Go-Ahead half year results

For the six months ended 28 December 2013

20 February 2014

Go-Ahead

Go-Ahead London · Go North East · METROBUS · go southcoast · Brighton & Hove · oxford bus company · Thames Travel · carousel · Plymouth citybus

konectbus · anglianbus · hedingham · chambers · SOUTHERN · GATWICK EXPRESS · southeastern · london midland

Half year results overview

- Overall results in line with management expectations, full year expectations are unchanged
- Bus operating profit up 14.7% to £40.6m
- On course to achieve bus operating profit target of £100m by 2015/16
- Record passenger numbers in bus and rail
- Profit before tax rose 30.8% to £40.3m
- Bids submitted for the Thameslink and Crossrail franchise competitions during the period
- Strong cash management allowing increased investment and reduced net debt
- Maintained half year dividend at 25.5p

Keith Down

Group Finance Director

Good performance in Bus and Rail

	Operating profit as reported H1'13 £m	Impact of IAS19 (revised) £m	Operating profit (restated) H1'13 £m	One-off benefits H1'14 £m	Like for like Variance £m	Operating profit H1'14 £'m
Deregulated bus	16.9	(0.9)	16.0	-	4.2	20.2
Regulated bus	20.2	(0.8)	19.4	(1.6)	2.6	20.4
Total bus	**37.1**	**(1.7)**	**35.4**	**(1.6)**	**6.8**	**40.6**
Rail	14.1	(7.4)	6.7	-	3.8	10.5
Total	**51.2**	**(9.1)**	**42.1**	**(1.6)**	**10.6**	**51.1**

- Overall results for the Group in line with management expectations
- Prior year numbers restated for IAS 19 (revised)
- Group revenue up 5.7%
- Like for like operating profit up £10.6m, good performance in all divisions
- No significant benefit from new acquisition
- Prior period regulated profits helped by Olympic contracts worth £1.6m

Unless otherwise stated, operating profit excludes amortisation and exceptional items

Deregulated Bus: Revenue

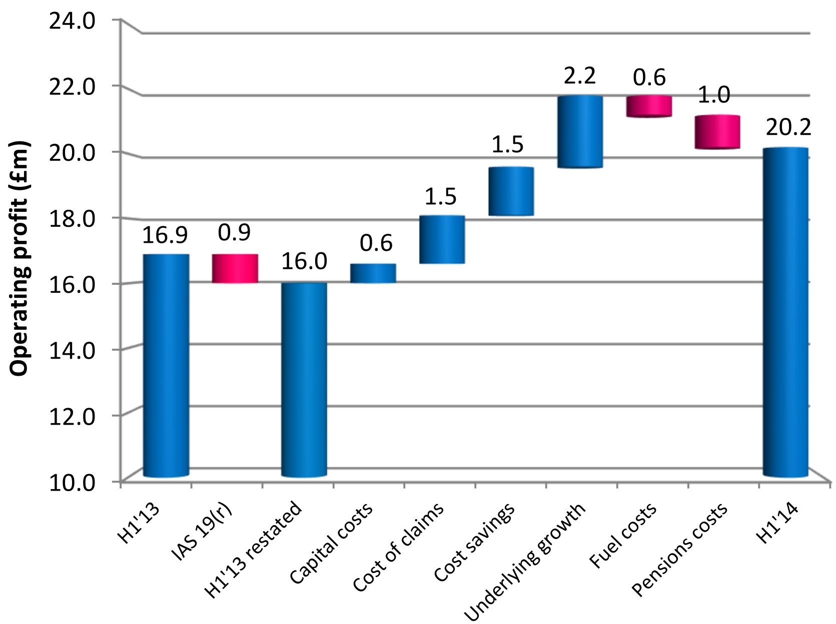
Total	H1'14	**H1'14 (exc Olympics)**	H1'13	FY'13
Revenue	2.9%	**3.7%**	9.6%	7.9%
Passengers	1.4%	**1.4%**	5.5%	3.1%

Excluding acquisitions

Revenue	2.9%	**3.7%**	4.7%	4.3%
Passengers	1.4%	**1.4%**	2.7%	1.1%

- Like for like revenue (exc Olympics) up 3.7%
- Actual revenue up 2.9%
- Like for like passenger growth of 1.4%
- Like for like revenue growth in all our deregulated businesses
- Revenue and passenger growth in both commercial and concessionary
- Some mileage growth due to service enhancements and commercial contract gains

