



# GO-AHEAD BUS INVESTOR EVENT

## David Brown, Group Chief Executive

18 October 2012

**Go-Ahead**



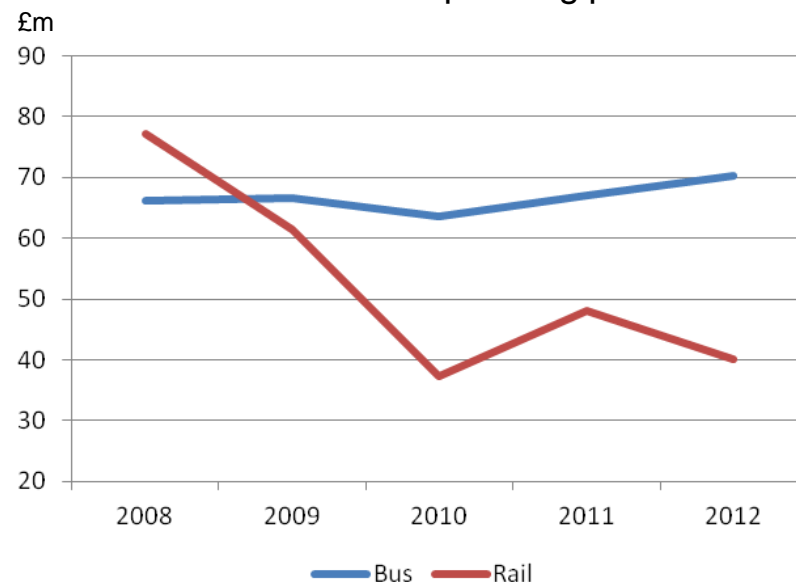
## Growing our core bus division

### HIGHLIGHTS

- UK bus is core to our business and we see it as a strong growth area
- Committed to operating in the UK rail market
- Committed to growing our UK bus division:
  - 100% owned
  - Highly cash generative
  - Flexible cost base
  - Stable earnings throughout economic downturn
  - Significant growth potential in deregulated bus
  - High contract retention rate in London and more stable market

- Our target: £100m of bus operating profit by FY'2015/16 achieved through organic growth

Bus and rail operating profit





# GO-AHEAD BUS INVESTOR EVENT

John Trayner, Managing Director - Go-Ahead London

18 October 2012

**Go-Ahead**

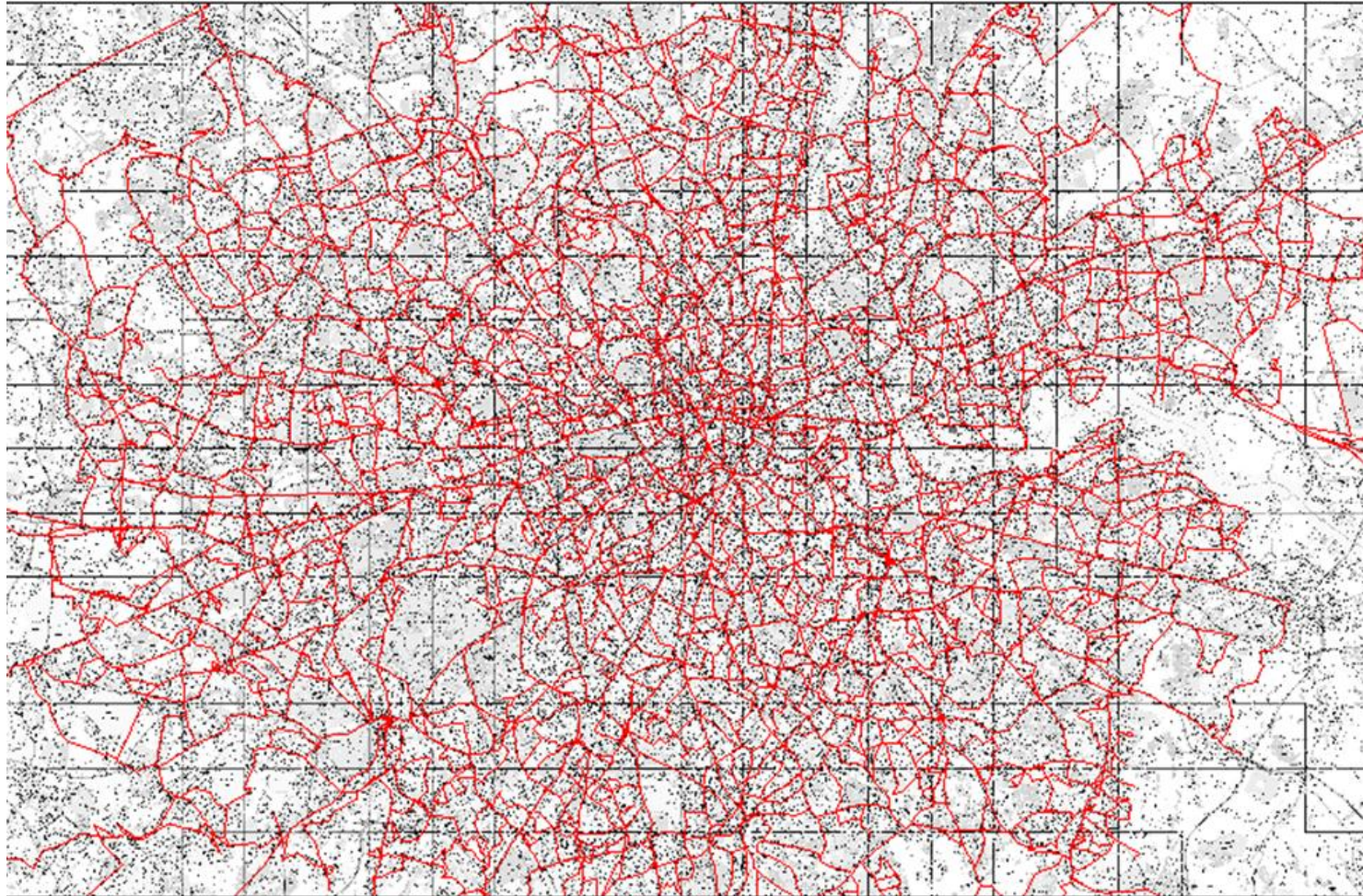


What does it take to run a good bus business in London?





## London's bus network





## Statistics for London

- 8,000+ buses
- 750 routes
- Population rising by 1m by 2020
- Passenger numbers 2.3 billion per annum
- Nearly 50% of all bus journeys in England made in London
- Buses carry twice as many people as the Tube every day







## Go-Ahead London

- Market share 24%
- Revenue £312m
- Passenger journeys 391m
- 1,800 buses, including 60 hybrids
- Expansion – 25% more vehicles, staff and passenger journeys in the last five years plus 35% increase in revenue

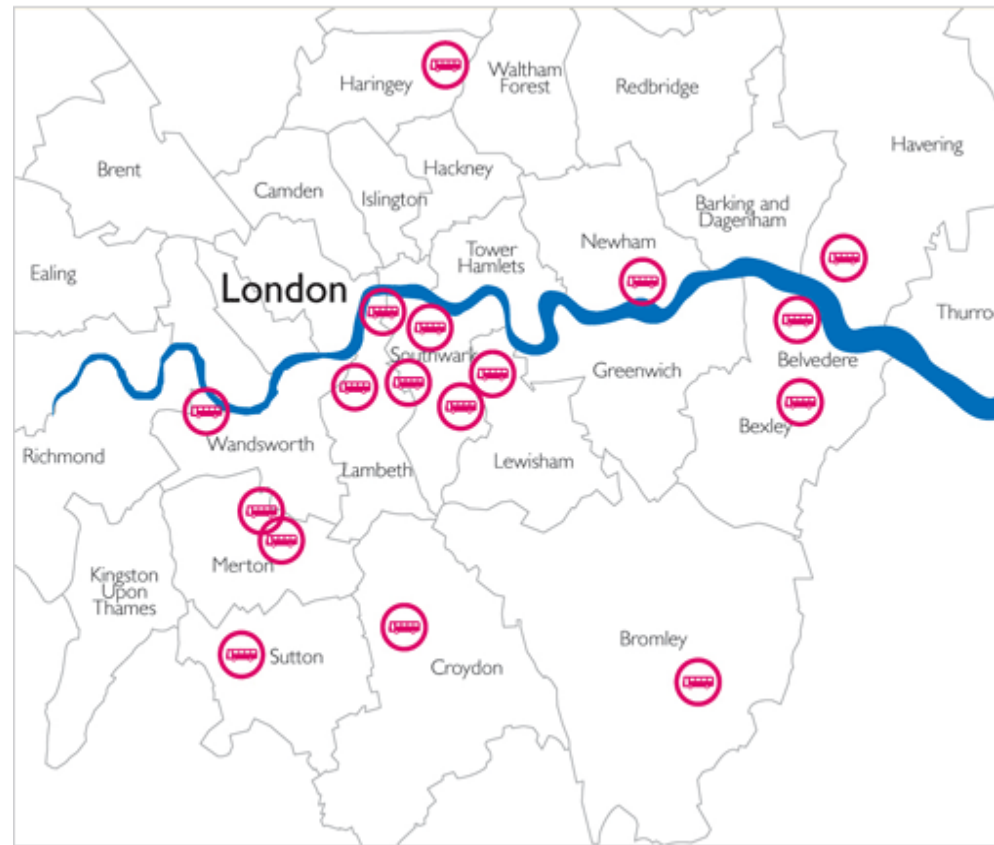




## Where we operate

- 17 depots, significant number are freehold
- South East/South West
- More recently moved into the North East
- Operate most central London routes

GO-AHEAD'S LONDON BUS DEPOTS





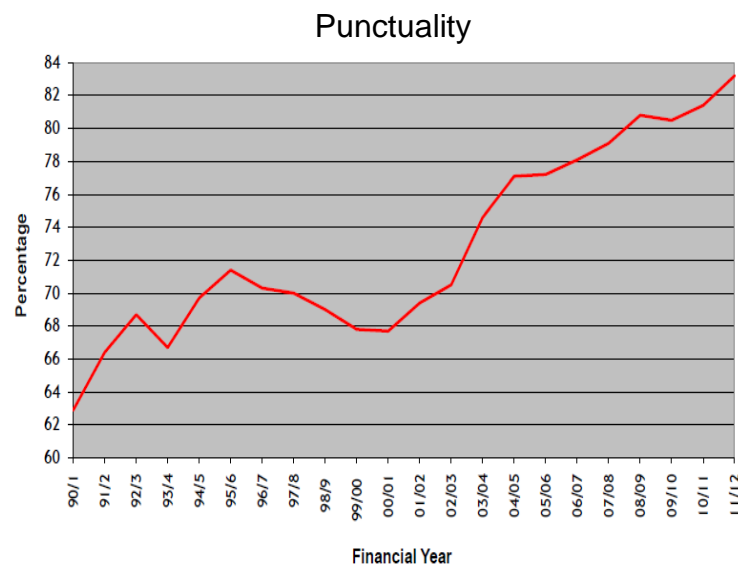
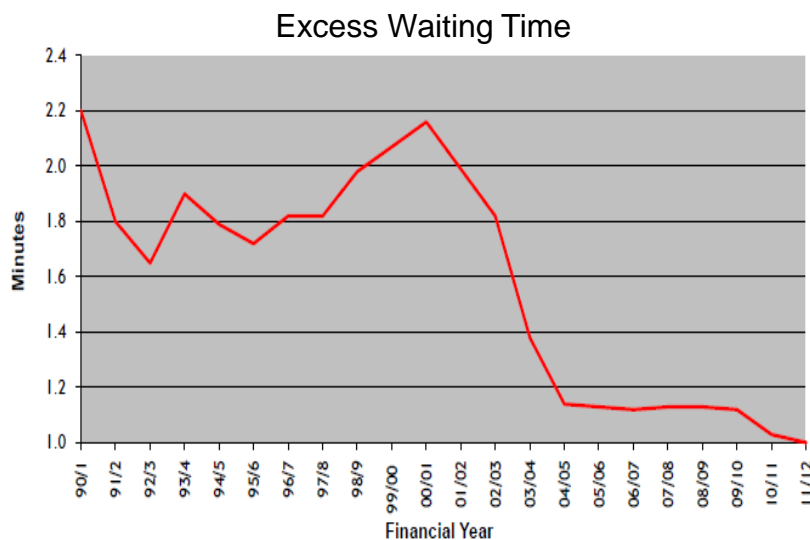
## Business model

