



*Go-Ahead*

**The Go-Ahead Group plc  
Full year results for year ended 29 June 2019**

# Business overview

- Group operating result slightly ahead of expectations
- Good progress made against all three strategic pillars: protect and grow the core; win new bus and rail contracts; develop for the future of transport
- Bus operating profit pre-exceptional items up 4.7% at £95.7m (2018: £91.4m); improvement driven by strong operational performance in London & International division, regional bus achieved highest ever passenger satisfaction score of 92%
- Rail operating profit at £25.4m (2018: £44.5m); prior year included part year of London Midland franchise
- Record punctuality levels in both GTR and Southeastern, and improved customer satisfaction of 81% and 80% respectively
- Southeastern rail franchise extended to April 2020
- Four new international contracts won; started operating our first two German rail contracts and our first bus contract in Ireland
- Improved free cash generation of £74.1m (2018: £57.7m) and balance sheet remains strong
- Maintained full year dividend of 102.08p (2018: 102.08p)

# Elodie Brian

Group Chief Financial Officer



# Financial highlights

**Total operating profit\***  
(pre-exceptional items)

**£121.1m**

(2018: £135.9m)

**Adjusted net debt**

**£270.3m**

(2018: £289.0m)

**Free cashflow**

**£74.1m**

(2018: £57.7m)

**Earnings per share**  
(pre-exceptional items)

**169.4p**

(2018: 181.6p)

**Adjusted net debt / EBITDA**

**1.32x**

(2018: 1.30x)

**Dividend**  
(per share)

**102.08p**

(2018: 102.08p)

\*Total operating profit (post-exceptional items) was £104.3m (2018: £161.0m)

# Operating profit by division

## Our performance in 2019

- Regional bus – Small profit reduction in challenging markets
- London & International bus – Strong QICs performance in London and good result from International bus
- Rail – Lower profit due to London Midland franchise ending in December 2017 partially offset by stronger than expected trading in Southeastern. GTR contract settlement with DfT in the first half and introduction of first and second contracts in Germany in June

	2019 £m	Year on year change		2018 £m
		£m	%	
Regional bus	44.5	(1.3)	(2.8)	45.8
London & International bus	51.2	5.6	12.3	45.6
Total bus	95.7	4.3	4.7	91.4
Rail	25.4	(19.1)	(42.9)	44.5
Total	121.1	(14.8)	(10.9)	135.9



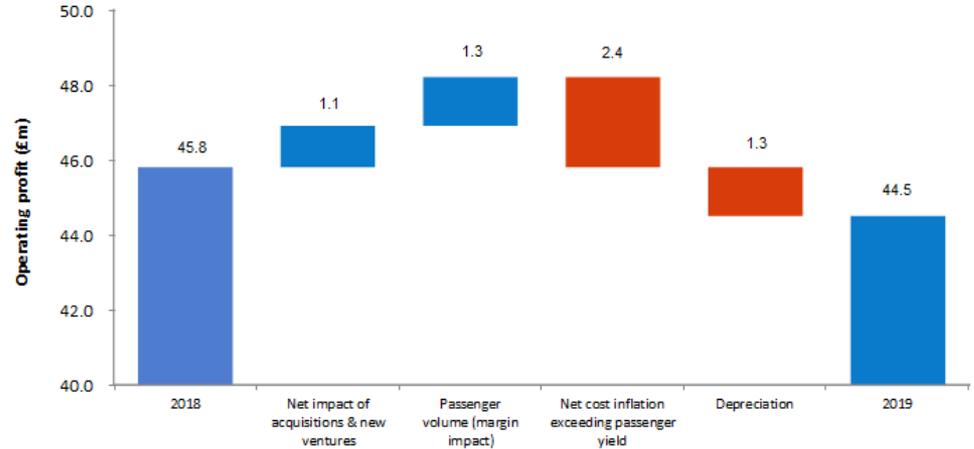
Operating profit (pre-exceptional) in 2019

- Regional bus
- London & International bus
- Rail

# Regional bus

## Our performance in 2019

- Operating profit down £1.3m to £44.5m
- Passenger journey growth of 3.3%
- Acquisitions and new ventures reflect the benefit from East Yorkshire, Oxford City Sightseeing, Go North West offset by PickMeUp
- Revenue per mile up 1.2% and journeys per mile are 0.6% ahead of last year, excluding acquisitions
- Passenger yield not yet offsetting cost inflation
- Investment in 109 new buses reflected in higher depreciation



