



Go-Ahead

**The Go-Ahead Group plc
2020**

Who we are

Our purpose is to be the local partner taking care of journeys that enhance the lives and wellbeing of our communities across the world.

- Go-Ahead is a leading provider of bus and rail services in the UK and in targeted international markets.
- We employ 29,000 people and enable over 1.2bn passenger journeys each year
- We operate through three segments; regional bus, London & International bus, and rail
- The regional bus segment comprises commercial bus businesses outside of London
- The London & International bus segment comprise tendered bus operations in London, Singapore and Dublin
- The rail division includes train franchises tendered by transport authorities in the UK, Germany and Norway

Delivering value through our core strengths

1. Stable cash generative UK bus business

- Well established regional bus operator with a focus on urban areas with prospects for growth
- Largest bus operator in London with strategically located depots providing competitive advantage
- Efficient operations supported by consistent investment in high quality fleet
- Good cash generation in both regional and London bus businesses

2. Extensive UK rail expertise

- Leading change and transformation as the operator of the UK's busiest rail franchises
- Track record of UK rail franchises contributing to Group profits and cashflows
- Low levels of capital deployment

3. Growing international operations

- Clear and disciplined strategy for low risk international diversification
- Ten international contracts won to date in five countries
- Strong pipeline of opportunities in targeted markets
- Target to deliver 15–20% of Group operating profits from international activities by 2022

Delivering value through our core strengths

4. Devolved customer focused management & engage colleagues

- Autonomous local management teams embedded in their local communities to optimise performance and service
- Award winning customer service with an industry leading regional bus customer satisfaction score
- Playing a key role in the communities we serve by supporting local economies enabling access to work, education, leisure and retail
- Our inclusive culture empowers our people to be accountable for delivering excellent customer service

5. Focus on sustainability

- Addressing socio-economic dynamics impacting public transport
- Continued innovation and deployment of technology to make passenger transport easier and more efficient
- Committed to reducing our impact on climate change and improving the environment and air quality
- Focus on remaining a sustainable and responsible business

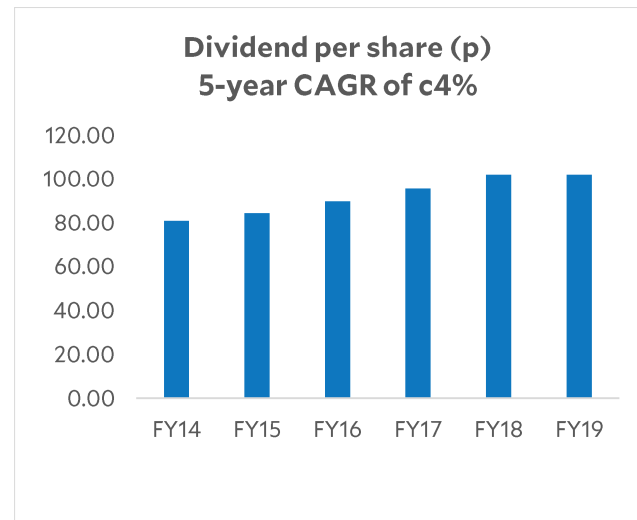
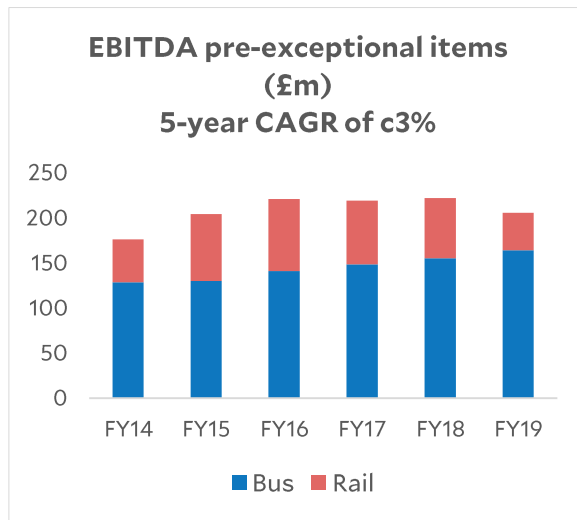
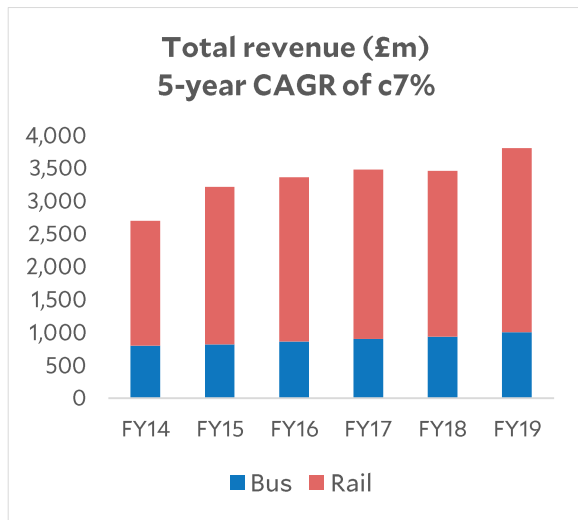
6. Strong financial profile

