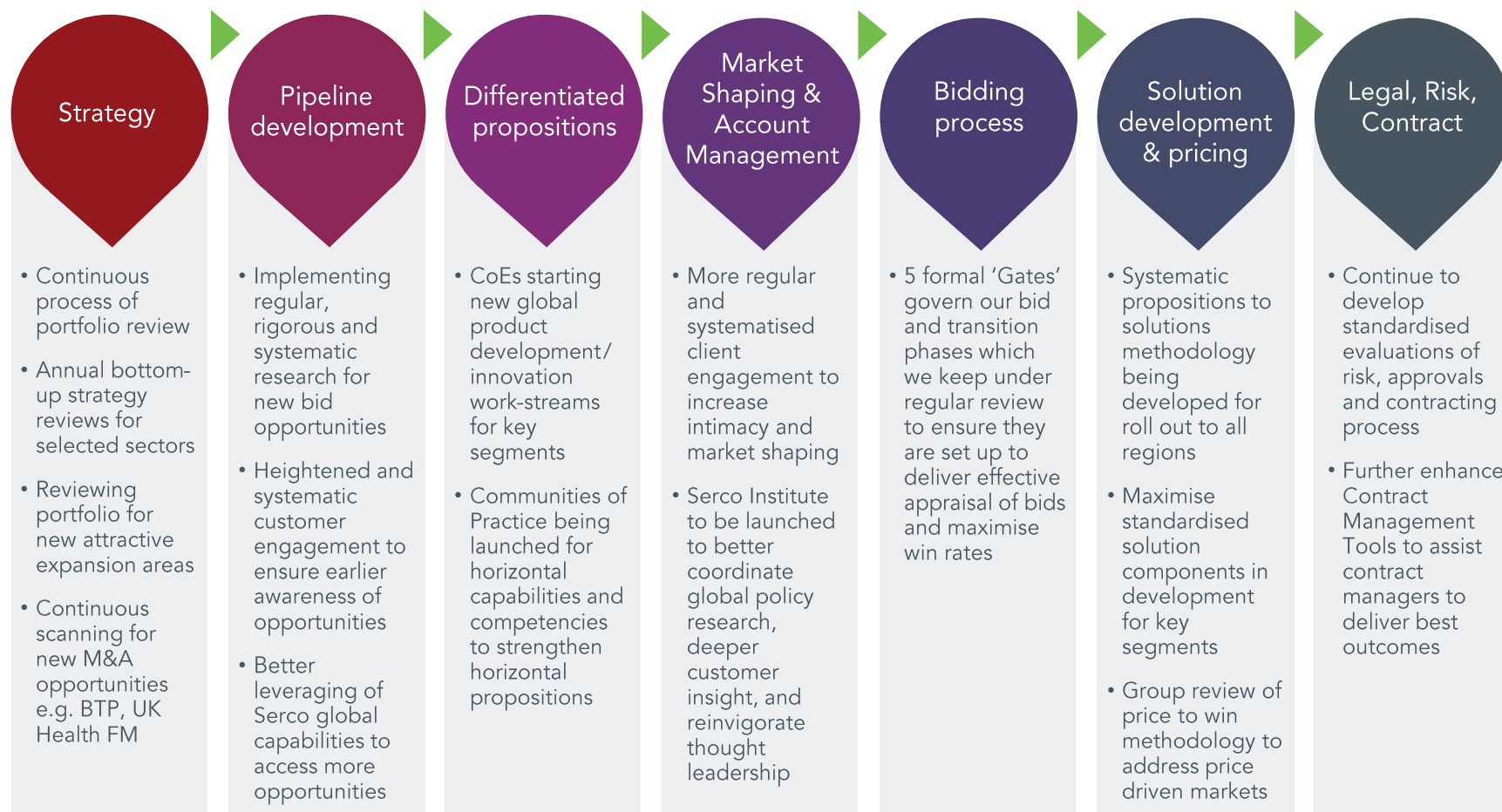
- Significant progress cementing lean and effective CoEs for sharing global best practice in our sectors

- Our global growth forum shares best BD practice across Divisions and is now systematising our end-to-end sales process



# Winning good business

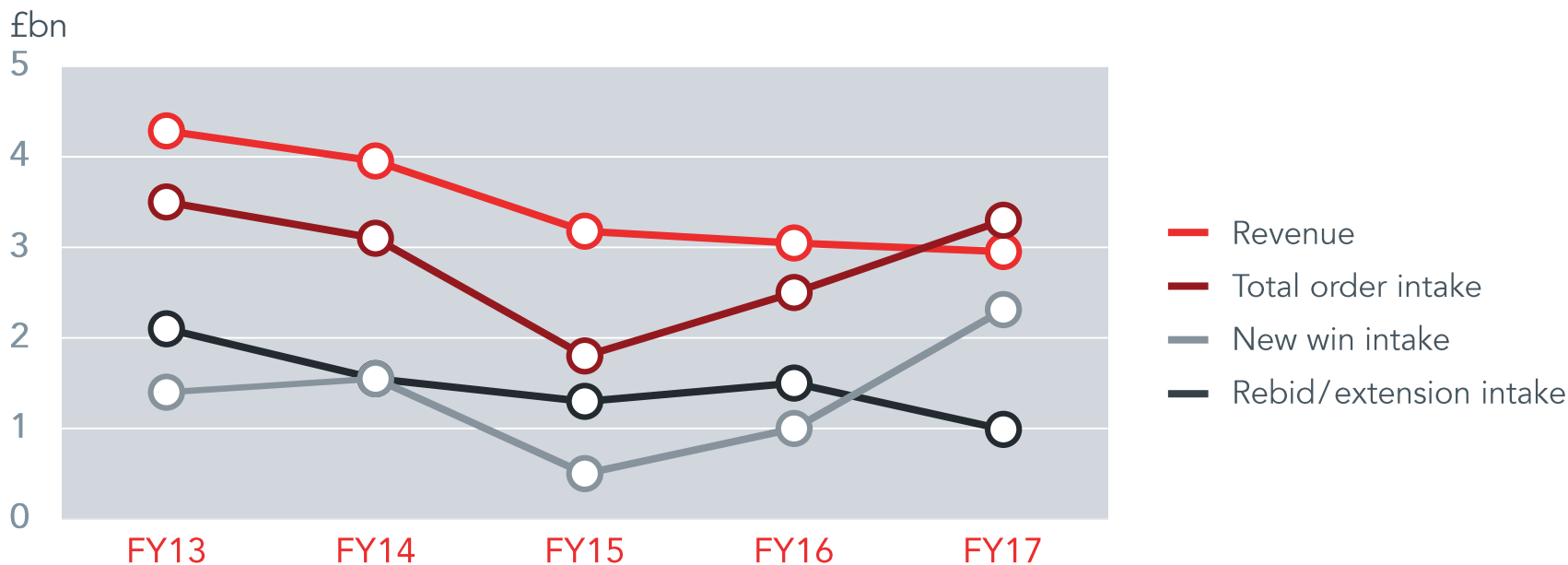
We are reinvigorating each step in our end-to-end sales process to ensure we maximise every opportunity





# Revenue and order intake

## Revenue and mix of order intake (split by value of new wins vs rebids/extensions)



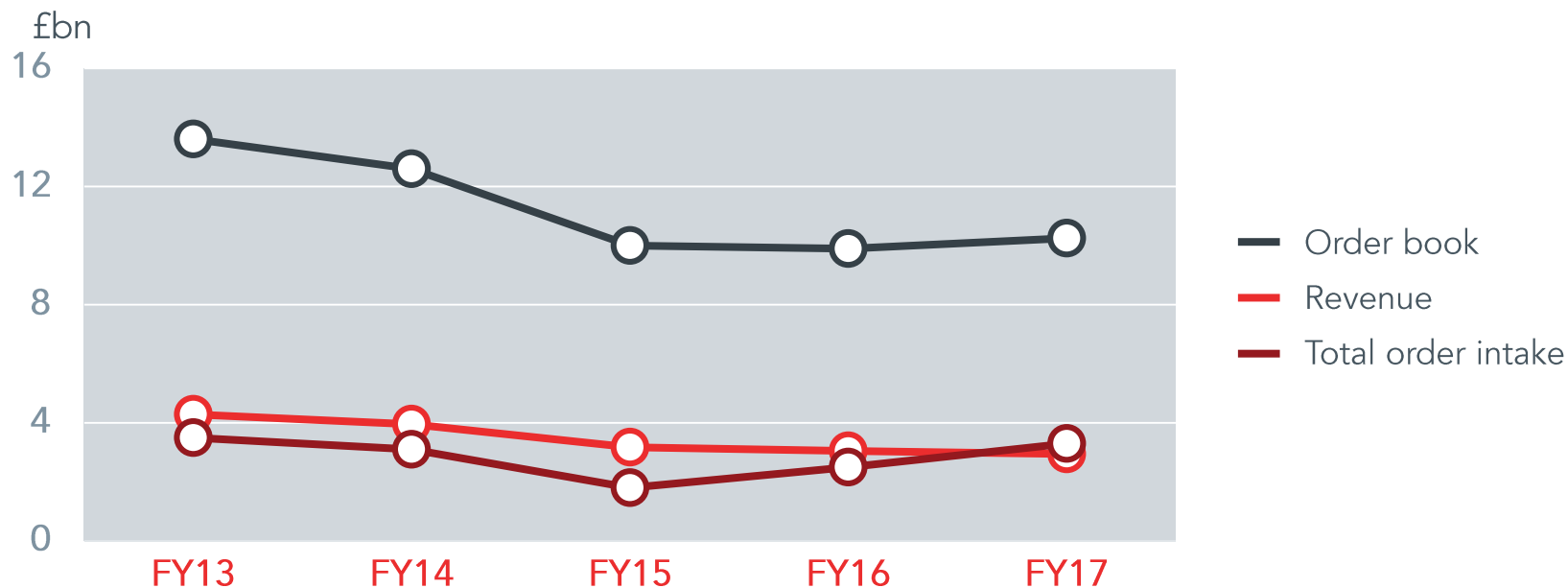
### Largest opportunities looking ahead:

- **New:** DFRMO; several US Navy ship/shore modernisation; US Air Force radar support; UK IDC; COMPASS/AASC incremental regions; Australian prisons; Australian defence 'deployable health'
- **Rebid/extensions:** CMS; DIBP; Dubai Metro; US GIC; Northern Isles Ferries; COMPASS; PECS



# Order book stabilised

## Total order book vs total order intake and revenue



### Largest opportunities looking ahead:

- **New:** DFRMO; several US Navy ship/shore modernisation; US Air Force radar support; UK IDC; COMPASS/AASC incremental regions; Australian prisons; Australian defence 'deployable health'
- **Rebid/extensions:** CMS; DIBP; Dubai Metro; US GIC; Northern Isles Ferries; COMPASS; PECS



## Building capability deep within the business

Supporting our ambition to be the best-managed business in our sector

- Oxford Saïd Serco management course
  - 3-month preparation, 5-day immersive course in Oxford, 6-month follow-up
  - 200 out of 300 senior managers within the business will have completed by year-end
- Continuous Improvement: in last 3 years we have rolled out 'White belt' to all managers and it is now part of onboarding, and trained 1,382 'Yellow belts', 28 'Green belts', 14 'Black belts'
- Contract Management
  - Further strengthening of contract documentation processes
  - Contract Management app tracks Serco and customer obligations and reports in real time
  - Systematised KPI reporting
- Learning Management System
  - Tracks employee training and qualifications
- Serco Management System
  - Comprehensive business process bible covering all aspects of a contract lifecycle
  - 385 senior leaders and contract managers self-certify compliance annually: 99% response rate, 95% compliance

- Employee engagement

	2014	2017
Employees	51%	56%
Leaders	38%	71%



Over the last 3 years we have delivered on our promises.  
We remain confident we can deliver long-term goals

## Our drivers:

### Values...



### Purpose...

A trusted partner of governments, delivering superb public services, that transform outcomes and make a positive difference for our fellow citizens

### "4 Forces": long-term structural growth drivers...

Voters unwilling to tolerate higher taxation

Need to balance public income and expenditure, and reduce debt

Rising expectations of service quality

Growing costs: healthcare, ageing population and infrastructure

## What we do:



### Deliverables...

Revenue growth  
~5-7%

Trading margin  
~5-6%

Engagement  
>60% and increasing

## How we add value:

Efficiency & commercial nous

Public service ethos

Transferable global experience

Full service integration

Expert & empowered people

Trusted partnership

Transformational capability

Citizen-centred, outcome focused

Ability to test and innovate

Strong governance & risk management



# Defence: Overview

Kevin Craven, Divisional CEO, Serco UK&E

# Serco Group plc

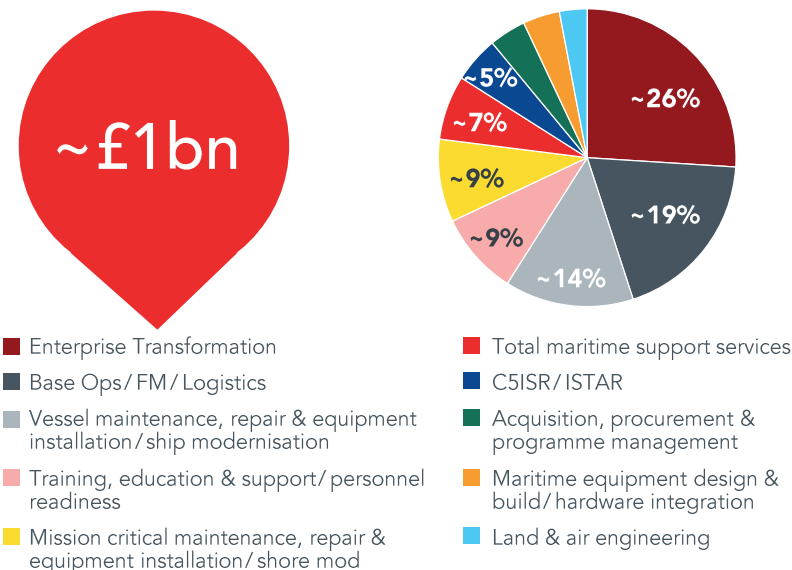
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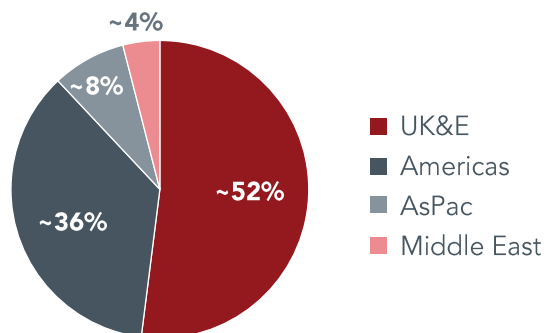


# Defence sector today

## 2017F Revenue and mix\*



## Revenue\* by division



\* Including share of JVs

## Key observations on market potential\*\*



- Second largest outsourced market across sectors but lower anticipated growth rate to 2022
- Americas is the largest outsourced market
- Significant differences in footprint and market across regions, albeit some synergies in current business
- Heightened international tensions driving reform and demand
- Very competitive market; primarily Defence specialists
- Largest outsourced segment markets are estimated to be:
  - Base Ops/FM/Logistics
  - Training, education and support
  - Mission critical maintenance, repair & equipment installation

## Margin

- Current and anticipated margins higher than Group average
- Segment margins can vary significantly

## Key competitors

- **UK&E:** Babcock, BAE, Lockheed Martin, Cobham, Capita
- **Americas:** SAIC, General Dynamics, AMSEC, CACI
- **AsPac:** BROADSPECTRUM, Austal, UGL, Teekay Marine
- **Middle East:** BAE, Lockheed Martin, KBR

\*\*based on Serco's current and target segments only



# Strategy for growth

## Ambition to 2022

*"To be recognised in our chosen markets as a leading provider of critical operational support services to civil and military defence and security customers around the world, working in trusted partnership to deliver integrated services safely, innovatively and reliably to improve the efficiency and effectiveness of our customers."*

## Overarching global plan to 2022

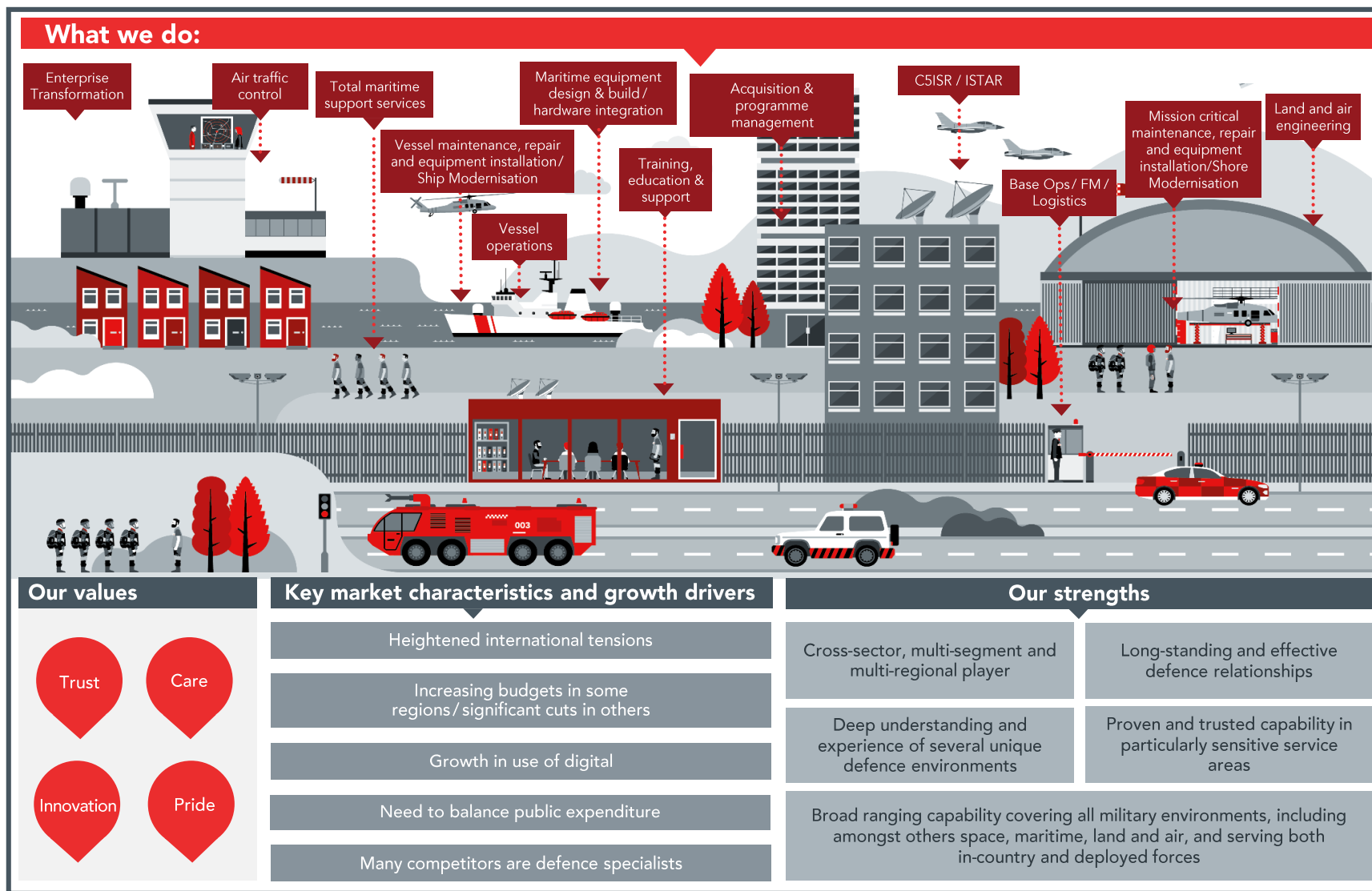
- High priority sector - continue in all 4 regions and extend ambition
  - Protect UK core, target growth based on developing core capabilities such as platform life extension and maritime services, and explore Europe market
  - Prepare for growth following recovery period and extend beyond Marine in AsPac by focussing on BD and strategic partnerships
  - Increase activity and pipeline development in foundation Middle East business, develop customer intimacy and diversify into new segments using wider Serco capabilities and customer relationships
  - Focus on successfully bidding good pipeline in US, expand from existing niche capabilities, and grow customer relationships
- Ensure formal but light touch mechanism of interest groups for sharing of insight, capabilities and expertise regularly and consistently across our regions
- Recruit and retain top defence talent

## Priorities by Division

UK&E	AsPac	Middle East	Americas
<b>Priority segments</b> <ul style="list-style-type: none"> <li>• Base operations, C5ISR / ISTAR</li> <li>• Maritime Services</li> </ul>	<b>Priority segments</b> <ul style="list-style-type: none"> <li>• Vessel maintenance, base operations, vessel operations, total maritime support services</li> </ul>	<b>Priority segments</b> <ul style="list-style-type: none"> <li>• Base operations, training, ATC and civil airport operations</li> </ul>	<b>Priority segments</b> <ul style="list-style-type: none"> <li>• Ship, shore and base modernisation, hardware integration, Canadian base support</li> </ul>
<b>Priority actions to 2022</b> <ul style="list-style-type: none"> <li>• Build on FPMS to grow Maritime, including dockyard opportunities</li> <li>• 'Life and shift' opportunities in airbase</li> <li>• Develop 'platform life extension' capabilities into USP</li> <li>• Develop skills transformation proposition</li> <li>• Explore Europe</li> </ul>	<b>Priority actions to 2022</b> <ul style="list-style-type: none"> <li>• Establish strategic partnerships</li> <li>• Develop new propositions</li> <li>• Build FM capabilities for garrison opportunities</li> <li>• Strengthen cross-Divisional collaboration</li> <li>• Strengthen asset management capabilities</li> </ul>	<b>Priority actions to 2022</b> <ul style="list-style-type: none"> <li>• Secure MELABS extension/rebid</li> <li>• Retain and grow ATC/ANS</li> <li>• Diversification into airport ops through partnering</li> <li>• Grow footprint in Training</li> <li>• Invest in BD resources in KSA</li> <li>• Improve customer intimacy</li> </ul>	<b>Priority actions to 2022</b> <ul style="list-style-type: none"> <li>• Grow ship / shore modernisation</li> <li>• Develop relationships in Canada to shape base opportunities</li> <li>• Leverage C4I success to grow C5I</li> <li>• Perfect repeatable/scalable Hardware Integration 'agile production model'</li> <li>• Grow capabilities through acquisitions eg BTP</li> </ul>