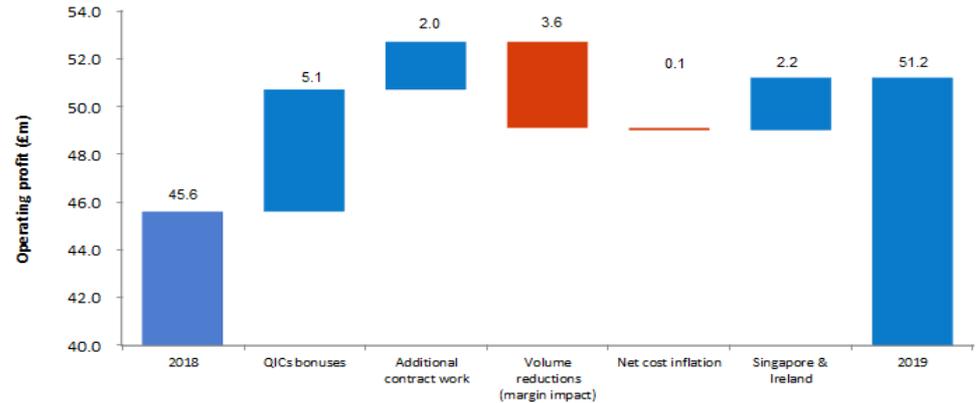
	2019 Full year	2019 Half year	2018 Full year
Operating profit margin	<b>10.3%</b>	10.6%	11.9%
Revenue growth (IfI)*	<b>4.0%</b>	3.8%	0.4%
Passenger growth (IfI)*	<b>3.3%</b>	2.3%	(1.6)%

\* On a like for like basis, excluding acquisitions

# London & International bus

## Our performance in 2019

- Operating profit up £5.6m to £51.2m
- Strong QICs performance, up £5.1m
- Additional contract work in the year - not expected to recur
- Volume reductions reflect the contract losses in 2018
- Singapore and Ireland trading well, up £2.2m



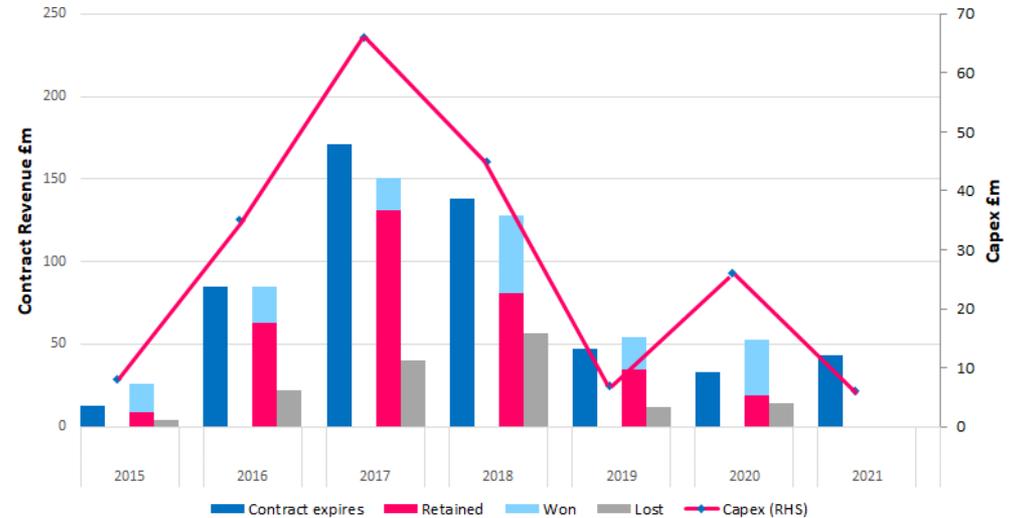
	2019 Full year	2019 Half year	2018 Full year
Operating profit margin	<b>9.0%</b>	8.7%	8.3%
Revenue growth (IfI)*	<b>0.4%</b>	(0.1)%	3.1%
Mileage growth (IfI)*	<b>(3.4)%</b>	(2.5)%	(1.0)%
Peak vehicle requirement (PVR)	<b>(4.6)%</b>	(6.6)%	(1.4)%

