



Go Ahead

The Go-Ahead Group plc

Half year results for the six
months ended 2 January 2021



David Brown
Group Chief
Executive

Business overview

- Our three priorities during the pandemic: to safeguard the health and wellbeing of our colleagues and customers; to play our role in society; and to protect our business
- Resilient performance against a challenging backdrop with Group adjusted operating profit* of £56.1m (H1'20: £60.0m). Our full year financial expectations have increased, driven by London & International bus
- German rail operations in Baden-Württemberg performing well. A detailed review of contracts in Bavaria, mobilising to start in December 2021 and December 2022, has resulted in an onerous contract provision in the period
- Resilient business model – 90% of revenues secured through contracts with no revenue risk from changes in passenger demand
- Board continues to work towards paying a dividend at an appropriate level in the 2021 calendar year
- ESG is embedded in our business model, strategy and culture
- Public transport remains critical to environmental sustainability, economic recovery, the delivery of health and wellbeing outcomes, and keeping communities connected

*Before exceptional items of £21.0m. Details are provided in note 5 to the financial statements



Elodie Brian
Group Chief
Financial Officer

Financial overview

Total operating profit*

(pre-exceptional items)

£56.1m

(H1'2020: £60.0m)

Adjusted net debt ^

(pre-IFRS 16)

£299.9m

(2020 YE: £321.6m)

Free cashflow #

(pre-IFRS 16)

£32.2m

(H1'2020: (£7.7m))

Earnings per share

(pre-exceptional items)

74.2p

(H1'2020: 64.6p)

Adjusted net debt / EBITDA

(pre-IFRS 16)

1.87x

(2020 YE: 1.96x)

Headroom on facilities plus

unrestricted cash ^

£250.8m

(2020 YE: 229.8m)

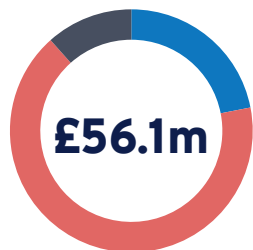
There were 27 weeks in H1'2021 compared with 26 in H1'2020. Results have not been adjusted for the impact of the extra week

* Total operating profit (post-exceptional items) was £35.1m (2020: £60.0m)

Excluding movements in restricted cash

^ £45.7m of unrestricted cash became restricted in rail with the start of the EMAs

Operating profit by division



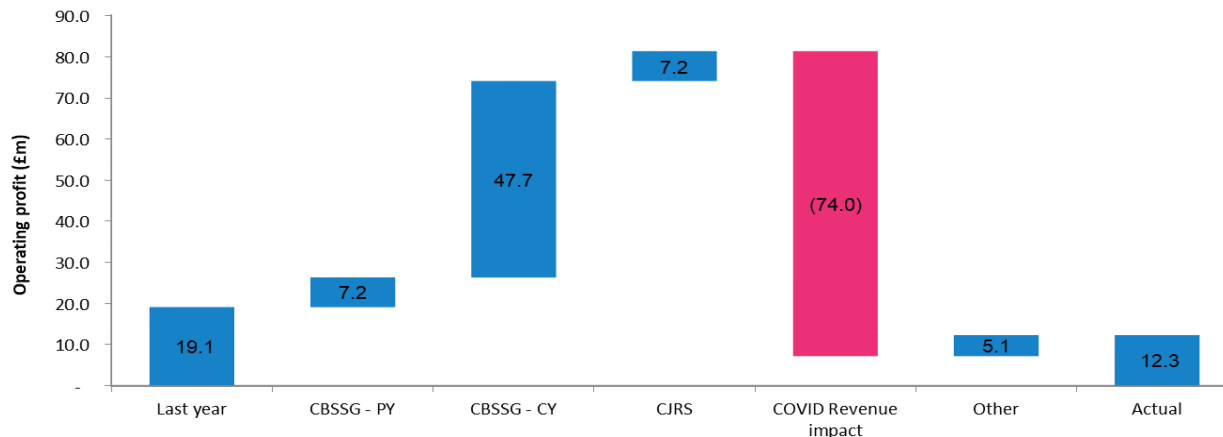
- Regional bus
- London & International bus
- Rail

