

The Next Billion Journeys

“Moving you and the next generation
towards a smarter and healthier planet”

Business review
5 April 2022



Go-Ahead



Christian Schreyer

Group Chief Executive

Agenda

1. Executive summary
2. Market context and competitive positioning
3. New strategy: “The Next Billion Journeys”
4. New organisation
5. Medium-term financial targets

Summary

- Comprehensive business review found great fundamental strengths in Go-Ahead and identified areas through which improvements and sustainable growth can be delivered
- **New strategy, “The Next Billion Journeys” has three strategic priorities:**
 - Improve PERFORMANCE
 - GROW organically and externally
 - Progress NEW OPPORTUNITIES by leveraging existing capabilities and resources
- **Financial targets:**
 - An increase in annual Group revenue¹⁾ 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
 - Resumption of dividend policy to pay between 50% and 75% of earnings per share from FY22
 - Board's intention to recommend a final dividend of not less than 50 pence for FY22 in line with the resumed dividend policy
 - Adjusted net debt to EBITDA²⁾ maintained within the existing target range of between 1.5 and 2.5 times
- **Go-Ahead reaffirms its intention to reduce carbon emissions by 75% by 2035**
- **A reshaped Executive Committee will deliver the strategy, overseen by a refreshed Board**
- **Go-Ahead has a renewed purpose “Moving you and the next generation towards a smarter and healthier planet”, underpinned by strong new values**

1) excluding recently discontinued operations – 2) pre-IFRS 16

The new strategy focuses on strengthening the Go-Ahead investment case

1 Strong market traction

- Modal shift resulting from:
 - Policy regulation
 - Fuel price increase
- Rapid urbanisation
- Market liberalisation

2 Unique competitive positioning

- Established position in the UK with leading market share in UK rail and London bus with strong credentials / capabilities
- Leading player in electrical transition in the UK
- Industry leading passenger satisfaction score

3 Resilient business model

- Diversified portfolio and resilient business by sector and geography
- Limited exposure to passenger demand risk
- Supported by long term contracts – GTR just renewed

4 Strong financial position with a proven track record

- Strong growth track record
- Resilient earnings profile
- Robust balance sheet giving options to consider value adding opportunities
- Disciplined approach to capital allocation
- Planned resumption of dividend payments

5 Major positive Environmental and Social impact

- Public Transport part of the solution to tackle climate change
- Science Based Targets to reduce carbon emissions with clear operational plan
- Delivery of vital services to society supporting economic growth

6 Experienced leadership

- New leadership at Board and Executive Committee levels
- Highly respected Operating Managing Directors
- Significant experience in Public Transport across senior management team

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Key takeaways from the business review

Market

- Public Transport market is **recovering from COVID-19**, although **speed of recovery currently uncertain**
- In the short-term **inflation provides an opportunity** to increase modal share
- In the medium-term, the Public Transport market has **strong growth potential** driven by **megatrends**, notably as a clear **solution to decarbonise mobility**
- **Liberalisation** will further increase the accessible market for private operators

Competitive positioning

- Go-Ahead is a well-established operator with **leading market share in UK rail** and **London bus**
- Go-Ahead has a **robust balance sheet** increasing options for value adding opportunities

Go-Ahead performance

- The Group has a strong **track record in delivering sustained growth**
- Go-Ahead has the ability to develop successfully in urban bus internationally (**Dublin, Singapore**)
- In 2020/2021 90% of Go-Ahead's **profit pool delivered from London bus** and **GTR**
- **International Rail and certain operations** have performed below management's expectations
- There is an opportunity to optimise the operating model notably by increasing **transparency on costs, harmonising processes, digitalizing operations and harnessing data**

Strong growth potential in accessible Public Transport Market in post-COVID-19 recovery

Market overview & trends

1 Large Public Transport market

- Public Transport market consists of mobility services through trains, metro, light rail, bus, coaches or ferries serving urban, commuter, interurban and regional transport needs
- Public Transport market accessible to private operators is estimated at £80 bn today - a large part of the market is managed directly by public operators

2 Strong underlying trends

- After negative impact of COVID-19 on Public Transport ridership, passenger recovery is ongoing – expectation to be back to pre-crisis levels but some uncertainties remain related to the recovery speed
- In the medium-term Public Transport market is growing driven by megatrends (climate change, digitalisation, urbanisation, ageing population)
- Inflation is an opportunity for Public Transport to increase its modal share vs. cars