Deregulated Bus: Profit bridge



Margin performance

	H1'14	H1'13	H2'13	FY'13
Operating profit margin*	11.6%	9.4%	11.9%	10.7%

- Operating profit up £4.2m to £20.2m
- Cost savings ahead of schedule as part of £100m target
- Continued focus on accident prevention and minimising claims
- Underlying organic growth reflects like for like revenue growth outstripping both cost inflation and network growth
- Fuel cost movements reflect increase in hedge price
- Increased pension costs include one-off payments as part of scheme closure
- H1'14 margins improved year on year due to cost saving initiatives and improved claim performance

*Restated for IAS 19 (revised)

Regulated Bus: Revenue

Total	H1'14 (inc Olympics)	**H1'14 (exc Olympics)**	H1'13 (inc Olympics)	**H1'13 (exc Olympics)**	FY'13 (inc Olympics)	**FY'13 (exc Olympics)**
Revenue	5.1%	**7.9%**	16.9%	**13.9%**	12.0%	**10.5%**
Mileage	1.8%	**2.8%**	11.1%	**10.0%**	7.3%	**6.8%**

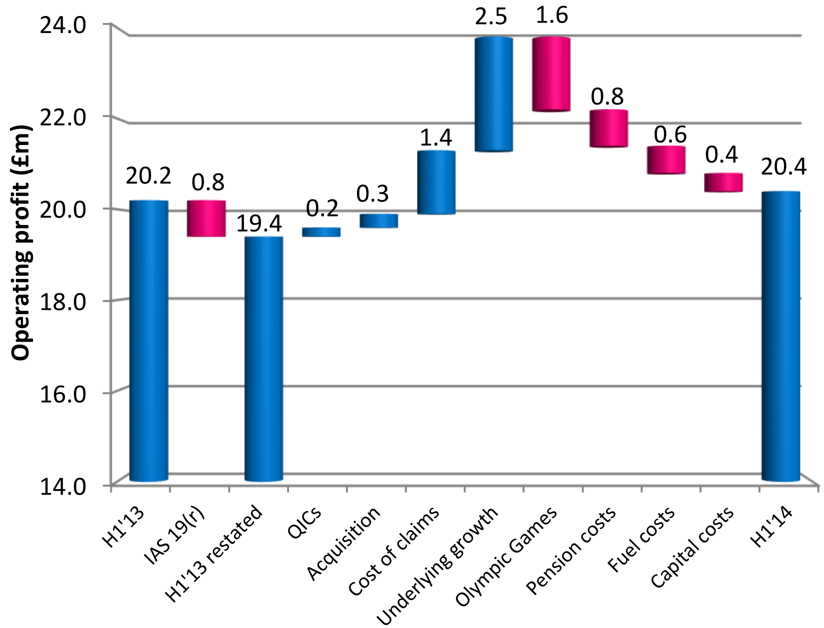
Excluding acquisitions

Revenue	5.1%	**7.9%**	9.4%	**6.3%**	6.5%	**5.0%**
Mileage	1.8%	**2.8%**	4.4%	**3.3%**	2.5%	**1.9%**

QICs	£4.7m		£4.5m		£9.9m	

- Like for like revenue up 7.9%
- Reallocation of BSOG from costs to revenue in Q2 contributed 2.5% of H1'14 growth
- Like for like mileage up 2.8% including better than expected contribution from planned rail replacement and small contract gains
- QICs up £0.2m despite strong comparatives in H1'13 following the Olympics

Regulated Bus: Profit bridge



Margin performance

	H1'14	H1'13	H2'13	FY'13
Operating profit margin*	9.2%	9.2%	9.0%	9.1%

- Operating profit up £1.0m to £20.4m
- Continued focus on accident prevention and minimising claims
- Continued strong QICs performance, comparative includes benefits of Olympics
- Small acquisition made a positive contribution
- Comparative includes profit from delivery of Olympic contracts
- Fuel cost movements reflect increase in hedge price
- Increased pension costs include one off payments as part of scheme closure
- Margins consistent year on year

*Restated for IAS 19 (revised)

Bus: Fuel

Fuel hedging prices	FY'13	FY'14	FY'15	FY'16	FY'17
% hedged	Fully	Fully	72%	36%	12%
Price (pence per litre)	49.2	50.5	49.2	47.1	45.6
Usage (m litres pa)	126	126	126	126	126
£'m commodity cost	62	64	62*	59*	57*

- FY'14 fully hedged at 2.6% higher than FY'13
- Future years hedging in line with policy
- Current outlook remains relatively stable although showing a reducing trend