- First priority – operating legally and safely
- Key components:
  - Bid success
  - Maximising outputs
  - High quality
  - Cost effectiveness
  - Profitability
- Underpinned by successful execution



## Measuring our success

- Our performance is measured by:
  - Excess Waiting Time for high frequency contracts
  - Punctuality for low frequency contracts
  - Mileage operated
- Performance against these determine our contract revenue and Quality Incentive Contract (QIC) bonuses
- As performance improves QIC targets are tightened







## Contract bidding

- Contracts on average run for five years
- 20% of all contracts therefore come up every year
- High retention rate
- Well placed to bid for new routes



## Monitoring performance



Northumberland Park

- Rigorous approach
- Four weekly depot performance audits
- Closely managed by Directors



## Achievements

- Growing the business +25%
- Controlling insurance costs -17%
- Controlling staff costs





## A weekend of change, known as 'Mad March'

- Introduced five new contracts (73 pvr)
- Introduced three retained contracts (13 pvr)
- Moved two contracts to Camberwell (37 pvr)
- TUPE transferred 135 drivers from three companies
- Completed acquisition of Northumberland Park, which included 13 routes, 130 vehicles and 400 staff TUPE transferred.



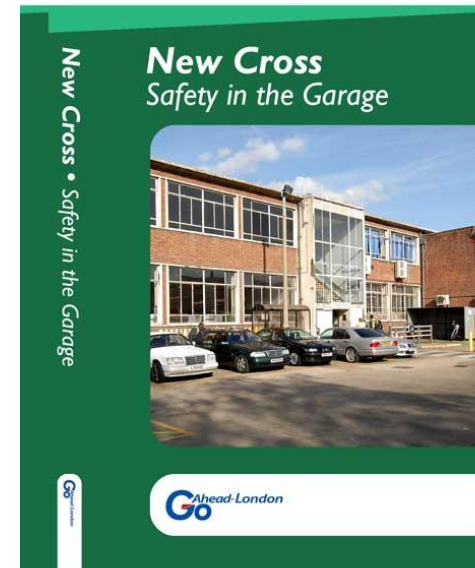
All on 31 March 2012

£42m worth of business started on one day



## Insurance costs

- 17% reduction in claims costs
- Fighting back against compensation culture
- Third party capture
- Training for all staff







## Staffing

- 65% of our costs
- Company legacy
- Effect of TUPE
- Competitive advantage
- Training

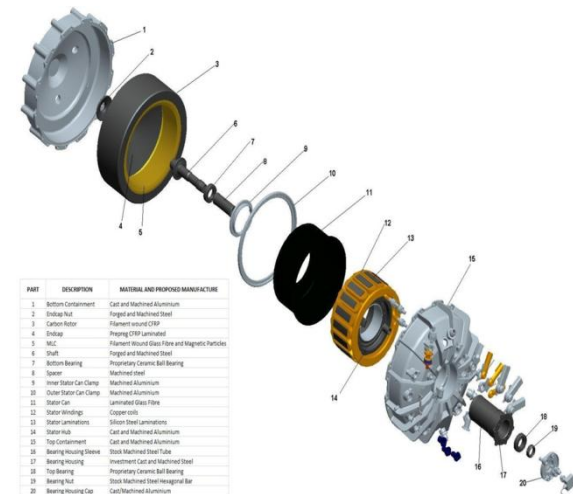






## To remain successful

- Understand the market
- Understand our stakeholder - TfL
- Sustainable bids
- Good depot locations with the best management teams
- TUPE has made the process more transparent
- Innovative cost savings
- Playing field becoming more level
- Quality and compliance becoming more important





# GO-AHEAD BUS INVESTOR EVENT

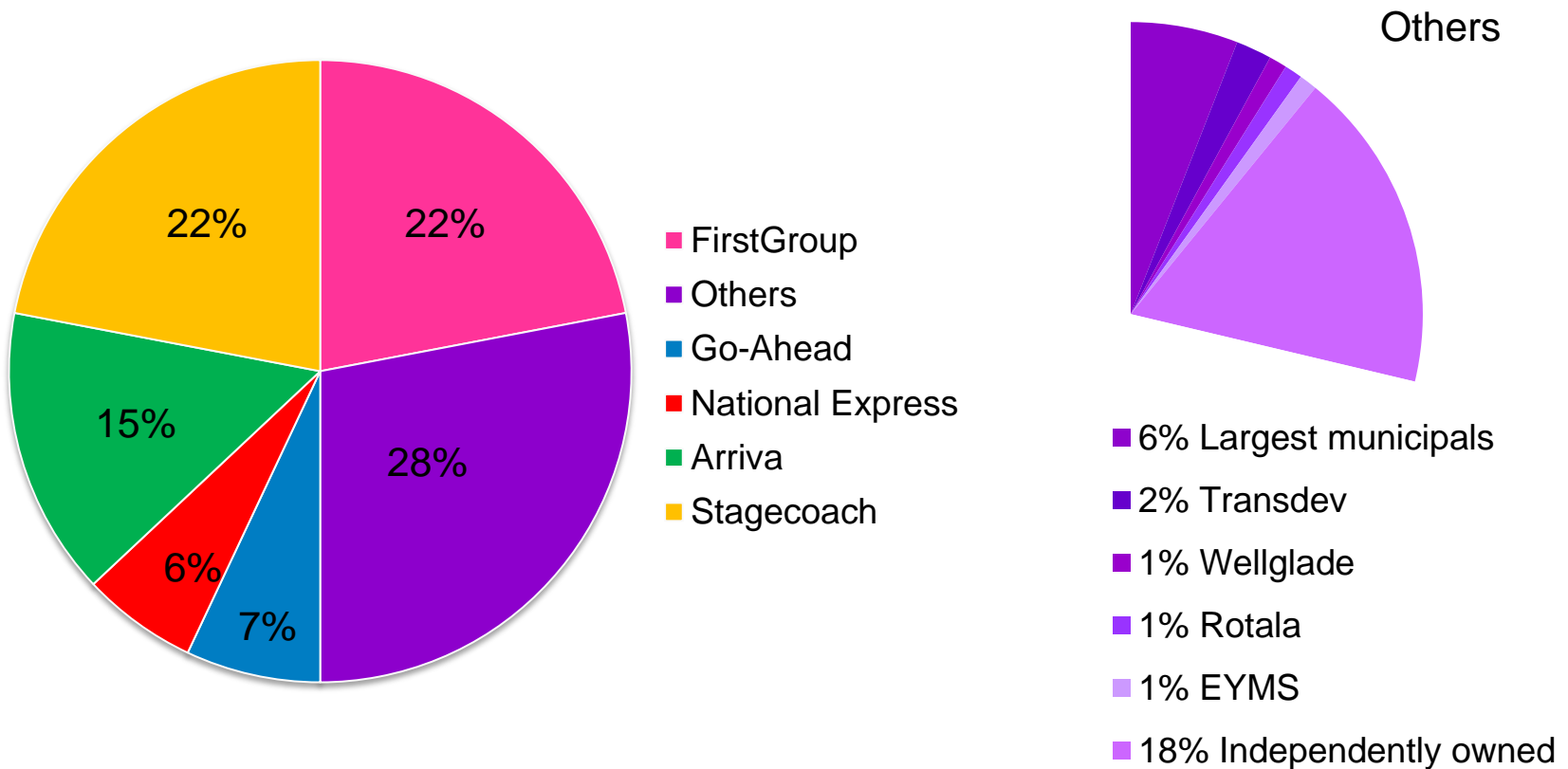
## Martin Dean, Managing Director – Bus Development

18 October 2012

**Go Ahead**



## UK bus market (outside London)



N.B. Market share by revenue



## What do we look for when making acquisitions?

Positives	Evidence
Growth potential	Mix of commercial and tendered services Markets served Social and economic indicators Local authority relationships and partnerships Strength of competition
Stability of target business	Financial indicators Reputation Management team
Asset base	Operating centre Vehicle condition
Potential for synergies	Proximity to existing Go-Ahead bus businesses
Regulatory	Likelihood of OFT intervention



## Relationship building with potential vendors

- Industry stakeholder events
- Pro-active approach
- Corporate finance advisors
- Go-Ahead attractive to vendors because of our well-established reputation for devolved management and maintenance of local brands
- We have no control over the timing of vendors coming to the market but usually an active pipeline



## Improving acquired businesses

- Capital for new vehicles and other assets
- Expertise e.g. smartcards, property, financial systems
- Synergies e.g. payroll and invoice processing
- Group buying power e.g. vehicle parts, fuel
- Our approach: to add value while encouraging local innovation







## Recent acquisitions

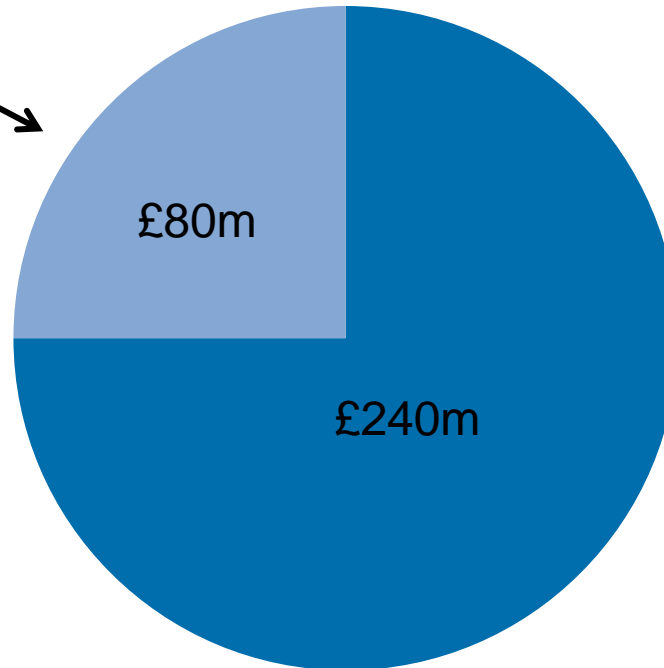
	Carousel	Hedingham	Anglian	Chambers
Consideration	£3.1m	£4.3m	£4.4m	£3.2m
Date of purchase	March 2012	March 2012	April 2012	June 2012
Buses	51	90	71	29
Staff	105	120	134	40
Rationale	<ul style="list-style-type: none"><li>• Synergies with Oxford</li><li>• Good commercial corridors</li></ul>	<ul style="list-style-type: none"><li>• Good asset base with room for expansion</li><li>• Local authority with track record of support for local bus services</li></ul>	<ul style="list-style-type: none"><li>• Synergies with existing Norfolk operation (Konect)</li><li>• Strong record of network growth</li></ul>	<ul style="list-style-type: none"><li>• Proximity to Hedingham: opportunity to share overheads</li><li>• Very strong core commercial corridor</li></ul>
Progress/Initiatives	<ul style="list-style-type: none"><li>• Relocated depot site</li><li>• Improved fleet through internal cascades</li><li>• Intensified service on key commercial corridor</li></ul>	<ul style="list-style-type: none"><li>• Fleet renewal through internal cascades</li><li>• Tender wins in September 2012</li><li>• Launch of new commercial services September and November 2012</li></ul>	<ul style="list-style-type: none"><li>• Sharing of existing finance resource to other East Anglian businesses</li><li>• Implementation of Group IT systems for financial reporting, purchasing and payroll</li></ul>	<ul style="list-style-type: none"><li>• Transfer of operating base to underutilised Hedingham depot</li><li>• Fleet renewal</li><li>• Sharing of commercial expertise from other East Anglian businesses</li></ul>