Growth in Public Transport market

3 Liberalisation

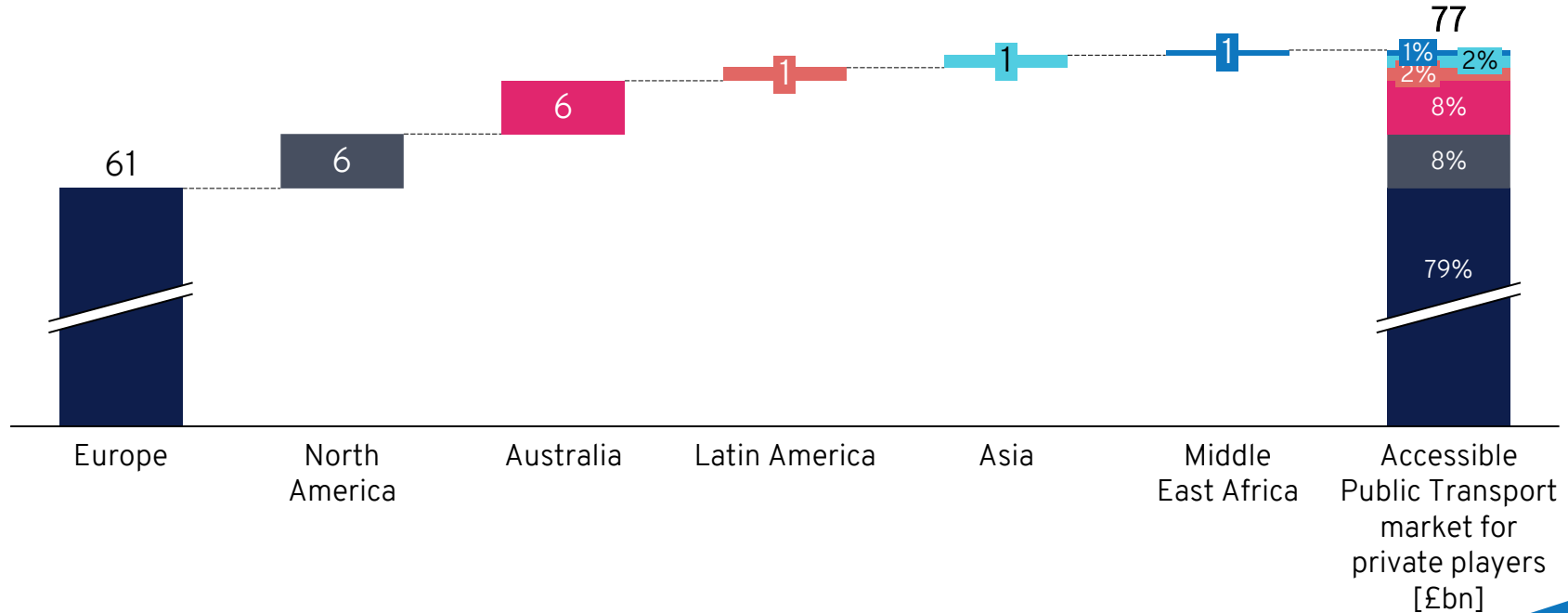
- The opening to competition of Public Transport markets currently operated by public operators is creating new opportunities for private transport operators

Strong growth in the accessible Public Transport market for private operators

① Accessible global public transport market of around £80bn

Public Transport market accessible to private operators [£ billion]

Preliminary estimation of on emerging markets¹⁾



1) Latin American and Asian markets to be better detailed, notably in India, Indonesia, Brazil, Argentina, but also Egypt

② Public Transport market will grow driven by opportunities from megatrends and recent trends

