

# PRESS RELEASE

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## THE GO-AHEAD GROUP PLC

### **The Go-Ahead Group sets out a new business strategy, “The Next Billion Journeys”**

The Go-Ahead Group today sets out a new strategy aimed at delivering profitable growth and a sustainable future for the business in a dynamic market for public transport. The strategy follows a business review led by Christian Schreyer, Group Chief Executive.

The company will reinstate its pre-COVID dividend policy of paying a dividend to shareholders equivalent to between 50% and 75% of underlying earnings per share from FY22. The Board intends to recommend a dividend of not less than 50p in respect of the year ending 2 July 2022 (FY22) in line with this policy.

### **Highlights**

#### **New strategy: “The Next Billion Journeys”:**

Three strategic priorities have been identified, aimed at delivering profitable and sustainable growth in existing and new markets:

- Performance improvement
  - Enhance the basics by focusing on operational excellence, particularly through performance management, standardisation of processes and digitalisation
  - Turnaround underperforming operating companies
  - Reduce the zero-emission breakeven point to accelerate fleet decarbonisation
- Grow organically and externally
  - Accelerate passenger recovery and increase modal shift
  - Grow in existing geographies, notably the UK regional bus market, maintain London market share and promote an attractive model for Passenger Service Contracts in the UK rail market
  - Replicate the successful London & International Bus business model in selected international markets, exploring partnership and acquisition opportunities where appropriate
- Progress new opportunities by leveraging existing capabilities and resources
  - Explore new urban mass transit modes such as metro, light rail and bus rapid transit
  - Accelerate in B2B, such as airport transport and rail replacement services

- Explore new services within the mobility value chain with existing capabilities and resources, such as zero emission services, Mobility as a Service (Maas) operation and property utilisation

The group has set the following financial targets:

- An increase in annual Group revenue to around £4 billion, up by around 30%\*, in the medium-term
- An increase in annual Group operating profit to at least £150 million, in the medium-term
- Dividend payout between 50% and 75% of earnings per share beginning FY22
- Adjusted Net debt to EBITDA (pre-IFRS 16) maintained within the existing target range of between 1.5 and 2.5 times

Following the business review, the Group has reaffirmed its commitment to reduce carbon emissions by 75% by 2035.

\*excluding recently discontinued operations

**Christian Schreyer, Group Chief Executive, said:**

“This is an exciting moment for Go-Ahead. My review of the business has found fundamental strengths in the business, and has identified areas where we can deliver improvements and sustainable growth. We plan to strengthen, digitalise and decarbonise our operations, delivering greater profitability and stronger returns to investors alongside improvements for our customers and communities.

“Transport is at a tipping point as we recover from the COVID-19 pandemic. The importance of mass transport is growing, reflecting trends in climate change, digitalisation, urbanisation and demographics around the world; and there are increasing opportunities for private operators to bring their expertise to public transport markets. Go-Ahead’s core strength is in commuter transport and we see opportunities to grow by encouraging people to leave their cars at home, by winning new contracts and through carefully selected acquisitions.

“Today, we’ve set ambitious, but deliverable, targets. It has been a challenging two years for public transport but there is an exciting future ahead for Go-Ahead.”

### **The Next Billion Journeys**

Our strategy, The Next Billion Journeys, will focus on three strategic objectives:

- Improve the performance of the underlying business
- Grow organically and externally
- Progress new opportunities

To achieve, these objectives, Go-Ahead’s management team will prioritise five enablers:

1. Strengthening governance and transparency

2. Improving digital and data capabilities
3. Consolidating Zero Emission capabilities
4. Rebuilding post-Covid confidence with passengers and clients
5. Enhancing people engagement and collaboration

### ***Performance enhancement***

Go-Ahead will enhance the basics of its business by focusing on operational excellence. A new operating model will be introduced for all Go-Ahead's operating companies to deliver more transparency and to increase the focus on financial performance. This will include drilling down on common cost drivers across bus and rail companies – cost of driving, maintenance, energy, fleet and overheads – to identify and address inefficiencies.

The Group commits to turning around underperforming operating companies overseas and in the UK. We will focus on operational improvements through enhancement and standardisation of processes and digitalisation.