# Defence: Serco's proposition





# Justice & Immigration: Overview

Mark Irwin, Divisional CEO, Serco Asia Pacific

**Serco Group plc**

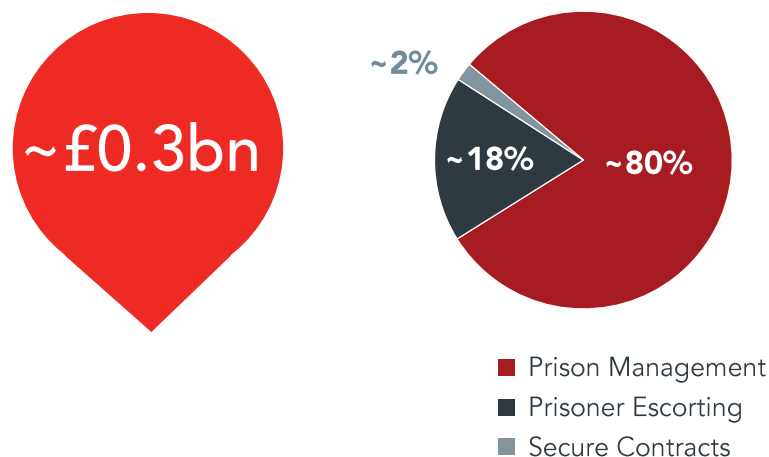
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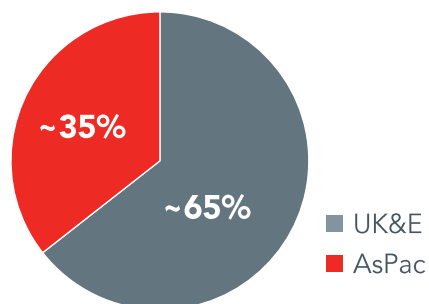


## Justice sector today

### 2017F Revenue and mix



### Revenue by division



### Key observations on market potential\*



- Small market, majority in-house
- Second highest anticipated growth rate across Serco sectors, larger in AsPac than UK
- UK is largest outsourced market, then AsPac
- Broad market with untapped adjacencies
- Potential for reform driven by demand outstripping capacity as well as need to improve outcomes
- Relatively small competitor set
- Significant global synergies across regions and market
- Largest outsourced segments are estimated to be:
  - Prison horizontals
  - Full prison management
  - Rehabilitation & probation

### Margin

- Overall above group average margin
- Government increasingly aggressive on in-contract margins
- Segment margins can vary significantly

### Key competitors

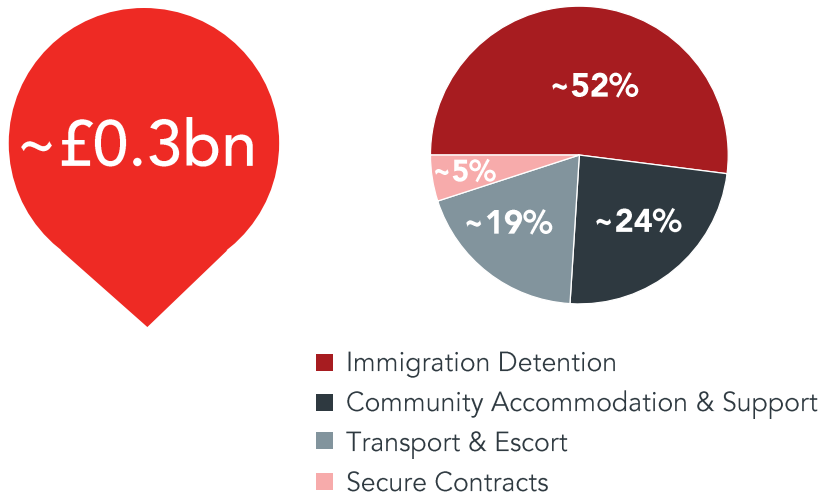
- **AsPac:** GEO Group, G4S, Broadspectrum, Sodexo
- **UK&E:** G4S, Sodexo, GEOAmey

\* Based on Serco's current and target segments only

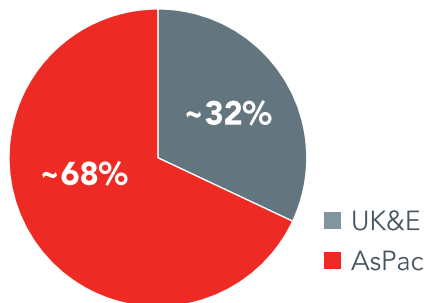


# Immigration sector today

## 2017F Revenue and mix



## Revenue by division



## Key observations on market potential\*



- Small market, majority in-house
- Lowest anticipated growth rate; decline expected in AsPac
- UK is largest outsourced market, then AsPac
- Significant synergies across regions, with ability to transfer best practice
- Niche market with limited players.
- Largest outsourced segments are estimated to be:
  - Immigration detention
  - Border protection
  - Case/visa management and application processing

## Margin

- Overall above Group average margin
- Margins can improve as cross-sector synergies and technological solutions improve operational efficiency
- Segment margins can vary significantly

## Key competitors

- **AsPac:** Broadspectrum, GEO Group, G4S
- **UK&E:** G4S, Mitie, GEOAmey

\* Based on Serco's current and target segments only



# Strategy for growth

## Ambition to 2022

**Justice:** “We help governments deliver a more effective justice system, at a lower cost, by championing service innovations, applying intelligent systems, employing the best people, and forming partnerships with voluntary organisations to produce the very best service offerings. We pursue a rehabilitative approach to justice, with a focus on education, other criminogenic needs, and the key outcome of reducing reoffending, helping to make offenders less likely to return to the criminal justice system, helping to rebuild lives, reduce demand on governments, and reduce the financial and wider costs of crime to citizens.”

**Immigration:** “We help governments meet the challenge of managing immigration by applying intelligence, strengthening border controls, sensitively managing people, working in close partnership with voluntary organisations to deliver housing and welfare support, and delivering efficiencies through the system that reduce cost and enable the swift repatriation or successful integration of migrants into society. Driven by a strong public sector ethos, all of our immigration specialists are trained in and committed to ensuring the wellbeing, safety, compassion, and respect for the people entrusted to our care.”

## Overarching global plan to 2022

- Justice and Immigration are high priority sectors in both AsPac and UK. We continue to keep a close watch on how these sectors develop in our other geographies.
- CoE structure lean and appropriate for required sharing of capabilities & expertise

### Justice

1. Shape new UK prison opportunities and refresh propositions across segments
2. Focus on busy ASPAC prison pipeline
3. Explore new geographies
4. Investment in R&D and focus on thought leadership, supported by Serco Institute

### Immigration

1. Secure AsPac on-shore extension
2. Successful re-bid of Compass contract at fair margin
3. Create leading propositions in new adjacencies
4. Depending on Europe activity, pursue geographic expansion as appropriate

## Justice & Immigration Divisions

### UK

#### Priority segments

- **Justice:** Full Prison Management, Transport & Escort, Rehabilitation and Probation
- **Immigration:** Secure Detention, Community Accommodation & Support

#### Priority actions to 2021

- **Justice:** Develop propositions for new prisons, next generation PECS / EM; investigate potential new markets/adjacencies; plan for Prison Horizontals; watching brief on Secure Youth Justice; continue MoJ engagement on innovation
- **Immigration:** Prioritise Secure Detention & Community Accommodation; semi-opportunistic approach to Border Protection; co-ordinated strategic marketing communications

### AsPac

#### Priority segments

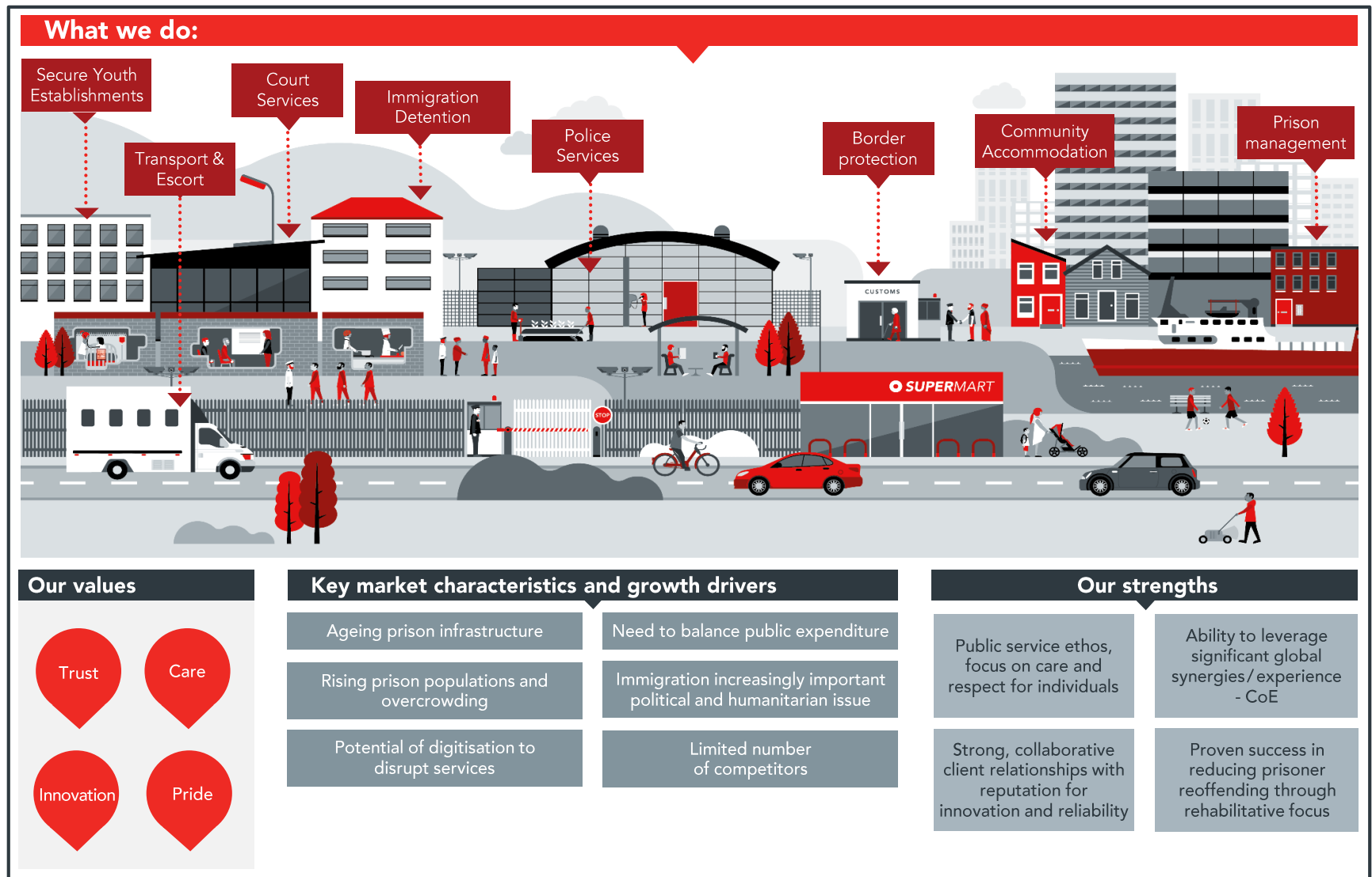
- **Justice:** Full Prison Management, Electronic Monitoring, Transport & Escort, Rehabilitation and Probation
- **Immigration:** Secure Detention, Visa Management & Processing, Transport & Escort

#### Priority actions to 2021

- **Justice:** Defend key rebids (SQCC); bid for Parklea & Arthur Gorrie Prisons; re-establish operational credibility; build strong foothold in NSW; develop community corrections offerings
- **Immigration:** Continue organic growth; strengthen operational rigour; diversify and build community support, status resolution capabilities; secure onshore extension



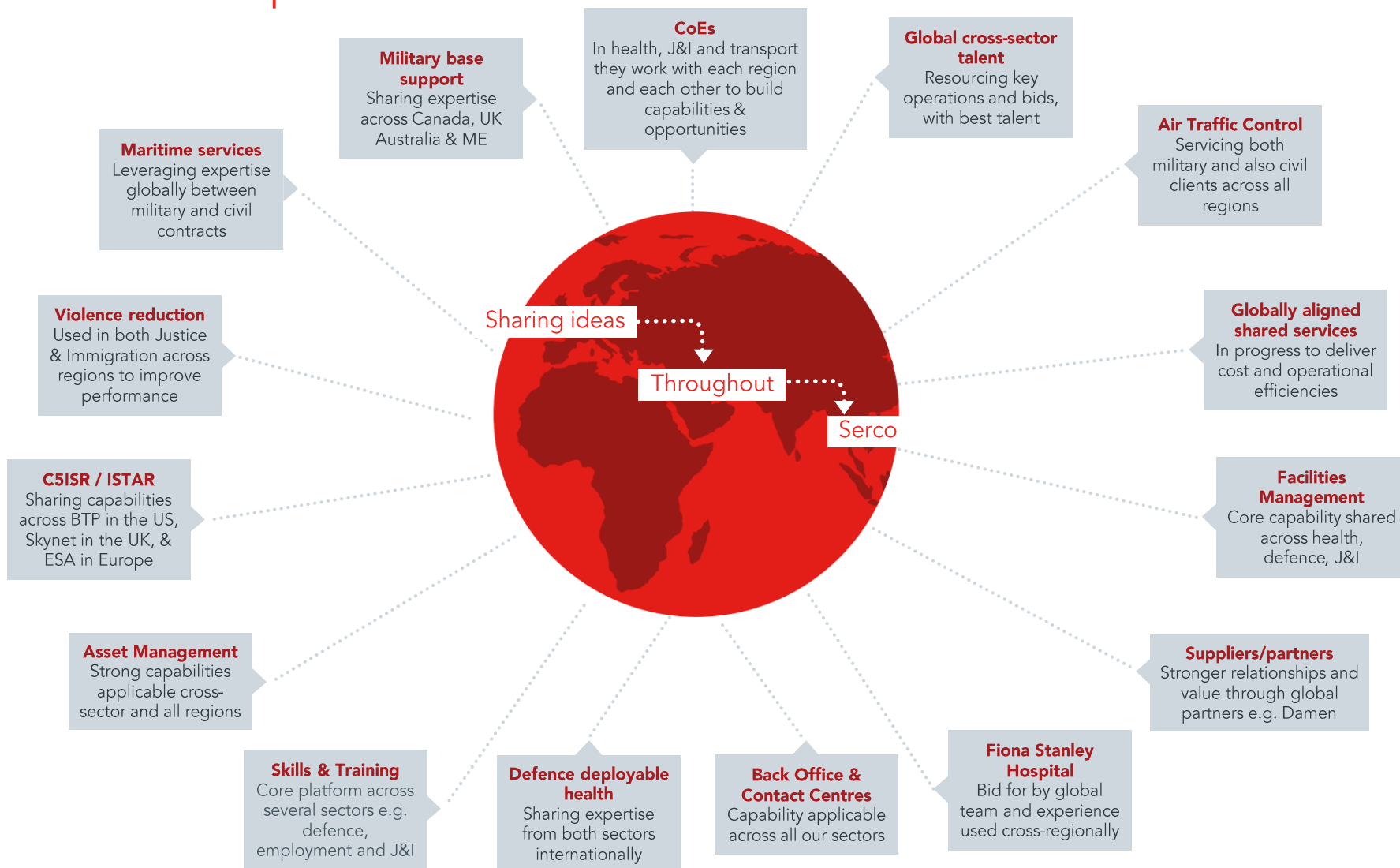
# Justice and Immigration: Serco's proposition





# Why operating cross-sector and internationally works

## Some examples...





# Agenda

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Now . . .	Introduction	Rupert Soames
	Transformation to Growth	Rupert Soames & Angus Cockburn
	Defence and Justice & Immigration overviews, and operating cross-sector and internationally	Kevin Craven & Mark Irwin
14:30	<i>Short break</i>	
	Split into two sector breakouts Justice & Immigration and Defence	
14:40	Session 1	
15:50	Session 2	
17:00	Return here for <b>Wrap-up and Q&amp;A</b>	Rupert Soames, Angus Cockburn, Mark Irwin, Kevin Craven & Dave Dacquino
17:40	<i>Drinks reception</i>	

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A detailed illustration of a city cross-section showing various urban elements. At the top, a red train travels on a track above a harbor. The harbor contains a large ship, a tugboat, and a sailboat. In the background, a city skyline with tall buildings is visible. On the left, an airport terminal with a control tower and a small airplane is shown. Below the harbor, a red fire truck is parked near a building. In the center, a metro station with a red train and a 'METRO' sign is depicted. To the left of the metro, a hospital with a red cross and an ambulance is shown. On the right, a 'SUPERMART' and a 'LEISURE CENTRE' are visible. The foreground shows a busy street with cars, a bus, a truck, and pedestrians. The entire scene is rendered in a clean, modern style with a limited color palette of red, white, and grey.



# Justice & Immigration Breakout Agenda

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## ~50 mins **PRESENTATIONS**

### Justice & Immigration: UK

Julia Rogers

COMPASS (Community Accommodation & Support Segment)  
contract case study

Alan Stannard

PECS (Transport & Escort segment) contract case study

Chris Hodgkinson

Lowdham Grange and Prison Management segment

Mark Hanson

### Justice and Immigration: AsPac

Heath Chapple

New Grafton Correctional Centre contract case study

Peter McIntosh

### Justice and Immigration: Centre of Excellence (CoE)

Adrian Sauter

### **Followed by . . . .**

~20 mins *Coffee break during which all sector presenters available for Q&A*

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# Justice & Immigration: UK

Julia Rogers, Managing Director

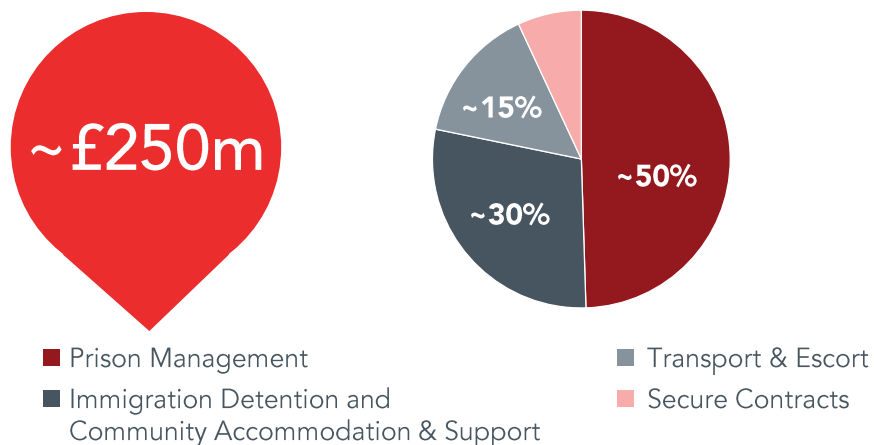
Serco Group plc  
13 December 2017





# Business Unit today

## 2017F Revenue and mix



## Key achievements

- Stable, successful business built on assurance, trust, customer engagement and service-user focus
- HMP Ashfield re-roll/profit turnaround – independent praise
- On the front foot with customer engagement of MoJ and HO Sales/Account Management
- Piloting: Offender Management model; drones; scanners; video-enabled justice
- Platforms developed for secure logistics, custodial, asylum services
- Building strong business development capability and long-term pipeline

## Margin







- Business Unit margin is above UK&E Divisional (adjusting for JVs) and Serco Group average
- Benefits from blended higher margin segments of Prison Management and Secure Contracts
- Lower margin segments include Immigration Detention
- OCP contracts represented ~£100m revenue and ~£20m OCP utilisation for 2017F

## Key facts

- 13 contracts across England, Scotland, NI
- Prison Management (6)
- Secure Contracts: Secure Police Services (4) and Border Security (1)
- Community Accommodation & Support (1)
- Transport & Escort (1)
- Immigration Detention (1)
- 4,600 employees operating across 60 courts, 150 police stations, 79 warehouses/workshops/ offices/ports and ~6,000 residential properties