FY'14 bus fuel cost	Pence per litre	Cost £m
Commodity cost	51	64
Duty	58	74
Delivery	1	1
BSOG	(35)	(44)
Net cost	75	95

*Assuming hedging completed at same average price

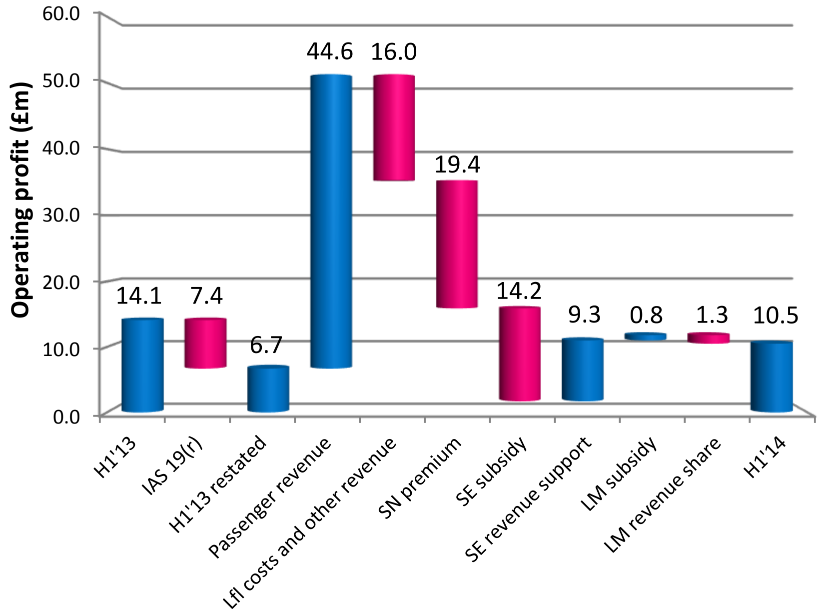
Rail: Revenue

Passenger revenue	H1'14 (inc Olympics)	**H1'14 (exc Olympics)**	H1'13 (inc Olympics)	**H1'13 (exc Olympics)**	FY'13 (inc Olympics)	**FY'13 (exc Olympics)**
Southern	7.7%	**8.2%**	6.0%	**5.5%**	5.6%	**5.4%**
Southeastern	2.7%	**5.3%**	12.7%	**10.0%**	8.0%	**6.7%**
London Midland	8.9%	**10.1%**	13.6%	**12.4%**	12.1%	**11.5%**

Passenger journeys						
Southern	3.9%	**4.3%**	(1.8)%	**(2.3)%**	1.1%	**0.8%**
Southeastern	0.8%	**3.9%**	5.4%	**2.3%**	4.7%	**3.1%**
London Midland	4.7%	**5.4%**	3.2%	**2.6%**	2.4%	**2.1%**

- Southern: revenue growth improving, still expected to enter 80% revenue support in H2'14
- Southeastern: performance remains in line with expectations, still receiving 80% revenue support
- London Midland: strong revenue performance means this franchise is currently in revenue share
- January 2014 fare increases of 2.7% compared to 4.2% last year, a more modest H2 yield is therefore expected
- Passenger journey data continues to be affected by changes in Travelcard allocations

Rail: Profit bridge



- Operating profit up £3.8m to £10.5m
- Passenger revenue increased by 5.8% partially offsetting changes in subsidy/premium
- Overall now a net contributor to DfT totalling £22.4m (H1’13: net receipt of £2.4m)
- Net franchise model payments to DfT up £24.8m year on year
- Margin improved through cost controls and ongoing contract management
- Bid costs of £4.1m incurred

Margin performance

	H1’14	H1’13	H2’13	FY’13
Operating profit margin*	1.1%	0.7%	0.5%	0.6%

*Restated for IAS 19 (revised)

Summary income statement

£m	H1'14	Restated H1'13	*Variance*
Revenue	1,370.0	1,296.6	*73.4*
Operating profit	**51.1**	**42.1**	***9.0***
Net finance costs	(7.6)	(8.0)	*0.4*
Profit before tax and amortisation	**43.5**	**34.1**	***9.4***
Amortisation	(3.2)	(3.3)	*0.1*
Profit before tax	**40.3**	**30.8**	***9.5***
Tax	(2.4)	(5.6)	*3.2*
Profit for the year	**37.9**	**25.2**	***12.7***
Non-controlling interests	(4.3)	(2.3)	*(2.0)*
Profit attributable to members	**33.6**	**22.9**	***10.7***