A key priority for the business will be to reduce the breakeven point for zero emission vehicles to accelerate decarbonisation of our fleets. A Centre for Excellence will be established at Go-Ahead London to leverage the group capabilities and improve the zero emission business case and support fleet decarbonisation across the Group.

### ***Grow organically and inorganically***

Emerging from the COVID-19 pandemic, Go-Ahead will implement initiatives to accelerate passenger recovery – including leveraging data to analyse new travel patterns and to tailor routes, schedules and ticketing to match passenger needs, plus marketing initiatives to rebuild confidence in public transport.

The Group will work closely with clients and local authorities on efforts to stimulate further modal shift from private cars to public transport, supporting the achievement of local and national climate change targets.

Within existing geographies, Go-Ahead has identified opportunities to grow its UK regional bus business, particularly in the north of England. The Group will maintain its market leading position in the London bus market and seek opportunities to build business-to-business revenue. On UK rail, following the recent signing of a National Rail Contract for GTR, the Group will play a constructive role in supporting the creation of Great British Railway and in shaping future Passenger Service Contracts.

Internationally, Go-Ahead will seek to replicate proven business models – for example, in franchised and contracted bus services – as it has demonstrated successfully in Dublin and Singapore. France, Australia and Sweden have been identified as priority development countries. The Group will consider also moving to selected attractive emerging countries. Go-Ahead will work with local partners on the ground when entering new markets.

The Group will consider selected acquisitions to support its growth agenda and to manage the risk of entering new markets.

### ***Progress new opportunities leveraging existing capabilities and resources***

Go-Ahead anticipates growth in provision of business-to-business transport services – for example, airport transport services and rail replacement buses. The Group will explore opportunities in new modes of transport, including metro and light rail and will consider prospects for new services by moving along the mobility value chain such as zero emission services, Mobility as a Service (Maas) operation and property utilisation.

### **Leadership**

Go-Ahead Executive Committee will be reshaped and will comprise the following:

- Christian Schreyer, Group Chief Executive
- Sarah Mussenden, Chief Financial Officer
- Louis Rambaud, Strategy and Transformation Director
- Scott Maynard, HR Director
- Patrick Verwer, Managing Director, UK Rail and CEO, GTR
- John Trayner, Managing Director, London and International Bus
- Martin Dean, Managing Director, UK Regional Bus

The Managing Directors of Go-Ahead Nordic and Go-Ahead Germany will also report directly into the CEO.

### ***Enhance people engagement and collaboration***

Go-Ahead has a renewed purpose, underpinned by strong values. These values will guide the Group's 27,000 colleagues globally as we work collectively towards a stronger, healthy planet, and a stronger Group. Initiatives will be undertaken to improve diversity and inclusion, to strengthen staff retention and to repurpose group-wide forums at which operating companies exchange expertise and intelligence.

### **For further information, please contact:**

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### **Go-Ahead**

Go-Ahead is a leading public transport operator, connecting communities through bus and rail services. Our purpose is to be the local partner taking care of journeys that enhance the lives and wellbeing of our communities across the world.

We employ more than 27,000 people across our bus and rail businesses in the UK, Singapore, Ireland, Sweden, Norway and Germany. In addition to the travelling public, our customers include governments and local authorities. We are committed to tackling climate change, poor air quality and social isolation.

### **Bus**

Go-Ahead is one of the UK's largest bus operators. We run a fleet of more than 6,000 buses across England and run a quarter of London's buses for Transport for London. Outside London, we serve high-density commuter markets in the North East, Greater Manchester, East Yorkshire, Oxfordshire, East Anglia, the South East and the South West of England. Internationally, we operate buses in Singapore, Sweden and Ireland.

## **Rail**

We operate rail franchises in the UK, Germany and Norway. In the UK, we run the country's largest passenger contract, Govia Thameslink Railway, comprising Southern, Gatwick Express, Great Northern and Thameslink. This is managed through our 65 per cent owned subsidiary Govia, which is 35 per cent owned by Keolis. In Germany and Norway, our contracts are run exclusively by Go-Ahead.