



THE GO-AHEAD GROUP PLC  
FULL YEAR RESULTS FOR THE  
YEAR ENDED 1 JULY 2017



# BUSINESS OVERVIEW

- Results in line with expectations. Bus and rail operating profit at £90.7m and £59.9m, respectively
- GTR service levels improving after impact and level of industrial action reduces
- Agreement reached with DfT on GTR has reduced financial uncertainty
- Clear strategy of protecting and growing our core business, winning new bus and rail contracts, and developing for the future of transport
- Good progress in international market expansion:
  - third German rail contract secured and a bus contract won in Dublin
  - progressing towards a target for international operations to contribute 15% to 20% of Group profit within five years
- Sector-leading customer satisfaction score of 90% in regional bus operations
- Southeastern achieved the largest ever improvement in customer satisfaction of any UK rail operator
- Proposed full year dividend increase of 6.5% to 102.08p

PATRICK BUTCHER  
Group Chief Financial Officer



# RESILIENT FINANCIAL PERFORMANCE

£m	FY'17	FY'16 (restated)	Change
Bus operating profit	90.7	91.2	(0.5)
Rail operating profit	59.9	71.4	(11.5)
Group operating profit	150.6	162.6	(12.0)
Earnings per share (p)	207.7	218.2	(10.5)
Proposed dividend per share (p)	102.08	95.85	6.23
Capital investment	141.9	113.9	28.0
Free cashflow	32.9	68.2	(35.3)
Adjusted net debt	285.8	239.3	46.5
Adjusted net debt/EBITDA	1.30x	1.08x	

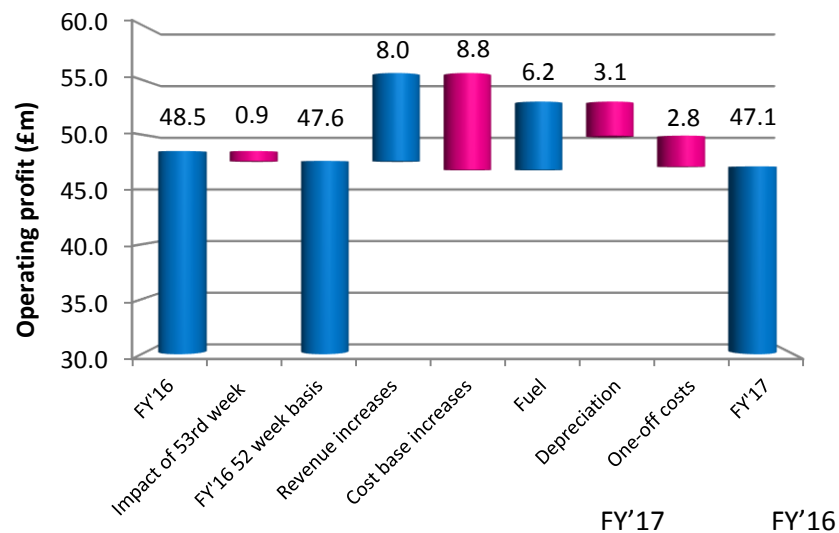
- This table contains the key financial metrics for the Group, each of which is explained in more detail later in the presentation

# OPERATING PROFIT BY DIVISION

	Operating profit (after amortisation)			
	FY'17	Year on year change		FY'16 (restated)
	£m	£m	%	£m
Regional bus	47.1	(1.4)	(2.9)	48.5
London bus	43.6	0.9	2.1	42.7
Total bus	90.7	(0.5)	(0.5)	91.2
Rail	59.9	(11.5)	(16.1)	71.4
Total	150.6	(12.0)	(7.4)	162.6

- Regional bus – Challenging trading conditions and one-off costs
- London bus – Strong QICs performance in fourth quarter
- Rail – Strong performance in London Midland offset by reductions in Southeastern/GTR and higher bidding/mobilisation costs