Adjusted earnings per share (p)	**83.3**	**58.3**	***25.0***
Total dividend per share (p)	**25.5**	**25.5**	

→ In line with expectations

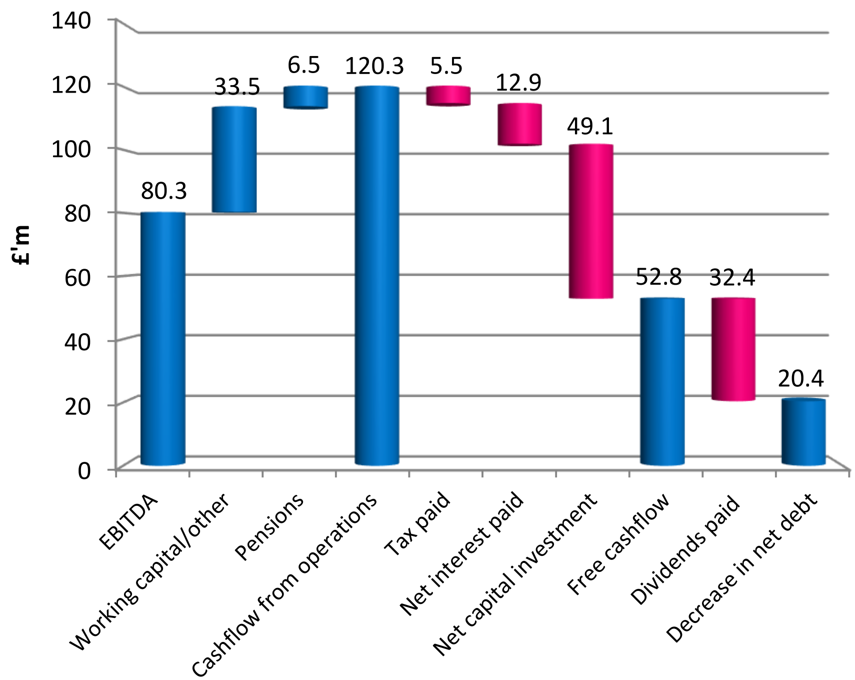
→ FY'14 rate expected to be 15% due to statutory rate change impact on deferred tax

→ 35% Keolis rail holding

→ Earnings per share supported by higher profit, particularly in bus, and lower tax rates (impact 15.6p)

Dividend maintained. Payable 4 April

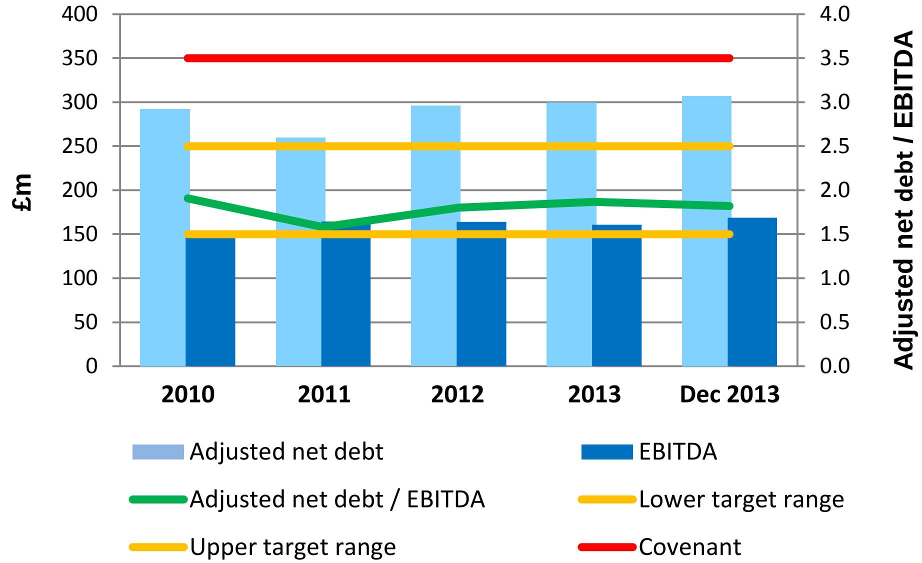
Cashflow analysis



- Positive working capital movement due to season ticket receipts, expected to reverse in second half
- Expect a small overall negative working capital movement at the year end
- Working capital includes add back of IAS 19 (revised) charges of £9.0m
- Free cashflow of £52.8m in line with last year (H1’13: £56.5m) despite higher capital expenditure
- Bus capital expenditure: £48.4m (H1’13: £27.5m) – higher investment in deregulated fleet. FY’14 expect c. £65m
- Rail capital expenditure: £0.7m (H1’13: £2.1m). FY’14 expect c.£5m