- Robust balance sheet with low levels of net debt
- Disciplined approach to capital allocation and risk management
- Committed to paying an attractive dividend, having never reduced it

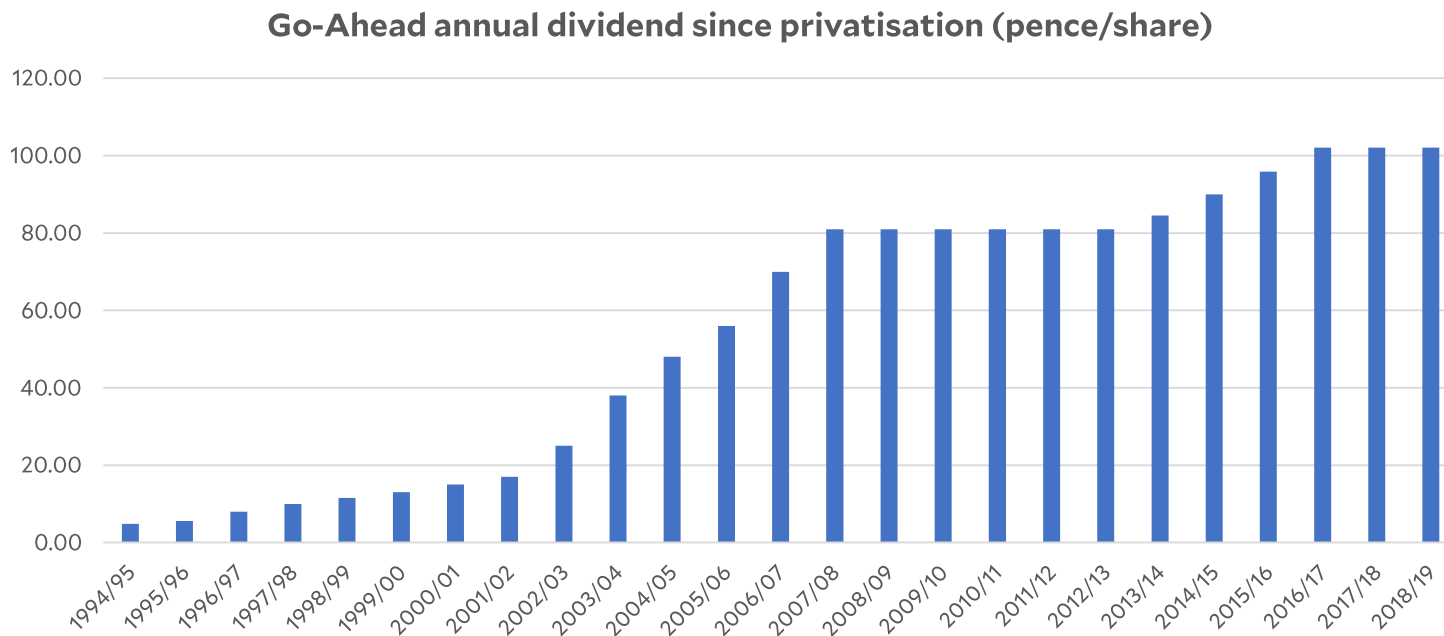
Our Strategy



Five year performance



No dividend cut since privatisation



Protect and grow the core

Regional bus

Strategy

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



Overview

- Congestion increasing costs
- Improving revenue yield
- Market leading customer satisfaction of 92%
- Investment in new, greener fleet
- Go North West – turnaround underway
- Progress towards national bus strategy