## Bus Service Operators Grant (BSOG)

### Current total pot (England) £320m

£80m  
London (paid  
direct to  
operators)

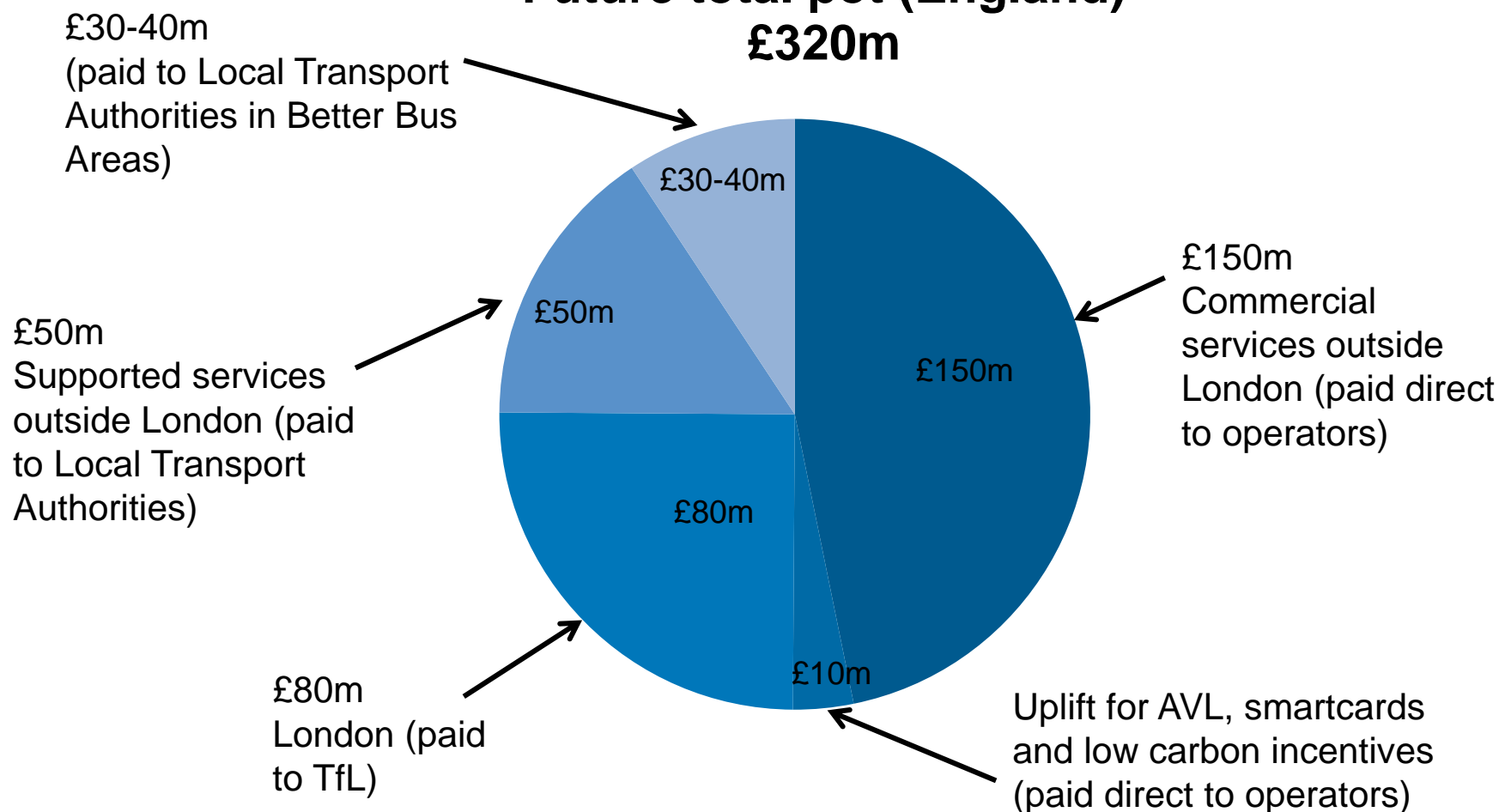


£240m  
Commercial and  
tendered services  
outside London (paid  
direct to operators)



## Bus Service Operators Grant (BSOG)

### Future total pot (England) £320m





## Summary

- Value adding acquisitions made but....
- ....still only 7% of deregulated market
- Proactive approach
- Always assessing opportunities
- Good growth prospects



# GO-AHEAD BUS INVESTOR EVENT

Kevin Carr, Managing Director – Go North East

18 October 2012

**Go Ahead**



## Operating in a deregulated market

- Go North East is the largest bus operator in the North East of England
- Primarily operating buses within Tyne and Wear with services crossing the boundaries into Northumberland, Durham and Tees Valley
- Operate mainly inter-urban services, from seven core garages with four outstations
- 90% of our operations are commercial
- Over 2000 staff
- 72 million passenger journeys per year
- Annual revenue of £97m
- Been in business for 100 years in 2013





## Current position

- Autonomous management
- Vigorous commercial strategy has grown the business
- Growth in revenue and passenger numbers
- Sound cost base and strong cost control
- High passenger satisfaction - 91% in recent Passenger Focus survey
- Competition: two large bus operators, small independent operators, Metro, the car
- Differentiate through robust commercial strategy - branding, operational performance, innovation, product quality, flexible and innovative pricing, value for money ethos
- Continual improvement through balance of revenue generation and cost control
- Growth initiatives through organic growth, new contracts and acquisitions

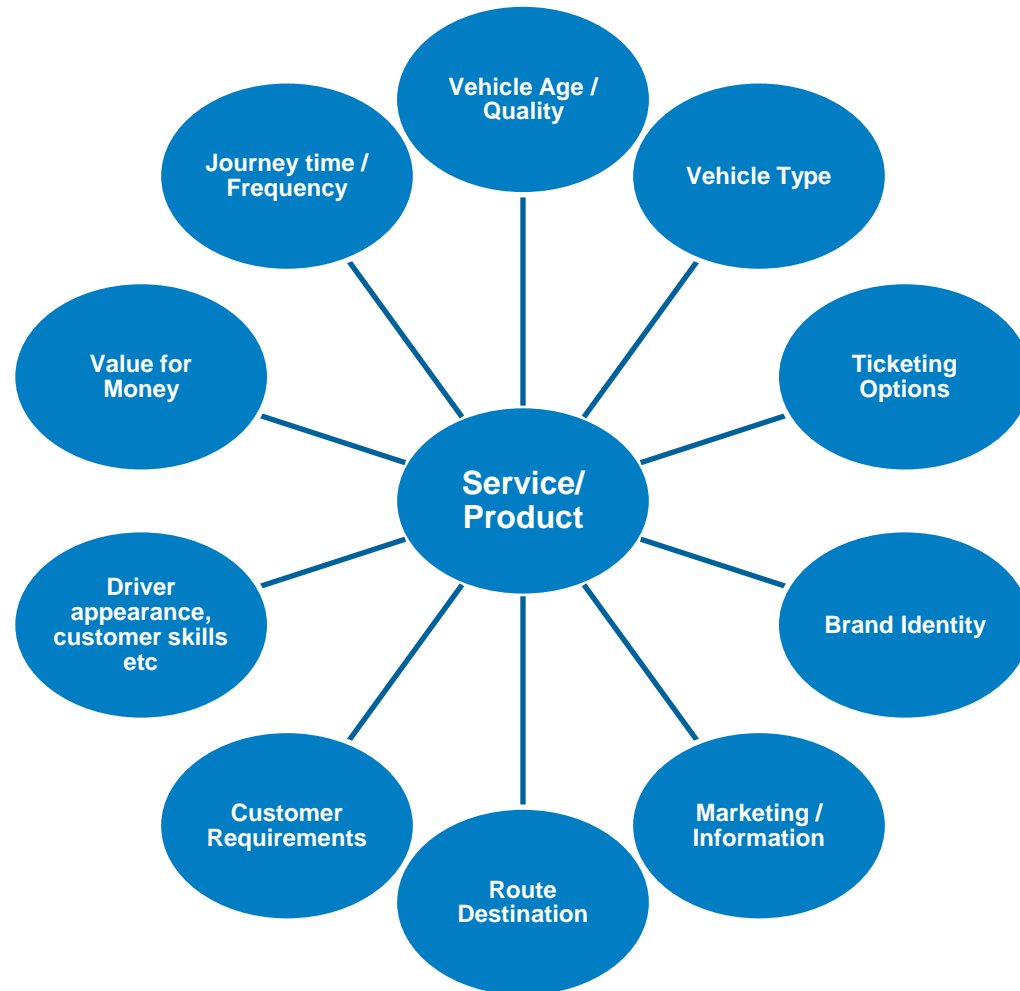


## Organic growth

- Commercial service network offers growth opportunities
- Robust commercial strategy – regular review of services; treating each one as a product with a life cycle
- Services categorised as core commercial, secondary commercial and social or secured services
- Each product requires a combination of elements to deliver on service quality and price
- Recognise that the balance between change and stability is key
- Identify and understand the local markets



## Organic growth – what constitutes a service /product?





## Organic growth

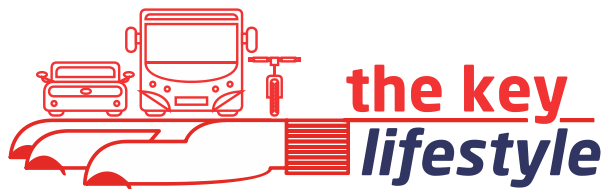
- Targeted investment
- Recognition and visibility within the local markets are achieved with 'local' brand identity
- Ticket offerings targeted to meet lifestyle choices
- Ticketing range tailored to meet customer needs, with discounts to 'buy in' loyalty and channel shift to online



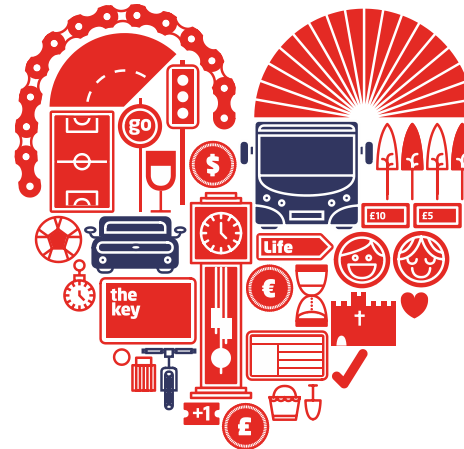
## “The key”



- Introduced ITSO commercial smart cards in 2011. One of the first companies to launch
- 72,000 active cardholders, 3.5m journeys made using “the key”
- Strong local brand within wider Go-Ahead product
- “key” website
- Retail from simplygo.com backed up with local information
- Link with national and local brands to offer discounts to “key” customers
- Further innovations - “key lifestyle” and “key mobile”