	H1'2021	Year on year change		H1'2020
	£m	£m	%	£m
Regional bus	12.3	(6.8)	(35.6)	19.1
London & International bus	37.3	11.1	42.4	26.2
Total bus	49.6	4.3	9.5	45.3
Rail	6.5	(8.2)	(55.8)	14.7
Total	56.1	(3.9)	(6.5)	60.0

- Regional bus – profit reduction driven by the impact of COVID-19. Profit includes CBSSG from 2019/20 recognised upon completion of the first reconciliation
- London & International bus – maintained performance in all three geographies. Short term benefit from timing of recognition of QICs in London has elevated profit in current half year
- Rail – reduced profit in Southeastern due to lower contractual margins and continuing losses on German operations partly offset by head office savings and GTR performance payment

Regional bus

- Reported operating profit £12.3m, down £6.8m from £19.1m. Performance continues to be impacted by COVID-19
- Passenger revenue £74.0m (31.7%) down compared to prior year reflecting the impact of COVID-19
- Reduction in revenue mitigated by government support and cost savings
- Operating profit in period comprises recognition of CBSSG from prior year of £7.2m, and property rental income; excluding these items, operational performance is broadly breakeven



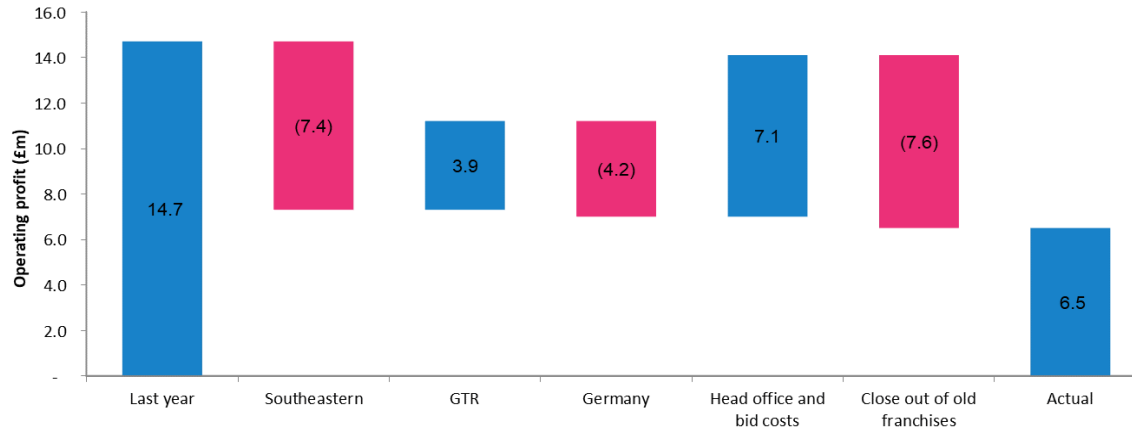
London & International bus

- Reported operating profit £37.3m, up £11.1m from £26.2m with stable underlying performance in all operations
- London QICs up £10.2m reflecting short-term non-cash benefit from TfL settling QICs on a quarterly basis, impacting the timing of QICs recognition
- International: continued strong performance in Singapore and Dublin



Rail

- Operating profit £6.5m, down £8.2m from £14.7m, largely due to the £7.6m one-off benefit from the close out of old franchises in the prior year
- Southeastern EMA has removed passenger revenue risk but achieves a lower margin
- Strong performance in GTR supported by recognition of EMA performance payment
- German losses reflect full operation in Baden-Württemberg from December 2019
- Significant reduction in head office costs and rail bidding activity currently restricted to Nordics



Rail – Germany

Baden-Württemberg

- Improved operational performance supporting reduction in penalty levels
- Ongoing claims against rolling stock manufacturer – up to £26m but not recognised in half year results

Bavaria

- Two 13-year contracts being mobilised ahead of December 2021 and December 2022 start dates
- Onerous contract provision increase of £25.9m, representing estimated financial projections over the life of the contracts
- Operational mobilisation and mitigating actions underway, including commercial discussions with the client