Market Trends

- Government focus and funding

- Increasing congestion

- Climate change and air quality

London bus

Strategy

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



Overview

- QICs performance ahead of last year
- Encouraging win rate
- Expertise in electric buses
- Investment in apprenticeships
- Focus on innovation and safety leadership aligned to the Mayor's "Vision Zero"

Market Trends

- Mayoral elections

- Expansion of ULEZ

- Vision Zero

International bus

Strategy

- Focus on operational performance
- Deliver innovative cost efficiencies
- Foster strong relationships with key stakeholders and partners



Overview

- Strong performance in Singapore
- Began service for second contract in Ireland
- Meeting all contractual expectations and customer satisfaction improving

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

- Number of operators facing franchise challenges
- Awaiting publication of Williams Rail Review
- Passenger growth across the UK
- Government investment in railways, including HS2

Southeastern

- Punctuality has improved 10 points in last two years
- Strong alignment with Network Rail
- Customer satisfaction 81% – best Autumn result since 2013
- Continued drive to improve colleague diversity; 31% of all 2019 recruits female
- Operating under contract extension to 31 March 2020
- Final stages of discussions with DfT regarding a contract from 1 April 2020



GTR

- Running 3,600 services a day across the GTR network – UK's largest franchise
- UK's most punctual large train operator – 4.6% year on year improvement in On Time to 71%
- Southern best performance since franchise began – customer satisfaction up 8 points to 82%
- UK's largest introduction of new trains completed in Autumn
- 42% rise in season tickets on The Key smartcard
- Partnership with Prince's Trust has given permanent jobs to 150 young people from disadvantaged backgrounds



International rail

Strategy

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



Highlights

- Introduced new rail services in Germany and Norway in December 2019
- Operational challenges in German contracts impacting financial performance
- Smooth transition to first private operator in Norway, improving operational performance

Market Trends

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

Win new bus and rail contracts

Go-Ahead international strategy

Why	Opportunities in the UK are well defined in a mature market. We have expertise and skills from our UK bus and rail operations that other countries recognise and want to benefit from		
How	Our strategy is to proactively target new bus and rail contracts and develop for the future of transport		
What	Plays to our strengths: Land transport Urban environment High quality operations Strong employee recruitment and engagement Focus on customer experience Devolved local management	Good return on capital Preferred market entry via contract with regulatory authority	Visible pipeline of work Limited capital requirements
Where	Stable political & legal systems	Consistent with our values	Transport authority which wants international expertise
Current pipeline	Singapore / Ireland / Germany / Nordics / Australasia		
Success	Our target is 15-20% of Group profit by 2022		

Win new bus and rail contracts

- Ten international contract wins to date in five different countries with annualised revenue of over £400m
- Regional bus contract win in Cornwall, beginning in April 2020 with 155 buses covering 50% of services in the county
- Recent focus on mobilisation and consolidation in existing geographies, utilising expert resources across the Group
- Local bid teams in place for strong pipeline of opportunities in Singapore, Australasia and the Nordics



Develop for the future of transport

Develop for the future of transport

- Passenger and customer needs are changing and so are we. We are seeking new ways to use our skills, knowledge and assets to create growth and set us apart from the competition.
- Operating pilots and running initiatives in a range of areas including:
 - Demand responsive transport (PickMeUp in Oxford, and Go-Sutton pilot with TfL in London)
 - Air filtering bus (removes ultrafine particles from the air as the bus moves)
 - Retail and digital consultancy for public transport
 - Billion Journey Project (partnering with start-ups and scale-ups)
 - Mobility as a service (Maas) – integration of transport modes



Responsible business

Environmental

Public transport is a force for environmental good – by taking cars off the road we can reduce carbon emissions and improve air quality in our towns and cities.