# Major customers/contracts

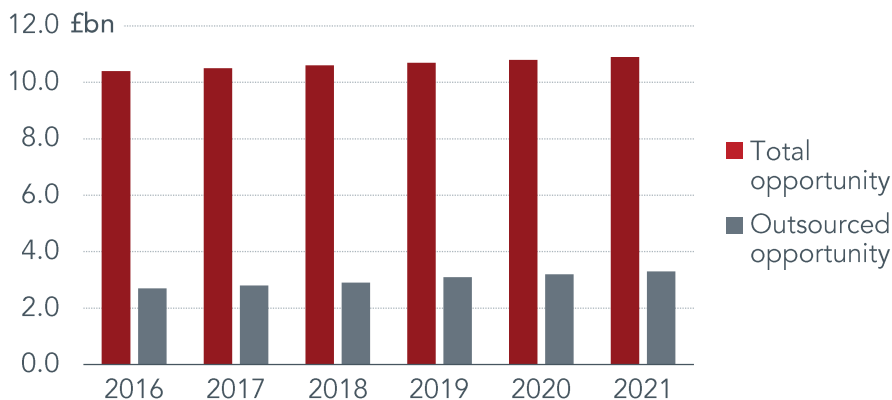
 <b>Ministry of JUSTICE</b>	 <b>Ministry of JUSTICE</b> 	 <b>Home Office</b>	 <b>Home Office</b>	 <b>Home Office</b>
<b>PECS</b>	<b>6x HMPs<sup>1</sup></b>	<b>COMPASS</b>	<b>Yarl's Wood IRC</b>	<b>Police Services and Border Security</b>
<b>Segment: Transport &amp; Escort</b>	<b>Segment: Prison Management</b>	<b>Segment: Community Accommodation &amp; Support</b>	<b>Segment: Immigration Detention</b>	<b>Segment: Secure Contracts</b>
<b>Key services</b> <ul style="list-style-type: none"> <li>• Prisoner transportation</li> <li>• Logistics</li> <li>• Fleet management</li> <li>• Prisoner welfare</li> <li>• Security</li> <li>• Court custody and dock management</li> </ul>	<b>Key services</b> <ul style="list-style-type: none"> <li>• Whole prison operation, including                             <ul style="list-style-type: none"> <li>– Security</li> <li>– Prisoner welfare</li> <li>– Facilities Management</li> <li>– Rehabilitation</li> <li>– Education</li> <li>– Work training</li> </ul> </li> </ul>	<b>Key services</b> <ul style="list-style-type: none"> <li>• Property management</li> <li>• Hard and Soft FM</li> <li>• Service User support and welfare</li> <li>• Transportation services</li> </ul>	<b>Key services</b> <ul style="list-style-type: none"> <li>• Immigration detention</li> <li>• Welfare</li> <li>• Security</li> <li>• Education</li> <li>• Hard and Soft FM</li> </ul>	<b>Key services</b> <ul style="list-style-type: none"> <li>• IT support and maintenance</li> <li>• Vehicle support</li> <li>• Storage and Logistics</li> <li>• Border detection systems</li> </ul>
% of Business Unit Revenue <b>~15%</b>	% of Business Unit Revenue <b>~50%</b>	% of Business Unit Revenue <b>~20-30%</b>	% of Business Unit Revenue <b>&lt;5%</b>	% of Business Unit Revenue <b>~5-10%</b>

<sup>1</sup> Ashfield, Doncaster, Dovegate, Kilmarnock, Lowdham Grange, Thameside



# Market: Justice & Immigration

## Estimated market size and growth\*



Source: Government data and internal estimates

## Key market trends

- Prison Reform; new prisons to house predicted population rise from 85k in 2016/17 to over 90k in 2021. Old prisons to remain in service, new youth detention facilities
- Potential local commissioning of probation, resettlement services, and women's detention
- Escorting volumes will decrease due to court rationalisation and increased use of video links/virtual docks
- Court Reform largely focused on digital justice
- Asylum numbers rising ~10% pa, increasing community-based services involving the voluntary sector, tagging to part-replace detention for Foreign National Offenders
- Protected budgets and resistant Police and Crime Commissioners continue to limit strategic partnering with police support services

## Key observations on market potential\*

**Justice:** outsourced market size ~£2.3bn, growing ~3% p.a., Outsourcing rate ~25%

**Immigration:** outsourced market size ~£450m, growing ~10% p.a.; Outsourcing rate ~50%

- Largest segment outsourced market: Probation ~£0.6bn pa by 2021, lower margin
- Second largest segment outsourced market: Prison Management ~£0.4bn pa by 2021, higher margin
- Third largest segment outsourced market: Community Accommodation & Support ~£0.3bn pa by 2021, lower margin

## Key competitors\*

- **Community Accommodation & Support:** G4S, Clearsprings
  - Serco market share: ~35%
- **Prison Management:** G4S, Sodexo, MTC, GEO
  - Serco market share: ~35%
- **Immigration Detention:** Mitie, GEO, G4S
  - Serco market share: ~20%
- **Transport & Escort:** GEOAmey, G4S, Mitie
  - Serco market share: ~20%

\* based on Serco's current and target segments only



# Strategy for growth

## BU ambition to 2022

*"To be recognised for delivering a more effective justice system, at lower cost, by championing service innovations, applying intelligent systems and forming partnerships to rehabilitate and reintegrate offenders, and deliver new models of justice for women and youth offenders. Leverage our proven OE in the immigration sector and expand our service capability to become the influential thought leader and operator in the market."*

- Assist governments to deliver policy with improved outcomes and reduced cost by:
  - Delivering prison and escort services with the safety of our staff, and the dignity, welfare and rehabilitation of offenders, as our priority
  - Providing appropriate care and accommodation for vulnerable people as required by the state
  - Leading engagement on shaping and designing next generation services for best outcomes.

## Priority BU actions

### Winning good business

1. Shape and develop innovative propositions for new prisons, PECS, EM
2. Prioritise Immigration Secure Detention and Community Accommodation
3. Develop meaningful regional partnerships

### Executing brilliantly

1. Embed Operational Excellence and Continuous Improvement
2. Quality assurance and resilience of contracts
3. Invest in productivity enhancements and technology-driven efficiencies

### A place people are proud to work

1. Up-skill contract director base
2. Develop SME and voluntary sector links
3. Roll out Professional Development Model for front-line staff
4. Strong focus on staff retention

### Profitable and sustainable

1. Resolution/mitigation of remaining OCPs
2. Use of technology
3. Shape sustainable outcomes for significant procurements
4. Strong governance around risk
5. Strong KPI performance

## Priority BU segments

- Full prison management
- Secure Escorting
- Rehabilitation and Probation
- Secure Youth Justice
- Electronic Monitoring in Justice and Immigration
- Immigration Detention
- Asylum Seeker Community Accommodation and Support
- Case/Visa Mgmt & Application Processing
- Secure Police Services
- Secure Border Services

## Priority segment specific actions to 2022

- Shape and develop propositions for 'New for Old' prisons, AASC, next generation PECS/EM
- Investigate potential new markets, customers, propositions and adjacencies
- Opportunistic approach to Prison Horizontals
- Retain watching brief on Secure Youth Justice
- Continue engagement on innovation with MoJ
- Conduct co-ordinated strategic marketing communications activity

## Top competitive strengths

- Prison operation experience in UK
- Proven ability to respond to challenging operational requirements
- Key account management
- Deep knowledge and MI in relation to justice escorting
- Ability to utilise international best practise
- Focused on Government as a customer
- Broad experience across sectors



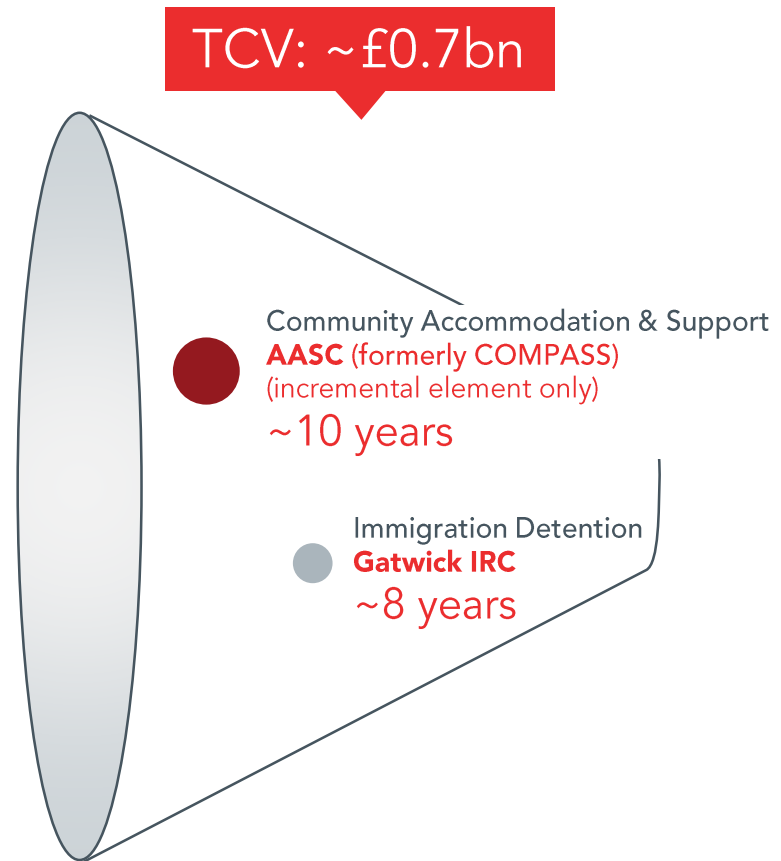
# Pipeline of new opportunities

## Pre Gate 2

- Electronic Monitoring  
~£0.2bn TCV
- Secure Contracts  
~£0.1bn TCV
- Immigration Detention  
~£0.1bn TCV
- Prison Management  
~£1.5bn TCV
- Community Rehabilitation  
~£1.3bn TCV

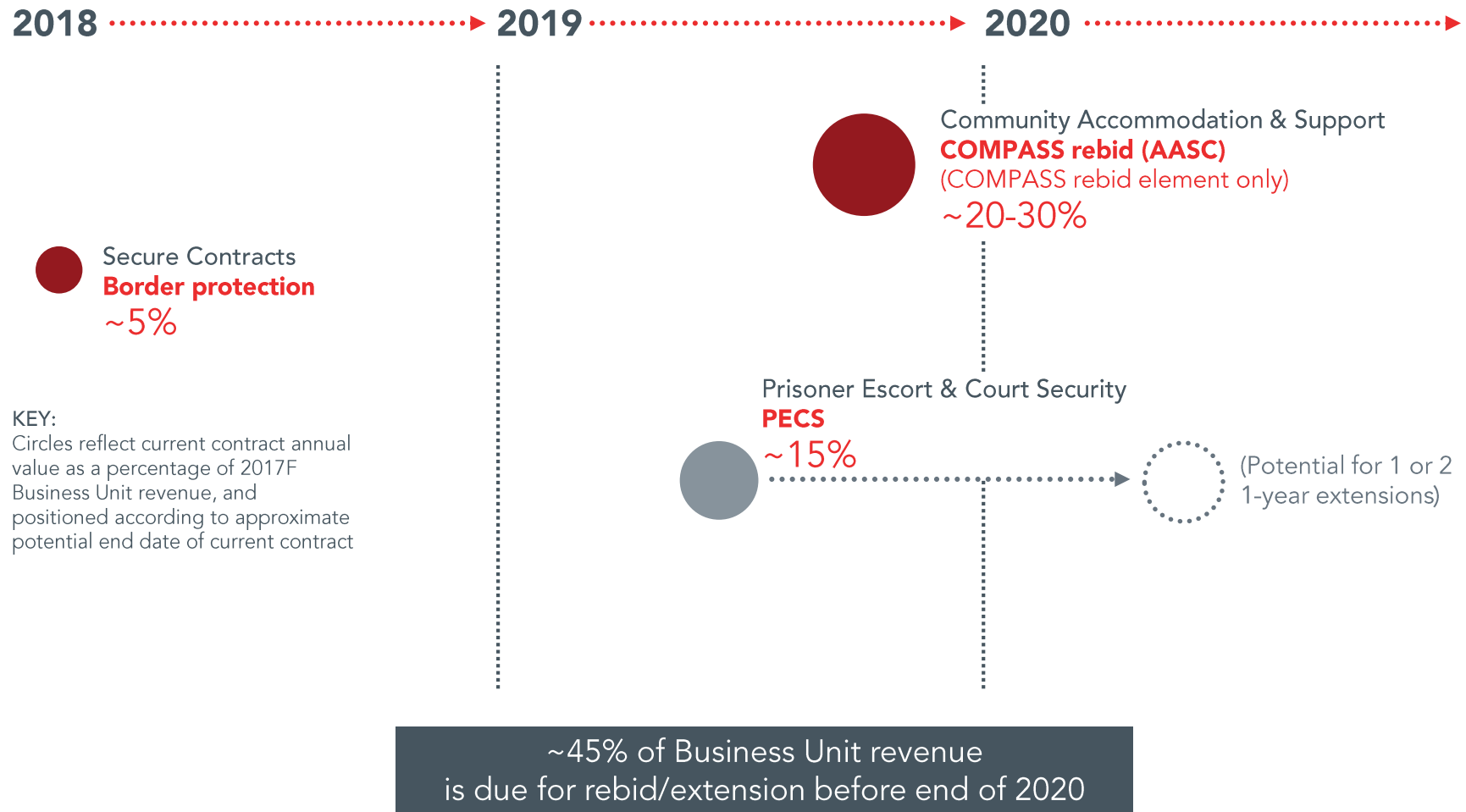
KEY:  
Circles reflect approximate TCV and  
therefore include an estimate for  
potential contract length

## Gate 2 onwards





# Rebids and extensions





# COMPASS Asylum Support Services

Alan Stannard,  
Business Operations Director, Secure Transport & Immigration

Serco Group plc  
13 December 2017





# Case Study

## COMPASS

### Segment: Community Accommodation & Support

**Customer**  
Home Office

**Services**

- Accommodation, property management, hard and soft FM
- Transportation services
- Support and welfare payments

**Start Date**  
June 2012

**Length**  
7 years (5 + 2 years)

**Employees**  
~420





# Improvements and innovation delivered

**~6,000**  
accommodation  
properties

**~16,000**  
in our care

**~12,000**  
maintenance faults  
repaired per month

**~650**  
transport journeys  
carried out each month

**~6,000**  
property standard  
inspections conducted  
each month

## Improvements

---

- More people housed in better accommodation to prescribed decent standards
- Increased the efficiency of the property portfolio
- Widening of dispersal areas in the North West from 12 LAs to 30 LAs
- Sustainable KPI performance
- Increased Serco self-delivery of maintenance from ~60% to ~80% through modelling

## Innovations

---

- Mobile Working – introduced live reporting and reduced inspection lead time from 1hr to 30mins
- Floor Plan Project – optimised use of portfolio
- Introduction of Intensive Support Workers
- Introduction of Service User feedback surveys
- Collaborative LEAN projects with the Home Office to improve process (case working and property acquisition)
- Use of Visual Management across the contract to constantly improve the way we work



# Prisoner Escort & Custody Services (PECS)

Chris Hodgkinson, Contract Operations Director

# Serco Group plc

13 December 2017





# Case Study

## PECS

### Segment: Transport & Escort

#### Customer

Ministry of Justice

#### Services

- Secure transport of prisoners to/from prisons, courts, police stations
- Logistics and fleet management
- Court custody and dock management
- Prisoner welfare

#### Start Date

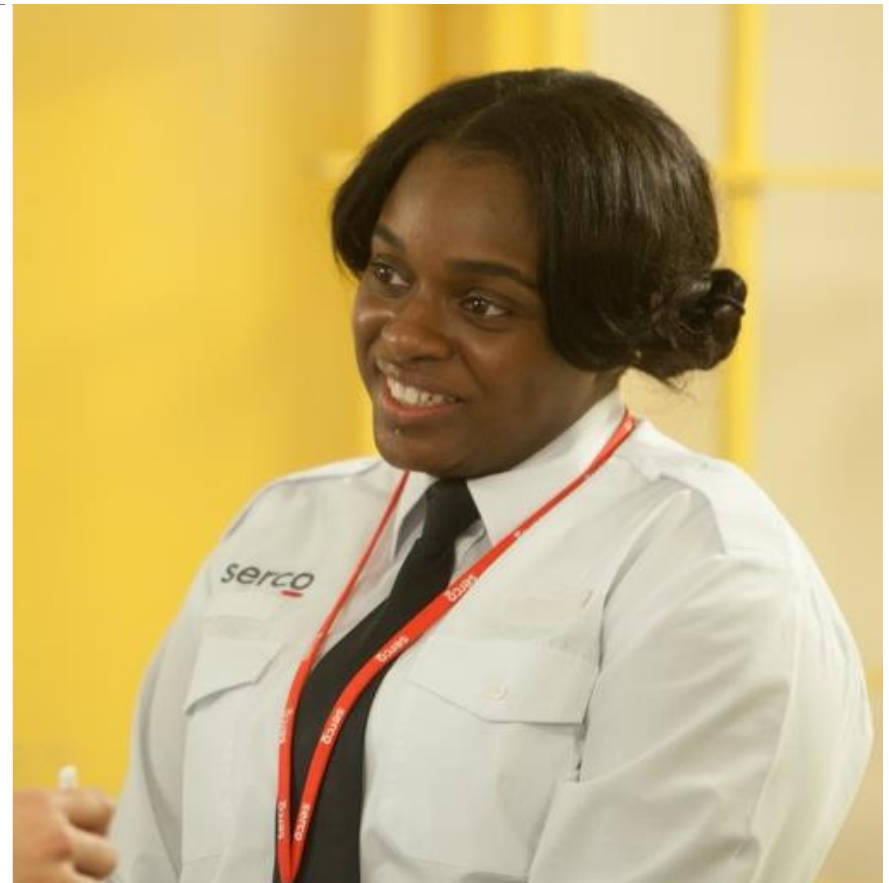
August 2011

#### Length

7 years (+ up to 3x 1-year extensions)

#### Employees

~1,200





# Improvements and innovation delivered

**180** vehicles and **8**  
vehicle bases covering:

**22** prisons  
**152** police stations  
**53** courts

**18,000**  
prisoners handled  
per month - on  
average ~12  
involve use of force  
= 0.07%

**210,000+**  
miles per month

## Improvements

- A range of improvements have been implemented since 2013 and have improved the OCP position, operational performance, prisoner care and staff engagement
  - Sustainable KPI performance
  - Improved vehicle utility
  - Optimised workforce management
  - Improved staff and custody safety
  - Improved data capture (mobile data capture technology project)
  - Cost control measures

## Innovations

- Implementation of operation-wide Mobile Data Capture devices has improved operational performance, data capture / integrity and contributed to improving prisoner care
- All enterprise systems have been re-platformed into the cloud to improve systems availability and data accessibility whilst still operating within a secure environment
- Staff equipped with 'body-cams'

Leveraging across the business: secure transport credentials; expertise in handling vulnerable people; operational control



# HMP Lowdham Grange

Mark Hanson, Contract Director

Serco Group plc  
13 December 2017





## Case Study

# HMP Lowdham Grange

### Segment: Prison Management

#### Customer

Ministry of Justice

#### Services

- ~900 capacity Category B adult male prison
- Whole prison operations, including security, prisoner welfare, facilities management, rehabilitation and education

#### Start Date

February 1998

#### Length

25 years





# Improvements and innovation delivered

## Serco's scale in Prison Management:

10 prisons  
operated on behalf of  
governments in England,  
Scotland, Australia and  
New Zealand

7,000  
staff

8,300  
prisoners in our care

8 million  
hours of prisoner  
employment,  
vocational training and  
education hours  
delivered in the last  
year globally

19,000  
culinarily diverse meals  
served every month

## Improvements

### Performance

- Good recent outcomes from HM Inspector of Prisons across Serco sites
- Consistently delivered well against the customer's Prison Rating System and KPIs
- Improving financial delivery over the contract life

### Reducing Reoffending

- Investing in initiatives that give increased personal autonomy to prisoners
- Expansion of Psychological Services to meet risk and needs of the increasingly complex and challenging prisoner population
- Improved outcomes in both Prison Education measures (Good OFSTED) and an award-winning Sport Training Academy

## Innovations

### Families

- Initiatives that offer opportunities for involvement and deliver increased family interaction and cohesion
- Delivery of 'Inside Media' initiatives - prison television channels, Storybook Dads, 3D animations for children and families

### Reducing Risk

- Real work opportunities for prisoners through commercial contracts
- Collaboration with 3<sup>rd</sup> Sector provider 'Remedi' to develop a new role to deliver a restorative approach to violence within prisons

### Safer Environments

- Development of an innovative IT based Prisoner Community Reward and Recognition scheme
- Implementation of a full body scanner (one of the first in the UK) that can detect illicit items being smuggled into the prison environment
- Deployed Custodial Staff to Turks & Caicos Islands following hurricane damage



# Applicability to the wider business

## Contracts in this segment in our Division:

- HMP Ashfield
- HMP Doncaster
- HMP Dovegate
- HMP Kilmarnock
- HMP Lowdham Grange
- HMP Thameside

## Upcoming market opportunities in this segment:

- 'New for Old' ('N4O') Prison Building programme – four currently planned
- First two (at Wellingborough and Glen Parva) expected to come to market in 2018
- Potential further opportunity of two more prisons expected in this programme
- Existing private sector operated prisons start coming back to market from 2021

## Leveraging our capabilities internationally & cross-sector:

- The UK business has continued to perform well within the custodial sector, leading innovation in technology deployment, digital infrastructure and a family centred approach
- Prison designs are built on best practice from across our international facilities
- Our expertise acquired over the last 20 years has enabled us to create specialist units that deal with the most complex and challenging individuals
- We mainly manage Category B prisons, performing higher (HMIP) than comparative establishments
- Serco FM structure supports business development across the Group

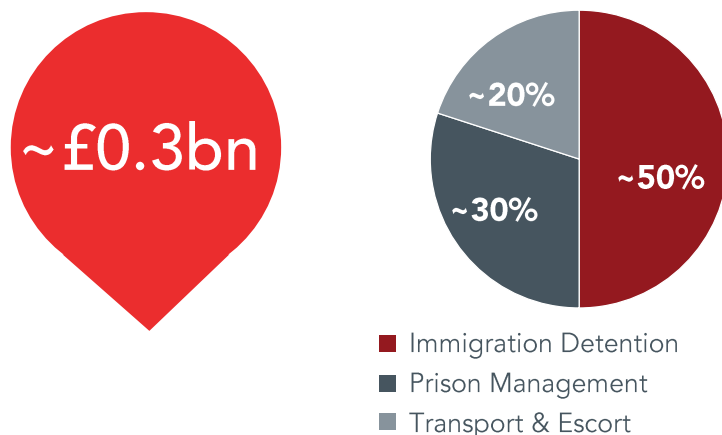


This illustration depicts a cross-section of a city, showcasing various infrastructure and services. The top layer features a red train, a control tower, and a city skyline. The middle layer shows a harbor with a large ship, a tugboat, and a smaller boat. The bottom layer depicts a busy street with a hospital, a metro station, a supermarket, and a leisure center. The illustration uses a color palette of red, white, and grey.