Megatrends



Climate change & resource scarcity



Digitalisation and technological acceleration



Rapid urbanisation



Ageing population

Recent trends



COVID-19



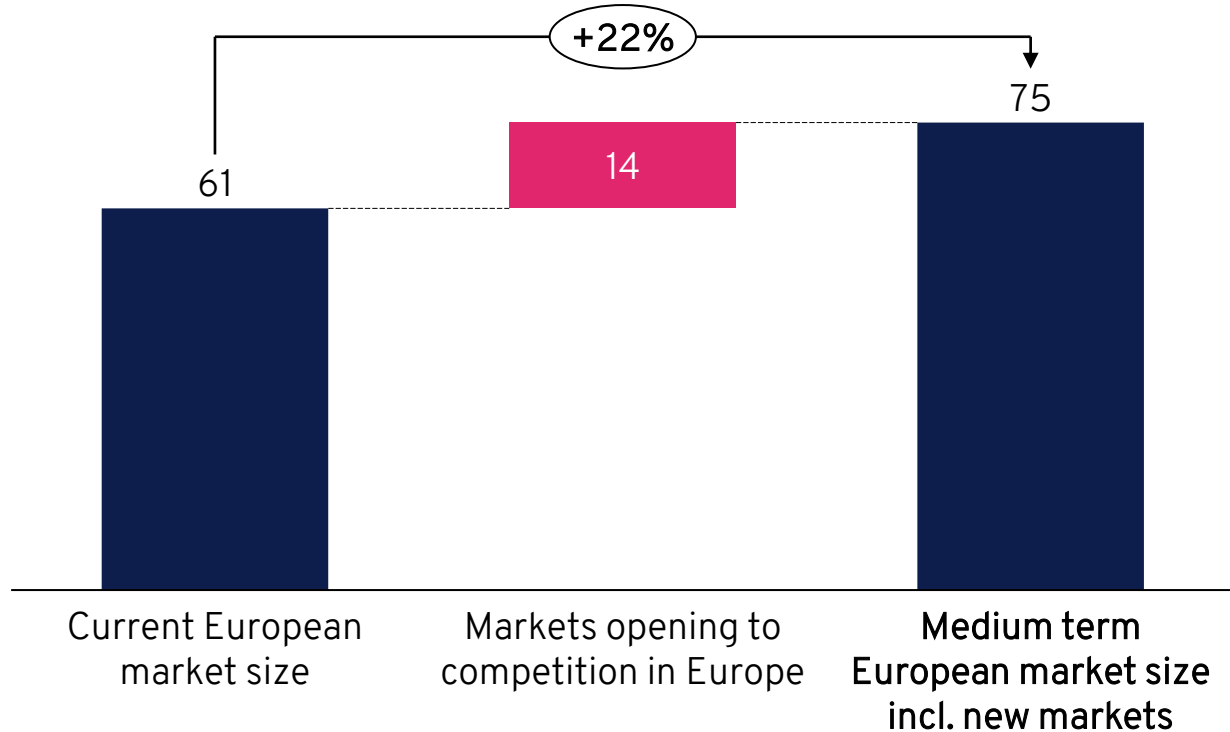
Inflation

Opportunities for Public Transport

- Modal shift resulting from environmental-related political regulation
- Higher public investment into Zero Emission vehicles
- Development of Public Transport in metropolitan areas
- Multimodal transportation development
- Rural areas with unaddressed mobility needs
- Modal shift increase resulting from stronger price competitiveness of Public Transport vs. cars

③ Liberalisation increases the addressable market size for private operators

Example of Public Transport market in Europe [£ billion]



- New opportunities for private operators reducing competitive pressure
- Strong pipeline of opportunities in attractive markets

Go-Ahead has a unique competitive positioning vs. traditional operators giving attractive opportunities

Go-Ahead's competitive advantages vs. traditional operators

Strong business and operational performance	Leading position in UK Rail with strong credentials / capabilities
	Leading position in London bus with strong credentials / capabilities in bus mass-transit system
	Strong footprint in UK regional bus with credentials / capabilities in B2B2C
	High quality of service
	Successful urban bus business development internationally
Robust financial position	Strong balance sheet
Resilient portfolio of activities	Limited exposure to pure commercial risk
	High share of contracted business giving long term visibility

Go-Ahead can deploy its unique stakeholder management capabilities vs. new digital entrants

Go-Ahead's competitive advantages vs. new digital entrants

Unique stakeholder management capability

Strong capability to manage people-intensive services

Deep experience in understanding and managing public clients and political stakeholders

Long term engagement credential

Capacity to invest capital to support long term growth due to robust balance sheet

Proven capability to partner for long term contracts and to manage complex service contracts

Profitable business model

Robust financial model

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“The Next Billion Journeys” strategy aims to deliver profitable & sustainable growth



Our first strategic priority is performance improvement of current operating companies

1

Improve
PERFORMANCE

What Go-Ahead will do

Fix underperforming operating companies overseas (Germany, Norway) and in the UK

Enhance the basics by focusing on **operational excellence** focusing on performance management processes, standardisation of processes and digitalisation