**the key *lifestyle***  
**bus, cycle, drive**  
**you choose**







## M-ticketing

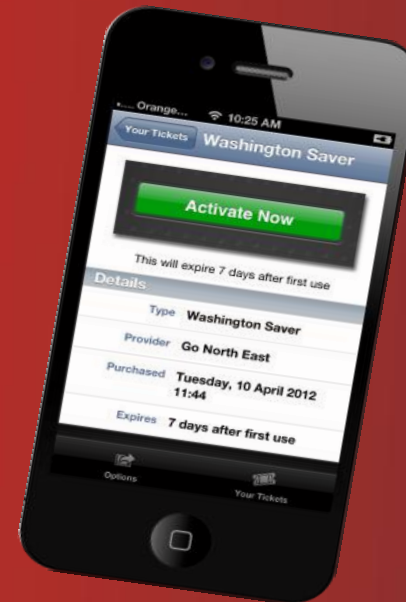
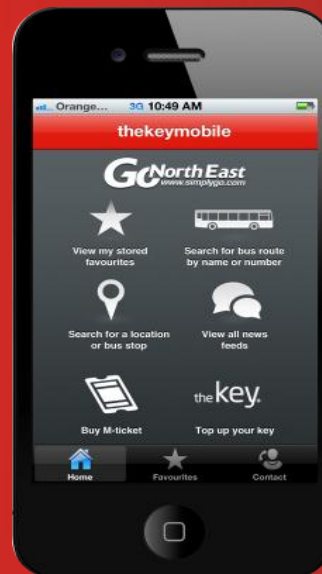
# the key mobile app

the even smarter way to travel

Free to  
download



[thekeymobile.com](http://thekeymobile.com)





## Service/Product – “Ten”







## Service/Product – “Red Arrow”





## Service/Product – “Tyne Tees Express”







## Service/Product – “The Angel”





## Performance monitoring and management

- Regular customer surveys - enables bespoke offerings to meet customer requirements
- Service performance reviewed on an ongoing basis using reports, surveys, focus groups, mystery traveller, route costing, ticket data and operational performance
- Routes/brands are organised into manageable groups. Service Delivery Managers responsible for service quality and performance
- All services have qualitative and financial targets to achieve and are measured against those targets





## Balanced approach

- Balancing revenue generation and cost control
- Efficiency and productivity
- Continual improvement
- Simplify, standardise and share best practice



# GO-AHEAD BUS INVESTOR EVENT

## Gillian Singh, Group Marketing Director

18 October 2012

**Go Ahead**



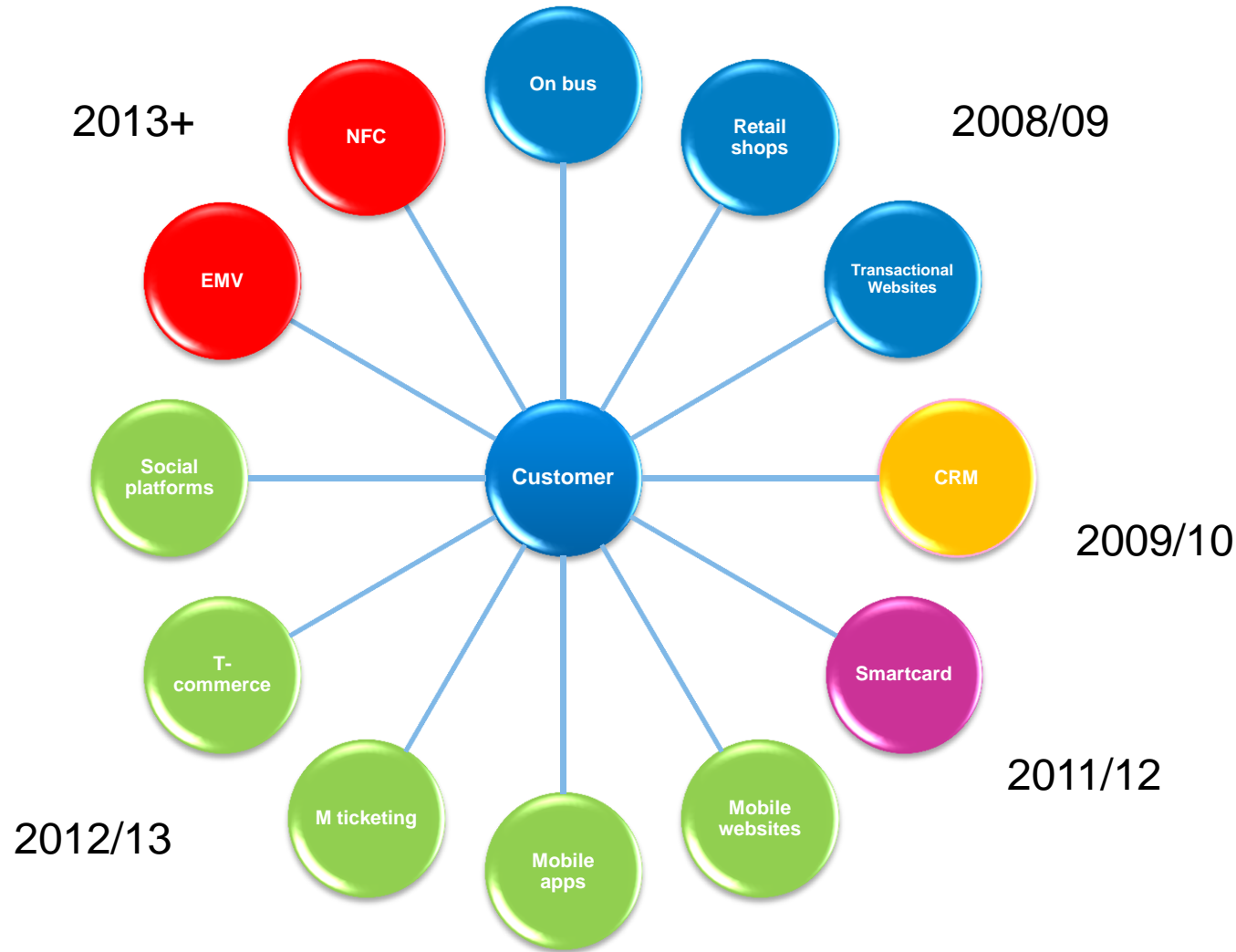
## Customer proposition four years ago...



...who were our passengers?

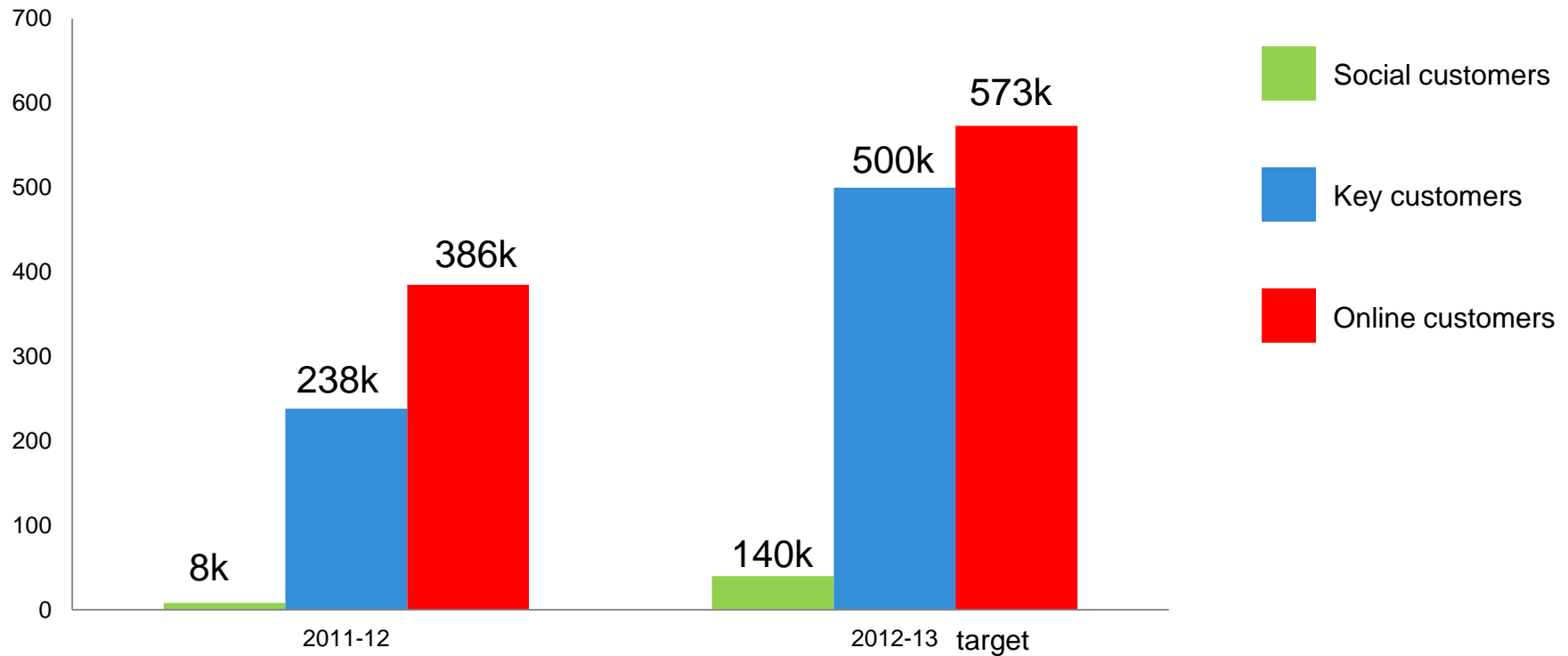


2008-12, a channel explosion...!





## Current customer details

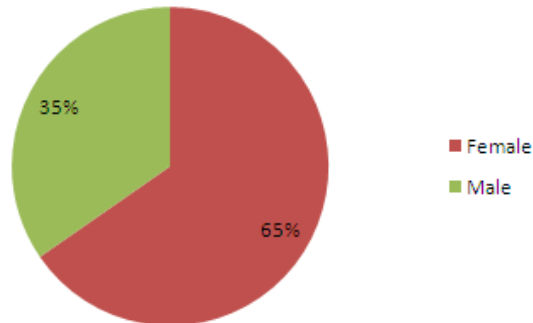




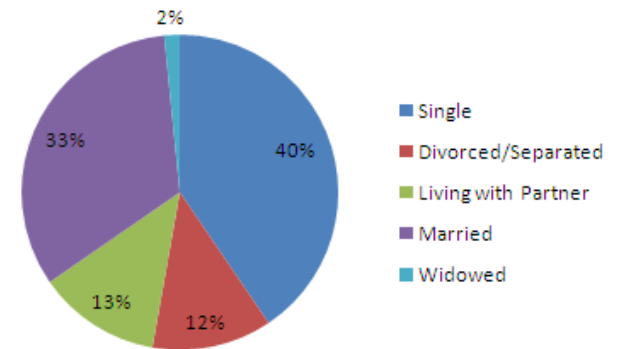
## Plymouth online customers demographics