# Business Unit today

## 2017F Revenue and mix



## Key achievements

- Won New Grafton Correctional Centre (NGCC) 1,700 bed prison, opens June 2020, 20-year contract until 2040. TCV ~£1.5bn, ACV ~£75m
- Mobilisation of ASCF, 960 bed prison in New Zealand, contract 25 years until 2040
- Awarded 450 bed extension to Acacia Prison
- Contract extensions secured – Acacia, SQCC, Wandoo
- Excellent safety record – LTIs down ~70% over last 3 years
- Diversifying and establishing new innovative markets

## Margin

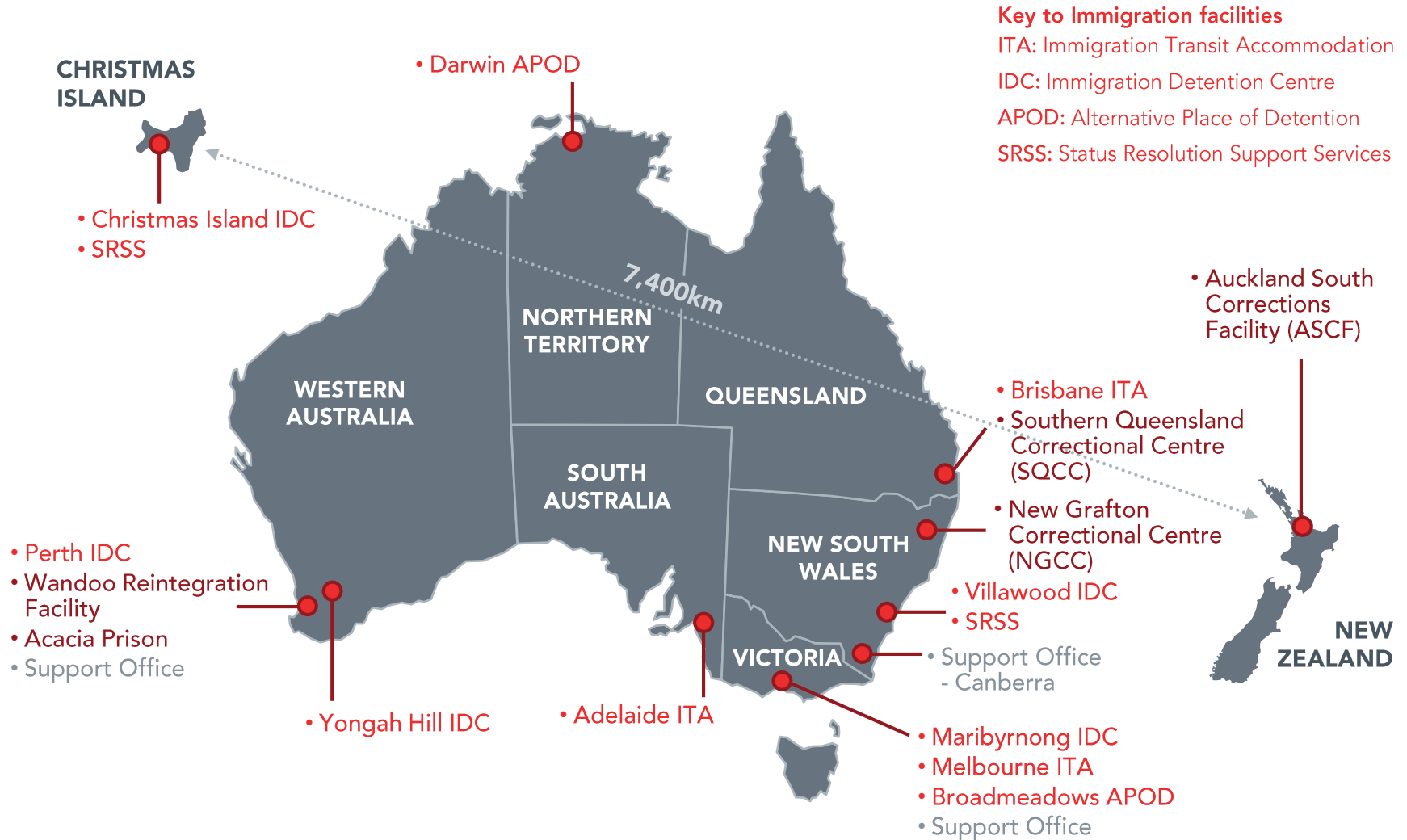
- Business Unit margin is above AsPac Divisional and Serco Group average
- Reflects nature of skills, capabilities and risks
- No OCP contracts; Mount Eden Prison exited in H1 2017
- Contract Compliance 99%+

## Key facts

- **Countries:** Australia & New Zealand
- **Operational Contracts:** 7
- **Physical Site Locations:** 15
- **Customers:** 5 (Federal & State)
- **Employees:** 3,300 (2,200 male / 1,100 female)
- **Service Lines:** 22 (integrated)
- **8,000 people in our care** 'every day 24/7'
- **Acacia:** Serco run the largest prison in Australia








# Geographical locations





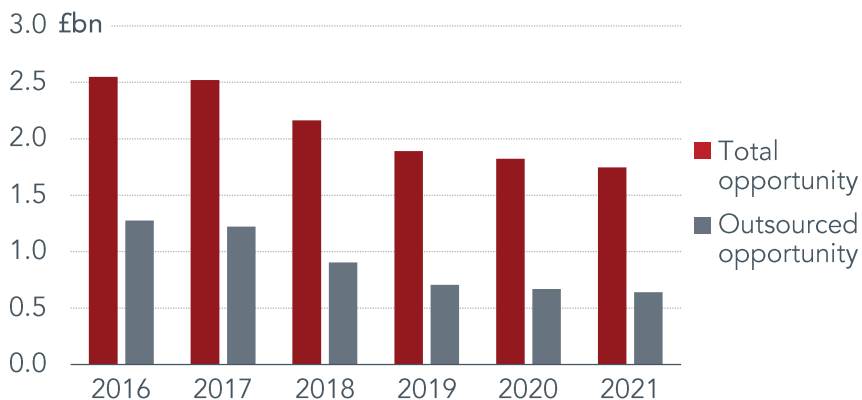
# Major customers/contracts

			 Department of Justice and Attorney-General Queensland Corrective Services	 Justice Corrective Services
Detention Facilities & Detainee Services	Acacia Prison	Auckland South Corrections Facility	Southern Queensland Correctional Centre	Grafton New Correctional Centre
Segment: Immigration Detention	Segment: Prison Management	Segment: Prison Management	Segment: Prison Management	Segment: Prison Management
<b>Key services</b> <ul style="list-style-type: none"> <li>• Security</li> <li>• Access control</li> <li>• Transport &amp; Escort</li> <li>• Welfare</li> <li>• Property</li> <li>• Hospitality</li> <li>• Facilities Mgt</li> </ul>	<b>Key services</b> <ul style="list-style-type: none"> <li>• Security</li> <li>• Industries</li> <li>• Healthcare</li> <li>• Education</li> <li>• Property</li> <li>• Catering</li> <li>• Rehabilitation</li> </ul>	<b>Key services</b> <ul style="list-style-type: none"> <li>• Security</li> <li>• Industries</li> <li>• Healthcare</li> <li>• Education</li> <li>• Facilities Mgt</li> <li>• Catering</li> <li>• Rehabilitation</li> </ul>	<b>Key services</b> <ul style="list-style-type: none"> <li>• Security</li> <li>• Industries</li> <li>• Healthcare</li> <li>• Education</li> <li>• Property</li> <li>• Catering</li> <li>• Rehabilitation</li> </ul>	<b>Key services</b> <ul style="list-style-type: none"> <li>• Security</li> <li>• Industries</li> <li>• Healthcare</li> <li>• Education</li> <li>• Facilities Mgt</li> <li>• Catering</li> <li>• Rehabilitation</li> </ul>
% of Business Unit Revenue ~65%	% of Business Unit Revenue ~15%	% of Business Unit Revenue ~5%	% of Business Unit Revenue ~5%	% of Business Unit Revenue n/a (pro forma ~20%)



# Market: Immigration

## Estimated market size and growth \*



Source: Immigration & Border Protection Portfolio Budget Statements 2017/18

## Key market trends

### Immigration

- Continued tightening of Immigration Policy and spend
- Reduced numbers of people in detention from a high of >10,000 (2013) to ~1,200 currently and with stated intention of reaching 1,000
- Significant change in cohorts with fewer asylum seekers (IMAs) and more compliance. With the success of operation 'Sovereign Borders', ABF resources have re-focused to visa over-stays and foreign nationals who have committed crimes in Australia
- Opportunities emerging for diversification in visa support services, case management, community integration

## Key observations on market potential\*

- Outsourced market size ~£1.2bn, forecast to decline given continued tightening of Immigration Policy and spend
- Outsourcing rate ~40%
- Largest segment outsourced market: Immigration Secure Detention ~£0.6bn by 2021
- Second largest: Border Enforcement & Protection ~£0.5bn by 2021; currently largely in-house with scope for outsourcing
- Third largest: Case/Visa Management and Application Processing ~£0.3bn by 2021; currently largely in-house with scope for outsourcing

## Key competitors\*

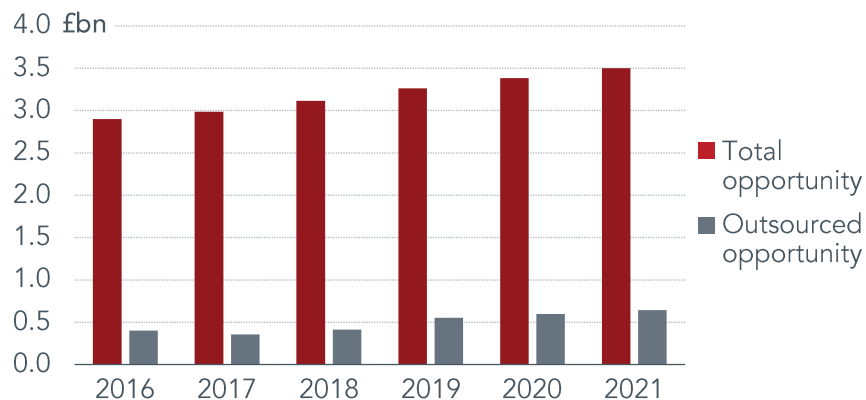
- **Immigration Detention:**
  - Serco market share onshore: 100%
  - Broadspectrum (Ferrovia) now exited offshore
- **Border Enforcement & Protection:**
  - Serco market share: ~0% (currently in-house)
- **Case/Visa Management & Application Processing:**
  - Serco market share: 0%
  - Bupa Health Care market share: 100%

\* based on Serco's current and target segments only



# Market: Justice

## Estimated market size and growth\*



Source: Internal Research

## Key market trends

### Justice

- Growing Prison Management segment driven by increasing prisoner population, severe overcrowding and aging infrastructure
- Large 'yet to be outsourced' market worth over ~£2.6bn p.a.
- Several new build prison projects in longer term pipeline
- Election cycles and change in governments resulting in volatility in contestability policy and timing of tenders
- Changing prisoner cohorts resulting in greater need for segregation, flexible prisoner management solutions (remand/sentenced, maximum/minimum security)
- Emerging smart technologies to address security needs

## Key observations on market potential\*

- Outsourced market size ~£0.4bn, expected to grow at ~10% p.a.
- Outsourcing rate ~10-15%; expected to increase to ~15-20% by 2021
- Largest segment outsourced market: Prison Management with 13 out of 121 facilities (across Australia and New Zealand) outsourced (23% of beds) ~£0.4bn by 2021; contract financials vary by prison type, inmate cohort and outsourcing model
- Second largest: Transport & Escort ~£0.1bn by 2021; 3 contracts outsourced; volume driven
- Third largest: Rehabilitation & Probation ~£0.1bn by 2021; currently dominated by not-for-profits

## Key competitors\*

- **Prison Management:** GEO (5 facilities), G4S (2), Sodexo (1)
  - Serco market share: ~38% (5) of outsourced prison contracts in ANZ; ~40% of outsourced prisoner beds (including Grafton NGCC)\*\*
- **Transport & Escort:** Broadpectrum (1), G4S (2)
  - Serco market share: ~0% (post loss of WACSCS)
- **Rehabilitation & Probation:** Several not-for-profits
  - Serco market share: ~Not applicable

\* based on Serco's current and target segments

\*\* Serco market share defined as number of prisoner beds under Serco's management as a proportion of total outsourced beds in 2017



# Strategy for growth

## BU ambition to 2022

*"Our ambition is to be the leading provider of secure detention services across Justice and Immigration in AsPac by being the best managed business with an operating model and philosophy of treating people in our care with dignity and respect. We will leverage our proven operational excellence and our rehabilitation and recidivism achievements to strengthen, expand and diversify our service capability and become a transformative thought leader in our sector to drive further growth."*

## Priority BU actions

Winning good business	Executing brilliantly	A place people are proud to work	Profitable and sustainable
<ol style="list-style-type: none"> <li>1. Focused investment in Business Development and account management capability</li> <li>2. Development of partnerships</li> <li>3. Organic growth from existing customers</li> </ol>	<ol style="list-style-type: none"> <li>1. Embed Operational Excellence and Continuous Improvement</li> <li>2. Quality assurance and resilience of contracts</li> <li>3. Invest in productivity enhancements</li> </ol>	<ol style="list-style-type: none"> <li>1. Up-skill contract director base</li> <li>2. Develop SME and voluntary sector links</li> <li>3. Roll out Professional Development Model for front-line staff</li> <li>4. Strong focus on staff retention</li> </ol>	<ol style="list-style-type: none"> <li>1. Use of technology</li> <li>2. Shape sustainable outcomes for significant procurements</li> <li>3. Strong governance around risk</li> <li>4. Strong KPI performance</li> </ol>

## Priority BU segments

- Immigration Detention
- Prison Management
- Transport & Escort
- Case/Visa Management & Application Processing
- Electronic Monitoring
- Rehabilitation & Probation

## Priority segment specific actions to 2022

- Contract retention
- Portfolio diversification
- Secure upcoming opportunities in chosen segments
- Monitor and demonstrate flexibility to legislation and government changes
- Develop innovative, cost effective solutions to ongoing customer challenges within the segments

## Top competitive strengths

- Market share and capability
- Proven results in performance
- Relationships, credibility and reliability
- Operational systems and innovation
- Flexible commercial approach
- Relationships with the 3rd sector

Sustain  
margins

Diversify  
portfolio

Create  
capability

Innovative  
solutions

Organic  
growth

Manage policy  
& legislation



# Pipeline of new opportunities

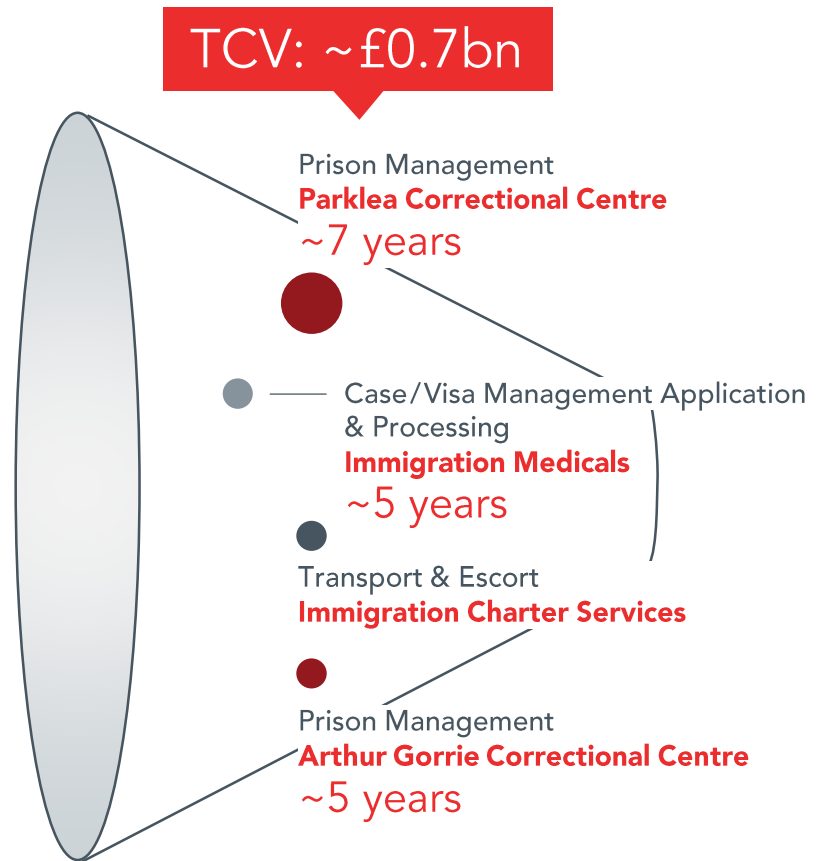
## Pre Gate 2



KEY:

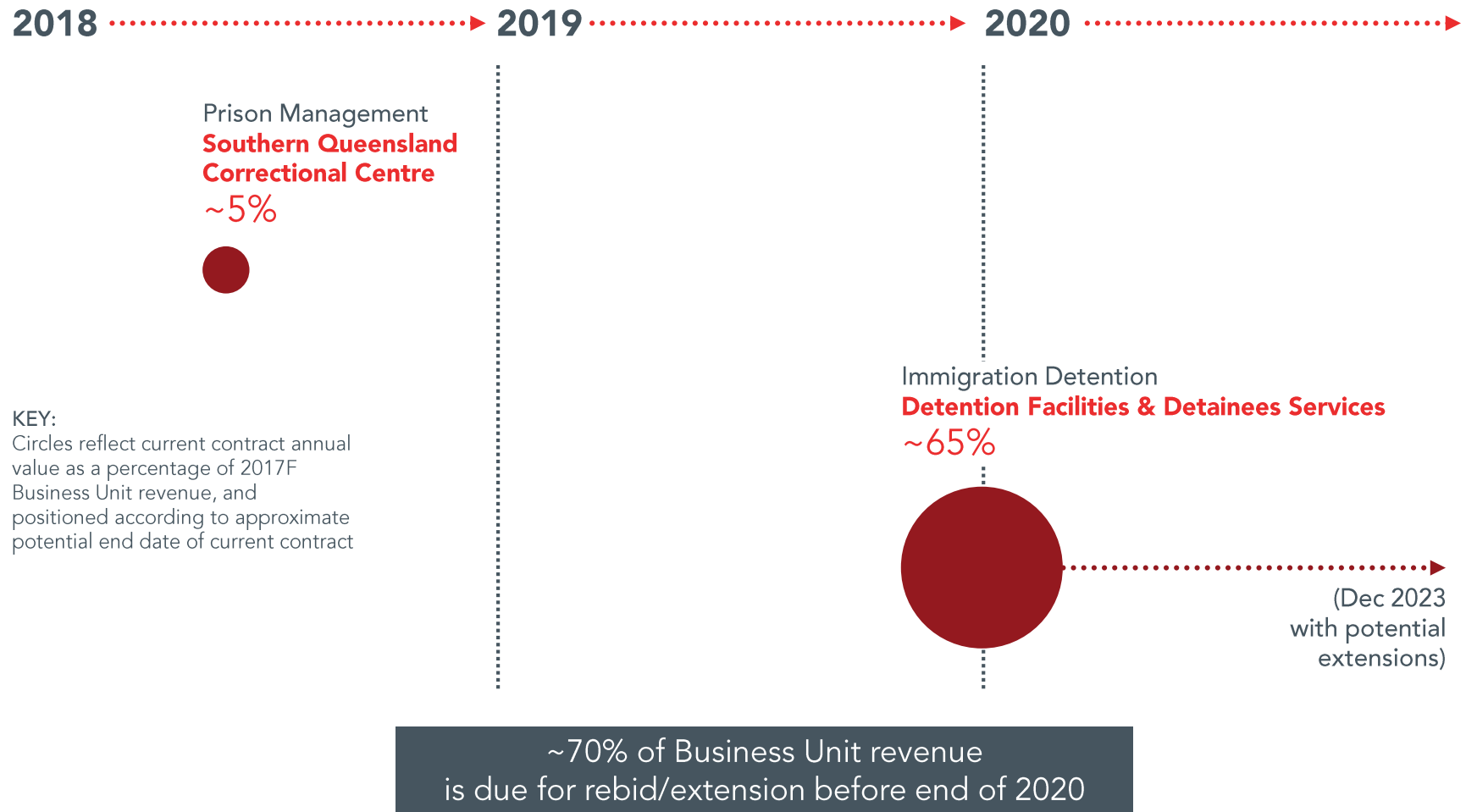
Circles reflect approximate TCV and therefore include an estimate for potential contract length

## Gate 2 onwards





# Rebids and extensions





## Case Study

# Detention Facilities & Detainee Services

### Key Services

- Security
- Access control
- Transport & Escort
- Welfare
- Property
- Hospitality
- Facilities Management
- Catering
- Education
- Domestic Services



### Customer

Dept of Immigration  
& Border Protection  
(DIBP)

### Sector

Immigration

### Segment

Immigration  
Detention

### Start Date

2014 (2<sup>nd</sup> generation)

### Length

5 years +2 +2

### Facilities

10

### Employees

~2,250

- Change in cohort in our care
- Operation 'Sovereign Borders' success and related facility closures
- Customer budget challenges
- Volatility in numbers of PID
- Serco's unique capability, particularly in regard to constant evolution and diversification of contract
- Strong contract KPI performance
- Technology and innovations focus
- Serco care model - dignity and respect