Rail outlook

- GTR and Southeastern have fixed contractual arrangements covering the 2021 financial year with full revenue and cost risk transferred to the DfT and a defined profit range
- German rail losses are expected to be significantly lower in 2021
- Government support continues in Norway, supporting a broadly breakeven performance
- Overall we expect the rail division to break even in 2021

Exceptional items

- £20.7m charge relates to rail contracts in Bavaria and reflects £25.9m onerous contract provision partly offset by a gain on disposal of planning and land assets for the depot
- Further impairment of coaches reflecting the impact of COVID-19 on these services. Write downs partially offset by disposal proceeds above the carrying value of coaches impaired in 2020

	H1'2021 £m	H1'2020 £m
Exceptional items – Germany	(20.7)	-
Exceptional items – Regional bus	(0.3)	-
Exceptional items - Total	(21.0)	-

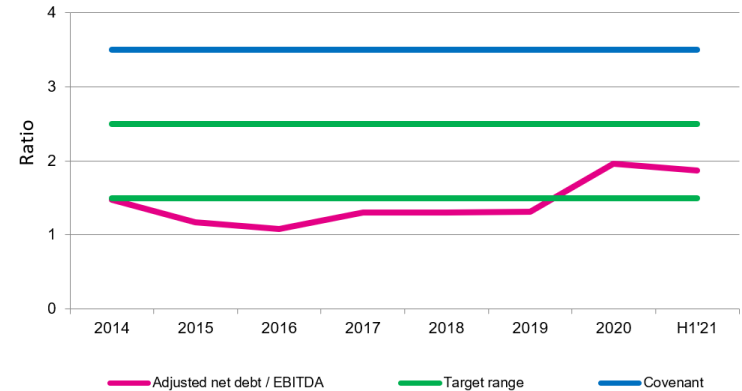
Capital investment

- Disciplined approach to capital allocation
- Investment in regional bus fleet reflects purchases deferred from H2'2020
- Committed purchases much reduced for H2'2021 with majority of remaining capital investment linked to contract wins in London
- Net capital investment affected by sale of assets and contract mobilisation

	H1'2021	Year on year change	H1'2020
	£m	£m	£m
Regional bus fleet	24.2	(1.6)	25.8
London bus fleet	0.2	(11.4)	11.6
Total bus fleet	24.4	(13.0)	37.4
Technology and other	0.8	(3.0)	3.8
Bus depots	0.6	(1.4)	2.0
Rail investment	1.2	(4.6)	5.8
Total tangible capital investment	27.0	(22.0)	49.0
Net capital investment	21.1	(41.9)	63.0

Net debt position

	IFRS 16 basis	IAS 17 basis
	At 2 Jan 2021 £m	At 2 Jan 2021 £m
Net debt / (cash)	273.5	(126.2)
Restricted cash	426.1	426.1
Adjusted net debt	699.6	299.9
EBITDA (rolling 12 months)	620.7	160.8
Adjusted net debt/EBITDA	1.13x	1.87x



- Better than expected performance
- Adjusted net debt / EBITDA 1.87x (pre-IFRS 16) within target range of 1.5x – 2.5x, well below 3.5x bank covenant
- BBB- / Baa3 (stable) rating
- Expected to fall further at year end due to derestriction of cash in UK Rail
- Material impact of IFRS 16 – bank covenants remain on pre-IFRS 16 basis

Liquidity

- Headroom of c. £250m is higher than at year end and expected to increase further in the second half of the year as some UK rail cash becomes unrestricted
- EBITDA positive
- No debt maturities to 2024
- Reduction in operational expenditure and capex, suspension of dividends and reduction in Group overheads

	At 2 Jan 2021 £m
Syndicated facility 2024	280.0
7 Year £250m Sterling Bond 2024	250.0
Euro financing facilities	17.0
Total facilities	547.0
Amount drawn down at year end	410.9
Balance available	136.1
Unrestricted cash	114.7
Headroom on facilities plus unrestricted cash	250.8