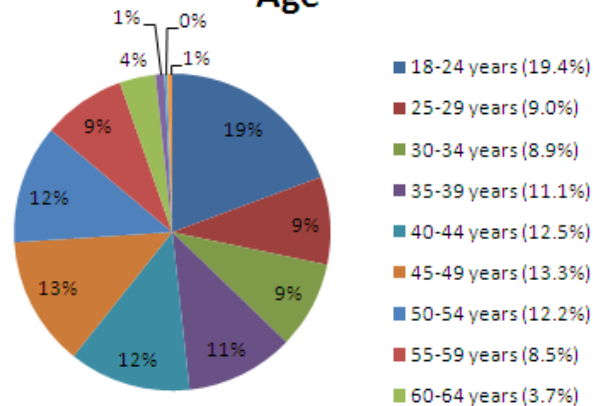
### Gender



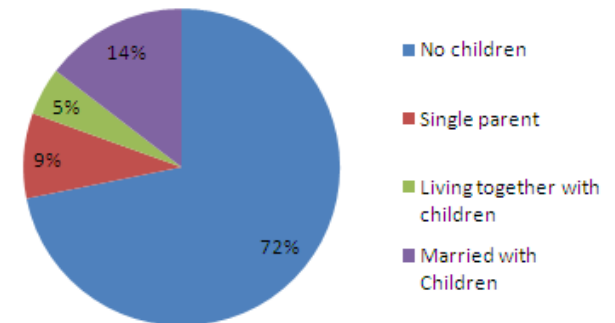
### Marital status



### Age



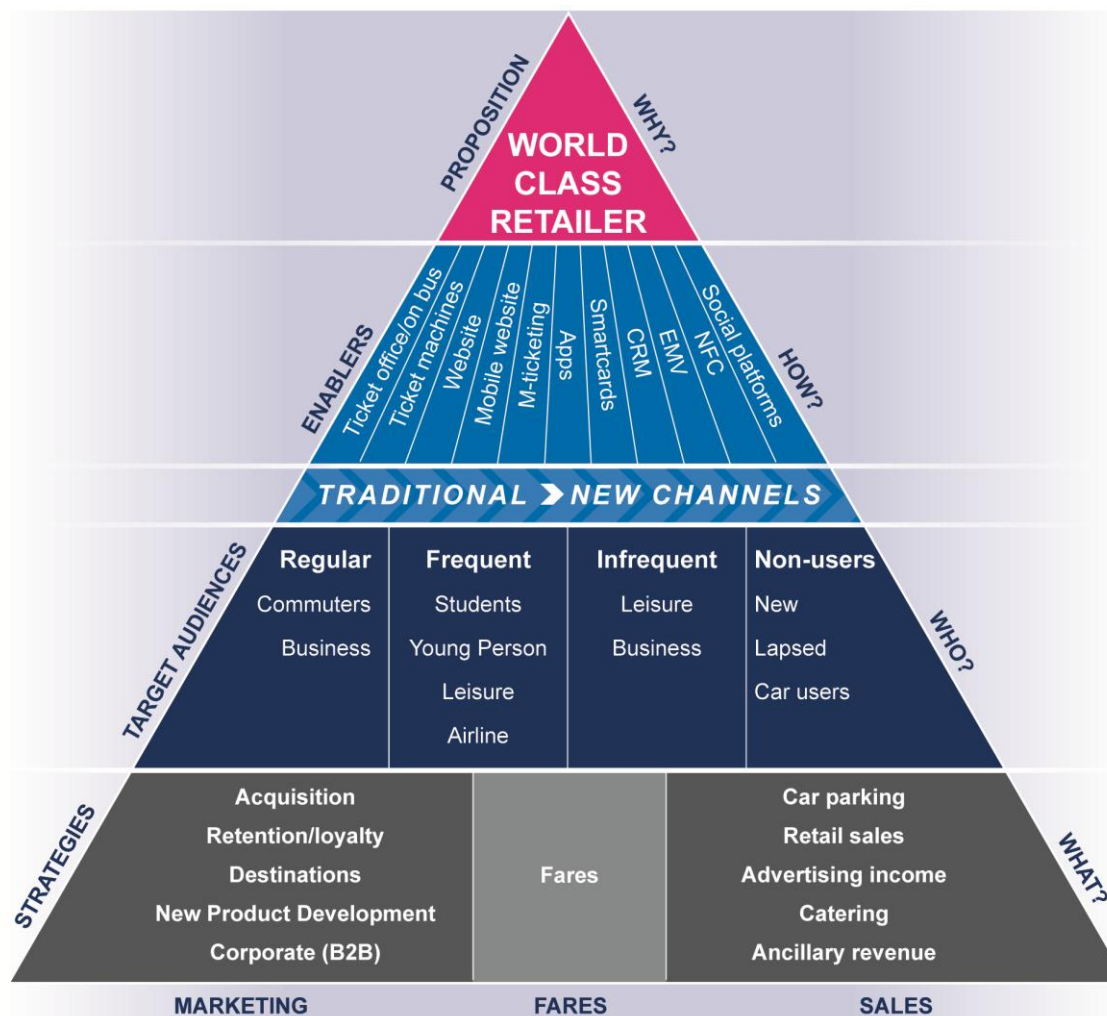
### Parent status







## Marketing functional plan – 2012 retailing vision



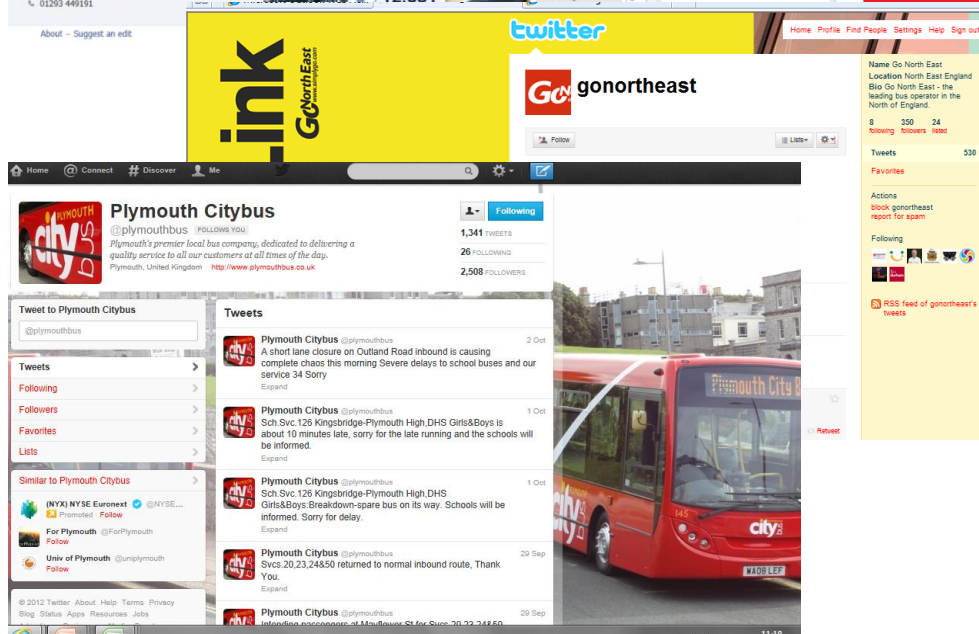
## Corporate and marketing opportunities for 2012/13

- Local marketing plans and KPIs set
- Growing passenger numbers
- Supporting top line revenue growth
- Increasing yield from existing passengers
- Simplifying existing products and developing new products
- Launching new channels to market
- Reducing the cost of retailing from new channels
- Improving provision of information
- Growing corporate B2B sales
- Improving loyalty and engagement

## Local branding initiatives



# Local Facebook / Twitter sites







Source: Luma Partners, Terry Kawaja

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# Innovation – launch new websites

- Home
- Timetables
- Service Revisions
- Real Time Info
- Maps
- Places Index
- Places To Go
- Tickets & Passes
- Accessibility
- Contact Us
- About Us
- Vacancies
- Links
- Enthusiasts
- Environmental
- Airport Services

## Major Service Revisions

For full details of all recent and forthcoming changes please visit the [Service Revisions](#) page.

**Route 64**  
**New Addington - Thornton Heath**  
New timetables including additional early & late journeys and Monday to Saturday frequency restored to every 8 minutes from 7th November.

**Route 284**  
**Lewisham - Grove Park**  
Frequency increased during weekday peaks from 2nd November.

Printer friendly page

Metrobus Ltd is registered in England No. 1742404. Registered office: 3rd Floor, 41-51 Grey Street, Newcastle upon Tyne, NE1 6EE.

We're part of the  
**Go-Ahead**  
Group

## Welcome to the Metrobus Website

**Metrobus operates local bus services in Greater London, Surrey, Kent, East & West Sussex**

### Current News

**Disruption Due To Snow** — Services may be subject to delays, alterations or cancellations due to adverse weather and road conditions. For the latest information please see the News Feed on the right hand side of this page or on our [Service Update](#).

**Horsham Plusbus** — Bus travel around Horsham can now be added to any rail ticket to or from Horsham or Littlehaven stations. Plusbus tickets are valid on all operators buses in the area. For more information visit [www.plusbus.info](http://www.plusbus.info).

**Real Time Information** — Routes 6, 280, 281 & 291 have now been added to the system. Information for these and other services can be found on the [Real Time](#) page.

### Other Information

**Information Guides** — We have added a useful [guide to using our bus services](#) including [lost property](#) information. A guide covering [fares & tickets](#) on Metrobus services (outside the London area) is also available.

**Advertising** — You can advertise on any of our buses (except on the outside of Fastway vehicles). For more information please contact [CBS Outdoor](#) on 0800 22 66 33.

**Vehicles For Sale** — Surplus buses from our own fleet are available for sale and details can be found [here](#).

Text size: A A A | Login

Search:

Home Travel info Tickets Real time Places to go About us

the key
Register for email

Travel info
Enter a location or route
View all timetables

METROBUS on Facebook
11,535

METROBUS
Route X26 has a revised timetable in operation following the completion of roadworks. Please see:
http://www.metrobus.co.uk/download/9628/metrobus%20-%20timetables-090111/7
disposition=online
www.metrobus.co.uk

Keep up to date with our latest info and special offers:
Find us on Facebook
Follow us on Twitter
Register for updates

## the key.

The smart way to travel

- Register
- Top up your key
- Manage your account

[Click here](#)

## Welcome to the Metrobus website

**Metrobus operates local bus services in Greater London, Surrey, Kent, East & West Sussex**

A smarter way to travel on our services is now here. The key is our new electronic smartcard that has just made paying for travel on Metrobus services in Sussex, Surrey and Kent a whole lot simpler.

Find out more [here](#)

### New to buses? Watch our podcast

If you are new to buses and not sure where to start, check out our podcast by clicking [here](#).

### Appy days...

Download Real Time bus times straight onto your phone

### Service revision

Revised timetable in operation on Route X26 from 6th February 2012.