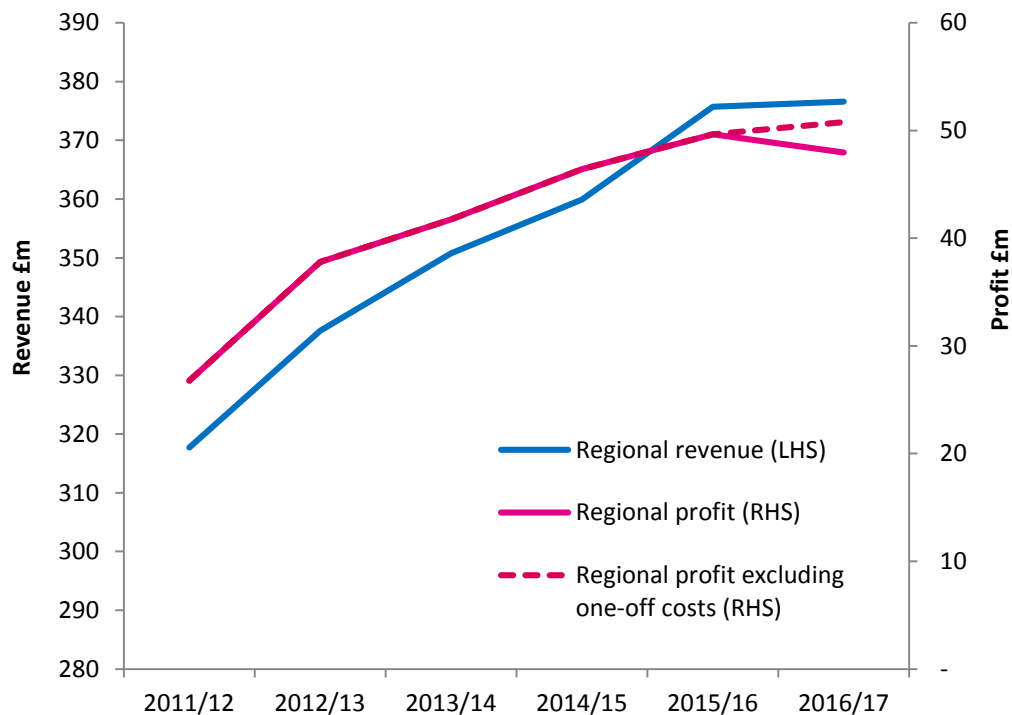
# REGIONAL BUS



	FY'17	FY'16
Operating margin	12.5%	12.9%
Revenue growth (lfl)*	1.0%	2.4%
Passenger growth (lfl)*	(0.2%)	0.0%

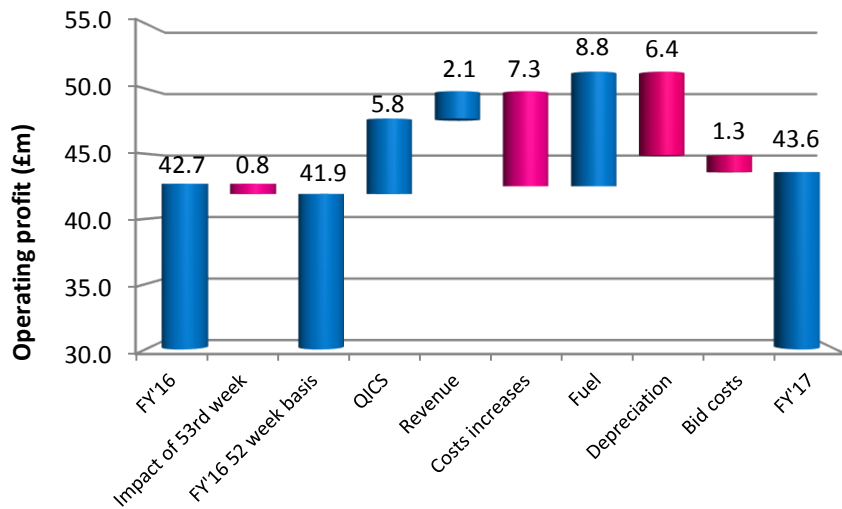
- Underlying strong growth in passenger journeys in some operating areas offset by softer performance in others
- Operating profit down £1.4m to £47.1m (only £0.5m excluding the impact of the 53<sup>rd</sup> week) due to ongoing pressures in the North East and a number of one-off costs in Oxford
- Fuel cost movements reflect decrease in the hedged price
- Investment in 102 new buses reflected in higher depreciation
- Margins reduced by 0.4% as a result. Remains strong relative to the sector