Targets and performance

- Reduced carbon emissions per vehicle mile by 63% in four years, and are on track for our target of 25% reduction by 2021
- Support Government climate change targets with Go-Ahead's commitment to running a zero emission bus fleet by 2035

Our progress

- Climate Change Taskforce established to coordinate Group activities in this area
- Air filter bus roll out
- Largest electric fleet operator in UK, growing low-emission fleet
- 146 new electric or low-emission buses introduced into our fleet
- Accredited with LSE Green Economy Mark

Social

Public transport connects people to employment, education and vital appointments. It can also tackle social isolation and loneliness. We take our responsibilities as an employer of 30,000 people seriously, with initiatives and investments in development and protecting their health and wellbeing.

Targets and performance

- Good levels of colleague engagement
- Apprenticeship scheme targeting 1,200 new recruits
- Target of 20% women in bus by 2025
- 35% of applicants for 2020 graduate programme female, up from 23% last year

Progress

- 1,400 apprentices recruited last year
- Women in Bus and Women in Rail networks launched
- Investment in health and wellbeing programmes across businesses, include mental health ambassadors
- Plymouth awarded Platinum Investors in People
- Industry leading accessibility initiatives in UK bus and rail
- Community activities such as Chatty Bus, Herne Hill community centre and defibrillators at stations

Governance

We recognise the importance of strong and effective corporate governance both at Board level and throughout the Group. Our stakeholders interests are safeguarded by the Board's commitment to good governance.

- Robust governance framework
- Clarification and communication of corporate purpose
- Board diversity – 57% of Board roles held by women
- Designated Non Executive Director to oversee workforce engagement
- Early adoption of the majority of 2018 Corporate Governance Code

Summary and outlook

Protect and grow the core

- Near-term challenges for regional bus market, with positive medium-term outlook
- Strong London and International bus performance
- Good UK rail performance
- Final stages of discussions with DfT regarding Southeastern direct award contract
- Difficulties with our German contract

Win new bus and rail contracts

- Focus on mobilisation and introduction of new contracts
- 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

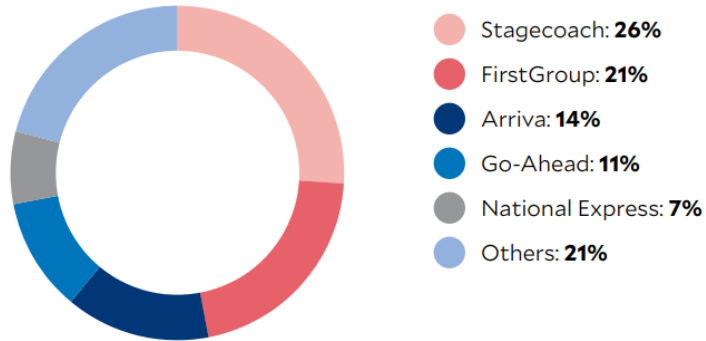
- Interim dividend maintained at 30.17p



Appendices

Regional bus

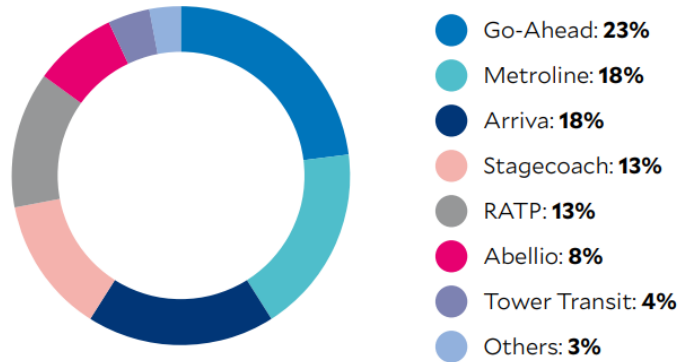
Regional bus market share (%)



We run fully owned commercial bus businesses through our eight bus operations in the UK. Our 8,550 people and 3,055 buses provide excellent services for our customers in towns and cities on the south coast of England, in north east England, East Yorkshire and East Anglia as well as in vibrant cities like Brighton, Oxford and Manchester. Go-Ahead's bus customers are the most satisfied in the UK; recently achieving our highest customer satisfaction score of 92%. One of our key strengths in this market is our devolved operating model through which our experienced management teams deliver customer focused strategies in their local areas. We are proud of the role we play in improving the health and wellbeing of our communities through reducing carbon emissions with cleaner buses and taking cars off the road.