0812	1112
0817	1117
0821	1121
1009	1129
1004	1134
1041	1141
0839	1149
0857	1151
0859	1154
0907	1157
0906	1206



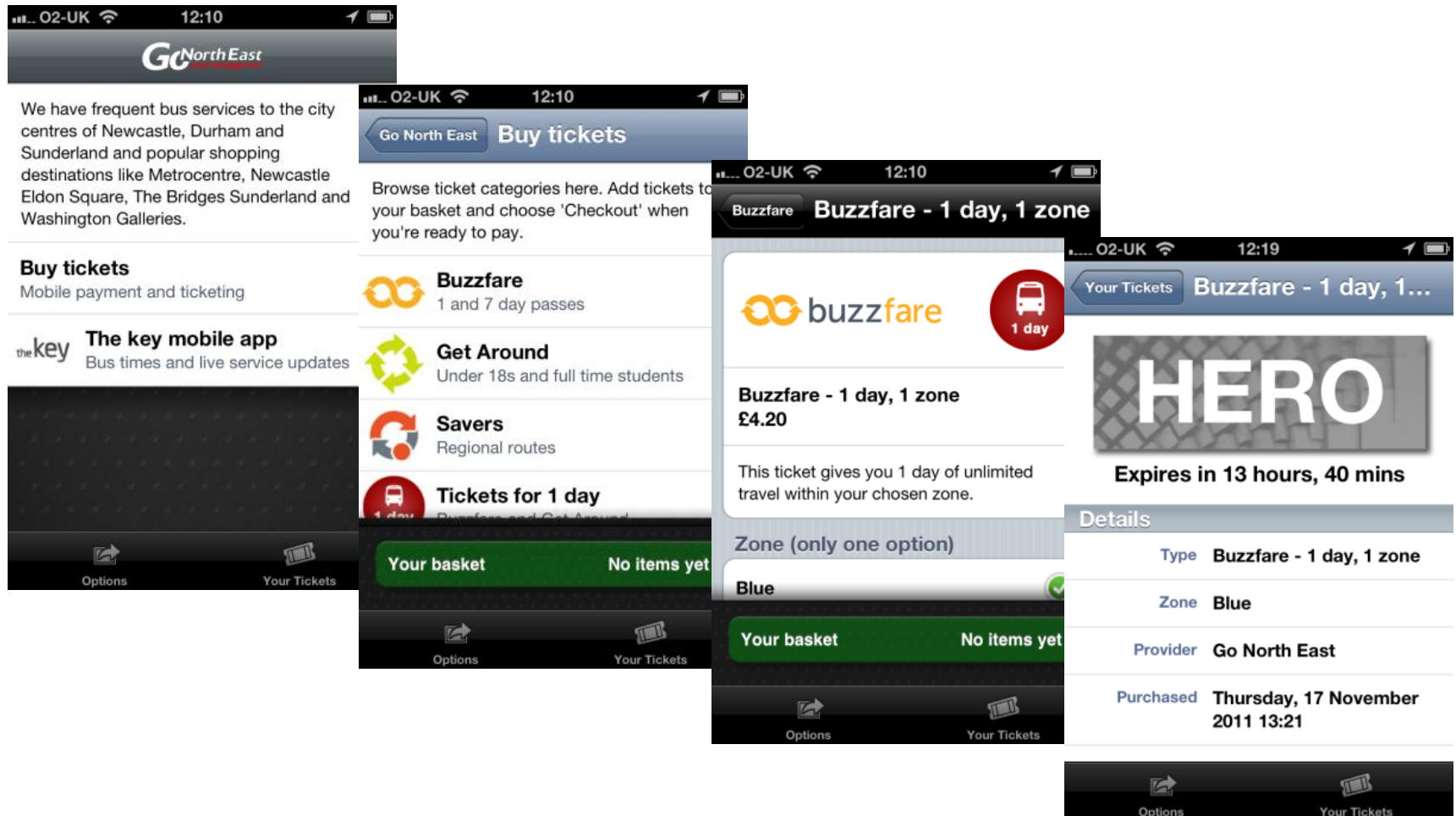
## Innovation



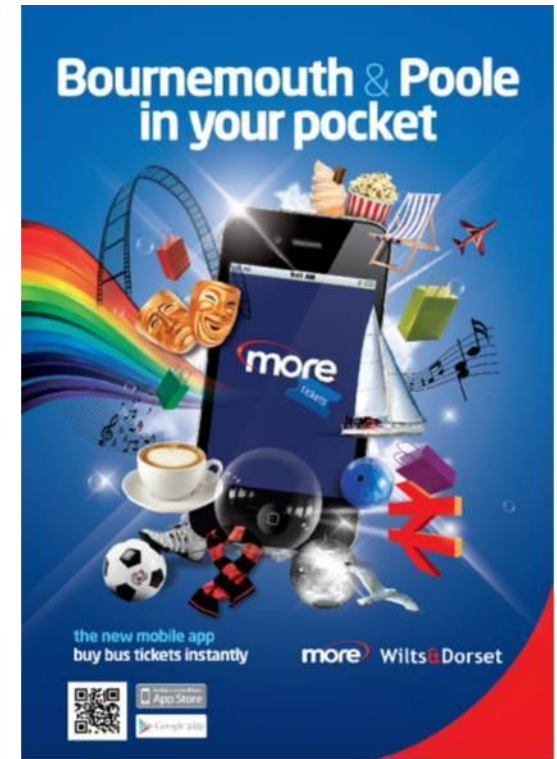
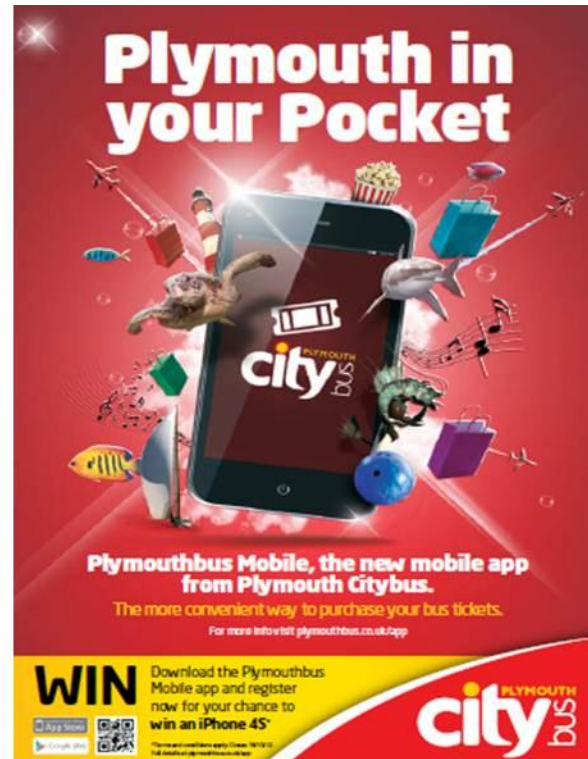
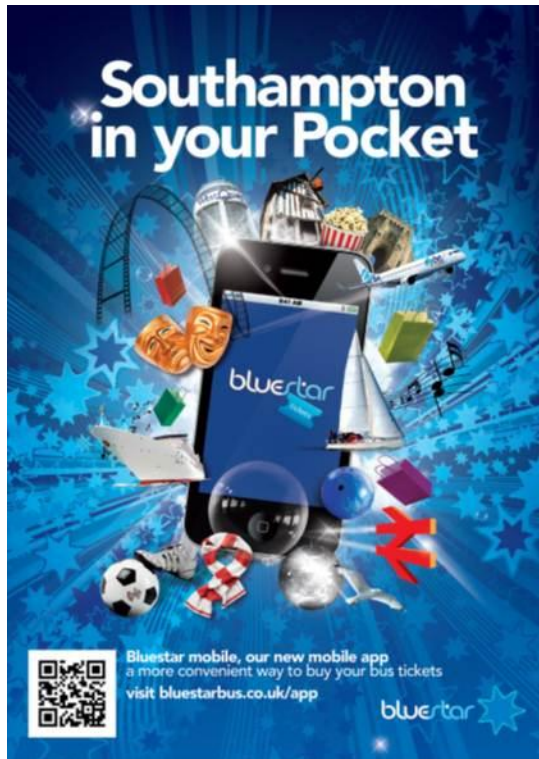
## Innovation – mobile retailing websites