Balance sheet

- Adjusted net debt / EBITDA 1.73x (excluding impact of IAS 19 (revised)); well within target range* of 1.5x - 2.5x
- BBB- / Baa3 (stable) rating
- Restricted cash was £225.1m
- Net debt of £70.5m; full year expected in line with FY'13
- Adjusted net debt reflects a significant proportion of the impact on the balance sheet of loss of rail franchises



As at 28 December 2013	£'m
Five year syndicated facility 2016	275
7½ year £200m sterling bond 2017	200
Total core facilities	**475**
Amount drawn down	312
Total headroom	**163**

As at 28 December 2013	£'m
Restricted cash	225.1
Net debt	70.5
Adjusted net debt	295.6
EBITDA (excluding impact of IAS19 (revised))	170.8
Adjusted net debt/EBITDA	1.73x

*Targets and covenant refer to adjusted net debt/EBITDA

Bus pensions

Net pension scheme liabilities:

£m	H1'14	H1'13	FY'13
Assets	577.4	559.3	569.6
Liabilities	(659.4)	(611.2)	(617.3)
Net deficit	(82.0)	(51.9)	(47.7)
Less tax	16.4	11.9	11.0
Post tax deficit	(65.6)	(40.0)	(36.7)

- Consultation to close scheme to future accrual complete, scheme closes 31 March 2014
- Net operating cost £5.3m (H1'13: £4.3m); this includes IAS 19 (revised) costs of £2.3m (H1'13: £1.7m)
- Net deficit calculation does not take into account the impact of scheme closure as this was post H1'14
- Different assumptions applied on actuarial valuation compared to accounting valuation
- Asset backed funding (ABF) in place to give pension scheme trustees interest in some Group properties
- Closure of the scheme and ABF expected to eliminate actuarial deficit on scheme
- Exceptional non-cash credit expected in the second half

David Brown

Group Chief Executive

Deregulated Bus

HIGHLIGHTS

- Operating profit up 26.3%
- Margins improving, up to 11.6%

	H1'14	H1'13	FY'13
Operating margin	**11.6%**	9.4%	10.7%
Revenue growth (lfl)	**3.7%***	4.7%	4.3%
Passenger growth (lfl)	**1.4%***	2.7%	1.1%

*Excluding Olympic impact

- High quality, value for money services continuing to attract passengers
- Growth in both commercial and concessionary travel in all deregulated areas
- Growing the network through investment in new services and commercial contract wins
- Mobile ticketing making good progress – over 40,000 people now using m-tickets
- Almost 500,000 smartcards now in issue; c.130,000 passenger journeys a day
- Continued roll-out of Wi-Fi on major routes
- Fully automated B2B smartcard scheme went live in January; industry first
- Further development of bus app to make bus travel more convenient for our passengers
- Significant investment in our fleet - £36.7m on 212 new buses in the period
- Responded to Tyne & Wear's ITA consultation during the period – believe partnership working is the right outcome
- Continue to look for opportunities to grow through acquisition

Regulated Bus

HIGHLIGHTS

- Best in class operating margins
- Continued mileage growth

	H1'14	H1'13	FY'13
Operating margin	**9.2%**	9.2%	9.1%
Revenue growth (lfl)*	**7.9%**	6.3%	5.0%
Passenger growth (lfl)*	**2.8%**	3.3%	1.9%

*Excluding Olympic impact

- Largest London bus operator with 24% of a mature market
- High quality and cost efficient operator
- Continued mileage growth
- High contract retention rate
- Strong QICs performance at similar level to Olympic period
- Launched first pilot of electric buses in London in partnership with TfL
- Continue to develop flywheel technology with Williams Hybrid Power
- Won first London bus contract as a direct result of introducing the leading-edge technology

Target 100

- FY'14 is progressing well – bus operating profit of £40.6m in the first half of the year
- Similar performance expected in the second half as in the first
- Like for like deregulated revenue growth of 3.7% slightly ahead of three year guideline of 3.5% – helped by small network expansion
- Like for like regulated revenue growth of 7.9%, including 2.5% BSOG reallocation – underlying growth ahead of three year guideline of 2.5%
- Cost inflation broadly in line with three year guideline of 2.5 - 3.5%. Some costs rising proportionately with the additional deregulated and regulated mileage growth
- H1'13 cost savings of £4.5m, including insurance savings, ahead of schedule. Confident in ability to achieve £10m cost savings by 2015/16
- On course to achieve £100m of bus operating profit by 2015/16