# REVENUE AND PROFIT – REGIONAL BUS



- Strong five year growth in revenue and profit has slowed as expected
- Go-Ahead has proved more resilient than many industry peers reflecting well executed core strategy

# LONDON BUS



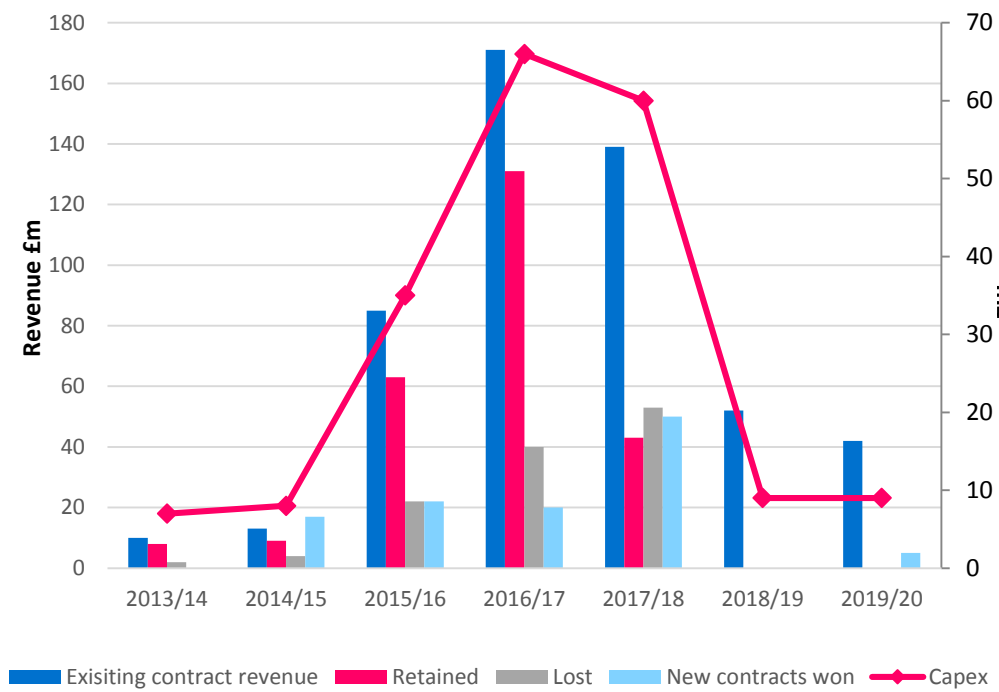
- Operating profit up £0.9m to £43.6m
- Significant increase in QICs, up £5.8m
- Revenues reflect timing of contract gains and losses
- Fuel cost movements reflect decrease in hedge price
- Margins held up year on year in competitive market, overall diluted due to inclusion of Singapore revenues of around £40m

	FY'17	FY'16
Operating margin	8.3%	8.8%
Revenue growth (lfl)*	1.5%	4.4%
Mileage growth (lfl)*	(1.7%)	2.3%