**1,250**  
in secure onshore detention

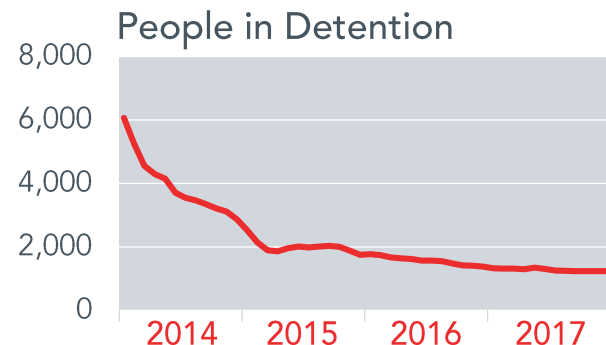
**16,000**  
IMA BV / TPV community

**3,000**  
foreign nationals imprisoned

**14,000**  
Indonesia 'waiting'

**60,000**  
illegal visa overstays

**1,200**  
in offshore detention





# New Grafton Correctional Centre

Peter McIntosh, Transition Director

Serco Group plc

13 December 2017





## Case Study

# New Grafton Correctional Centre (NGCC)

### Segment: Prison Management

#### Customer

NSW Government

#### Services

- Operate and Maintain 1,700 bed correctional facility
- Key services: Security, Education, Healthcare, Welfare, Rehabilitation and Reintegration, Catering and FM

#### Start Date

July 2020

#### Length

20 years to June 2040

#### TCV

~£1.5bn

#### Employees

~550



**Public Private Partnership (PPP)**

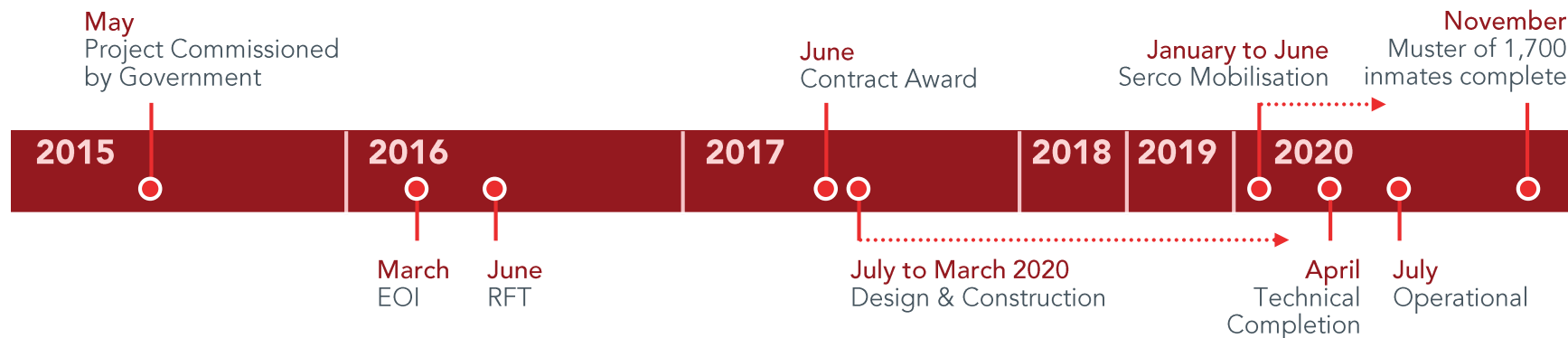
**Consortium:** [northernpathways.com.au](http://northernpathways.com.au)





# Contract overview

## Timeline



## Key facts

- Largest prison in Australia
- Operator-led design
- First adult prison with separate cohort – 1,000 males (high security), 300 females (high) and 400 males (low)
- Sentenced/Remand 80/20
- 1,100 jobs during construction period
- £370m injected into local community during construction phase
- ~550 Serco employees post go-live

## Innovation and technology

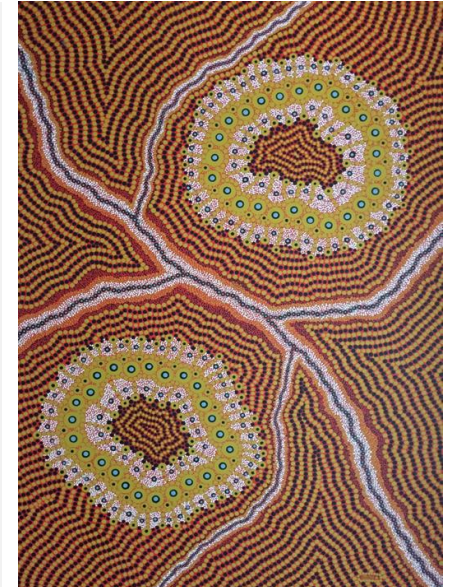
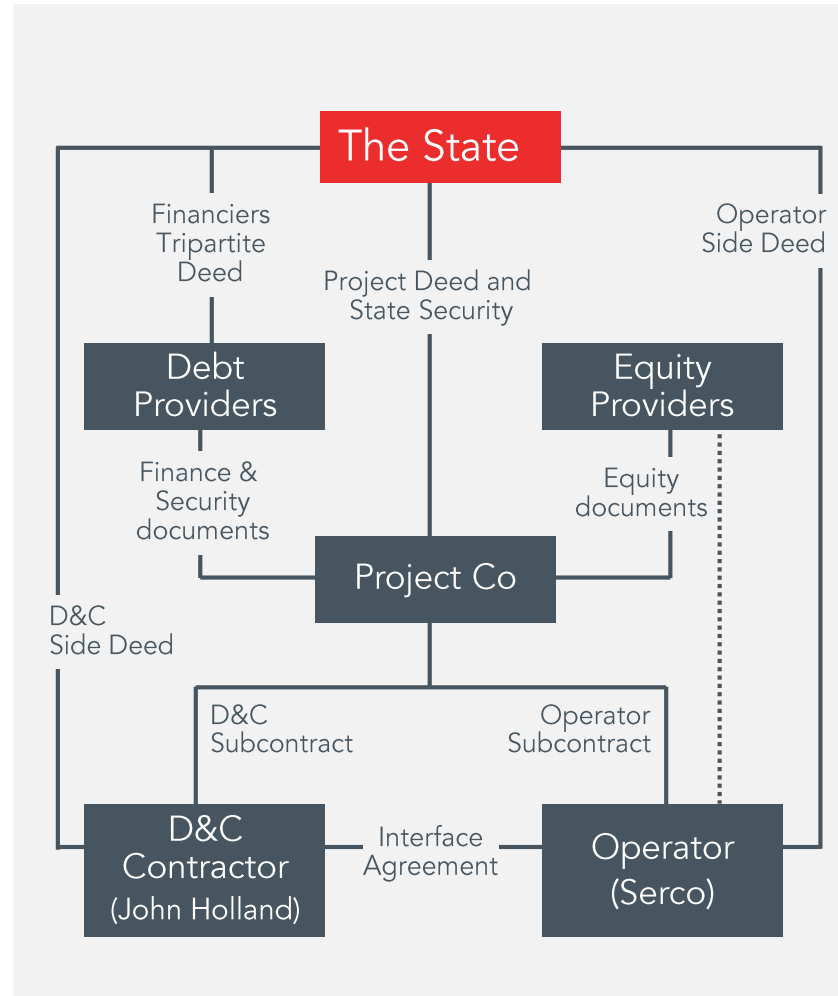
- Rehabilitation and reintegration model: recidivism focus
- Inmate hand-held 'smart' tablet devices
- Automated medication packaging and dispensing system
- Advanced Security Management Systems (SMS)
- Drone technology and anti drone detection systems
- Regional 'Hub' operating model for correctional network
- Self-catering to support our responsible prisoner model

## Performance measures

- Charge Events for serious breach (4)
- Key Performance Indicators embedded in performance management framework (20)
- Incentive performance payments based on recidivism and re-incarceration rate
- Alignment with 'Better Prisons Program'
- Aboriginal community and education programmes; Aboriginal employment target



# Contractual matrix



Aboriginal painting by Anthony Flanders depicting connection to the land at Grafton

*"A sense of belonging will soften the angry heart - a belonging to the earth"*



# Video





# Justice & Immigration: Centre of Excellence (CoE)

Adrian Sauter, CoE Director, Justice & Immigration

Serco Group plc  
13 December 2017



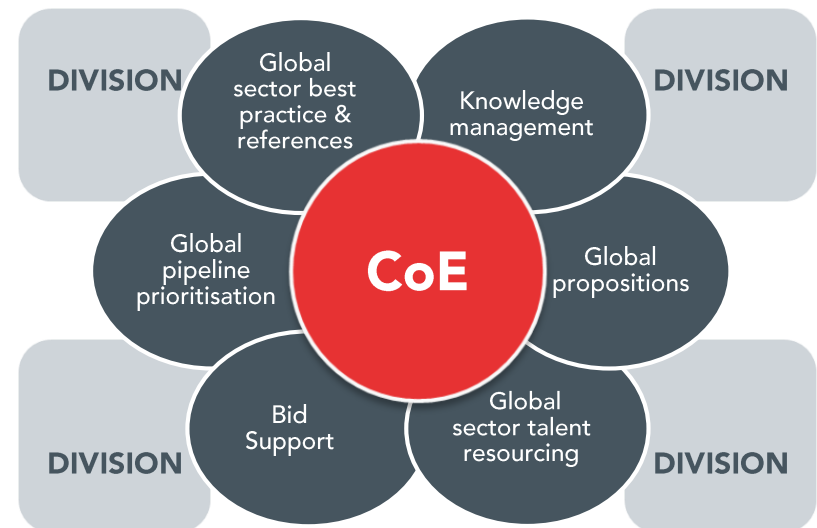


# Centres of Excellence (CoEs): reminder of the strategic rationale

**Three sector CoEs (Health, Transport, and Justice & Immigration) were set up in November 2015 to:**

*“Drive a common, consistent, efficient, effective and successful approach to how Serco bids, wins, funds, resources, delivers and operates; to deliver global sector competitive advantage resulting in above average growth and profitability.”*

- Since their inception they have achieved a great deal, with limited resources, and in the challenging environment of an organisation previously dominated by strong Divisions with little other cross-regional integration
- Each CoE has been set up in a slightly different way, focusing on similar activities, but each with different priorities to reflect the varying needs in our regional sectors:
  - Transport has primarily acted as a BD team in light of leaner BD resource in Australia, the US and UK
  - J&I has focused primarily on collateral, knowledge management and thought leadership given our presence in only 2 regions and very strong local teams
  - Health has focused on new proposition, pipeline development and supporting BD in 3 regions





# J&I CoE key achievements to date

Area	Key achievements
<b>Proposition Development</b>	<ul style="list-style-type: none"> <li>• Identification of new adjacent service lines for development to grow pipelines (Police Custody Management, Prison Horizontals, Female Prison Management, Probation and Rehabilitation)</li> <li>• Identification of proposition development targets within the Custodial portfolio</li> <li>• Thought Leadership campaigns: eg Prison innovation workshop with world-renowned criminologists</li> </ul>
<b>Bidding</b>	<ul style="list-style-type: none"> <li>• Participation in governance reviews (eg 'Red', 'Green', 'Black Hat' Investment Committee Meetings) and cost reviews</li> <li>• Coordination of teams and collateral used on bids in the UK and AsPac</li> <li>• Lessons Learned captured and shared on Knowledge Library</li> </ul>
<b>Sales and Customer Support</b>	<ul style="list-style-type: none"> <li>• Attendance and support at sector conferences and events, eg J&amp;I CoE sponsored the International Corrections &amp; Prisons Association (ICPA) conference in London</li> <li>• Business Development support (client meetings for particular opportunities and market shaping)</li> <li>• Supported Divisions to market shape and in attending meetings with new clients/geographies</li> </ul>
<b>Strategy</b>	<ul style="list-style-type: none"> <li>• Sector markets, segments, sub-segments and service lines defined</li> <li>• Support with sector strategy reviews</li> <li>• Sector pipeline analysis</li> <li>• New market/acquisition research and support undertaken for Divisions</li> <li>• Sector technology roadmaps initiated</li> </ul>
<b>Knowledge Management</b>	<ul style="list-style-type: none"> <li>• Knowledge Library established with Case Studies, Value Propositions, and Lessons Learned; hundreds of documents now available globally</li> <li>• Sector taxonomies defined consistently across the Group</li> <li>• Forums introduced to discuss and share best practice and innovation</li> <li>• Twice-yearly internal CoE conference established to support ideas, innovation and best practice sharing</li> </ul>



# The focus over the next 18 months

## Remit increasingly focussed on strategic growth agenda...

### 1) Growing our pipeline:

- Leading the exploration of new adjacencies and geographies
- Raising J&I presence in the market and with governments through international thought leadership
- Maintaining global view & driving J&I pipeline across all our geographies

### 2) Growing our win and retention rates:

- Building our competitive advantage and innovation through heightened product development work
- Utilising international best practice to develop further deep method statements & cost models to ensure most efficient bidding
- Driving towards a harmonised IT roadmap and supporting the IT transformation programme
- Deploying external insight on digital data to further reduce cost and increase value to the customer
- Contributing to our largest bids



# Potential growth by products/services and geographies

	Existing Products/Services	New Products/Services
Existing Geographies	<ul style="list-style-type: none"><li>Full Prison Management</li><li>Prison Horizontals</li><li>Escorting Services</li><li>Immigration Detention</li><li>Immigration Accommodation</li></ul>	<ul style="list-style-type: none"><li>Electronic Monitoring (market re-entry)</li><li>Female Prisons</li><li>Youth Custody</li><li>Police Custody</li><li>Police Logistics</li><li>Border Logistics</li><li>Community Rehabilitation</li></ul>
New Geographies under consideration	<ul style="list-style-type: none"><li>Canada</li><li>Selected European Countries</li></ul>	



# Justice & Immigration Breakout Agenda

---

## ~50 mins **PRESENTATIONS**

### Justice & Immigration: UK

Julia Rogers

COMPASS (Community Accommodation & Support Segment)  
contract case study

Alan Stannard

PECS (Transport & Escort segment) contract case study

Chris Hodgkinson

Lowdham Grange and Prison Management segment

Mark Hanson

### Justice and Immigration: AsPac

Heath Chapple

New Grafton Correctional Centre contract case study

Peter McIntosh

### Justice and Immigration: Centre of Excellence (CoE)

Adrian Sauter

### **Followed by . . . .**

~20 mins *Coffee break during which all sector presenters available for Q&A*

---



This illustration depicts a cross-section of a city with various urban elements. At the top, a red train runs horizontally across the scene. Below the train, there are several buildings and structures, including a hospital with a red cross, a school with a red roof, a shopping center with a red sign, and a large industrial building with a red roof. A red train is also shown running through the center of the city. The bottom of the illustration shows a road with cars, a bus, and a truck. The overall color scheme is dominated by red and grey, with white and blue accents.



# Defence Breakout Agenda

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~50 mins

## PRESENTATIONS

### Defence: Americas

Dave Dacquino

Ship & Shore/Base Modernisation segment and case studies

Kent Brown

Goose Bay (Base Operations segment) contract case study and Canada

Andrew Shnuriwsky

### Defence: UK

Paul McCarter

FPMS (Total Maritime Support Services segment) contract case study

Rob Hales

### Defence: AsPac

Mark Irwin

~20 mins

## Followed by . . .

*Coffee break during which all sector presenters available for Q&A*

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# Defence: Americas

Dave Dacquino, Divisional CEO, Serco Americas

Serco Group plc

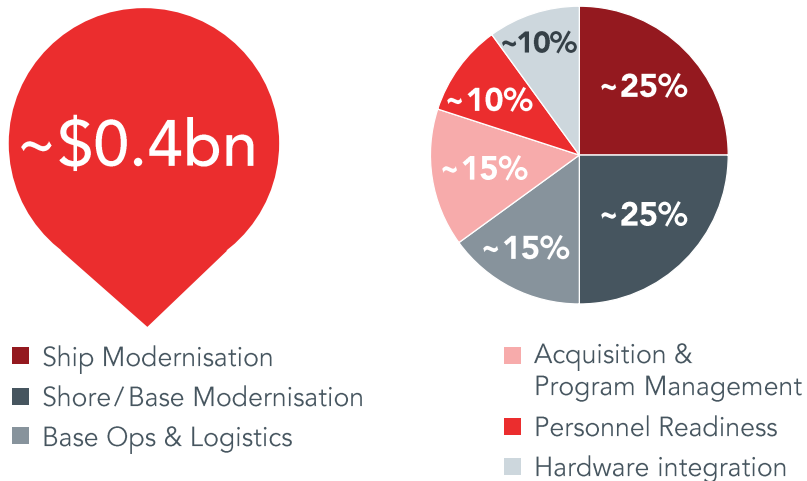
13 December 2017





# Business sector today

## 2017F Revenue and mix



## Key achievements

- Good year for new business awards, including US Army Installation Command \$140m/10yrs
- Strong pipeline of qualified opportunities for future growth
- New acquisition supporting ship and shore/base modernisation segments to strengthen capabilities
- New program management and supply chain capabilities
- Key relationships/teaming agreements with various large primes
- Highly engaged workforce (2017 Engagement Score ~75%) across entire sector

## Margin






- Sector margin is above Americas Divisional and Serco Group average
- Reflects nature of skills, capabilities, clearances and risks
- Ship & Shore Modernisation are higher margin segments
- Logistics and Personnel Readiness are lower margin segments
- No OCP contracts

## Key facts

- ~2,050 employees with majority of the workforce possessing government security clearances and mission critical training/certifications
- Operations in 10+ countries and 20 US states
- 100+ contracts



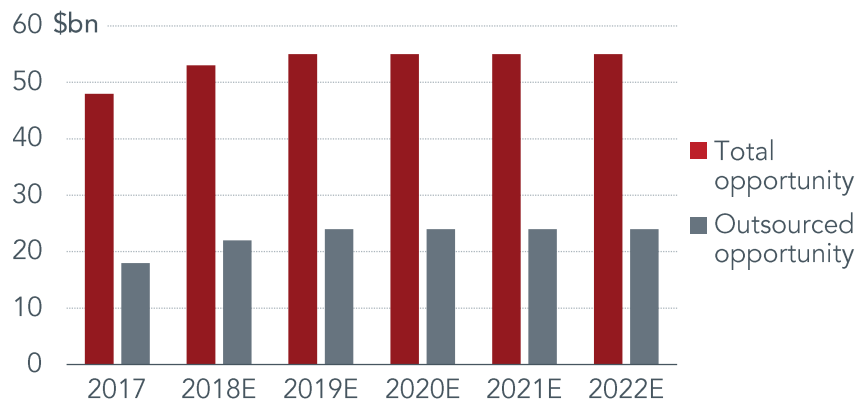
# Major customers/contracts (excluding Ship & Shore/Base Modernisation)

				
US Navy NESS III, ADNS, CANES	US Army ARDEC Omnibus	US Airforce AFSC A4	Defense Logistics Agency Chemical Management Services	US Navy Common Access Card
Segment: <b>Hardware Integration</b>	Segment: <b>Acquisition &amp; Program Management</b>	Segment: <b>Acquisition &amp; Program Management</b>	Segment: <b>Logistics</b>	Segment: <b>Personnel Readiness</b>
<b>Key services</b> <ul style="list-style-type: none"> <li>Provides lifecycle sustainment, installation, integration, testing and procurement support for AT/FP systems</li> <li>Software Integration</li> <li>Rack Assembly</li> <li>Supply Chain Management</li> </ul>	<b>Key services</b> <ul style="list-style-type: none"> <li>Lifecycle acquisition, software engineering, maintenance and technology services</li> <li>Assurance services</li> <li>Fielding/sustainment support</li> </ul>	<b>Key services</b> <ul style="list-style-type: none"> <li>Analytical, planning, and technical support for Depot Maintenance oversight programs</li> <li>Planning and Policy Development</li> <li>Strategic Planning</li> <li>Management analysis and program assessment</li> <li>Future workforce development and training requirements</li> </ul>	<b>Key services</b> <ul style="list-style-type: none"> <li>Planning and Forecasting</li> <li>Data Management</li> <li>Inventory Management</li> <li>Third Party Logistics (3PL) for hazardous materials (e.g. paint, oil)</li> </ul>	<b>Key services</b> <ul style="list-style-type: none"> <li>Provides Identification Card Administration (ICA) at 67 military sites around the world</li> <li>Access Management</li> <li>Verification</li> </ul>
% of Sector Revenue <b>~15%</b>	% of Sector Revenue <b>&lt;5%</b>	% of Sector Revenue <b>&lt;5%</b>	% of Sector Revenue <b>~5% (pro forma)</b>	% of Sector Revenue <b>&lt;5%</b>



# Market: Defence US and Canada

## Estimated market size and growth\*



Source: Bloomberg Government and internal estimates

## Key market trends

- Government buying behaviour is shifting from Single Award contracts to Multiple Award contract agreements
- The US Federal Government has reduced budget for purchasing new ships, therefore opting instead to maintain/upgrade existing fleet
- Concerns continue as advances and modernising of weapon and nuclear programs are happening across Asia-Pacific area; this in turn is driving increased modernisation of warships and shore/base infrastructure

## Key observations on market potential\*

- Proposed FY18 budget increases US defence spending by ~\$52bn (~+10%)
- Budget includes \$9.7bn in ship depot maintenance (\$1bn increase)
- Canada Defense Policy published in 2017 indicates increase in defence budget by ~70% in next 10 years

## Key competitors\*

- **Ship and Shore Modernisation:** MC Dean, VT Milcom, AMSEC, GDIT, SAIC
  - Serco market share: ~3%
- **Base Ops/FM/Logistics:** Fluor, Vectrus, DynCorp, KBR, AECOM, Interserve
  - Serco market share: <1% (US)
  - Serco market share: ~35% (Canada)
- **Personnel Readiness:** BAH, GD, SAIC, Accenture, CACI
  - Serco market share: <1%
- **Hardware Integration:** DRS, SAIC, GDIT
  - Serco market share: ~7%
- **APM:** BAH, CACI, Deloitte, CSRA
  - Serco market share: <1%