\* On a like for like basis, excluding the impact of bus operations in Ireland

# London bus contract renewals

## Contract turnover profile

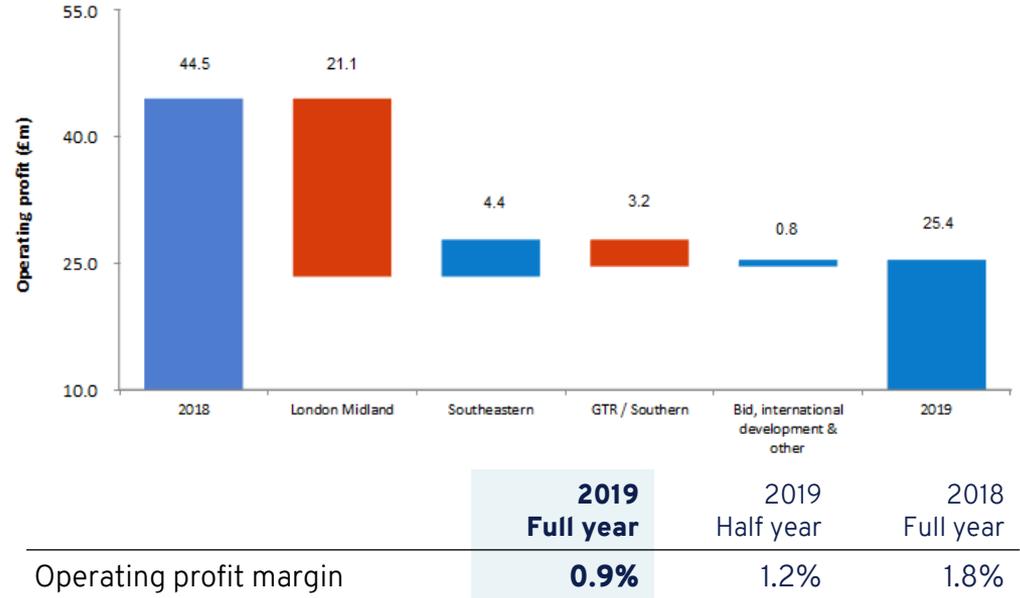
- Now passed the period of high contract expiries of 2017 and 2018
- Lower levels of expiring contract revenue from 2019 to 2021
- Good punctuality performance providing scope for 2 year contract extensions
- Investment in 14 new buses in London reflecting lower contract requirements and refurbishment of existing vehicles
- Capex to increase moderately in 2020 from 2019 level, but still expected to be significantly lower than preceding years



# Rail

## Our performance in 2019

- Operating profit down £19.1m to £25.4m
- London Midland franchise ended in December 2017
- Southeastern performed well with strong revenue and profit growth
- Contractual agreement reached with DfT on GTR; no profit in 2019 as part of deal, as expected
- First two contracts in Germany began operating in June 2019 and mobilisation continued for further contracts in Germany and first contract in Norway



# Summary income statement

## Our performance in 2019

- Exceptional item relates to GMP equalisation in bus pensions
- Net finance costs lower due to the full year impact of refinancing undertaken in the prior year
- Non – controlling interest relates to 35% Keolis holding in rail

	2019 Pre Exceptional £m	2019 Exceptional £m	2019 Post Exceptional £m	2018 Pre Exceptional £m
Revenue	<b>3,807.1</b>	-	3,807.1	3,461.5
Group operating profit	<b>121.1</b>	(16.8)	104.3	135.9
Net finance costs	<b>(6.8)</b>	-	(6.8)	(11.6)
Share of result of joint ventures	<b>(0.5)</b>	-	(0.5)	(1.1)
Profit before tax	<b>113.8</b>	(16.8)	97.0	123.2
Tax	<b>(24.7)</b>	2.8	(21.9)	(24.9)
Profit for the year	<b>89.1</b>	(14.0)	75.1	98.3
Non-controlling interests	<b>(16.3)</b>	-	(16.3)	(20.3)
Profit attributable to members	<b>72.8</b>	(14.0)	58.8	78.0
EPS - basic	<b>169.4p</b>	(32.6)p	136.8p	181.6p