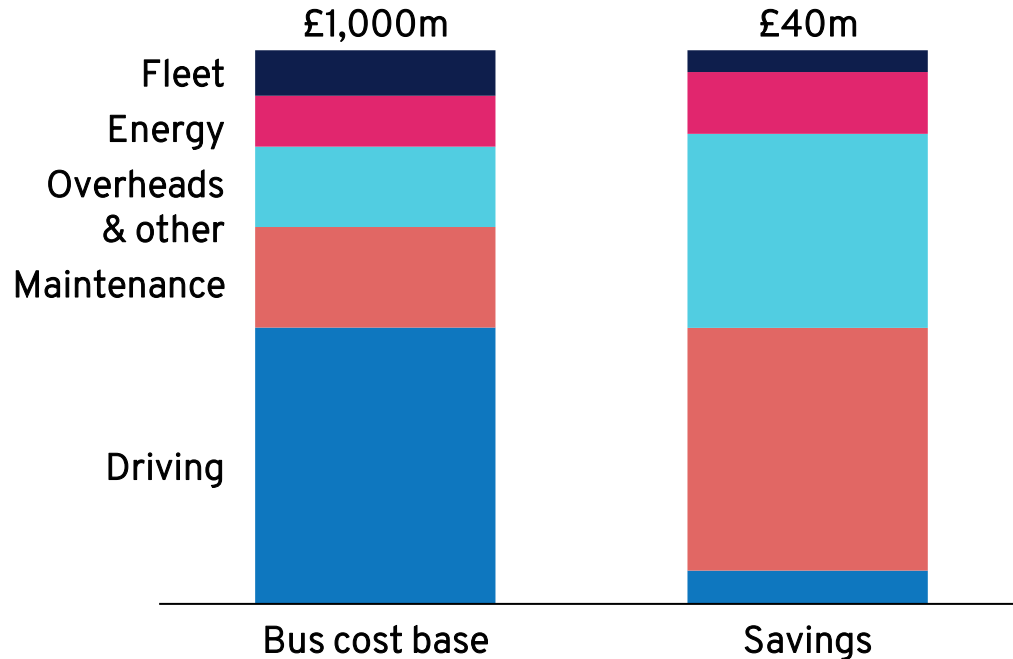
Reduce Zero Emission break-even point to accelerate fleet decarbonisation

What Go-Ahead will NOT do

- ✗ Further development in heavy rail in international markets - our focus is on performance improvements
- ✗ Compromise on safety, quality and customer experience

Targeting medium term annual cost savings of £40m in bus from performance improvement

Medium term cost reduction targets vs. FY 2020/2021



Main levers identified

- **Performance management:**
 - Quarterly performance reviews for each Operating Company combined with a detailed operating model
- **Driving:**
 - Improvement of scheduling efficiency, notably with data analytics, digital tools and benchmarking
- **Maintenance:**
 - Standardisation of processes
 - Lean approach
 - Acceleration of digitalisation, incl. predictive maintenance
- **Energy:**
 - Improvement of driver performance management
 - Implementation of a more fuel efficient fleet
- **Fleet:**
 - Reduction of spare fleet level
 - Strengthening of fleet cascade process
- **Overheads and other:**
 - Review of overheads level, notably by standardizing processes
 - Reduction of accident costs by improving collision management

Grow in existing geographies and selected international markets

2

GROW organically and externally

What Go-Ahead will do

Accelerate passenger recovery and increase modal share

Grow in existing geographies notably in Regional bus, maintain London market share and promote an attractive Passenger Service Contract business model in UK Rail

Replicate successful contracted business models (London, Dublin, Singapore) in selected international markets by exploring partnership opportunities where appropriate

What Go-Ahead will NOT do

- ✗ B2C long distance open access activities
- ✗ investment in countries with compliance and ethical issues
- ✗ Investment in the USA
- ✗ Compromise in financial discipline in bidding/M&A

New opportunities leveraging our capabilities and resources

3

Progress new OPPORTUNITIES by leveraging existing capabilities and resources

What Go-Ahead will do

Consider new mass-transit urban transport modes (notably metro, light rail)

Accelerate in B2B (notably rail replacement, airport transport services)

Explore **new services** by moving along the mobility value chain with current capabilities and resources (notably Zero Emission services, MaaS operation, property utilisation strategy)

What Go-Ahead will NOT do

- ✗ Internal development of technology or software mobility solutions
- ✗ Divergence from risk appetite

Five strategic enablers

Strengthen
GOVERNANCE and
transparency

A

- Implement new processes to bring increased transparency and focus on performance (Operating model)
- Harmonise existing core processes and align to optimized devolved model

Improve **DIGITAL** and
DATA capabilities

B

- Implement a Data Centre of Excellence
- Invest in digital capabilities

Consolidate **ZERO**
EMISSION capabilities

C

- Implement a Centre of Excellence dedicated to Zero Emission
- Invest in Zero Emission software / tools and in analytics

Rebuild confidence post-
COVID-19 with our
PASSENGERS and our
CLIENTS

D

- Strengthen relationships with clients
- Reinforce capabilities to accelerate passenger recovery, client lobbying and data-driven pricing