\* based on Serco's current and target segments only



# Strategy for growth

## BU ambition to 2022

*“Be a recognised provider of world-class Defence services and solutions that enhance mission critical capabilities, improve lifecycle sustainment and promote organisational effectiveness for our clients in various government agencies.”*

## Priority BU actions

Winning good business	Executing brilliantly	A place people are proud to work	Profitable and sustainable
<ol style="list-style-type: none"> <li>1. Continue to work with customer relationships</li> <li>2. Expand engineering-based capabilities and IT tools, and add technology solutions to our offerings</li> <li>3. In-fill acquisitions focusing on niche skills and capabilities</li> </ol>	<ol style="list-style-type: none"> <li>1. Improve metrics and reporting</li> <li>2. Provide constant feedback to our customers on the savings we generate</li> <li>3. Reduce operational cost via improved procurement and inventory management capabilities</li> </ol>	<ol style="list-style-type: none"> <li>1. Up-skill program for manager and director base</li> <li>2. Effective recognition programs to reward strong performance</li> </ol>	<ol style="list-style-type: none"> <li>1. Solid risk and mitigation plans in each bid</li> <li>2. Lower operating costs via increased use of automation</li> <li>3. Work with customers to influence a different buying behaviour other than LPTA</li> </ol>

## Priority BU segments

- Shore/Base Modernisation
- Ship Modernisation
- Hardware Integration

## Priority segment specific actions to 2022

- Continue the customer intimacy with Naval Sea Systems and leverage C4I Ship Modernisation success to grow in C5I
- Leverage ATPF Shore capabilities to grow Global Sustainment Contract
- Perfect Hardware Integration ‘agile production model’ that is repeatable and scalable
- Develop relationships with Canada’s Assistant Deputy Minister Infrastructure and Environment as Gov’t centralises all property management
- Educate DND (Canada) on the work Serco performs at 5 Wing Goose Bay to shape future base outsourcing opportunities

## Top competitive strengths

- Superior performance ratings from our customers
- A major player in the Navy services market with tremendous customer intimacy and trust
- Global footprint supporting Ship Modernisation, Shore Modernisation and Personnel Readiness segments
- A diverse set of Task Order contract vehicles allowing us to pursue work in all 6 segments
- Significant level of certifications held by our personnel



# Pipeline of new opportunities

## Pre Gate 2

Shore/Base Modernisation  
~\$1.6bn TCV

Ship Modernisation  
~\$0.7bn TCV

Personnel Readiness  
~\$0.6bn TCV

Logistics  
~\$0.5bn TCV

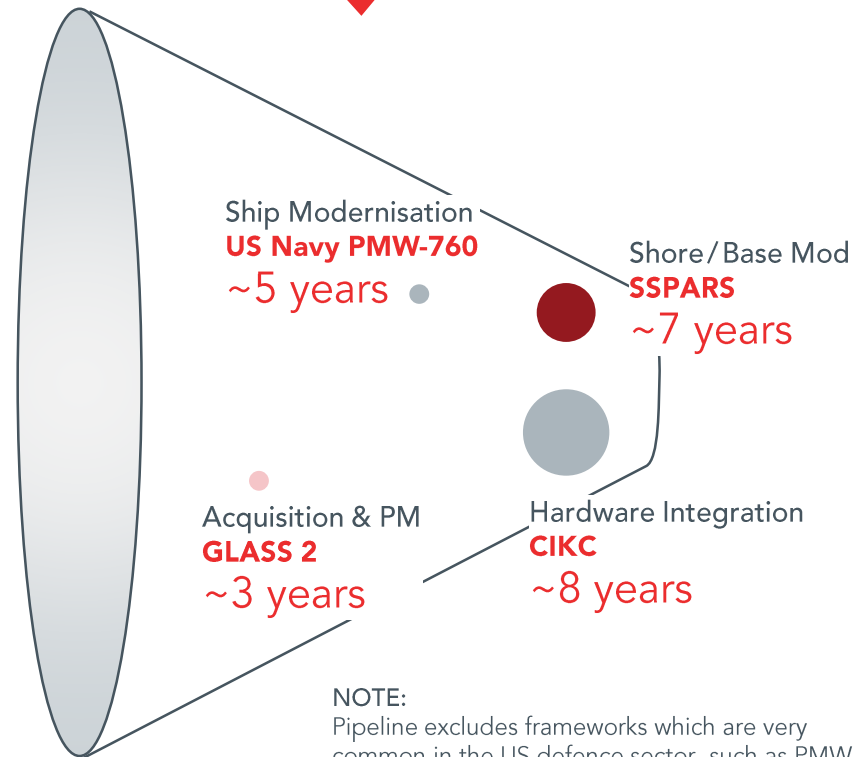
Hardware Integration  
~\$0.2bn TCV

Acquisition & PM  
n/a TCV

KEY:  
Circles reflect approximate  
TCV and therefore include  
an estimate for potential  
contract length

## Gate 2 onwards

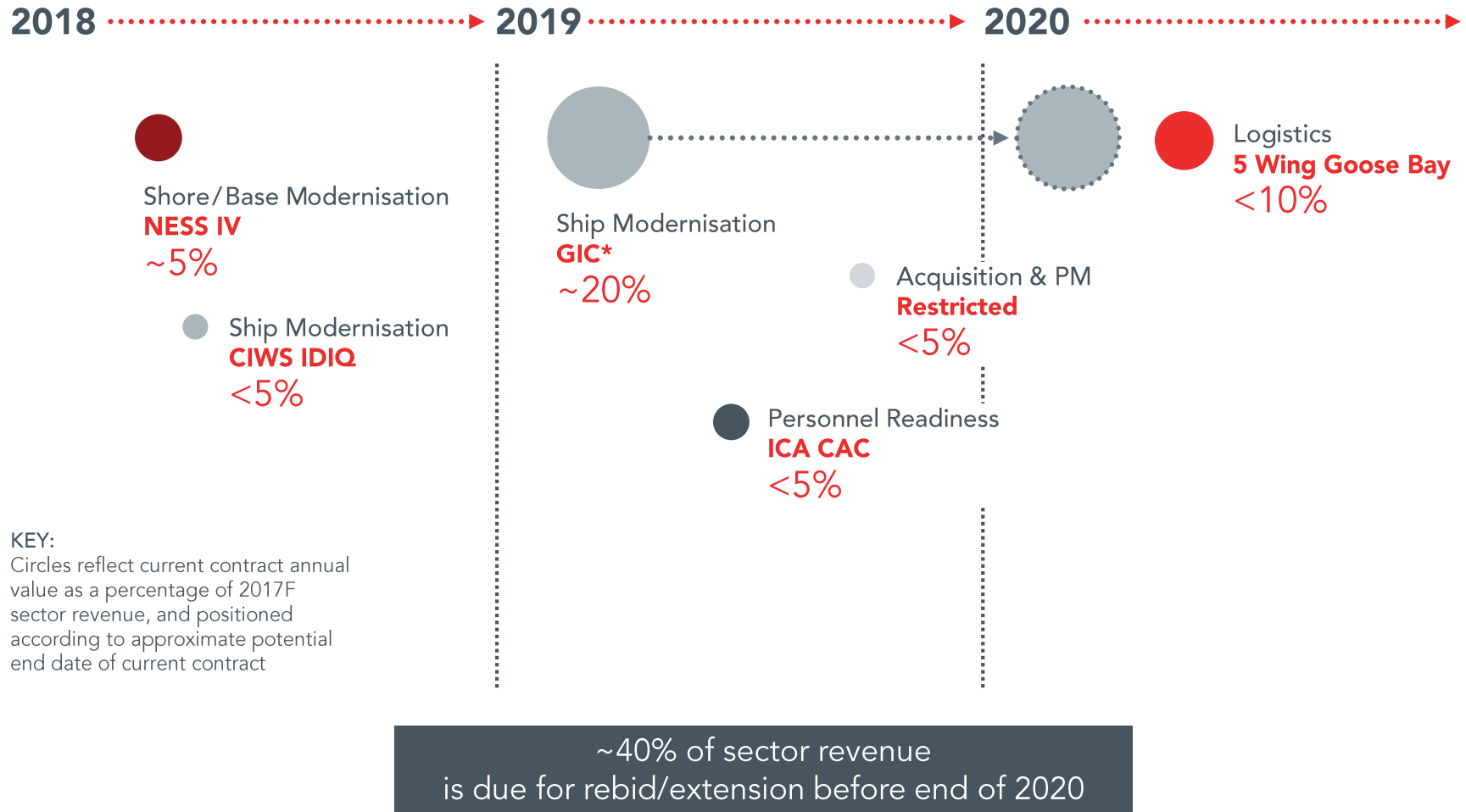
TCV: ~\$2.2bn



NOTE:  
Pipeline excludes frameworks which are very  
common in the US defence sector, such as PMW-  
750 which is now a multiple award framework  
structure



# Rebids and extensions



\*Possible one year extension of GIC contract



# Ship & Shore/Base Modernisation






## Kent Brown, Vice President

Serco Group plc  
13 December 2017



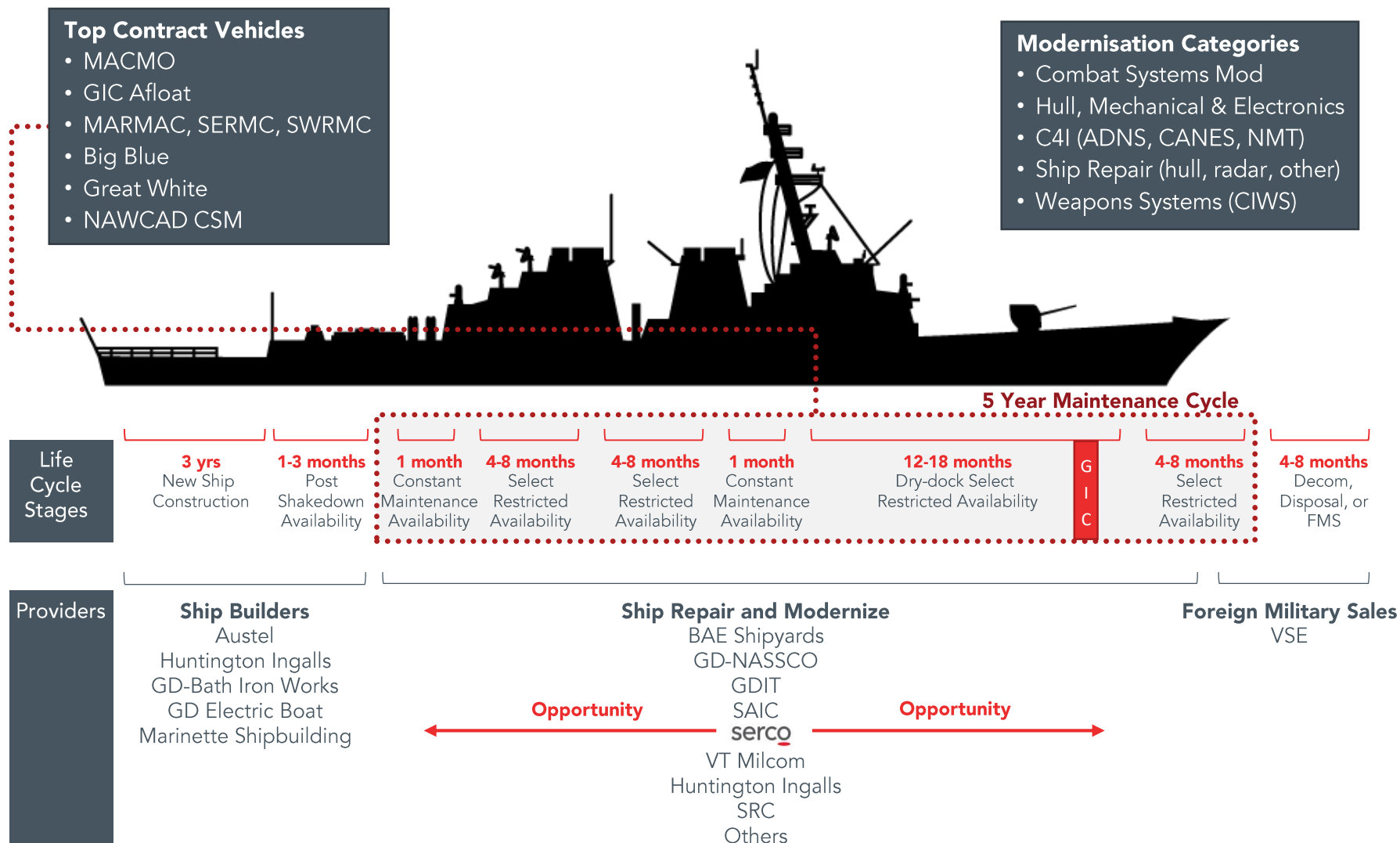


# Major customers/contracts

				
US Navy: Global Installation Contract	US Navy: Anti-Terrorism/ Force Protection GSC	US Navy: CIWS	US Army: BOA	US Army: Installation Command Child Youth Services
<b>Key services</b> <ul style="list-style-type: none"> <li>Provides installation services for C4ISR modernisation on ships, submarines and shore facilities for the Navy and Coast Guard</li> </ul>	<b>Key services</b> <ul style="list-style-type: none"> <li>Provide labour, materials, and equipment to perform life-cycle sustainment services for AT/FP Ashore equipment worldwide</li> </ul>	<b>Key services</b> <ul style="list-style-type: none"> <li>Installation and removal of Close-In Weapon System aboard ships</li> </ul>	<b>Key services</b> <ul style="list-style-type: none"> <li>HEMP hardening at key NATO radar location</li> <li>Thule Air Base, Greenland</li> </ul>	<b>Key services</b> <ul style="list-style-type: none"> <li>Engineering, furnish, install, and sustain desktop and video surveillance systems for 86 Garrisons worldwide</li> </ul>
% of Sector Revenue ~20%	% of Sector Revenue ~10%	% of Sector Revenue <5%	% of Sector Revenue <5%	% of Sector Revenue <10% (pro forma)



# Typical US Navy Ship Modernisation Life Cycle





# Improvements and innovation delivered

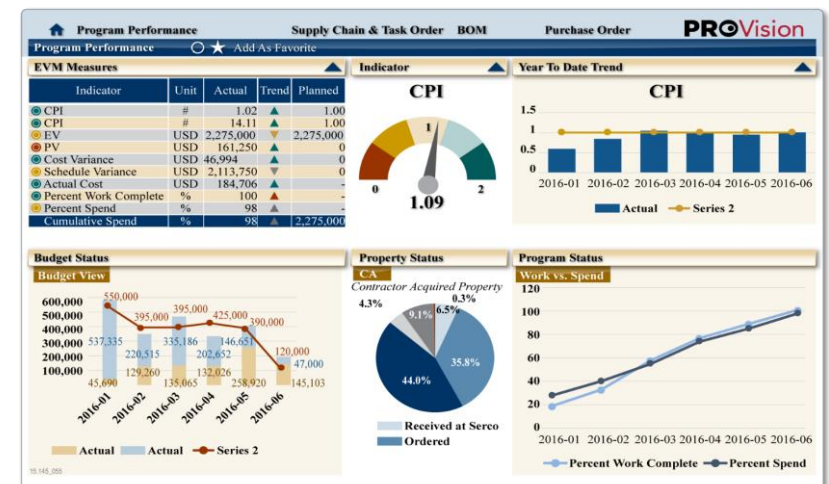
## Improvements

- Consolidated San Diego integration and warehouse facilities into single stand alone facility servicing all West Coast contracts/customers
- Opened shipboard support facility on Mayport, FL to respond to US Navy moving Amphibious Readiness Group and stationing of Littoral Combat Ships in Mayport
- Heavy investments in technical training and OEM certifications required by Navy and Air Force customers
- Acquisition of BTP Systems LLC to provide our/their customers full life cycle product support – build, install, sustain



## Innovations

- Resource-loaded Integrated Master Schedules that directly feed the Shipyard Availability, Master Planning, and Scheduling POAMs; provides detailed insight to work progress
- Implemented improved material receipt and tracking system, speeds invoicing, vendor payment and collection from customers
- Providing PROVision real-time management and logistical insight into material status (order date, due date, etc.) using customised off-the-shelf graphical tools





## Case Study 1

### Global Installation Contract (GIC)

#### Segment: Ship Modernisation

**Customer**  
US Navy SPAWAR

**Services**  
Installation of Navy C4I systems on ships and at shore facilities worldwide

**Start Date**  
January 2011

**Length**  
8 years (anticipate extended to 9 years)





## Case Study 2

# Anti-Terrorism/Force Protection (ATFP) Global Sustainment

### Segment: Shore/Base Modernisation

#### Customer

US Navy Facilities  
Engineering Command

#### Services

Worldwide Maintenance of  
Naval Facilities physical and  
electronic security systems

#### Start Date

May 2016

#### Length

5 years





# Defence: Canada

Andrew Shnuriwsky, Vice President, Canada

Serco Group plc

13 December 2017





# Case Study

## Goose Bay

### Segment: Base Operations/FM/Logistics

#### Customer

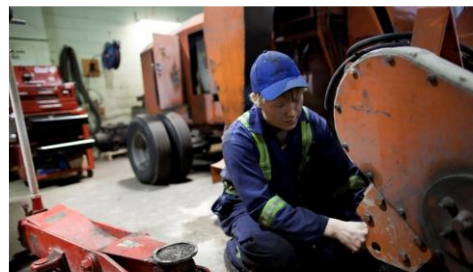
#### 5 Wing Goose Bay

##### Services

- Emergency services, including crash fire rescue
- Fleet management and maintenance
- Air Traffic Control and maintenance of all NavAids
- Facilities management
- Engineering and construction management
- Steam plant operation
- Food, accommodation and janitorial services
- Warehousing and materials management
- Road, airfield and grounds maintenance
- Solid waste collection and water treatment
- Hazmat and environmental management

**Start Date**  
April 2017

**Length**  
2+2 years





# Improvements and innovation delivered

## Improvements

1. Centralised Planning and Control Centre
  - Labour and materials planning
  - Work prioritisation and scheduling
2. Contract Compliance
  - Real time Serco and customer KPI/SLA monitoring
  - Improved alignment of resources to SOWs
3. Workforce Optimisation
  - Staff efficiencies across 22 departments
  - Reduced client's annual O&M cost by US\$5m

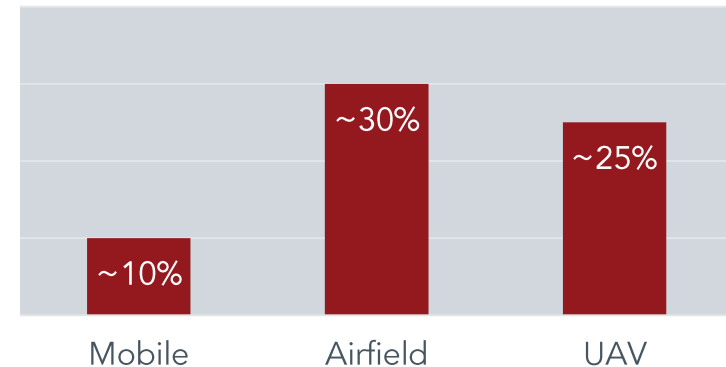
## % Reduction



## Innovations

1. Mobile Technology Enabled
  - Mobile work assignments & time capture
  - Materials requisitions and approvals
2. Airfield Lighting Sweeper Equipment
  - Clears snow around airfield lights
  - Significant labour time reduction
3. UAV Heat-Sensing for Building Inspection
  - Inspection and thermography
  - Reduces safety risk and labour costs

## % Cost reduction





# Applicability to the wider business

## Upcoming market opportunities in this segment:

### Direct Opportunities

- Canada's new defence policy states that Dept. of Defense (DND) will explore partnering with industry for base O&M, currently at US\$0.9bn Opex per year
- At present Goose Bay is one of the only bases where O&M is fully outsourced to one vendor – i.e. Serco
- Serco's delivery at Goose Bay and Moose Jaw (radar maintenance) exceeds self-performance at existing bases

### Indirect Opportunities

- In-service support for DND's UAV program. Goose Bay is one of the bases being considered to conduct UAV operations
- North Warning System (NWS) – Goose Bay is one of the base of operations for the O&M of radar installations across Canada's Northern Region

## Leveraging our capabilities internationally and cross-sector:

### International Defence Base O&M Capabilities

- UK, US, Middle East, AsPac

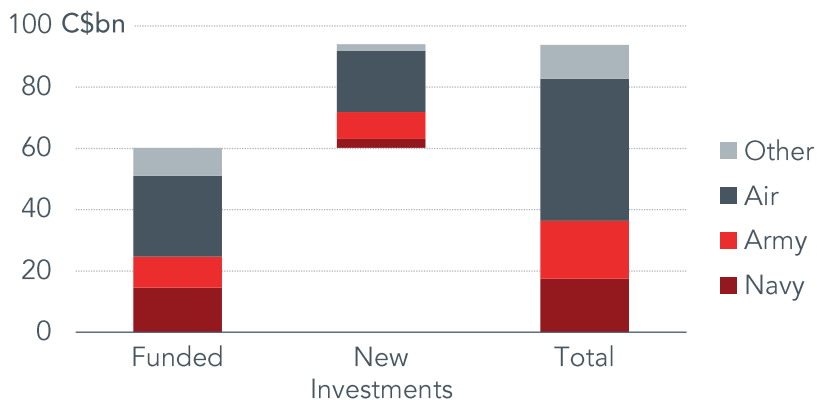
### Cross-Sector Capabilities

- Fleet Maintenance
  - Integrated Fleet Maintenance
  - Term Asset Lifecycle Management
  - Fleet Management Information Systems
  - Fleet Telematics & Onboard Diagnostics
  - Fuel Program Management (Delivery and Dispensing)
- Logistics Services
  - Third-Party Logistics: 'cradle' (procure) to 'grave' (disposal) hazardous material (paint, oil, etc.) outsourcing
  - GOCO Operations: Government-Owned, Contractor Operated logistics planning and management services
- Radar Maintenance Services (BTP Acquisition)
  - Antenna Pedestal Overhaul, Repair, and Sustainment
  - Antenna Production and Radio Frequency Measurement and Testing