## Innovation – roll out M-ticketing



## Mobile ticketing application: a ticket machine in your pocket

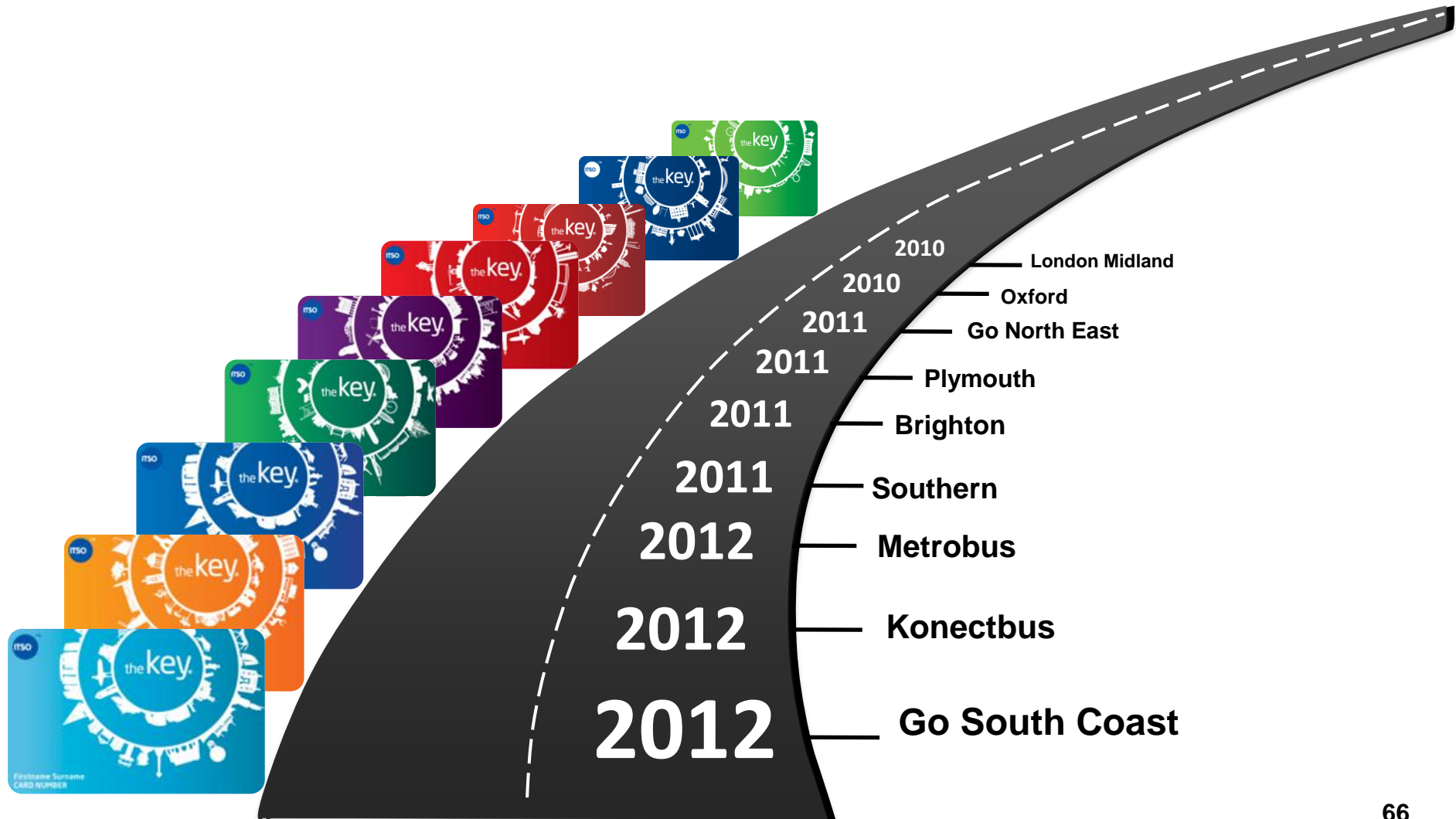


## Innovation – further roll out of “the key”





## Progress of smartcards

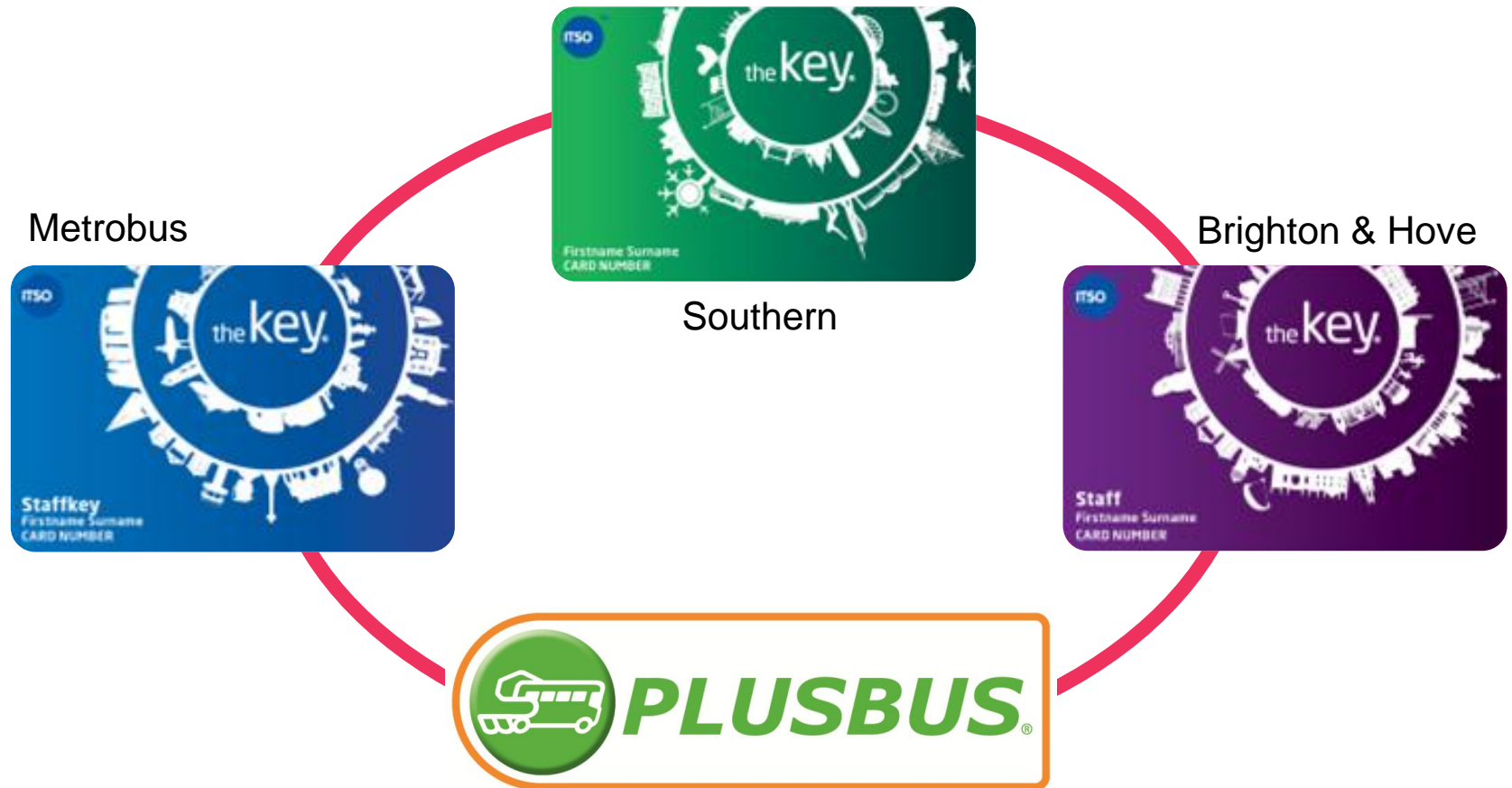




The collage consists of several overlapping elements:

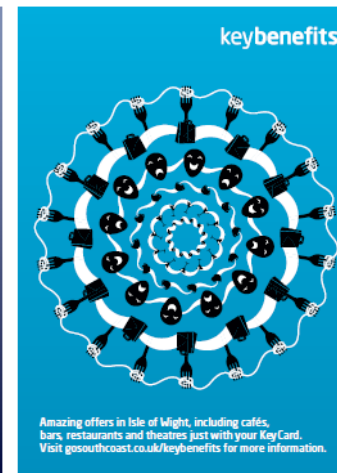
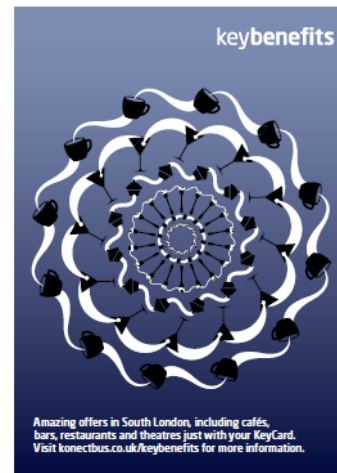
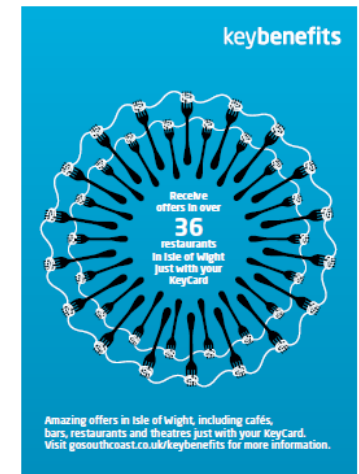
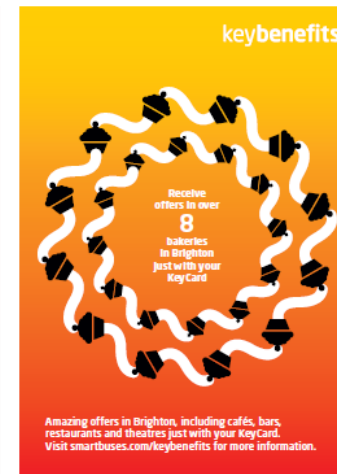
- Top Left:** A QR code and a small table showing fares for different durations (1 week, 4 weeks, 13 weeks, annual, pay monthly) and a 'dayrider' section.
- Top Center:** A brochure titled 'Plymouth unlocked' with a QR code and a red 'the key' card.
- Top Right:** A woman sitting at a table with a laptop and a cup of coffee, with a red 'the key' card in the foreground.
- Middle Left:** A large advertisement for 'buy 12 dayriders pay for 10 on the key' with prices for adults (£35) and young people/students (£30).
- Middle Center:** A red Citybus vehicle with 'unlock Plymouth' and 'plymouthbus.co.uk' branding.
- Middle Right:** A screenshot of the 'top up 24/7' service, showing a website interface and a QR code.
- Bottom Left:** A screenshot of the 'this is Plymouth' website, showing a map and various links.
- Bottom Center:** A screenshot of the 'Plymouth Citybus' Facebook page, showing posts and a photo of a bus.
- Bottom Right:** A screenshot of the 'Plymouth unlocked for students' website, showing a map and a list of participating schools.
- Far Right:** A large advertisement for 'unlock Plymouth' with the slogan 'the smarter way to pay' and the 'city bus' logo.

## Innovation – launch multi-modal travel



Addition of plusbus and bus travel products from Metrobus and Brighton & Hove added to Southern Key.

## Key benefits launch



Key customers are rewarded by obtaining discounts with local attractions and businesses



## 2012/13 – launch a B2B version of “the key”

[Back to main site](#)

[Need to get in touch?](#)



### Welcome to the key

The smarter way to travel...

The key is our brand new smartcard, and is a great way of buying and using tickets to travel on our buses. It is free to everyone, delivered direct to your University campus, and makes your journey even easier.

And don't worry if you lose your key. We can stop it instantly so you don't lose your tickets and send you a replacement.

#### Login

Log in to buy new tickets for your key or to check your account.

Email:\*

Password:\*

Login Here

[or Forgotten password?](#)

NEW



Not got a Key?



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Registered Office: 41-51 Grey Street, Newcastle upon Tyne, NE1 6EE

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Innovation – improve data communications on the move





## Growth – grow passengers

### Daily

- Commuters
- Business

### Frequent

- Young persons
- Students
- Leisure

### Infrequent

- Tourism
- Business

### Non-users

- Car/taxi/ coach users
- Lapsed customers

## Growth – Go South Coast “More” extension

**more**  
departure times from  
**Southbourne Grove**  
Fishermans Walk

to Boscombe • Bournemouth • Poole

**m2**

up to **every 7 mins**

to  
Boscombe  
Bournemouth  
Westbourne  
Upper Parkstone  
& Poole

to find out more  
thebusforus.co.uk

**thekey**  
the smarter way today for bus travel  
thebusforus.co.uk/key

to University Talbot Campus

**U1**

thebusforus.co.uk

**more**

**m2** extended to  
**Southbourne**

**more**

**m2** with this voucher  
**£10**

with 7 days unlimited travel on m1 & m2

you must use before Saturday 29 October 2011

Growing local routes by encouraging passengers to try our services.

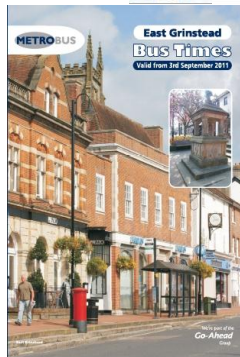
## Growth – Brighton & Hove night buses

# Brighton & Hove

Growing local routes by encouraging passengers to try our services.



# Growth – Metrobus commuters



## Introduction of new faster commuter services

## Retention – maximising our own estate



Maximising the benefit of our own buses and bus stops



## e-CRM activity



- Welcome emails deployed to newly registered customers
- Over 20k new registrations per month
- Monthly emails to almost 400k passengers
- Reactivation emails to re-stimulate demand

