

## GROUP Q&A CONTINUED

**Q The Labour party's manifesto called for public transport renationalisation. Are you concerned about the viability of your business model in the long term?**



We have operated in UK bus and rail since both markets were privatised in the 1980s and 1990s respectively, delivering improvements for passengers and value for taxpayers. I strongly believe that the best outcomes are achieved through partnership working between private operators and public entities, such as the DfT, TfL and local authorities.

Despite new legislation enabling local authorities to take responsibility for bus operations, they are increasingly turning to private operators, like Go-Ahead, to deliver reliable services. During the second half of the year, Go-Ahead acquired a bus company, Thamesdown Transport, from Swindon Borough Council. Since bringing it into the Group a short time ago, we have invested in new buses and systems, introduced contactless payments, engaged with employees and modernised working practices, all increasing service reliability for passengers. This is a great example of the benefits the private sector can bring.

**Q What visibility of future revenues do you have?**



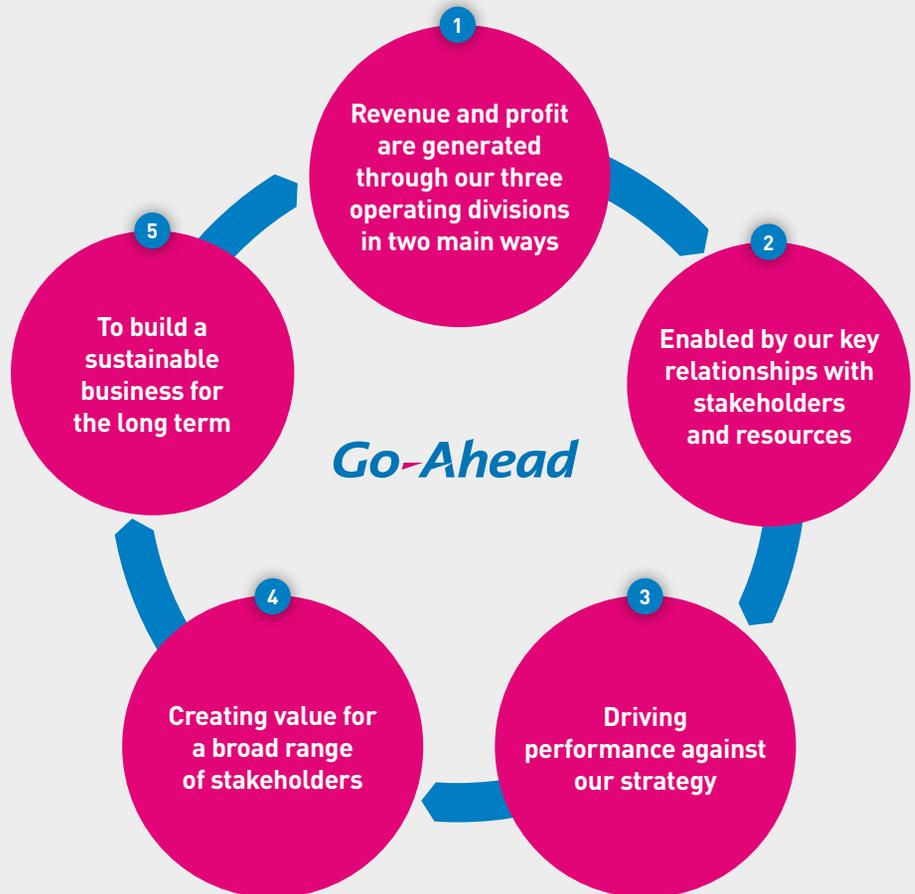
Go-Ahead's regional bus business, which is 100% owned, has consistently delivered steady growth in revenue over the last six years.

London is a contract business in which we have high retention rates and have held a stable market share of around 24% for seven years. Revenue growth is expected to slow in the coming year as a result of competitive pressure.

Rail revenue will decline in 2017/18, reflecting the loss of the London Midland franchise. The outcome of the South Eastern franchise bid could further impact revenue expectations beyond December 2018. Increased competitive pressure in this market has resulted in some recent contract losses which will have a slight impact on performance in 2017/18. This position is expected to improve when the market stabilises.

## OUR BUSINESS MODEL

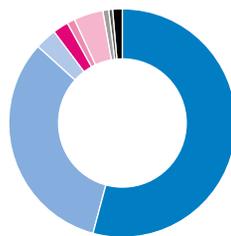
Creating value for all our stakeholders through our sustainable business model



### Economic contribution

Total revenue £3,481.1m

In addition to our commitment to generating shareholder value, we also create wider economic value. Around 90% of Group revenue is spent paying our people and suppliers, enabling further economic activity. Over 6% is paid directly to the Government.



- Payments to suppliers £1,887.4m
- Staff costs £1,130.4m
- National insurance costs £107.2m
- Net rail contributions to DfT £77.6m
- Dividends paid to shareholders £41.8m
- Capital expenditure £141.9m
- Corporation tax payments to government £34.1m
- Finance costs £13.4m
- Retained in equity £47.3m

## 1 Revenue and profit are generated through our three operating divisions; regional bus, London bus and rail, in two main ways:

1. The provision of transport services to fare-paying passengers whose revenue covers the cost of service and a profit margin. Most bus operations in the UK outside London operate on this commercial basis.
2. The provision of passenger transport services on behalf of public sector transport authorities. We tender for, and operate contracts in two main sub-categories:
  - **Gross cost contracts** where our entire revenue comprises payments made by the transport authority to us with the authority retaining all fare revenue

raised and therefore revenue risk. This includes the UK London bus market and the GTR rail franchise.

- **Net cost contracts** where our revenue is a combination of income from fares and payments from transport authorities. Most UK rail franchises are run on this basis.



[Read about our divisions on pages 4 and 5](#)

## 2 Enabled by our key relationships with stakeholders and resources:

### Our relationships



[Read about our relationships with stakeholders on page 6 and 62](#)

### Our resources

#### Our people

We directly employ almost all the people involved in providing our services.

#### Buses and trains

All our trains are leased and we own our regional bus fleet. In our London bus business, around half of our fleet is leased and half is owned.

#### Infrastructure

We pay for the use of public sector infrastructure such as railway tracks or local authority bus stations. We own the majority of our bus depots, but rail depots are rented from Network Rail or similar providers.

#### Fuel

Our vehicles are mainly powered by a combination of diesel, electricity and gas.

#### Finance

We are financed through a combination of investment from our shareholders, bank and other debt and also through profits generated by our operations. After payments to transport authorities and infrastructure providers, our largest costs are those of employing our people, funding our vehicle fleets and fuel.

## 3 Driving performance against our strategy:

### Our key performance areas



Society



Customers



Our people



Finance



[Read about our strategy on page 14](#)

### Supported by

#### Robust governance



[Read our corporate governance report on page 52](#)

#### Our approach to risk



[Read our approach to risk on page 40](#)

## 4 Creating value for a broad range of stakeholders:

At Go-Ahead, we believe it is important to deliver shared value. Our bus and rail operations create value for our passengers, the communities we serve and our people. We deliver high levels of services to our transport authority customers and strive to be a reliable partner to our industry colleagues. Through our robust business model, we are committed to delivering sustainable shareholder value. While we also create benefits for the UK economy by enabling access to work, education, retail and leisure, as well as through the employment of 28,000 people in the UK, the taxes we pay, payments to our suppliers and the contribution our rail franchises make to the Government.

## 5 To build a sustainable business for the long term:

We reinvest profits into our services to maintain our position as a leading provider of passenger transport, also ensuring that our business activities and contribution supports the economy.