London & International bus

London bus market share (%)

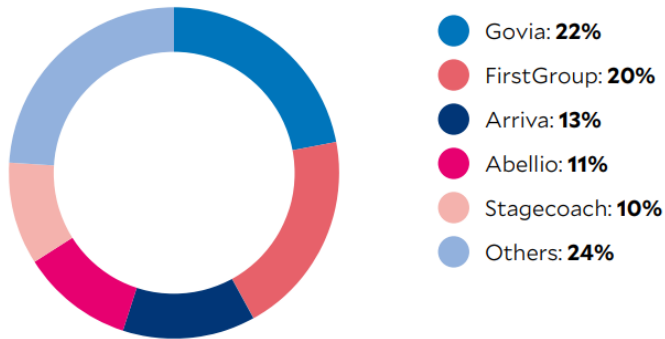


Market share data not yet reported for bus markets in Singapore and Ireland.

In London, we operate tendered bus contracts for Transport for London (TfL), running around 157 routes out of 16 depots. TfL specify the routes and service frequency with the Mayor of London setting fares. Contracts are tendered for five years with a possible two year extension, based on performance against punctuality targets. In addition to earning revenue for the mileage we operate, we have the opportunity to earn Quality Incentive Contract bonuses if we meet these targets. Internationally, Go-Ahead Singapore has provided bus services in the Loyang district of the city since 2016 through a tendered contract for the Land Transport Authority. Go-Ahead Ireland has operated bus services in Dublin since September 2018, for the National Transport Authority. Our second bus contract in Ireland will begin operation in late 2019, taking the total number of routes to 30. Our contracts in Singapore and Ireland which operate under a similar model to TfL's in London, are five years in length with a two-year extension option based on punctuality performance.

Rail

UK rail market share (%)



Market share data not yet reported for German rail market.

In the UK, Go-Ahead operates two UK rail franchises, GTR and Southeastern, for the Department for Transport. Around 30% of all UK rail journeys are made on our services. GTR is a management contract, whilst Southeastern requires us to take revenue risk. Internationally, Go-Ahead Bahn and Bus began operating regional rail services in Germany in June 2019 through two 13-year contracts. A further three rail contracts in Germany have been awarded to Go-Ahead; one will begin operations in late 2019 while the remaining two are due to commence in 2021 and 2022 respectively. In Norway, Go-Ahead will start running its first eight-year rail contract in late 2019. The operation covers both long distance and suburban routes. Go-Ahead also provides rail consultancy services to Transport for New South Wales in Sydney, Australia. This small contract, which runs for five years is the first of its kind for the Group.

All of our bus operations and international rail businesses are fully owned by Go-Ahead. Our UK rail operation, comprising Southeastern and GTR, is operated through Govia, a 65% owned joint venture with Keolis.

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
- 2021 and 2022 – 75% and 37% hedged respectively

Fuel hedging prices	H1'20	FY'20	FY'21	FY'22	FY'23
% hedged	100%	100%	75%	37%	12%
Price (pence per litre)	37.9	37.9	36.9	38.3	37.4

Bus pension

Our scheme at H1'20

- Scheme closed to future accrual with effect from 1 April 2014
- Different assumptions applied on actuarial valuation compared to accounting valuation
- Prior year has the impact of the £16.8m charge in respect of GMP equalisation for schemes that the Group participates in

	H1'20 £m	H1'19 £m
Assets	848.0	816.5
Liabilities	(853.7)	(817.7)
Less Tax	0.9	0.2
Post tax surplus	(4.8)	(1.0)
Operating profit charge/(receipt)	0.2	0.9
Cash contribution	4.0	3.3