\* Excluding Singapore bus

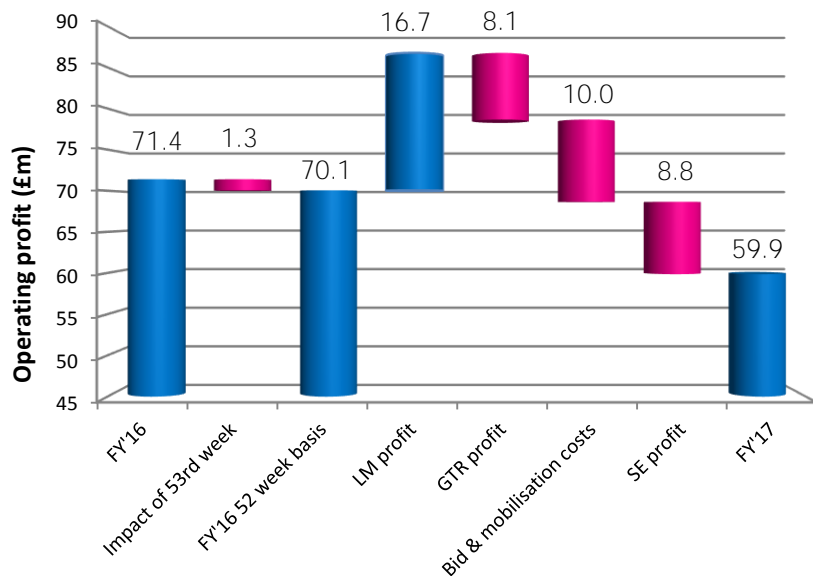


# CONTRACT RENEWALS AND CAPITAL INVESTMENT



- From 2013/14 to 2016/17 the business has retained or won new work to cover very close to 100% of contract renewals
- The mix has changed in 2017/18 with a higher churn and more lost work
- Lower levels of expiring contract revenue over the next two years
- Clear correlation with capital investment provides confidence of improved future cashflows

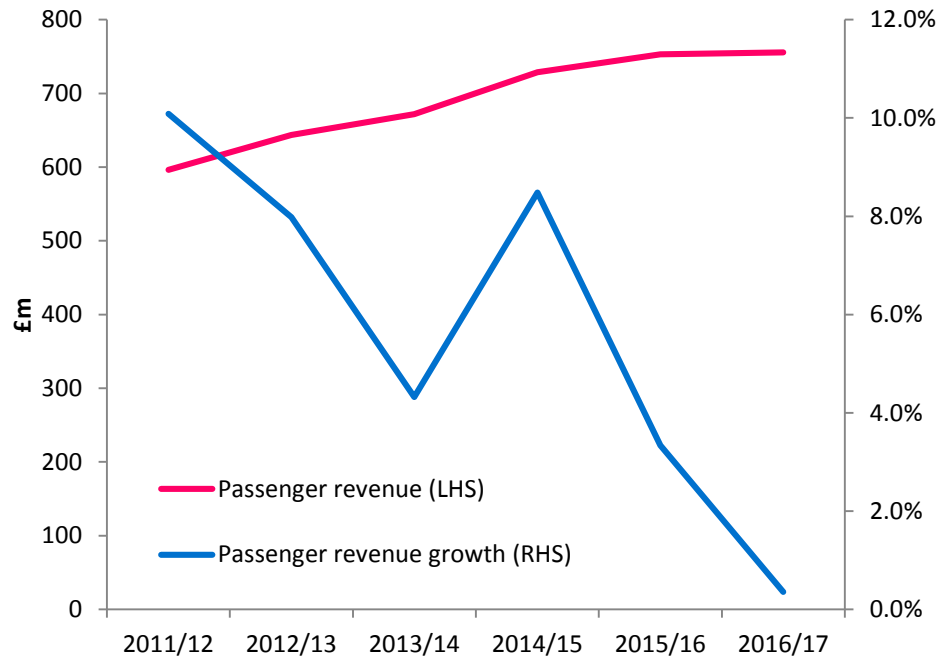
# RAIL



	FY'17	FY'16*
Operating margin	2.3%	2.9%

- Continued improvement in London Midland revenues and cost management
- GTR/Southern:
  - one-off benefits in prior year from old franchise close out
  - agreement on financial impact of industrial action reduces uncertainty
- Bidding and mobilisation:
  - West Midlands, Germany and Nordic region

# SOUTHEASTERN REVENUE GROWTH



- The impact of slower revenue growth has fed through to lower profits
- Economic uncertainty and fears of terrorism have dampened growth
- Over two years 40% of customers have changed their travel patterns
- 25% of these have reduced their travel
- Customers trading down from annual to monthly to weekly to PAYG