# Cashflow statement

## Our performance in 2019

- Cashflow improved in the year due to reduced capital expenditure in bus division
- Working capital movements due to timing of payments in rail
- 'Minority partner' relates to dividends paid to JV partner Keolis
- 'Other' mainly relates to the purchase of Queens Road depot from FirstGroup



	2019 £m	Change £m	2018 £m
EBITDA	<b>205.5</b>	(16.4)	221.9
Working capital	<b>4.4</b>	(6.5)	10.9
<b>Cashflow from operations</b>	<b>209.9</b>	(22.9)	232.8
Tax and net interest	<b>(42.0)</b>	-	(42.0)
Net capital investment	<b>(81.1)</b>	38.1	(119.2)
Dividends paid – Minority partner	<b>(12.7)</b>	1.2	(13.9)
<b>Free cashflow</b>	<b>74.1</b>	16.4	57.7
Dividends paid	<b>(43.8)</b>	-	(43.8)
Other	<b>(11.6)</b>	5.5	(17.1)
Movement in adjusted net debt	<b>18.7</b>	21.9	(3.2)
Opening adjusted net debt	<b>289.0</b>	-	285.8
Closing adjusted net debt	<b>270.3</b>	-	289.0

# Capital investment

## Our performance in 2019

- Investment in 109 new buses in regional bus
- Investment in 14 new buses in London bus plus vehicle refurbishments reflecting contract requirements
- Investment in rail relates to construction of a depot in Germany and contractual requirements in UK rail

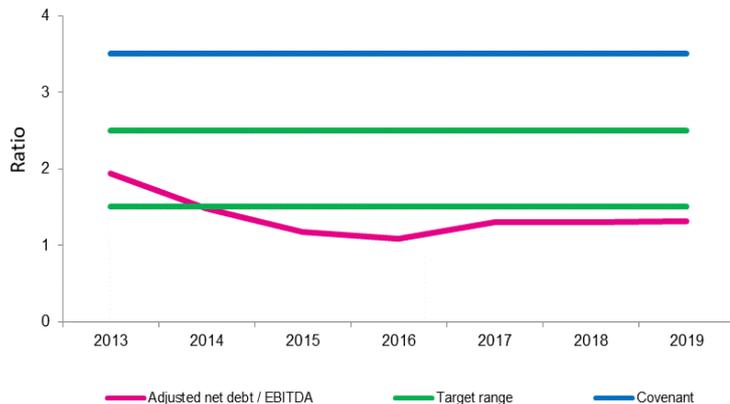


	2019 £m	Change £m	2018 £m
Regional bus fleet	27.1	(14.0)	41.1
London bus fleet	5.4	(40.8)	46.2
<b>Total bus fleet</b>	<b>32.5</b>	<b>(54.8)</b>	<b>87.3</b>
Technology and other	10.4	2.0	8.4
Bus depots	7.1	3.2	3.9
Rail investment	22.6	(4.5)	27.1
<b>Total capital investment</b>	<b>72.6</b>	<b>(54.1)</b>	<b>126.7</b>

# Net debt position

## Our performance in 2019

- Adjusted net debt / EBITDA 1.32x; remained below target range of 1.5x - 2.5x
- BBB- / Baa3 (stable) rating. Ratings reaffirmed
- 7 year £250m bond financed in July 2017. £200m September 2017 bond repaid in the prior year



	At 29 June 2019 £m
Restricted cash	<b>484.9</b>
Net cash	<b>214.6</b>
Adjusted net debt	<b>270.3</b>
EBITDA	<b>205.5</b>
Adjusted net debt/EBITDA	<b>1.32x</b>
	<b>At 29 June 2019 £m</b>
Syndicated facility 2024	<b>280.0</b>
7 Year £250m 2.5% Sterling Bond	<b>250.0</b>
Euro financing facilities	<b>16.7</b>
Total core facilities	<b>546.7</b>
Amount drawn down at year end	<b>410.1</b>
Balance available	<b>136.6</b>