Financial outlook

- Regional bus outlook remains challenging to forecast – level of profitability subject to CBSSG reconciliation
- Short-term benefit from timing of QICs recognition in London & International bus is not expected to repeat in H2'2021. Underlying performance is expected to be maintained
- London & International bus expected to deliver full year operating result ahead of previous expectations
- Rail is expected to deliver a breakeven operating performance with UK profitability mitigating losses in Germany:
 - UK Rail – remain on EMA and ERMA terms until at least Autumn 2021
 - Germany – expecting losses in Baden-Württemberg to reduce in 2021 supported by better operational and commercial performance
 - Norway – expecting to deliver broadly breakeven performance
- Total capex of c. £65m in 2021:
 - Restricted to committed spend in H1
 - c. £55m in bus including expenditure deferred from 2020 due to delayed deliveries following COVID-19
- Liquidity position to improve further with unrestricted cash from UK Rail in second half of the year

Strategic overview and business update

External trends

Consumer behaviour

- Working from home and flexible working increased – desire to return to workplace
- Online shopping increased
- Pent up demand for going out and socialising – up to 70% passenger volumes between lockdowns
- Expected increasing domestic holiday market

Air quality and climate change

- Delayed government environment bill, hosting COP26
- UK net zero by 2050 target

Health and wellbeing

- Continued investment and support for active travel
- Desire to travel more locally – 20 minute neighbourhoods
- Increasing focus on mental health and social isolation after lockdowns
- Government push to reduce obesity
- Improved appreciation of public transport in delivering vaccination programme



Our Strategy



Regional bus

- Passenger numbers around 25% during this lockdown – expected to rise with the return of schools
- Service levels have been around 80-90% of pre-crisis levels but now at least 100% with schools returning
- Continued focus on health and wellbeing of colleagues and customers. Ongoing COVID-19 measures
- Demand levels between first and second lockdowns – and need to prioritise climate change/air quality – gives optimism for passenger recovery
- Mental health first aiders trained at all companies



Regional bus

- National bus strategy expected soon – funding for zero emission buses and for bus transformation
- Support funding in place until no longer required/expected until end of social distancing – enabling continued breakeven performance
- Further funding support expected beyond CBSSG arrangements. Need for continued flexibility to optimise networks to meet changing demand patterns
- Working with Government and partners on sustainable funding model for zero emission vehicles; first fleet of electric buses introduced into North East of England
- Potential for well-placed opportunities in regional bus



London & International bus

- No direct exposure to changes in passenger demand
- Continuing to operate a full service
- Delivering service in line with client expectations
- Northumberland Park one of the largest overnight charging electric bus garages in Europe
- TfL funding challenges continue but bus demand in outer London expected to be resilient
- Strong partnership with Singapore Government, with pro public transport stance throughout pandemic
- Ireland – raising the standards on service performance and looking for opportunities



Rail

UK

- GTR in ERMA until September 2021, Southeastern in EMA until October 2021, with no exposure to passenger demand levels
- Passenger numbers have remained low at 15%, higher this week with schools returning
- Service provision currently about 75% of pre-crisis level
- Ongoing COVID-19 measures, such as enhanced cleaning, sanitiser, seat availability information and cashless payments



Rail

UK

- Publication of Williams Review expected soon
- Private operators are closest to the customer and best placed to drive revenue growth
- Incentives to grow revenue and reduce costs essential for new industry contract structure
- Direct awards expected in the form of National Rail Contracts
- Good progress towards flexible ticketing



Rail

Germany

Baden-Württemberg

- Improvement plan progressing as expected – positive contribution forecast in 2022/23
- Passenger numbers around 40% – full service being provided
- Transport authority continues to support contracted revenue
- Operational performance strong, recognised by regional authority
- Continuing to progress driver recruitment to reduce reliance on agency staff

Bavaria

- Operational mobilisation progressing well
- Onerous contract provision
- Focus on driver recruitment and training, and commercial discussions with client



Rail

Norway

- Passenger numbers around 45%
- Services reduced to around 85% on commuter routes and 35% on long distance
- Ongoing Government funding support