Exceptional items

Our performance in 2019

- Relates to charge in respect of GMP equalisation for schemes that the Group participates in
- Prior year pension relates to RPI/CPI change
- Prior year goodwill impairments relates to write-downs within regional bus

	2019 £m	2019 eps (p)
Unadjusted earnings	58.8	136.8
Exceptional items – pensions	16.8	39.1
Taxation	(2.8)	(6.5)
Adjusted earnings	72.8	169.4

IFRS 16 - Leases

- From 30 June 2019, £0.8bn of leased assets were recognised as Right Of Use assets on balance sheet
 - Rail track access payments, leases of <1 year, low values excluded
 - No retrospective restatement
- Material income statement impact on current operations:
 - ✗ Regional bus
 - ✓ London bus
 - ✗ Singapore/Ireland bus
 - ✓ GTR
 - ✗ Southeastern*
 - ✗ German and Norwegian rail
- No impact on net cash flow
- No impact on our debt covenants which remain on a pre-IFRS 16 basis
- No impact on underlying cash flow; however presentation of cash flow changed

* No impact on Southeastern in current year to date due to leases being for <1 year

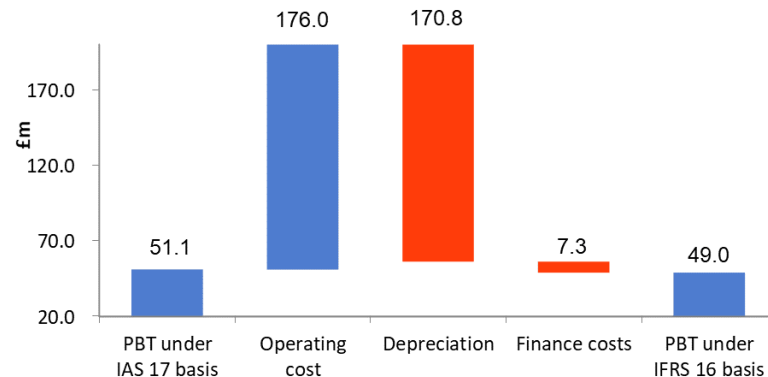
IFRS 16 – Impact on key metrics

	H1'20			H1'19^
	IFRS 16 basis £m	IFRS 16 effect £m	IAS 17 basis £m	IAS 17 basis £m
EBITDA	277.1	176.0	101.1	106.1
Group operating profit	60.0	5.2	54.8	64.5
Net finance costs	(10.7)	(7.3)	(3.4)	(3.2)
Profit before tax	49.0	(2.1)	51.1	61.0
Earnings per share – basic (p)	64.6	(4.4)	69.0	93.2
Cashflow from operations	274.1	175.6	98.5	112.0
Free cashflow	160.6	168.3	(7.7)	58.7
Adjusted net debt	931.6	625.2	306.4	261.7
Adjusted net debt/EBITDA *	n/a	n/a	1.53x	1.34x

^ H1'19 is presented on a pre-exceptional basis for all metrics throughout the presentation

* Following adoption of IFRS 16 on 30 June 19, rolling twelve months EBITDA data incorporating IFRS 16 is not available

Impact of IFRS 16 on profit before tax



- Operating profit higher under IFRS 16 basis - significant increase in EBITDA largely offset by increase in depreciation
- Profit before tax lower under IFRS 16 basis due to finance costs

Summary income statement

	H1'20			H1'19 *
	IFRS 16 basis £m	Impact of IFRS 16 £m	IAS 17 basis £m	IAS 17 basis £m
Revenue	1,972.6	-	1,972.6	1,920.8
Group operating profit	60.0	5.2	54.8	64.5
Net finance costs	(10.7)	(7.3)	(3.4)	(3.2)
Share of result of joint ventures	(0.3)	-	(0.3)	(0.3)
Profit before tax	49.0	(2.1)	51.1	61.0
Tax	(12.2)	(0.4)	(11.8)	(12.3)
Profit for the year	36.8	(2.5)	39.3	48.7
Non-controlling interests^	(9.0)	0.6	(9.6)	(8.7)
Profit attributable to members	27.8	(1.9)	29.7	40.0
Earnings per share – basic (p)	64.6	(4.4)	69.0	93.2