# Market: Canada

## Planned Defence Projects - next 20 years



Source: Canada DND

## Key market trends

### Sector

- Canada Defense Policy\* published in 2017 increases defence budget by 70% over 10 years
- Initial analysis identifies opportunities in Ship Modernisation, Base Operations, Air/Radar and Veteran's Affairs – all aligned with Serco capabilities
- Additional Committed funding growing from ~\$19bn to ~\$33.8bn by 2027 to support strategic initiatives and Defence renewal
- Canada's DND to publish their strategic prioritisation of initiatives shortly

## Key observations on market potential\*

- Halifax Class Mod Program and In Service Support - Leverage US ship modernisation capabilities to team/partner \$6bn program over 20 years
- Small Vessel Support Contracts - Additional contracts aligned with overall ship modernisation capabilities
- Future Aircrew Training (FAcT), base operations and logistics of the FAcT program - RFP to be released 2019/2020
- Expand ATC outsourcing (and related radar maintenance) across Canada's bases - Serco only vendor providing ATC to DND

## Key competitors\*

- **Canadian Base Operators Inc:** Large footprint of base ops projects in Canada
- **ATCO:** Mostly focused on FM services - strong in Western Canada
- **Irving/Fleetway:** Prime contractor for much of the new ship construction
- International players testing entry into the Canadian defence market

\* Source: Canada Defense Policy 2017  
<http://dgpaapp.forces.gc.ca/en/canada-defence-policy/docs/summary.pdf>



# Defence: UK

Paul McCarter, Managing Director

Serco Group plc

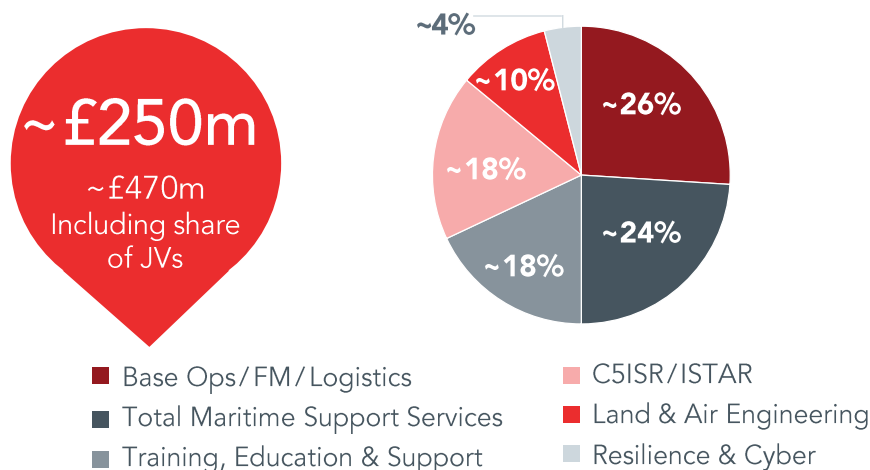
13 December 2017





# Business Unit today

## 2017F Revenue and mix



## Key achievements

- Delivered new super tug for HMS Queen Elizabeth, funded through savings in the existing contract
- £26m Army simulator operation contract extension
- £21m CSAT RAF Northolt Queen's Flight win
- International Nuclear Services extension to 2021
- 2017 Queen's Award for Enterprise (International Trade) for International Fire Training Centre

## Margin






- Business Unit margin is above UK&E Divisional (adjusting for JVs) and Serco Group average
- Higher margin services tend to involve technical complexity combined with scarce resources/skills
- OCP contracts represented ~£60m revenue and ~£10m utilisation for 2017F
- OCP improvements due to:
  - Delivery of Operational Excellence
  - Transformation of service lines through technology and skills
  - Agreeing mutually beneficial arrangements with our customers

## Key facts

- Space & Security – 54 years of continuous 24/7 support to RAF Fylingdales Space Track radars
- Air – Our maintenance teams dismantle and rebuild every RN Merlin helicopter
- Maritime – SD Tempest super tug has an 80 ton bollard pull – the RN's most powerful tug ever
- Enabling Offers – Defence Academy educates 3,700 students every year



# Major customers/contracts

	 Defence Academy of the United Kingdom			
Future Provision of Marine Services (FPMS) for Navy Command	UK Defence Academy for Joint Forces Command	Skynet Military Satcomms for Airbus Defence & Space	MSHATF Simulators for CAE (Joint Helicopter Command)	RAF Fylingdales SSPAR for Joint Forces Command
Segment: <b>Total Maritime Support Services</b>	Segment: <b>Training, Education and Support</b>	Segment: <b>C5ISR / ISTAR</b>	Segment: <b>Engineering</b>	Segment: <b>C5ISR / ISTAR</b>
<b>Key services</b> <ul style="list-style-type: none"> <li>• 24/7 crew and vessel handling</li> <li>• Tug operations, passenger carrying, stores, ammunitioning and training</li> <li>• ~14,000 tasks in 2016</li> </ul>	<b>Key services</b> <ul style="list-style-type: none"> <li>• Management and operation of elite education facility for military leaders</li> <li>• Students from ~90 nations</li> <li>• &gt;3,000 Masters Degrees awarded</li> </ul>	<b>Key services</b> <ul style="list-style-type: none"> <li>• 24/7 contract for Mil satcomms ground stations</li> <li>• Maintenance and management</li> <li>• Crossover with Serco ESA</li> </ul>	<b>Key services</b> <ul style="list-style-type: none"> <li>• ~21,000 hours pa of synthetic training</li> <li>• 3 helicopter types</li> <li>• Maintenance and upkeep of all facilities except the simulators</li> </ul>	<b>Key services</b> <ul style="list-style-type: none"> <li>• 24/7 availability and upgrade of long range radars</li> <li>• Delivers UK's space track capability</li> <li>• Contract held by Serco since 1963</li> </ul>
% of Sector Revenue <b>~20-25%</b>	% of Sector Revenue <b>~15-20%</b>	% of Sector Revenue <b>~10-15%</b>	% of Sector Revenue <b>&lt;5%</b>	% of Sector Revenue <b>&lt;5%</b>



# Key contract via JV: AWE

## Segment: Enterprise Transformation

### Customer

Ministry of Defence

### Services

- GOCO Nuclear Enterprise
- Technology and services to support CASD

### Start Date

2000, refreshed in 2016

SSRO/QDC, 3-year period

### Length

25 years

### ACV

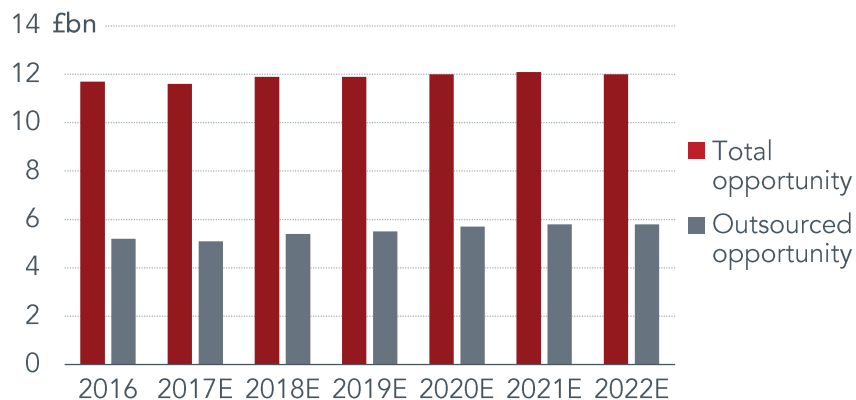
~£225m (Serco share)





# Market: UK Defence

## Estimated market size and growth\*



Source: Government data and internal estimates

## Key market trends

- MOD budget is under pressure – Cumulative ~£30bn cost out/ 10yrs
- New SoS for Defence priorities are not yet clear, delaying the results of the SDSR refresh (early 2018)
- Imperative to deliver innovation and skills to produce savings, which is anticipated to continue driving an increase in outsourcing
- Customer also seeking to transfer delivery and financial risk, offering additional first generation outsourcing opportunities
- The STEM skills shortage is particularly prevalent in the defence sector where pay pressure is greater than in other sectors

## Key observations on market potential\*

- Outsourced market size ~£5bn, growing ~3% p.a.
- Outsourcing rate ~45%, expected to increase to ~50%
- Enterprise Transformation ~£2bn by 2022, margins variable
- Air Engineering ~£1.3bn by 2022, margins average
- Total maritime support services ~£1.3bn by 2022, margins average

## Key competitors\*

- **C5ISR/ISTAR:** Airbus, Thales, Raytheon  
– Serco market share: ~40%
- **Base operations:** Babcock, Cobham, KBR  
– Serco market share: ~35%
- **Air engineering:** BAE Systems, Babcock, Leonardo  
– Serco market share: <5%
- **Total Maritime Support Services:** Babcock, BAE Systems, Andrew Weir Shipping  
– Serco market share: ~5%
- **Training:** Babcock, BAE Systems, Thales  
– Serco market share: ~10%
- **Enterprise Transformation:** Babcock, Lockheed Martin, Capita  
– Serco market share: ~15%

\* based on Serco's current and target segments only



# Strategy for growth

## BU ambition to 2022

*"Our ambition is to be a top three defence services supplier in our priority segments by 2022. We will do this by creating strategic partnerships with key technology providers and utilising our ability to manage complex outsourced systems that deliver transformational change for our customers."*

## Priority BU actions

Winning good business	Executing brilliantly	A place people are proud to work	Profitable and sustainable
<ol style="list-style-type: none"> <li>1. Use new technology to enhance productivity for propositions</li> <li>2. Combine with Serco's service line transformation capabilities to deliver more competitive market solutions</li> <li>3. Explore European markets</li> </ol>	<ol style="list-style-type: none"> <li>1. Drive Continuous Improvement and Workforce Management</li> <li>2. Invest in innovative productivity enhancements</li> <li>3. Enhance R&amp;D with partners and SMEs</li> </ol>	<ol style="list-style-type: none"> <li>1. Up-skill contract director base</li> <li>2. Develop talent and access to specialist capabilities/ SQEP</li> <li>3. Grow apprentice numbers and talent pipeline</li> </ol>	<ol style="list-style-type: none"> <li>1. Improve financial performance of FPMS</li> <li>2. Deliver in-contract growth through contract excellence</li> </ol>

## Priority BU segments

- Base Operations
- C5ISR / ISTAR
- Maritime
- Training
- Enterprise Transformation

## Priority segment specific actions to 2022

- Enhance Maritime Services and build on FPMS performance plus strong links with RN
- Consider 'lift and shift' opportunities for airbase operational and bid expertise
- Develop 'platform life extension' capabilities into an aviation engineering USP for 2018+ pipeline growth
- Shape and prepare for major opportunities for RN dockyards
- Develop Skills Transformation proposition / prototype to act as enabler at EPC and DA

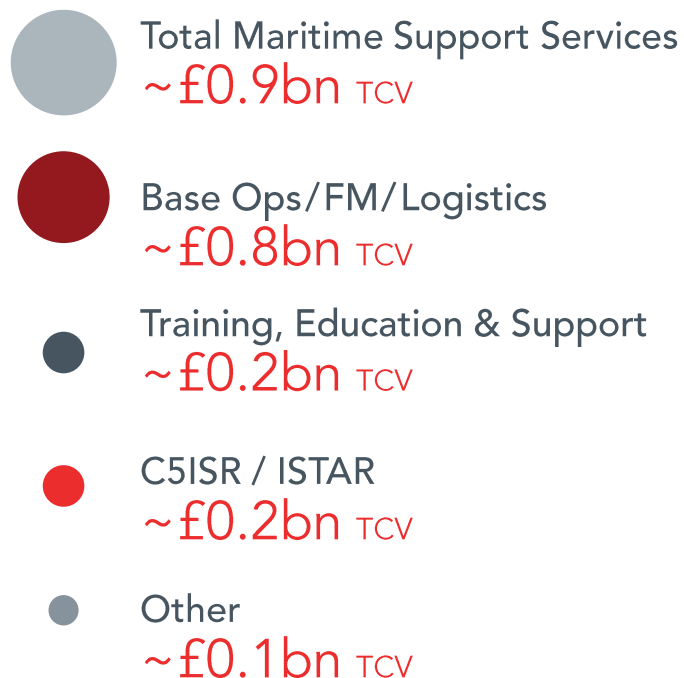
## Top competitive strengths

- Technical capabilities – assured and reliable delivery of services
- Operational cost models – proven competitive in the market
- Proven capability and customer focused approach to transformation
- Strategic partnership with Damen for vessels



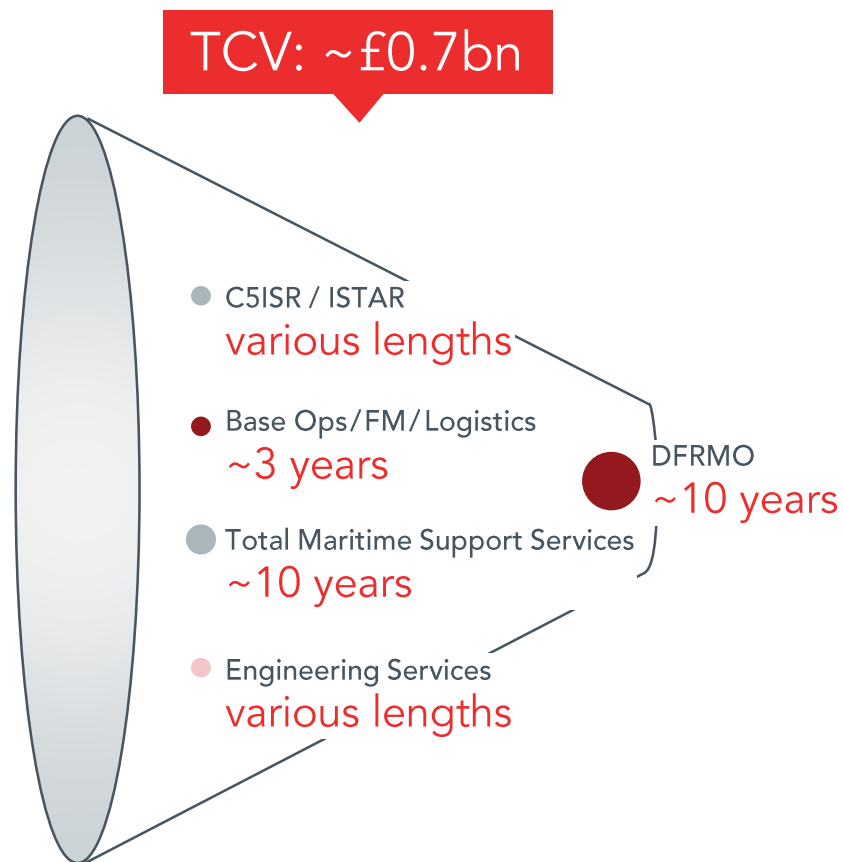
# Pipeline of new opportunities

## Pre Gate 2



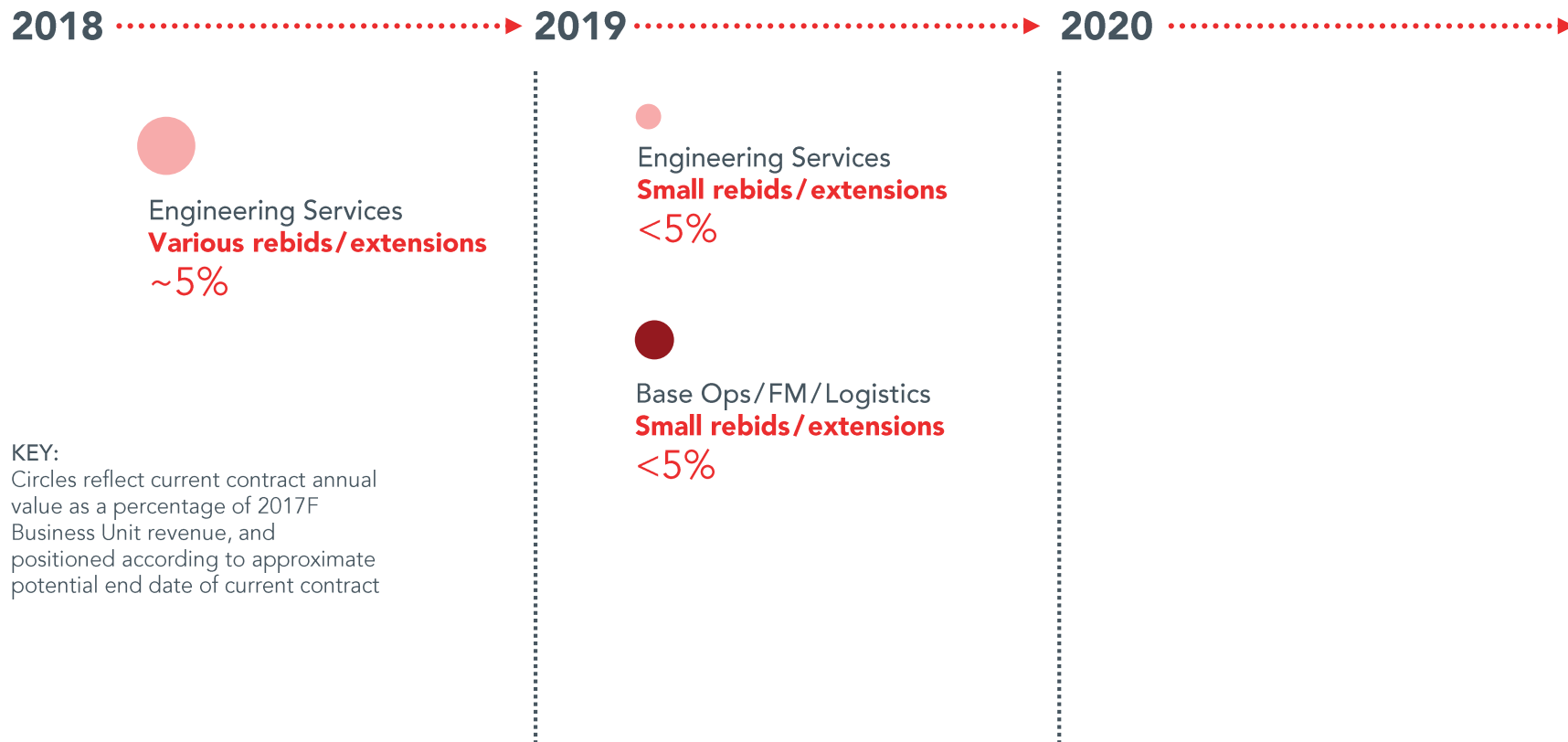
KEY:  
Circles reflect approximate  
TCV and therefore include  
an estimate for potential  
contract length

## Gate 2 onwards





# Rebids and extensions



**KEY:**  
Circles reflect current contract annual value as a percentage of 2017F Business Unit revenue, and positioned according to approximate potential end date of current contract

~10% of FY17F Business Unit revenue  
(excluding share of JVs) is due for rebid/extension before end of 2020



# Future Provision of Marine Services (FPMS)

Rob Hales, Maritime Services Director

Serco Group plc  
13 December 2017





# Case Study

## FPMS

### **Segment:** Total Maritime Support Services

**Customer**  
Ministry of Defence

**Services**

- Ship management
- Crew management
- Maritime services

**Start Date**  
December 2007

**Length**  
15 years





# Contract improvements and innovation delivered

## Improvements

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- Delivered 99.9% performance in 2016 and 2017 year-to-date
- OCP charged 2014 (vessel manning, maintenance costs, third party income)
- OCP subsequently reduced via operational and commercial improvements (transformation, organic growth, cost discipline, commercial agreements)
- First PFI to complete pensions repatriation under New Fair Deal
- Streamlined vessel manning and rosters
- 24 apprentices recruited and 4 chartered manager degree apprenticeships underway

## Innovations

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- Partnered with Damen to build 32 new vessels since 2007, including 13 ASD/ATD tugs
- Technical upgrades to improve safety and productivity
- SD Tempest programme – new tug for aircraft carriers funded through contract savings
- New build projects: SD Angeline, SD Belmore and SD Rowmore
- Third party income (e.g. Astute exits)





# Applicability to the wider business

## Other contracts in this segment in our Division:

- International Nuclear Services

## Upcoming market opportunities in this segment:

- **Ship Maintenance**
  - Future In-Service Support HMS Echo, HMS Enterprise, HMS Protector
- **Partnering to Support Ship Build Programmes**
  - Fleet Solid Support
- **Services and Transformation**
  - Project Selborne
  - Future Maritime Support Strategy
  - Marine Services 2022
  - Plus growth within existing contracts

## Leveraging capabilities internationally and cross-sector:

- Northlink Ferries
- Fleet Marine Services Contract Australia
- MV Sycamore
- Australian Antarctic Division Polar Research Ship ('icebreaker')
- US Navy installation programmes
- US BTP acquisition
- Exploring European market