Win new bus and rail contracts

- Local bid teams in place for strong pipeline of opportunities in Singapore, Australasia and the Nordics

Bus

- Singapore contract extension achieved for 2 years
- Continuing to pursue contractual opportunities in Singapore, Australia and Ireland

Rail

- Bidding in Nordic region continues



Develop for the future of transport

- Active travel – developing new initiatives including colleague ambassadors and active travel hubs
- Smart ticketing
 - Continuing roll out of mobile ticketing on GTR as part of wider rail transition to smart/digital
 - Expanding Tap On Tap Off contactless on bus
- Decarbonisation of transport, with electric and hydrogen vehicles



Responsible business

Better teams

Our 30,000 colleagues are the foundation of our business. Their dedication, innovation and ambition contribute to the delivery of convenient and reliable transport services for our customers

- 650 apprentices recruited into the business in 2020; target to recruit over 1,100 in 2021
- Enhanced colleague communications and additional coaching/mentoring for managers to support colleague wellbeing
- GTR doubled number of female train driver applicants; Southeastern won 'Top Employer' at Women in Rail awards
- Target of 20% female representation in bus by 2025; 21% female representation in rail by 2021. Increasing focus on BAME representation



Happier customers

Our vision is a world where every journey is taken care of

- 30 nearly new metro trains on Southeastern
- Upgrade of St Albans station delivered on GTR
- New accessible travel policies on GTR and Southeastern developed in consultation with passengers who require additional support and approved by the ORR



Stronger communities

Our services provide vital links to work, education and health services, and connect people with friends and family

- Partnered with NHS to deliver one of UK's first mobile vaccination centres
- New bus services and shuttles to vaccine centres
- Free car parking close to vaccinations centres provided at train stations
- GTR partnering with Sector-based Work Academy Programme to train unemployed people; providing 'Kickstart' work placements
- Target of minimum of 33% of controllable spend with local SMEs by 2023



Safer working

Providing a safe and supportive environment for our colleagues, customers and communities

- Ongoing provision of COVID-19 safety measures including
 - Extensive swab testing across stations and train fleets
 - Facilitating lateral flow testing across the business
 - Protected colleagues during high community infection rates
- Intelligent speed adaptation and remote camera monitoring on London buses
- Rail colleagues trained to approach vulnerable people at stations
- GTR 'Zero Harm' project. Target to reduce all safety incidents by half by end 2021



Cleaner environment

Public transport reduces carbon emissions and improves air quality by taking cars off the road

- 260 electric buses across fleet by April. Target of zero emission bus fleet by 2035
- Highest score of any transport company in Carbon Disclosure Project at A-
- ‘Most Admired’ transport company for community and environmental responsibility
- Climate Change Strategy in Summer – including targets for decarbonisation, air quality, waste and water



Outlook and focus

- Welcoming customers back to buses and trains as economy reopens
- Agile response through local teams to reshape schedules and networks to match changing customer demand priorities
- Rebuilding as a lean business; maintaining strong financial discipline
- Working collaboratively with governments about funding and recognising the role of public transport to a broad policy agenda
- Continue to explore growth opportunities in UK and other existing geographies
- Ongoing focus on German rail improvement plan
- Working towards paying a dividend at appropriate level in this calendar year

Public transport remains critical to environmental sustainability, economic recovery, the delivery of health and wellbeing outcomes, and keeping communities connected



Appendices

Summary Income statement

	H1'2021			H1'2020
	Post exceptional £m	Exceptional Items £m	Pre exceptional £m	Result £m
Revenue	2,070.2	-	2,070.2	2,007.3*
Group operating profit	35.1	(21.0)	56.1	60.0
Net finance costs	(10.0)	-	(10.0)	(10.7)
Share of result of joint venture	(0.5)	-	(0.5)	(0.3)
Profit before tax	24.6	(21.0)	45.6	49.0
Tax	(8.4)	(0.7)	(7.7)	(12.2)
Profit for the year	16.2	(21.7)	37.9	36.8
Non-controlling interests	(5.9)	-	(5.9)	(9.0)
Profit attributable to members	10.3	(21.7)	32.0	27.8