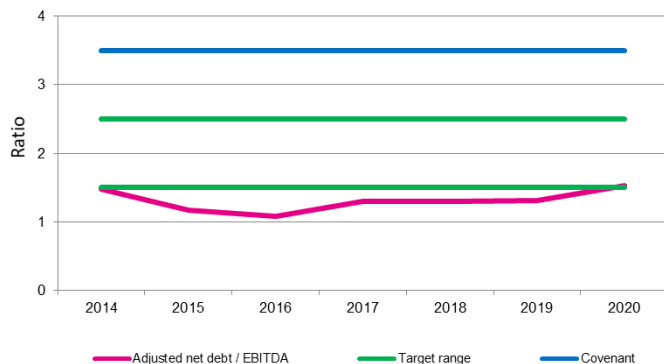
* H1'19 is presented on a pre-exceptional items basis

^ Non-controlling interest relates to 35% Keolis holding in rail

Net debt position

Our performance in H1'20

- Material impact of IFRS 16 – bank covenants remain on IAS 17 basis
- Adjusted net debt / EBITDA 1.53x (IAS 17 basis) within target range of 1.5x - 2.5x
- BBB- / Baa3 (stable) rating. Ratings reaffirmed



	IFRS 16 basis	IAS 17 basis
	H1'20 £m	H1'20 £m
Restricted cash	510.2	510.2
Net debt / (cash)	421.4	(203.8)
Adjusted net debt	931.6	306.4
EBITDA (rolling 12 months)	n/a	200.5
Adjusted net debt/EBITDA	n/a	1.53x

	H1'20 £m
Syndicated facility 2024	280.0
7 Year £250m 2.5% Sterling Bond 2024	250.0
Euro financing facilities	16.0
Total core facilities	546.0
Amount drawn down at half year end	(411.7)
Balance available	134.3

Other useful information

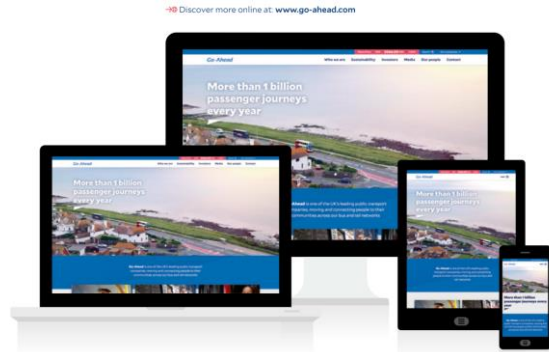
- Fuel hedged entirely in sterling
- Limited foreign exchange exposure
- Bus pension scheme in surplus following de-risking programme
- No rail pension deficit – responsibility rests with the DfT
- £250m seven year bond at 2.5% (matures 6 July 2024)
- Stable investment grade ratings (Baa3/BBB-) recently reconfirmed

Our accreditations



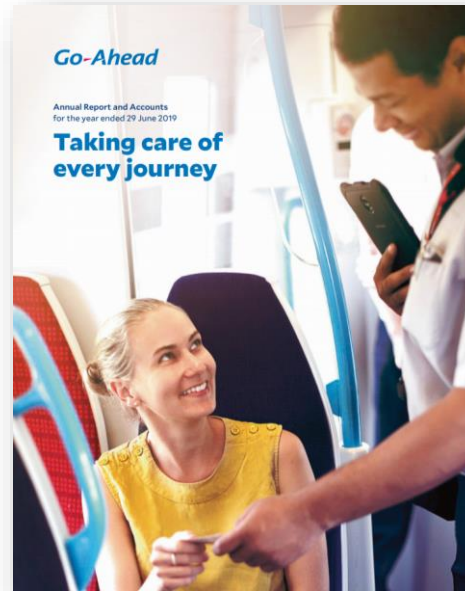
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How to find out more



The investor area of our corporate site includes a dedicated results centre, access to reports and presentations, analyst consensus and share price information

www.go-ahead.com



Our latest annual report, published in September 2019, is available on our website. It includes detailed information about our business model, business units and the markets in which we operate