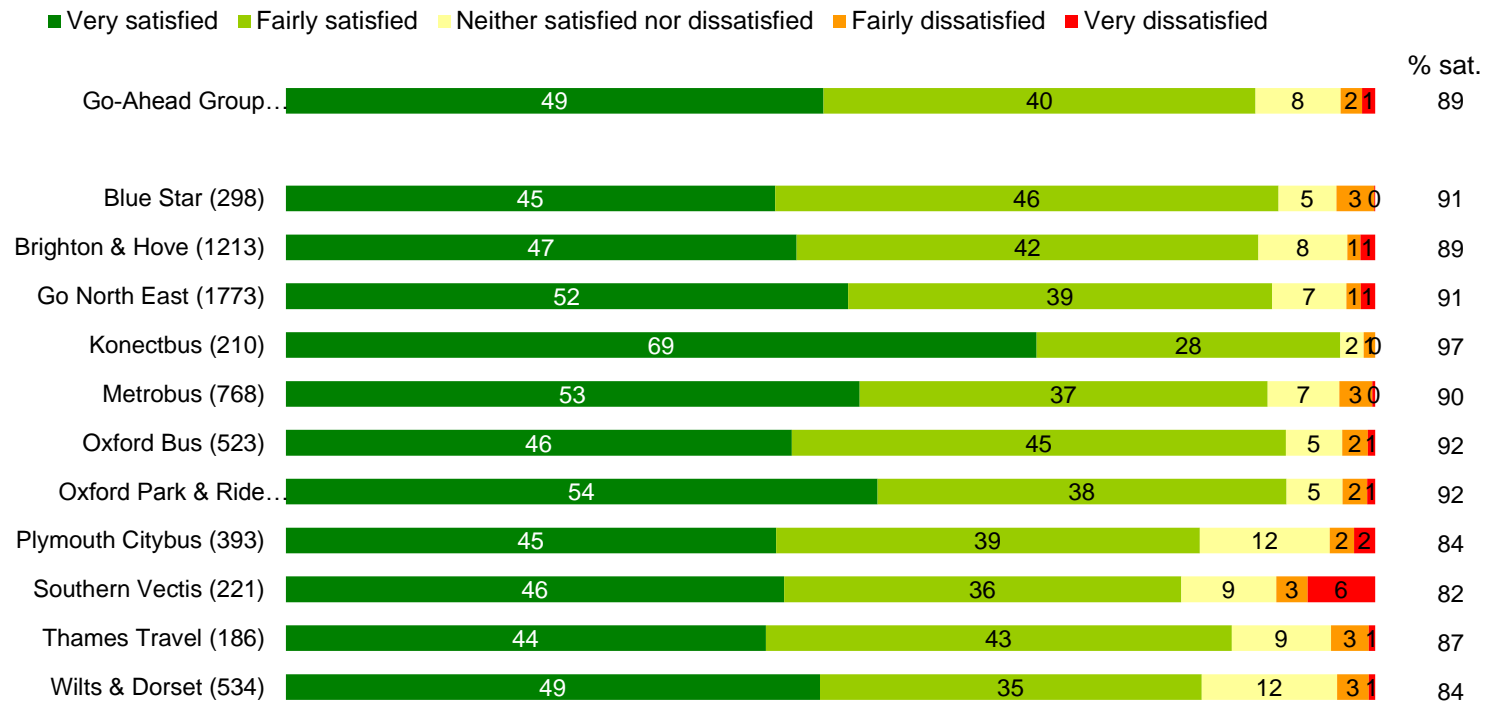
## Establishing T-commerce



Focus on the development of a tablet strategy

## Customer satisfaction

Go-Ahead's 89% customer satisfaction is a top tier result



Linking customer satisfaction to revenue growth

## Marketing awards

- Recognising our efforts...

2011



**Plymouth Citybus – highly commended in Eureka award for Dennis Dart 2011**

2012



**Plymouth Citybus – Won CSR for Dennis Dart  
Highly commended in Innovation award for “the key”**

2011



**Go-Ahead – Excellence in Technology for “the key”**

2012 - nominations



**Go North East – Marketing initiatives and Marketing excellence  
Metrobus – Marketing excellence  
Bluestar – Eureka awards for marketing**

## Summary

- Detailed local marketing plans produced
- KPI's and implementation plans set
- Marketing strategies developed to drive:
  - Brand development and engagement
  - Innovation
  - Passenger growth
  - Increasing yield from existing customers
- Strong focus on mobile and tablet as new retailing channels
- Increased customer insight and feedback at the heart of all strategies





# GO-AHEAD BUS INVESTOR EVENT

## David Brown, Group Chief Executive

18 October 2012

**Go-Ahead**

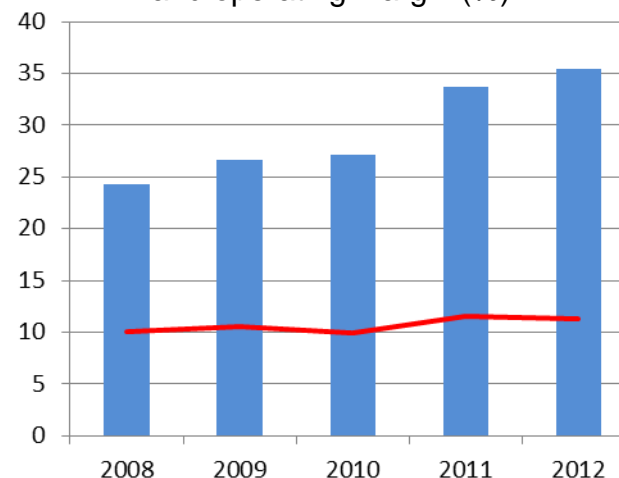


## Strong track record of organic growth

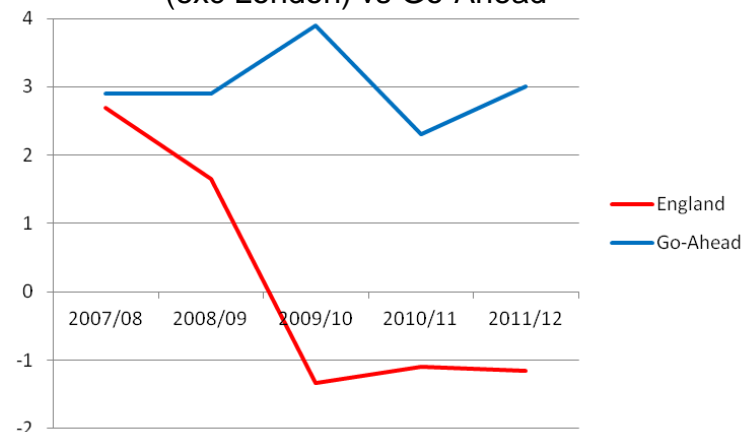
### HIGHLIGHTS

- Strong track record of delivering growth
  - Sector leading passenger journey growth
- 
- Throughout the economic downturn, deregulated bus profits have grown each year:
    - **9.9% profit CAGR over last five years**
  - Sector leading growth – significantly outperforming the wider market over the last five years:
    - c.5% l-f-l revenue growth p.a.
    - c.2.5% l-f-l passenger growth p.a.
  - Growth also through acquisitions

Deregulated bus operating profit (£m) and operating margin (%)



Bus volume growth in England (exc London) vs Go-Ahead



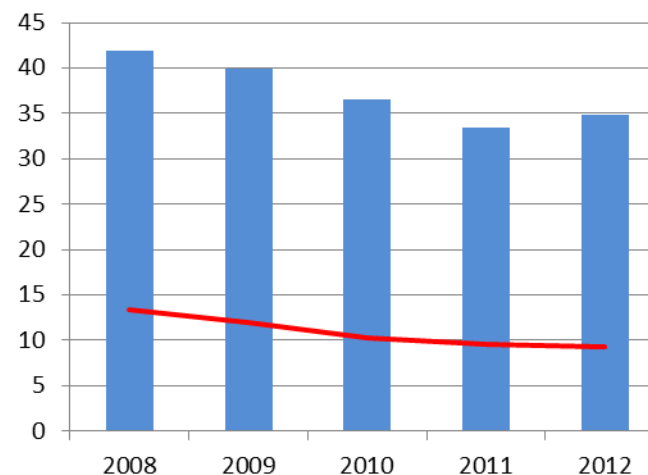


## Sector leading London bus business

### HIGHLIGHTS

- Best in class operating margins
- Market more stable
- A high quality and cost efficient operator
- Strong and experienced management team
  - understand the market with an effective business model
- Good network of freehold depots
- Operating profit and margins have reduced due to a reduction in revenue from QICs across the sector
- Market now more stable
- Opportunities for growth remain

Regulated bus operating profit (£m)  
and operating margin (%)





## Growing bus profits

### HIGHLIGHTS

- Our target: £100m of bus profits by FY'2015/16
  - Growth to be achieved organically
- 
- Target assumes flat profits in year one (FY'2012/13) as a result of £20m of increased costs due to BSOG and fuel prices
  - Target assumes no significant profit growth in regulated bus
  - Achieved through a combination of revenue growth and cost efficiencies
  - Evidenced by a strong track record of driving growth with 'enablers' of technology, marketing and structures in place



## Bus revenue growth – pull factors

### HIGHLIGHTS

- High quality services
- Innovative products and marketing

- Strong local management teams
- Operate in resilient markets

### **Pull factors – more of what we have been doing...**

- Offer a high quality service – punctual, convenient and value for money
  - 89% customer satisfaction score – best in sector
- Continue to invest in our fleet
  - £80m invested in FY'2012, similar for FY'2013
- Local management teams have in depth knowledge of the areas they operate
  - all local markets have unique characteristics
- Marketing potential through smart-ticketing
  - 250,000 smartcards in issue
- Innovative products
  - at the forefront of passengers needs
- Operate in resilient vibrant areas
  - 90% of business in the South
- Good relationships with local authorities and other key stakeholders
  - our companies are an integral part of local communities





## Bus revenue growth – push factors

### HIGHLIGHTS

- Modal shift - high motoring costs
- Political support - buses help drive economic growth

### Push factors – we can take further advantage of market strengths...

- Economic climate and high cost of motoring
  - petrol prices have increased by 40% over last five years
  - insurance premiums for 17-20 year olds have risen 68% over last five years
- Congested urban areas, expensive parking
  - congestion costs £11bn per annum in urban areas
- Behavioural shift towards using public transport
  - particularly amongst young urban dwellers
- Local authorities pro-public transport
  - Brighton & Hove consistently pro-public transport
- Increasing focus on ‘greener’ and ‘healthier’ lifestyles
  - evidenced by significant rise in cyclists
- Political support – bus use helps foster sustainable economic growth
  - more people commute by bus than all other forms of public transport combined.



## Cost efficiencies

### HIGHLIGHTS

- Continue cost efficiency journey
  - Leverage benefits of Group scale
- 
- Not one easy solution, continue to make small incremental savings
  - Continual improvement:
    - Bus insurance costs - £3.5m reduction last year
    - Bus procurement - £4m saving over last four years
    - Fuel efficiency - £6m saving over last three years
    - Scheduling analysis
  - Better Together forums
  - Simplify, Standardise and Share



## Key external risks

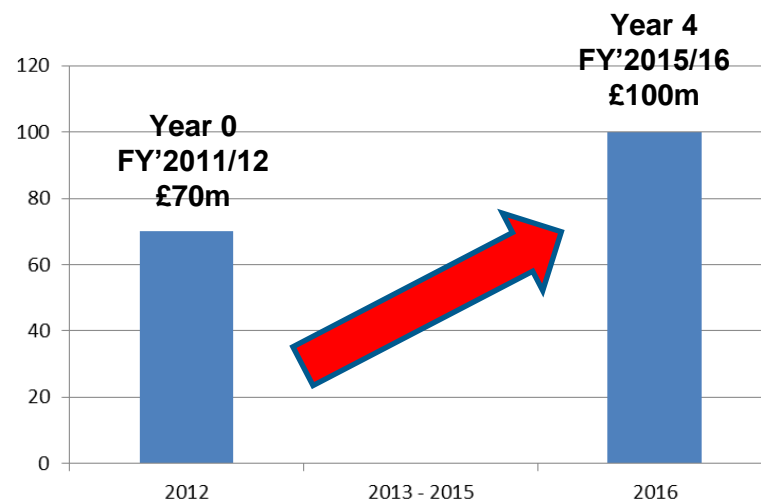
- **Economy** - further weakness in the economy could impact our target. However, also opportunity through modal shift.
- **Political and regulatory framework**
  - tax changes such as BSOG and fuel duty
  - regulatory changes eg quality contracts
  - subsidy and general bus support eg concessionary fare reimbursement
  - Transport for London budget constraints / changing priorities
- **Fuel costs** - our established fuel hedging policy reduces uncertainty and enables us to plan ahead

**We have successfully managed these external risks over the last five years and still delivered growth.**



## Summary

- **Committed to growing our core UK bus division:**
  - £100m of bus operating profit by FY'2015/16 achieved through organic growth
  - in addition, there is the expectation of further acquisitions
- **Committed to UK rail market:**
  - operate 30% of UK rail passenger journeys
  - potential to influence the outcome of review process
  - remain shortlisted for Thameslink
- **Strong group fundamentals:**
  - highly cash generative & effective cash management
  - robust balance sheet
- **Committed to maintaining dividend**
  - bus earnings underpin dividend





# Q&A

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