# IFRS 16 (Accounting for leases)

## Overview

- Will apply for the year ending 27 June 2020 adopting the modified retrospective approach with no restatement of comparatives
- Material impact on current operations:
  - ✗ Regional bus
  - ✓ London bus
  - ✗ Singapore/Ireland bus
  - ✓ GTR
  - ✗ Southeastern\*
  - ✗ German rail
- No impact on net cash flow
- No impact on our debt covenants which remain on a pre-IFRS 16 basis
- Not expected to impact our credit ratings

\*Out of scope of IFRS 16 due to the remaining contract life being under one year in length

# IFRS 16 (Accounting for leases)

## Estimated impact on 2020 financial results

Impact		
EBITDA	c.£350m	Operating lease costs no longer recognised
Depreciation	c.£(£340m)	Depreciation charges on right of use assets
<b>Operating profit</b>	<b>c.£5-10m</b>	
Finance costs	c.£(10-15m)	Financing element of right of use assets
<b>Profit before tax</b>	<b>c.£(0-10m)</b>	
Earnings per share	c.(5-6p)	

Impact		
Forecast remaining lease liability	c.£425m	

# Financial outlook

## Bus operating profit

- Regional expected to be similar in 2020
- London & International also expected to achieve a consistent result in 2020

## Rail operating profit

- Southeastern scheduled to end in April 2020
- GTR – modest operating profit margin in 2020; range remains at 0.75% to 1.0% over contract life
- Overall result expected to be lower in 2020

## Capital expenditure

- Around £110m in 2020

# David Brown

Group Chief Executive



# Our Strategy



**Protect and grow the core**

# Regional bus

## Strategy

- Focus on urban areas with growth potential
- Deliver high quality services
- Agile local responses
- Focus on how bus can solve city and societal problems
- Work in partnership with local authorities
- Seek growth opportunities in line with risk appetite



## Highlights

- Growth in passenger numbers
- Market leading customer satisfaction of 92%
- Investment in new buses
- Innovation in customer apps and contactless ticketing
- Delivering health and wellbeing agenda
- Integration of East Yorkshire and launch of Go North West
- Call for national bus strategy

### Market Trends

- Change in customer behaviour
- National decline in volumes
- Climate change and air quality

# London bus

## Strategy

- Promote bus within Mayor's transport strategy
- Focus on operational performance
- Deliver innovative cost efficiencies
- Maximise scale benefits from network of well-located depots
- Pursue tender opportunities



## Highlights

- QICs performance ahead of last year
- Encouraging win rate
- Expertise in electric buses
- Bus Driver apprenticeship training scheme introduced
- Focus on innovation and safety leadership aligned to the Mayor's "Vision Zero"

- TfL budget pressure

### Market Trends

- Congestion

- Climate change and air quality

# International bus

## Strategy

- Focus on operational performance
- Deliver innovative cost efficiencies
- Building relationships with key stakeholders and partners in new markets



## Highlights

- Strong performance in Singapore – on-time performance 93.5%
- First bus contract in Ireland started in September 2018.
- New depot opened in Naas, outside of Dublin

### Market Trends

- Liberalisation of international markets
- Appetite for foreign expertise
- Investment in public transport

# UK rail

## Strategy

- Consider individual opportunities in line with risk appetite
- Always bid with financial discipline
- Strong strategic partnerships



## Industry overview

- Williams Rail Review – due to report in Autumn
- Franchising schedule – unknown
- Changing competitive landscape

- Increasing passenger numbers

**Market Trends**  
- Investment & modernisation

- Network Rail Devolution

# Southeastern

- Consistently best performing large franchise
- Best on time performance ever of 76%
- Delay Repay 15 being introduced
- Strong alignment with Network Rail
- New South Eastern franchise competition cancelled by DfT
- Contract extension to 1 April 2020
- Engaging with DfT on next steps



# GTR

- Running 3,600 services a day across the GTR network – UK's largest franchise
- Punctuality at record levels – reached 80% on time
- Southern best performance since franchise began – customer satisfaction up 12 ppts to 81%
- New trains introduced (717's) on Moorgate line



# International rail

## Strategy

- Focus on operational performance
- Deliver innovative cost efficiencies
- Building relationships with key stakeholders and partners in new markets