# SUMMARY INCOME STATEMENT

£m	FY'17	FY'16 (restated)	
Revenue	3,481.1	3,361.3	→ Principally growth in GTR
Operating profit	150.6	162.6	
Net finance costs	(13.4)	(17.6)	→ Decrease in pension interest costs and provision discounting
Share of result of joint venture	(0.4)	-	
Profit before tax	136.8	145.0	
Tax	(25.3)	(26.9)	
Profit for the year	111.5	118.1	→ 35% Keolis holding in rail
Non-controlling interests	(22.4)	(24.4)	
Profit attributable to members	89.1	93.7	
Earnings per share (p)	207.7	218.2	→ Dividend increased 6.5%. Final dividend proposed of 71.91p payable 24 November 2017
Proposed dividend per share (p)	102.08	95.85	

# CASHFLOW

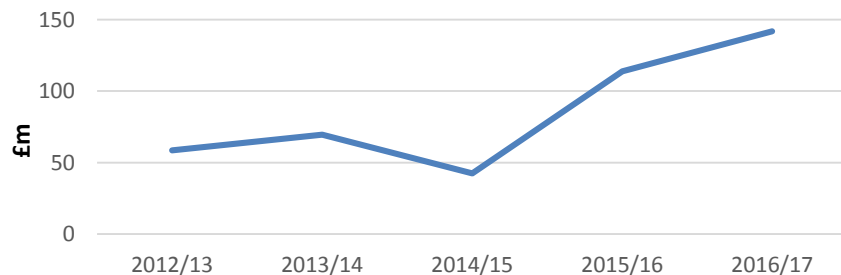
£m	FY'17	FY'16 (restated)	Change	
EBITDA	219.1	220.8	(1.7)	
Working capital	5.3	(8.4)	13.7	→ Movements in receivables and payables in the rail business
Cashflow from operations	224.4	212.4	12.0	
Tax and net interest	(46.8)	(37.8)	(9.0)	→ Payments in respect of prior years
Net capital investment	(144.7)	(106.4)	(38.3)	→ Increase in capital investment in London bus and rail
Free cashflow	32.9	68.2	(35.3)	
Dividends paid - members of parent	(41.8)	(39.4)	(2.4)	→ Increase in dividend per share paid
Dividends paid - non-controlling	(21.3)	(17.8)	(3.5)	
Other	(16.3)	(5.6)	(10.7)	→ Includes £11.7m for acquisitions
(Decrease)/increase in adjusted net debt	(46.5)	5.4	(51.9)	
Opening adjusted net debt	(239.3)	(244.7)		
Closing adjusted net debt	(285.8)	(239.3)		