* Restated by £34.7m (increase to revenue and offset by the same amount within operating costs) to reflect changes in the presentation of certain rail revenue streams

Cashflow statement

	H1'2021			Change (IAS 17 basis) £m	H1'2020		
	IFRS 16 basis £m	Impact IFRS 16 £m	IAS 17 basis £m		IFRS 16 basis £m	Impact IFRS 16 £m	IAS 17 basis £m
EBITDA	350.5	252.4	98.1	(3.0)	277.1	176.0	101.1
Working capital	(34.5)	0.1	(34.6)	(32.0)	(3.0)	(0.4)	(2.6)
Cashflow from operations (excluding movement in restricted cash)	316.0	252.5	63.5	(35.0)	274.1	175.6	98.5
Tax and net interest	(15.9)	(5.7)	(10.2)	20.6	(38.1)	(7.3)	(30.8)
Net capital investment	(21.1)	-	(21.1)	41.9	(63.0)	-	(63.0)
Dividends paid – Minority partner	-	-	-	12.4	(12.4)	-	(12.4)
Free cashflow	279.0	246.8	32.2	39.9	160.6	168.3	(7.7)
Dividends paid	-	-	-	30.9	(30.9)	-	(30.9)
Inception of new leases	(12.8)	(12.8)	-	-	(12.4)	(12.4)	-
IFRS 16 ROU asset onto B/S	-	-	-	-	(781.1)	(781.1)	-
Other	0.1	10.6	(10.5)	(13.0)	2.5	-	2.5
Movement in adjusted net debt	266.3	244.6	21.7	57.8	(661.3)	(625.2)	(36.1)
Opening adjusted net debt	(965.9)	(644.3)	(321.6)	-	(270.3)	-	(270.3)
Closing adjusted net debt	(699.6)	(399.7)	(299.9)	6.5	(931.6)	(625.2)	(306.4)

Bus pension

Our scheme at H1'2021

- Scheme closed to future accrual with effect from 1 April 2014
- Different assumptions applied on actuarial valuation compared to accounting valuation

	H1'2021 £m	H1'2020 £m
Assets	937.4	848.0
Liabilities	(929.7)	(853.7)
Less tax	(1.5)	0.9
Post tax surplus	6.2	(4.8)
Operating profit charge	1.9	0.9
Cash contribution	4.1	4.0

UK bus fuel

Our hedge profile

- Fuel hedging is consistent with policy
- Current year fuel cost included impact of lower fuel use during COVID-19 lockdown than level of fuel hedged
- 2022, 2023 and 2024 – 75%, 37% and 12% hedged respectively

Fuel hedging prices	FY'21	FY'22	FY'23	FY'24
% hedged	Fully	75%	37%	12%
Price (pence per litre)	35.3	32.9	32.0	29.2

ESG ratings and accreditations

- LSE Green Economy Mark
- MSCI AAA
- FTSE4Good 99/100
- CDP A- grade
- Sustainalytics Medium risk*
- ISO50001 certification for all UK operations

*Recently changed from 'low risk' due to a change of sector classification which has been challenged by Go-Ahead

Our strengths

Clear and important purpose

- Delivering vital services essential to society and for economic growth
- Importance of public transport recognised by Government through COVID-19 support

Part of the solution

- Integral part of climate change and air quality agendas in our towns and cities
- Go-Ahead is leading industry change and has the UK's largest fleet of electric vehicles

Experts in our field

- Extensive experience and expertise in bus and rail markets
- Largest bus operator in London, highest customer satisfaction in regional bus, delivered transformation in UK's busiest rail franchises

A proven approach

- Devolved customer focused management, innovative approach and engaged colleagues
- Agile and responsive local teams focused on continual improvement

A reliable partner

- Strong partnerships and collaborative working with transport authorities and policy makers
- A leading voice on critical industry issues

Strong financial profile

- Robust balance sheet and disciplined approach to capital allocation
- Positive cashflow and good liquidity



southeastern



Go Ahead



go east anglia