## Highlights

- Launched first two German contracts in June 2019
- Four-year mobilisation period
- Current operation around a third of contracted mileage

### Market Trends

- Liberalisation of international markets
- Appetite for foreign expertise
- Investment in public transport

**Win new bus and rail contracts**

# Go-Ahead international strategy



# Win new bus and rail contracts

- Won two more rail contracts in Germany, first rail contract in Norway and a consultancy contract in Australia
- Ten international contract wins to date in five different countries with annualised revenues of over £400m
- Mobilisation of new contracts in Germany, Norway and Ireland progressing well
- Local bid teams in place for pipeline of opportunities
- Good progress towards achieving 15-20% of Group operating profit from international activities by 2022



**Develop for the future of transport**

# Develop for the future of transport

- PickMeUp in Oxford: Grown to around 30k registered users and providing 180k rides so far
- Contract with TfL to run demand responsive bus pilot in Sutton
- Billion Journey project: 20 start ups taken through the incubator programme, pilots running with Citi Logik and Airportr
- Launched air filtering bus in Southampton
- Mobility as a Service (MaaS): development in Brighton underway
- Hammock: two contracts completed during the period; further opportunities in the pipeline



# Responsible business

# ESG

## Environmental

- Support Government climate change targets with Go-Ahead's commitment to running a zero emission bus fleet by 2035
- Reduced carbon emissions per vehicle mile by 22% in the last two years, and are on track for our target of 25% reduction by 2021
- Reducing congestion and improving air quality – air filtering bus trial
- Largest electric fleet operator in UK, growing low-emission fleet

## Social

- Providing vital links within the communities we serve
- Support local economies and enable social inclusion

## Governance

- Early adoption of latest governance code
- 50% female board representation



# Our people

- Good levels of colleague engagement
- Progress towards diversity targets
  - Support industry-wide Women In Rail movement
  - Launched Women In Bus network
- Investing in our future leaders through graduate and apprenticeship programmes
- Health and wellbeing programmes



# Summary and outlook

- Protect and grow the core
  - Good bus performance in challenging market environment
  - Improved rail operational performance
  - Southeastern extension to April 2020 following DfT's termination of South Eastern franchise competition
  - Four international contracts started
- Win new bus and rail contracts
  - Won four new international contracts, mobilisation under way
  - Strong bidding pipeline in target markets
- Develop for the future of transport
  - Piloting innovative solutions to prepare for the future of transport
- Strong focus on shareholder returns
  - Dividend maintained at 102.08p

# Q&A



# Appendices

# Exceptional items

## Our performance in 2019

- Relates to charge in respect of GMP equalisation for schemes that the Group participates in

	2019 £m	2019 EPS (p)
Unadjusted earnings	<b>58.8</b>	136.8
Exceptional items – pensions	<b>16.8</b>	39.1
Taxation	<b>(2.8)</b>	(6.5)
<b>Adjusted earnings</b>	<b>72.8</b>	169.4

# Bus pension

## Our scheme at the year ended 2019

- Scheme closed to future accrual with effect from 1 April 2014
- Different assumptions applied on actuarial valuation compared to accounting valuation
- Current year has the impact of the £16.8m charge in respect of GMP equalisation for schemes that the Group participates in
- Prior year had the impact following the change to the reference inflation index from RPI to CPI which resulted in a one-off gain of £35.2m

	2019 £m	2018 £m
Assets	<b>858.8</b>	829.3
Liabilities	<b>(810.1)</b>	(792.5)
Less Tax	<b>(8.5)</b>	(6.5)
<b>Post tax surplus</b>	<b>40.2</b>	<b>30.3</b>
Operating profit charge/(receipt)	<b>18.6</b>	(33.5)
Cash contribution	<b>8.2*</b>	6.6

\*Cash contribution has increased due to the addition of the East Yorkshire scheme

# UK bus fuel

## Our hedging profile

- Fuel hedging is consistent with policy
- Benefit of previous low oil price is no longer impacting the business
- Year ended 2020 fully hedged – 14% higher than 2019

Fuel hedging prices	2019	2020	2021	2022
% hedged	<b>100%</b>	100%	50%	25%
Price (pence per litre)	<b>33.2</b>	37.9	36.7	38.9