£m	FY'17	FY'16	FY'15	FY'14
Free cash flow	32.9	68.2	63.4	80.2

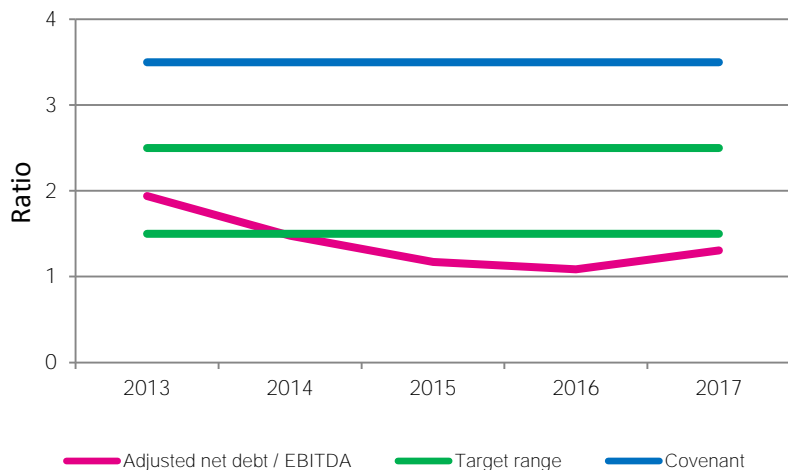
# CAPITAL INVESTMENT

£m	FY'17	FY'16	Change
Regional bus fleet	37.1	41.8	(4.7)
London bus fleet	60.0	36.6	23.4
<b>Total bus fleet</b>	<b>97.1</b>	<b>78.4</b>	<b>18.7</b>
Bus depots	6.8	13.0	(6.2)
Rail investment	29.2	17.8	11.4
Technology and other (bus)	8.8	4.7	4.1
<b>Total investment</b>	<b>141.9</b>	<b>113.9</b>	<b>28.0</b>



- Investment in 102 new buses in regional bus
- Investment in 261 new buses in London bus due to contract wins
- Investment in rail relates to station upgrades and ticket vending machines required by franchise contracts

# DEBT POSITION



- Adjusted net debt / EBITDA 1.3x; below target range of 1.5x - 2.5x, as expected
- BBB- / Baa3 (stable) rating. Ratings recently been reaffirmed
- New seven-year £250m bond has been recently been financed. Existing £200m bond to be repaid on 29 September 2017

As at 1 July 2017	£m
Restricted cash	516.1
Net cash	230.3
Adjusted net debt	285.8
EBITDA (rolling 12 months)	219.1
Adjusted net debt/EBITDA	1.3x

As at 1 July 2017	£m
Five year syndicated facility 2021	280.0
7½ year £200m sterling bond 2017	200.0
€20m revolving credit facility	17.5
Total core facilities	497.5
Amount drawn down	356.9
Total headroom	140.6

# FINANCIAL OUTLOOK – 2017/18

- Bus operating profit
  - Regional slight improvement driven by reversal of one-off costs
  - Competitive bid environment in London
- Rail operating profit
  - London Midland expires
  - Lack of growth in Southeastern revenue impacts profit
  - GTR – range of 0.75% to 1.5% over contract life
- Capital investment
  - Remains flat into 2017/18 and then reducing



DAVID BROWN  
Group Chief Executive



# GO-AHEAD'S STRATEGY



# 1. PROTECT AND GROW THE CORE



# REGIONAL BUS

## STRATEGY

- Focus on urban areas with scope for growth
- Deliver high quality services to attract passengers
- Respond to demand through local focus
- Promote bus use by making services easier to use

## MARKET TRENDS

- Overall decline in passenger numbers
- Changes in society – consumer behaviours
- Air quality
- Bus Services Act

# DRIVING GROWTH IN REGIONAL BUS

- Focusing on our customers – highest satisfaction score of 90%
- Making services easier to use – latest contactless ticketing technology introduced
- Improving our buses - continued investment in our fleet, £22.3m spent on 102 new buses
- Working to reduce congestion and improving air quality
- Growing incrementally through bolt-on acquisitions (Thamesdown Transport)
- Lean engineering progress
- Improving accessibility for all our services
- Working closing with local communities to improve services
- Delivering sector leading margins



# LONDON BUS

## STRATEGY

- Maximise benefits of scale from network of depots
- Operate in innovative way to deliver cost efficiencies
- Achieve above average performance against targets
- Respond to clients' requirements – reliable, operationally capable and collaborative

## MARKET TRENDS

- Congestion
- Declining passenger numbers
- Air quality
- Competition
- Population growth



# DRIVING GROWTH IN LONDON BUS

- Maximising value of strategically located depots
- Innovating in cost efficiencies
- Improving performance
- Operating Europe's largest electric fleet – Waterloo all-electric depot
- Engagement activity to be the employer of choice for drivers

# RAIL

## STRATEGY

- Focus on urban and inter-urban franchises
- Each contract considered on own merits
- Low capital requirements
- Bid with financial discipline – only securing work on acceptable terms