Rail

HIGHLIGHTS

- Operating profit up year on year
- Thameslink and Crossrail bids submitted

	H1'14	H1'13	FY'13
Operating margin	**1.1%**	0.7%	0.6%
Passenger revenue growth (lfl)*	**7.3%**	8.4%	6.9%
Passenger journey growth (lfl)*	**4.3%**	0.4%	2.0%

*Excluding Olympic impact

Southeastern

- Strong operational performance – latest customer satisfaction score equals best ever score for the network of 84%
- High speed service delivering exceptionally high levels of customer satisfaction, at 95%
- Enters unprofitable seven-month extension period in March 2014
- Received Request for Proposal (RfP) from DfT regarding the planned extension to June 2018
- Awarded 'innovation of the year' at the National Rail Awards for engineering Wiki

Rail continued

Southern

- Revenue performance improving – early signs of economic recovery more prevalent in the South East
- Introduced industry leading smartcard, ‘the key’, to London commuters
- Introduced new fleet of 26 trains, increasing capacity and improving the passenger experience for our customers
- Working in partnership with the DfT on its train procurement programme. During the period we assisted in the procurement of 116 trains for use on the Thameslink franchise

London Midland

- Revenue growth remains strong
- Contributing to Government through revenue share mechanism – only franchise of its time not receiving revenue support
- Planned extension to June 2017
- Awarded ‘maintenance team of the year’, in partnership with Siemens at the National Rail Awards

Rail going forward

- Thameslink bid submitted on 24 December – DfT announcement expected in the spring
- Crossrail bid submitted on 14 February – TfL announcement expected in late 2014
- Planned extensions on existing Southeastern and London Midland franchises
- Committed to delivering value over remaining life of existing franchises
- New rail journey planning app – 'On Track' – our free app provides personalised real-time information and fast journey planning for all national rail routes

Outlook

- Overall expectations remain unchanged
- Expect bus division to deliver largely similar profits in second half of the year as the first
- Rail division not expected to generate material profits in second half due to premium/subsidy profile and Southeastern's unprofitable seven-month extension period

Summary

- We have leading positions in the bus and rail markets
- Opportunities for growth in both bus and rail sectors
- Good progress towards Target 100
- Bids submitted for Thameslink and Crossrail franchise competitions
- The Group remains in a good financial position with strong cash generation and a solid balance sheet, underpinning the dividend and allowing flexibility to pursue value-adding opportunities
- Continue our focus on our key strengths of providing high quality, locally focused and innovative transport services for our bus and rail customers

Q&A

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Appendix

IAS 19 (revised)

- IAS19 (revised) became effective for the Group in the current financial year
- The effect of applying the revised standard to the financial statements for the year ended 29 June 2013, is a reduction in profit before tax for the year of £12.8m, £7.5m of which is attributable to equity holders of the parent
- This results in a reduction in basic earnings per share of 17.5p and a reduction to adjusted earnings per share of 22.0p, of which 6.8p relates to the bus division
- Applying the revised standard has no effect on cash, credit rating or bank covenants
- The table shows the impact on the financial results for the six months to 28 December 2013 and on the restated results for the six months to 29 December 2012 and the year ended 29 June 2013

	H1'14 £m	**H1'13 £m**	**FY'13 £m**
Profit adjustment – bus	**(2.3)**	(1.7)	(3.8)
Profit adjustment – rail	**(6.7)**	(7.4)	(12.8)
Total operating profit effect	**(9.0)**	(9.1)	(16.6)
Amortisation	**1.9**	1.9	3.8
Profit before tax	**(7.1)**	(7.2)	(12.8)
Tax	**1.6**	1.7	2.9
Profit for the period	**(5.5)**	(5.5)	(9.9)
Attributable to:	**(4.2)**	(4.0)	(7.5)
Equity holders of the parent	**(1.3)**	(1.5)	(2.4)
Non controlling interests	**(5.5)**	(5.5)	(9.9)
Reduction in basic eps	**(9.8)p**	(9.4)p	(17.5)p
Reduction in diluted eps	**(9.7)p**	(9.3)p	(17.4)p
Reduction in adjusted eps	**(12.0)p**	(11.7)p	(22.0)p
Reduction in eps attributable to bus	**(4.2)p**	(3.0)p	(6.8)p