# Defence: AsPac

Mark Irwin, Divisional CEO, Serco AsPac

Serco Group plc

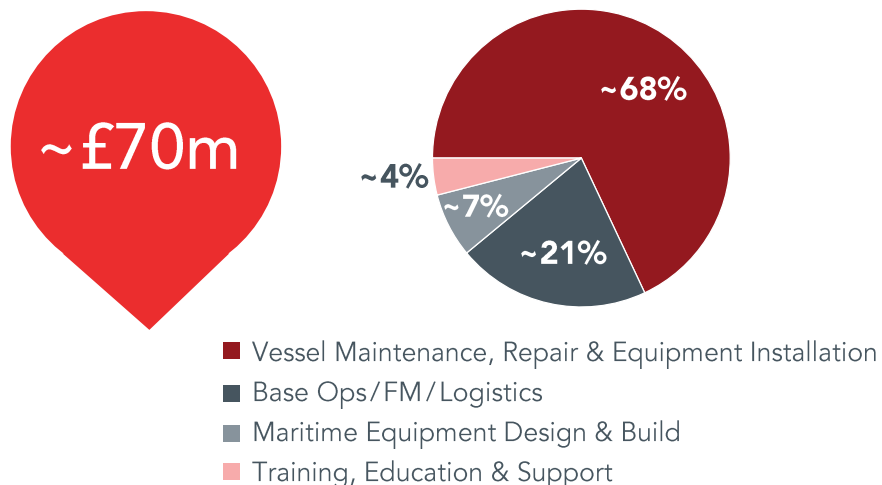
13 December 2017





# Business Unit today

## 2017F Revenue and mix



## Key achievements

- Portfolio rationalization leading to exit of OCP contracts
- Operations now centred on 8 contracts in Australia and ~500 employees
- Significant improvement in operational systems and processes including supply chain and workforce optimization
- Management and leadership team refresh

## Key observations on market potential\*

- Estimated outsourced market size of ~£4bn; outsourcing rate ~20%
- Infrastructure refresh leading to emerging opportunities in the defence space in the medium term
- ~£1.6bn worth of opportunities expected to be tendered in the next 3 years
- Strategic shift - Primes (OEMs) are now obligated to provide first 5 years of In Service Support, resulting in some contraction of certain outsourced services

## Margin

- Business Unit margin is lower than AsPac Divisional and Serco Group average
- Segment margins can vary significantly
- OCP contracts that have negatively affected margins have now been exited (ACPB, CCPB), resulting in future margin uplift

\* based on Serco's current and target segments only



# Strategy for growth

## BU ambition to 2022

*"Our ambition is to re-establish Serco AsPac Defence as a leading provider of high quality support services in the Australian defence sector. We will do this by investing in a quality leadership team, strengthening operations, leveraging our proven global defence credentials and by realigning our offerings to address the changing needs of the Australian Defence Force."*

## Priority BU actions

Winning good business	Executing brilliantly	A place people are proud to work	Profitable and sustainable
<ol style="list-style-type: none"> <li>1. Focused investment in leadership, business development and account management</li> <li>2. Establish strategic partnerships</li> <li>3. Expand beyond marine services</li> <li>4. Explore capability led acquisitions</li> <li>5. Defend key rebids (MELABS 2019, FMSC 2019)</li> </ol>	<ol style="list-style-type: none"> <li>1. Embed Operational Excellence and Continuous Improvement</li> <li>2. Upgrade asset management and defence FM capabilities</li> <li>3. Quality assurance and resilience of contracts</li> </ol>	<ol style="list-style-type: none"> <li>1. Develop SME capability and CoEs for thought leadership</li> <li>2. Strengthen workforce Health &amp; Safety</li> <li>3. Operational and management skills upgrade</li> <li>4. Develop career paths for veterans</li> </ol>	<ol style="list-style-type: none"> <li>1. Rebuild profitable portfolio</li> <li>2. Strong governance around risk</li> <li>3. Strong KPI performance</li> <li>4. Leverage shared services model to gain operational cost benefits</li> </ol>

## Priority BU segments

- Base Ops/FM/Logistics
- Total Maritime Support Services
- Vessel Maintenance, Repair & Equipment Installation
- Vessel Operations

## Priority segment specific actions to 2022

- Establish strategic partnerships
- New propositions and capability development (Deployable Health)
- Strengthen cross-divisional collaboration
- Strengthen asset management capabilities

## Top competitive strengths

- Flexible commercial approach
- Global delivery credentials
- Cross-divisional capability exchange and engagement
- Considerable veteran base

**Rationalise portfolio**  
(achieved)

**Optimise and strengthen operational performance**  
(in-progress)

**Create new capabilities and partnerships**  
(in-progress)

**Deeper client engagement**  
(in progress)

**Explore adjacencies**  
(in planning)



## Case Study 1

# Middle East Logistics & Base Support Services (MELABS)

### Key Services

- Provides non-combat logistics and base support to ADF's Middle East bases delivering fully integrated support services including:
  - Warehousing Services
  - Asset Hire
  - Transport Services
  - Utilities Operation and Maintenance Services
  - Catering Services
  - Laundry Services
  - Facilities Cleaning Services
  - Maintenance Services
  - Local Procurement Services
  - Grounds Maintenance
  - Canteen and Retail Services
  - Management and Administration Services
- 17 core service lines; 500+ maintenance tasks per month; 950+ people catered on a daily basis
- ISO 22001 (Food Safety); ISO 9001:2008 (Quality Management)

### Customer

Australian Defence Force (ADF)

### Segment

Base Ops/FM/Logistics

### Locations

UAE, Kuwait, Iraq, Afghanistan, Bahrain

### Start Date

2011 – 2013 – 2015 – 2016 +2  
Rebid RFT issued; submission H1-18

### Length

7 years (5 + 2 years)

### Key Innovation

Strong cross-divisional collaboration to deliver seamless client engagement (Australia) and service delivery (Middle East)





## Case Study 2

# Antarctic Supply Research Vessel (ASRV)

### Key Services

- Project Manage Design & Build (D&B) of ASRV
- D&B in partnership with Damen Schelde Naval Shipbuilding, The Netherlands
- Operate and Maintain (O&M)
- Seasons planning, voyage planning and delivery voyage
- Cargo management & logistics
- Crewing
- Scientific fit-out

### Key Milestones

- Design Phase: Completes 2/18
- Steel Cutting: 5/17
- Keel laying: 8/17
- Construction in Dock commenced
- Test ready: H1-19
- Sea trials and final acceptance: 2020

### Customer

Australian Antarctic Division  
(Department of Environment  
& Energy)

### Segment

Maritime Equipment Design &  
Build/Vessel Operations

### Start Date

2016 (Design & Build)

2020 (Operations &  
Maintenance)

### Length

4yr Design & Build

10yr O&M + 4 x 5yr extension  
options (total 30yrs)





# Defence Breakout Agenda

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~50 mins

## PRESENTATIONS

### Defence: Americas

Dave Dacquino

Ship & Shore/Base Modernisation segment and case studies

Kent Brown

Goose Bay (Base Operations segment) contract case study and Canada

Andrew Shnuriwsky

### Defence: UK

Paul McCarter

FPMS (Total Maritime Support Services segment) contract case study

Rob Hales

### Defence: AsPac

Mark Irwin

~20 mins

## Followed by . . .

*Coffee break during which all sector presenters available for Q&A*

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# Glossary of terms

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<b>3PL</b>	Third Party Logistics
<b>AASC</b>	Asylum Accommodation & Support Services Contract
<b>ABF</b>	Australian Border Force
<b>ACPB</b>	Armidale Class Patrol Boats
<b>ACRI</b>	Earth Observation company HQ'd in France
<b>ACV</b>	Annual Contract Value
<b>ADF</b>	Australian Defence Force
<b>ADGM Square</b>	Abu Dhabi Global Markets Square
<b>ADIA</b>	Abu Dhabi Investment Authority
<b>ADNH Compass</b>	Abu Dhabi National Hotels and Compass Group
<b>ADNS</b>	Automated Digital Network System
<b>AFSC</b>	Air Force Space Command
<b>ANS</b>	Air Navigation Services
<b>APM</b>	Automated People Mover
<b>APOD</b>	Alternative Place of Detention
<b>Apprentice Levy</b>	A levy on UK employers from April 2017 to fund new apprenticeships
<b>ARDEC</b>	Army Research, Development, and Engineering Center
<b>ASCF</b>	Auckland South Corrections Facility



# Glossary of terms

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<b>ASD/ATD</b>	Azimuth Stern Drive / Azimuth Tractor Drive
<b>ATC</b>	Air Traffic Control
<b>ATFP</b>	Anti-Terrorism/Force Protection contract with US Navy
<b>ATO</b>	Australian Tax Office
<b>AWE</b>	Atomic Weapons Establishment
<b>BD</b>	Business Development
<b>BEIS</b>	Department for Business, Energy and Industrial Strategy
<b>Big Blue</b>	Contract for Hull, Mechanical and Electrical Services out of NSWC Philadelphia
<b>BOA</b>	Basic Ordering Agreement
<b>BU</b>	Business Unit
<b>C4I</b>	Command, Control, Communications, Computers and Intelligence
<b>C4ISR</b>	Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance
<b>C5I</b>	Command, Control, Communications, Computers, Cyber and Intelligence
<b>C6ISTAR</b>	Defence market segment encompassing Serco's activities in space, radar, cyber, intelligence and similar areas (in full: Command, Control, Communications, Computers, Cyber, Combat Systems, Intelligence, Surveillance, Target Acquisition and Reconnaissance)
<b>CAGR</b>	Compound Annual Growth Rate
<b>CANES</b>	Consolidated Afloat Networks and Enterprise Systems
<b>CASD</b>	Continuous At Sea Deterrent
<b>CCPB</b>	Cape Class Patrol Boats



# Glossary of terms

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<b>CCPB</b>	Cape Class Patrol Boats
<b>CIKC</b>	Corporate Integration, Kitting and Cabling
<b>CIWS</b>	Close-In Weapon System
<b>Clinical Support</b>	Provision of operational services from patient administration, pathology to medicines management to enable clinical treatment of patients
<b>CMG</b>	Child Maintenance Group
<b>CMS-ES</b>	Centers for Medicaid and Medicare Services
<b>CoE</b>	Centre of Excellence
<b>COMPASS</b>	Commercial and Operating Managers Procuring Asylum Support
<b>Corporate Services</b>	Provision of back office services from HR, Payroll, Procurement, Finance and managed IT services to NHS trusts and bodies
<b>CoS</b>	Cost of Sales, representing costs that are directly attributable to operating a contract, and therefore distinct from Sales, General & Administrative expenses (SG&A, or otherwise known as overheads)
<b>CPFF</b>	Cost Plus (reimbursable) Fixed Fee contract
<b>CS</b>	Citizen Services, one of our five global sectors
<b>CSAT</b>	Command Support Air Transport
<b>CS-SI</b>	Centre for Space Standards and Innovation
<b>CSS</b>	Corporate Shared Services, Serco's internal shared services support functions
<b>D&amp;B</b>	Design & Build
<b>DES II</b>	Driver Examination Services contract, second generation
<b>DFRMO</b>	Defence Fire Risk Management Organisation



# Glossary of terms

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<b>DFS</b>	Deutsche Flugsicherung (German Aviation Security)
<b>DIBP</b>	Department of Immigration & Border Protection
<b>DND</b>	Department of Defense, Canada
<b>DoD</b>	Department of Defense, US
<b>DWC</b>	Dubai World Central (Al Maktoum International Airport)
<b>DWP</b>	Department for Work & Pensions
<b>DXB</b>	Dubai International Airport
<b>ECB</b>	European Central Bank
<b>EM</b>	Electronic Monitoring
<b>Employment Services</b>	Provision of government-funded specialised services to place jobseekers into sustained employment
<b>Enterprise Transformation</b>	Market sector encompassing transformation of government bodies through a variety of models, e.g., asset sale, GOCO, Management Insertion (MI)
<b>ESA</b>	European Space Agency
<b>ESOC</b>	European Space Operations Centre
<b>ESTEC</b>	European Space Research and Technology Centre
<b>FAA</b>	Federal Aviation Administration
<b>FAcT</b>	Future Aircrew Training
<b>FFP</b>	Firm Fixed Price contract type
<b>FM</b>	Facilities Management



# Glossary of terms

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<b>FMSC</b>	Fleet Maritime Services Contract
<b>FNO</b>	Foreign National Offenders
<b>FP&amp;A</b>	Financial Planning & Analysis
<b>FPMS</b>	Future Provision of Marine Services
<b>FRTIB</b>	Federal Reserve Thrift Investment Board
<b>Fulham Road</b>	Partnership of Chelsea and Westminster NHS Foundation Trust, the Royal Marsden and Royal Brompton hospitals and the Institute of Cancer Research
<b>GAL</b>	Global Aerospace Logistics
<b>GCC</b>	Gulf Cooperation Council
<b>GDOT</b>	Georgia Department of Transportation
<b>GIC</b>	Global Installation Contract
<b>GIC Afloat</b>	Global Installation Contract for Shipboard Services out of SPAWAR Headquarters
<b>GLASS</b>	Global Logistics Acquisition Support Services
<b>GMES</b>	Global Monitoring for Environment and Security (Copernicus)
<b>GOCO</b>	Government-Owned, Contractor Operated
<b>Great White</b>	Contract for Hull, Mechanical and Electrical Services out of NSWC Philadelphia
<b>GSC</b>	Global Sustainment Contract
<b>Hades</b>	Ministry of Defence programme to procure a range of services for the RAF throughout the UK, such as mechanical support, airfield operation, logistics support services



# Glossary of terms

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<b>HEMP</b>	High-Altitude Electro Magnetic Pulse
<b>HMC</b>	Hamad Medical Cooperation
<b>HMG</b>	Habib Medical Group (Antab), or Her Majesty's Government (in a UK context)
<b>HMIP</b>	Her Majesty's Inspectorate of Prisons
<b>HMP</b>	Her Majesty's Prison
<b>HO</b>	Home Office
<b>HOIE</b>	Home Office Immigration Escorting
<b>HOST</b>	Home Office Satellite Tracking
<b>ICA</b>	Identification Card Administration
<b>ICA CAC</b>	Identification Card Administration Common Access Card
<b>ICAO</b>	International Civil Aviation Organisation
<b>ICPA</b>	International Corrections & Prisons Association
<b>ICT</b>	Information and communications technology
<b>IDC</b>	Immigration Detention Centre
<b>IDIQ</b>	Indefinite Delivery, Indefinite Quantity contract framework
<b>IMAs</b>	Irregular Maritime Arrivals
<b>IMES-VSG</b>	Infringement Management and Enforcement Services, Victoria State Government
<b>IRC</b>	Immigration Removal Centre
<b>ISTAR</b>	Intelligence, surveillance, target acquisition and reconnaissance



# Glossary of terms

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<b>ISO</b>	International Organisation for Standardisation
<b>ISO (Base Support)</b>	Integrated Support to Operations, Defence market segment encompassing Serco's activities in Base Support
<b>ITA</b>	Immigration Transit Accommodation
<b>ITI</b>	European Space Agency Information technology infrastructure service delivery
<b>ITS</b>	Intelligence Transportation Systems
<b>ITSS IV</b>	IT Support Services, the 4th iteration of the contract to deliver IT services to the EU Directorate-General of Informatics
<b>J&amp;I</b>	Justice & Immigration
<b>JFC</b>	Joint Forces Command, Defence customer which provides joint services to Defence forces, for example cyber, intelligence, IT, training services
<b>JV</b>	Joint Venture
<b>KBR</b>	Kellogg Brown & Root Services
<b>KPI</b>	Key Performance Indicator
<b>KSA</b>	Kingdom of Saudi Arabia
<b>LA</b>	Local Authority
<b>LADOT</b>	Louisiana Department of Transportation
<b>LEAN</b>	LEAN is a methodology used to improve processes
<b>LMSS</b>	Logistics Maintenance and Supply Support
<b>London NW</b>	London North West Healthcare NHS Trust is one of the largest integrated care trusts in the country, bringing together hospital and community services across Brent, Ealing and Harrow
<b>LPTA</b>	Lowest Price Technically Acceptable



# Glossary of terms

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<b>LRQA</b>	Lloyd's Register Quality Assurance
<b>LRT</b>	Light Rail Transit
<b>LTI</b>	Lost Time Injury
<b>M&amp;O</b>	Manage & Operate, or Maintain & Operate
<b>MACMO</b>	Multi-Award Contract Multi-Option
<b>MA-IDIQ</b>	Multi-Award - Indefinite Delivery, Indefinite Quantity contract framework
<b>MARMC</b>	Mid-Atlantic Regional Maintenance Center
<b>MELABS</b>	Middle East Logistics and Base Support
<b>MEP</b>	Mechanical, Electrical and Plumbing within facilities management
<b>MI</b>	Management Insertion - Enterprise Transformation proposition whereby Serco inserts experienced senior management into an enterprise to drive transformation
<b>MI</b>	Management Information
<b>MOD</b>	Ministry of Defence , UK
<b>MoJ</b>	Ministry of Justice, UK
<b>MPD</b>	Military Personnel Division
<b>MPG</b>	Melbourne Parks and Gardens
<b>Mt Eden</b>	Mount Eden Correctional Centre
<b>MTR</b>	Mass Transit Railway (Hong Kong)
<b>MV</b>	Merchant Vessel
<b>N4O</b>	'New for Old' prisons; policy to close down ageing Victorian prisons and fund new buildings to replace them



# Glossary of terms

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<b>NATS</b>	National Air Traffic Services
<b>NavAid</b>	Navigational Aid
<b>NAWCAD</b>	Naval Air Warfare Center Aircraft Division
<b>NDIS</b>	National Disability Insurance Scheme
<b>NESS</b>	Naval Electronic Surveillance Systems
<b>NETCENTS</b>	Network Centric Solutions
<b>NHS SBS</b>	NHS Shared Business Services
<b>NIEF</b>	Network Integration Engineering Facility
<b>NMT</b>	Navy Multiband Terminal
<b>NNUH</b>	Norfolk and Norwich University Hospitals NHS Foundation Trust
<b>NSW</b>	New South Wales, Australia
<b>NWS</b>	North Warning System
<b>O&amp;M</b>	Operations and Maintenance
<b>OASIS</b>	One Acquisition Solution for Integrated Services
<b>OCC</b>	Operations Control Centre
<b>OCCI</b>	OceanColour Climate Change Initiative
<b>OCP</b>	Onerous Contract Provision
<b>OE</b>	Operational Excellence
<b>OEM</b>	Original Equipment Manufacturer



# Glossary of terms

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<b>PCC</b>	Police & Crime Commissioner(s)
<b>PCPB</b>	Pacific Class Patrol Boats
<b>PECS</b>	Prisoner Escorting and Custody Services
<b>PFI</b>	Private Finance Initiative
<b>PID</b>	Person in Detention
<b>PIP CC</b>	Personal Independence Payments Contact Centre
<b>PM</b>	Planned Maintenance
<b>POAM</b>	Plan of Action and Milestones
<b>PPP</b>	Public Private Partnership
<b>QDC</b>	Qualifying Defence Contract
<b>QLD</b>	Queensland State
<b>RFP</b>	Request For Proposal
<b>RATP</b>	Regie Autonome des Transports
<b>RN</b>	Royal Navy, UK
<b>RTA</b>	Roads and Transport Authority
<b>SAR</b>	Saudi Railways Company
<b>SCCPES</b>	Scottish Court Custody & Prisoner Escort Service
<b>SD</b>	This is not an acronym – it's part of a vessel name
<b>SDSR</b>	Strategic Defence and Security Review, UK



# Glossary of terms

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<b>SERMC</b>	South East Regional Maintenance Center
<b>SFL-TAP</b>	Soldier for Life - Transition Assistance Program
<b>SG&amp;A</b>	Sales, General & Administrative expenses, otherwise known as overheads, and representing costs that are not directly attributable to operating a contract (the latter being Cost of Sales)
<b>Skills and Training</b>	Provision of in-work and on-the-job training, either vocational or competency-based
<b>SLA</b>	Service Level Agreement
<b>SME</b>	Small or Medium Sized Enterprise
<b>SML</b>	Single Male Labourers
<b>SMS</b>	Serco Management System
<b>Soft Services</b>	A term to describe non MEP facilities management services i.e. cleaning, waste management
<b>SoS</b>	Secretary of State
<b>Southampton</b>	University Hospital Southampton NHS Foundation Trust
<b>SOWs</b>	Statement of Works
<b>SPAWAR</b>	Space and Naval Warfare
<b>SQCC</b>	Southern Queensland Correctional Centre
<b>SQEP</b>	Suitably Qualified and Experienced Personnel
<b>SRSS</b>	Status Resolution Support Services
<b>SSP</b>	Safety Service Patrol
<b>SSRO</b>	Single Source Regulations Office, UK
<b>Staff augmentation</b>	Provision of specialised staff to supplement an existing workforce to manage fluctuating skills needs and gaps



# Glossary of terms

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<b>STEM</b>	Science, Technology, Engineering, Mathematics
<b>STP</b>	Sustainability and Transformation Plans
<b>SWRMC</b>	South West Regional Maintenance Center
<b>TCS VIC</b>	Traffic Camera Services, Victoria
<b>TCV</b>	Total Contract Value
<b>TISSE Accreditation</b>	The International Standard for Service Excellence
<b>TSCA</b>	Tsing Sha Control Area, Hong Kong
<b>TVS</b>	Third and Voluntary Sector
<b>UAE</b>	United Arab Emirates
<b>UAEU</b>	United Arab Emirates University
<b>UAV</b>	Unmanned Aerial Vehicle
<b>USN CIKC</b>	United States Navy Corporate Integration, Kitting and Cabling
<b>USN NAWCAD</b>	United States Navy Naval Air Warfare Aircraft Division
<b>USN PMW-750 CTII</b>	United States Navy Program Manager Warfare C4I Testing Integration and Installation
<b>VDOT</b>	Virginia Department of Transportation
<b>VIC</b>	Victoria State, Australia
<b>WACSCS</b>	Western Australia Court Security and Custodial Services
<b>WEHO</b>	West Hollywood (parking)
<b>WHDS</b>	Warm Homes Discount Scheme