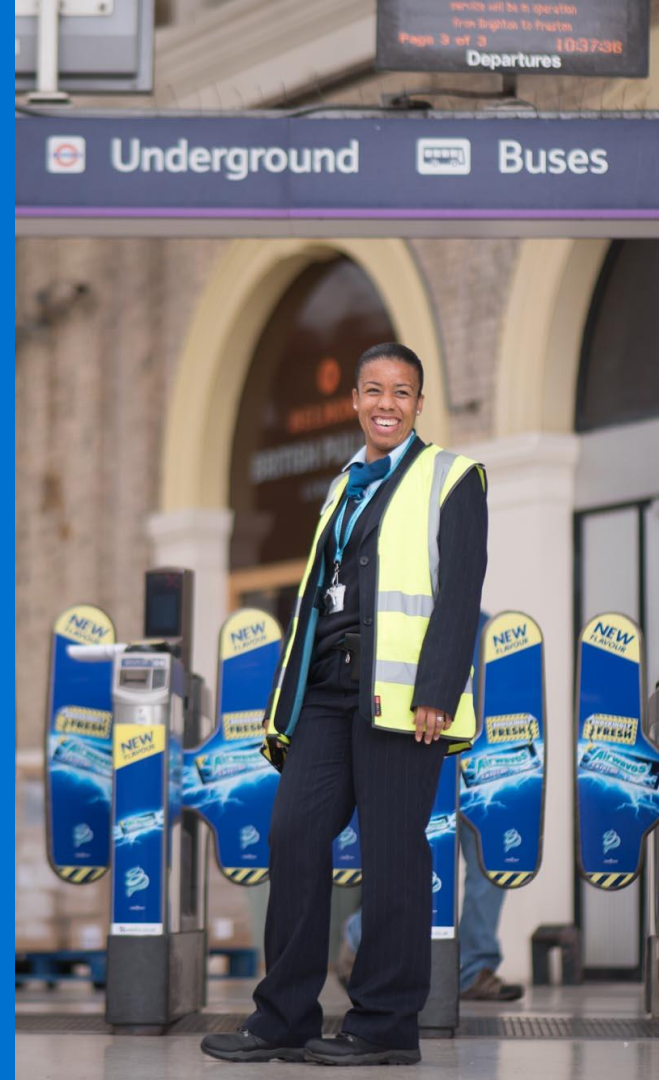
## MARKET TRENDS

- Competition
- Industrial relations issues
- Significant infrastructure improvements
- Network capacity constraints
- Volatile financial profile



# SOUTHEASTERN

- Most improved customer satisfaction score in UK rail
- Slowdown in passenger growth and revenue continues
- Strong focus on employee engagement
- Shortlisted to bid for new South Eastern franchise





# GTR

- Challenging year with ongoing industrial relations issues on Southern
- Delivered contractual commitment around driver controlled trains
- Operational improvements began to be realised in second half
- Ongoing discussions with the DfT relating to other contract variations – service changes and rolling stock cascades

## IMPROVEMENTS

- Over £300m invested in new trains
- Southern cancellations down 75%
- 100 more colleagues on trains
- Capacity increased by 36% on some routes
- £10m training investment and £50m in station improvements
- Automated delay repay at 15 minutes

# LONDON MIDLAND

- Strong financial performance
- High levels of customer satisfaction and employee engagement
- International award winning franchise
- Unsuccessful rebid result disappointing
- Secured eight-week extension to December 2017



## 2. WIN NEW BUS AND RAIL CONTRACTS





# CONTRACT GROWTH

## Existing markets

- Shortlisted to bid for new South Eastern franchise
- Considering other UK rail franchise opportunities
- Submitted bid for another bus contract in Singapore

## New markets

- Mobilisation of three German rail contracts underway
  - Awarded third contract during the year
- Awarded five-year contract to operate bus services in Outer Dublin area from late 2018
- Exploring opportunities in Nordic region and in Australia

# INTERNATIONAL DEVELOPMENT

**STRATEGY: develop a portfolio of international operations with attractive returns in target markets**

## OUR APPROACH

- Dedicated international development team
- Global market assessment
- Strong Board oversight
- Focus on contracts
- Clear risk appetite framework

## KEY MARKET CRITERIA

- Stable political and legal systems
- Transport authorities with commitment to introduce international expertise
- Visible pipeline of contract opportunities – lower risk of entry and risk of stranded assets
- Appropriate returns on capital

## VALUE CREATED THROUGH

- Our experience and expertise
- Deployment of balance sheet
- Synergies between contract
- Opportunities to develop from established local platform
- Transfer of business values and focus on quality

**TARGET: 15% to 20% of Group profit within five years**

# SINGAPORE

- Nine months of operation in Singapore – high levels of performance
- Submitted bid for another bus contract in Singapore
- Provides a base for bidding elsewhere in region
- International visitors to understand UK opportunities abroad



### 3. PREPARE FOR THE FUTURE OF TRANSPORT







# PREPARING FOR THE FUTURE

- Seeking new ways to use our skills, knowledge and assets to enable long term sustainable growth
- Exploring a range of initiatives to:
  - maximise value from our operations by providing secondary services to customers
  - offer demand responsive transport
  - harness our technology experience to enable ‘smart’ cities
  - thought leadership to influence regulation

# SUMMARY

## **Protect and grow the core**

- In bus we have a resilient business model equipped for economic uncertainty
- In rail our priority is on resolving issues at GTR to improve services for customers and reduce financial uncertainty

## **Win new bus and rail contracts**

- We will continue pursuing opportunities in existing and appropriate new markets
- Target: 15% to 20% of Group profit within five years

## **Prepare for the future of transport**

- We are exploring new ways of using our skills, knowledge and assets to deliver sustainable returns

**Strong focus on shareholder returns**

# *Go-Ahead*

Q&A



*Go-Ahead*

APPENDICES



# IMPACT OF AMORTISATION ON OPERATING PROFIT

£m	FY'17 pre amortisation	Amortisation	FY'17 post amortisation	FY'16 pre amortisation (restated)	Amortisation	FY'16 post amortisation (restated)
Regional bus	48.1	(1.0)	47.1	49.7	(1.2)	48.5
London bus	44.4	(0.8)	43.6	43.6	(0.9)	42.7
Total bus	92.5	(1.8)	90.7	93.3	(2.1)	91.2
Rail	61.2	(1.3)	59.9	72.3	(0.9)	71.4
Total	153.7	(3.1)	150.6	165.6	(3.0)	162.6

- Presentation changed to avoid confusing adjustments
- Bus: amortisation stable and part of operating costs
- Rail: will fluctuate as contracts are won and lost

# BUS PENSIONS

## NET PENSION SCHEME LIABILITIES:

£m		FY'17	FY'16
Assets		784.6	763.1
Liabilities		(805.5)	(765.8)
Less tax		3.6	0.5
Post tax deficit		(17.3)	(2.2)

£m		FY'17	FY'16
Operating profit charge		0.4	1.4
Cash contribution		6.5	4.8

- Scheme closed to future accrual with effect from 1 April 2014
- Different assumptions applied on actuarial valuation compared to accounting valuation
- The post tax deficit has increased following the reduction in discount rates by 0.2% and increase in RPI assumptions by 0.4%

# BUS FUEL

Fuel hedging prices	FY'16	FY'17	FY'18	FY'19*	FY'20*	FY'21*
% hedged	100%	100%	100%	70%	40%	20%
Price (pence per litre)	45.4	36.4	34.7	32.1	33.0	32.2
Usage (m litres pa)	130	126	122	120	119	119
£'m commodity cost	59	46	42	39	39	38

- FY'17 fully hedged – 19.8% lower than FY'16
- FY'18 fully hedged – 4.7% lower than FY'17
- FY'19 70% hedged – 7.5% lower than FY'18
- FY'20 and FY'21 – 40% and 20% hedged respectively
- No near term expectation of change in BSOG c. £20m in regional bus

- Fuel hedging is consistent with policy
- Hedge periods have been extended to provide greater certainty to the fixed price contracts in London

# TRADING UPDATES

Go-Ahead's scheduled market updates in 2017/18 are:

- 30 November – trading update
- 22 February – half year results
- 24 May – trading update