Enhance **PEOPLE**
engagement and
COLLABORATION

E

- Implement new behaviours
- Improve employee engagement
- Continuously improve diversity and inclusion

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A refreshed and strengthened Board



Chair
Clare Hollingsworth



Group CEO
Christian Schreyer



Senior Independent Director
David Blackwood



Independent Non-Executive Director
Dominic Lavelle



Group CFO
Sarah Mussenden

Recently appointed Board directors

Joining Board on 9
May 2022



Independent Non-Executive Director
Leanne Wood

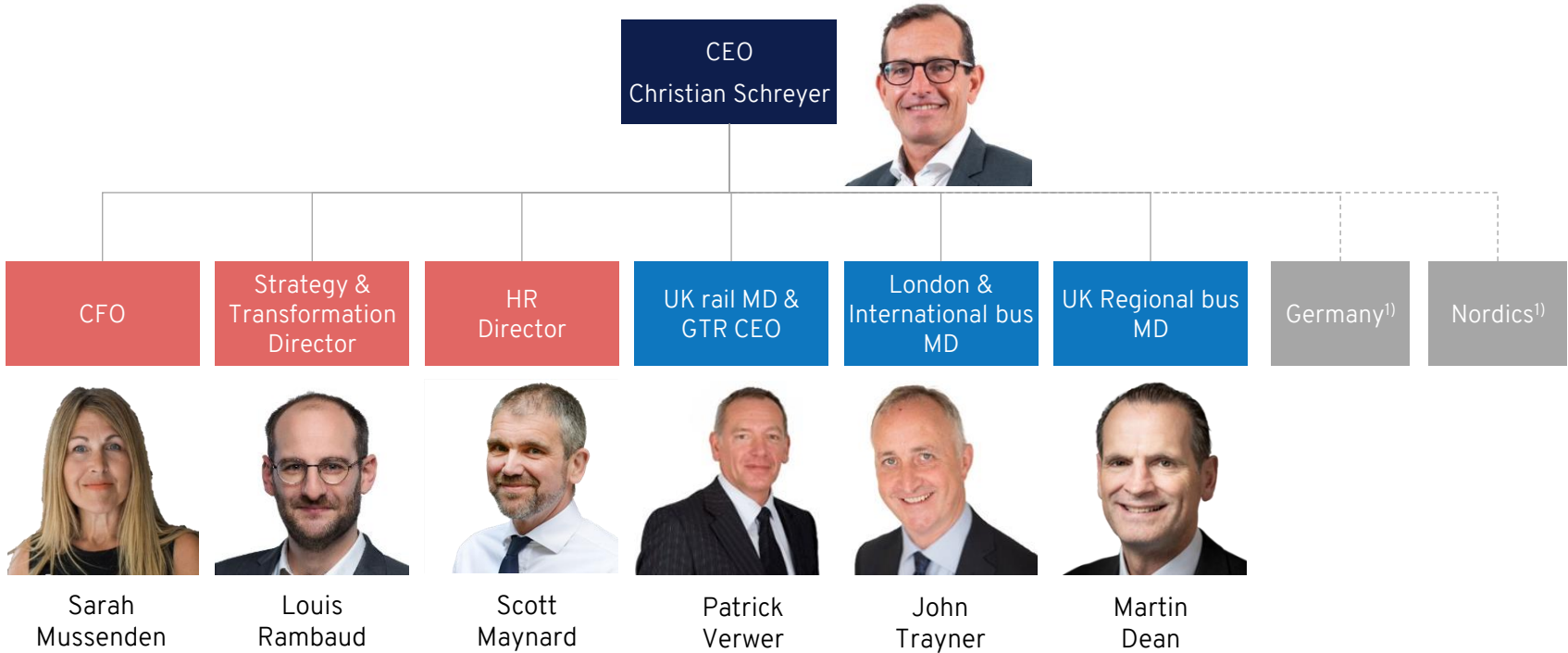


Independent Non-Executive Director
Harry Holt



Group Company Secretary
Carolyn Ferguson

New Executive Committee with balance of corporate directors and P&L managers



 Business with P&L  Corporate function

A new set of values & behaviours has been defined to reflect Go-Ahead's new "devolved model"



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Summary of financial targets

Revenue

circa
£4.0 bn
or
+30%¹⁾

Medium term
target

Operating profit

at least
£150m

Medium term
target

Net debt

Adjusted Net debt
/ EBITDA²⁾
maintained
between
1.5x
and
2.5x

Dividend

Resumption of
dividend policy to
pay between

**50%-
75%**

of earnings per
share from FY22

Intention to
recommend a final
dividend of not

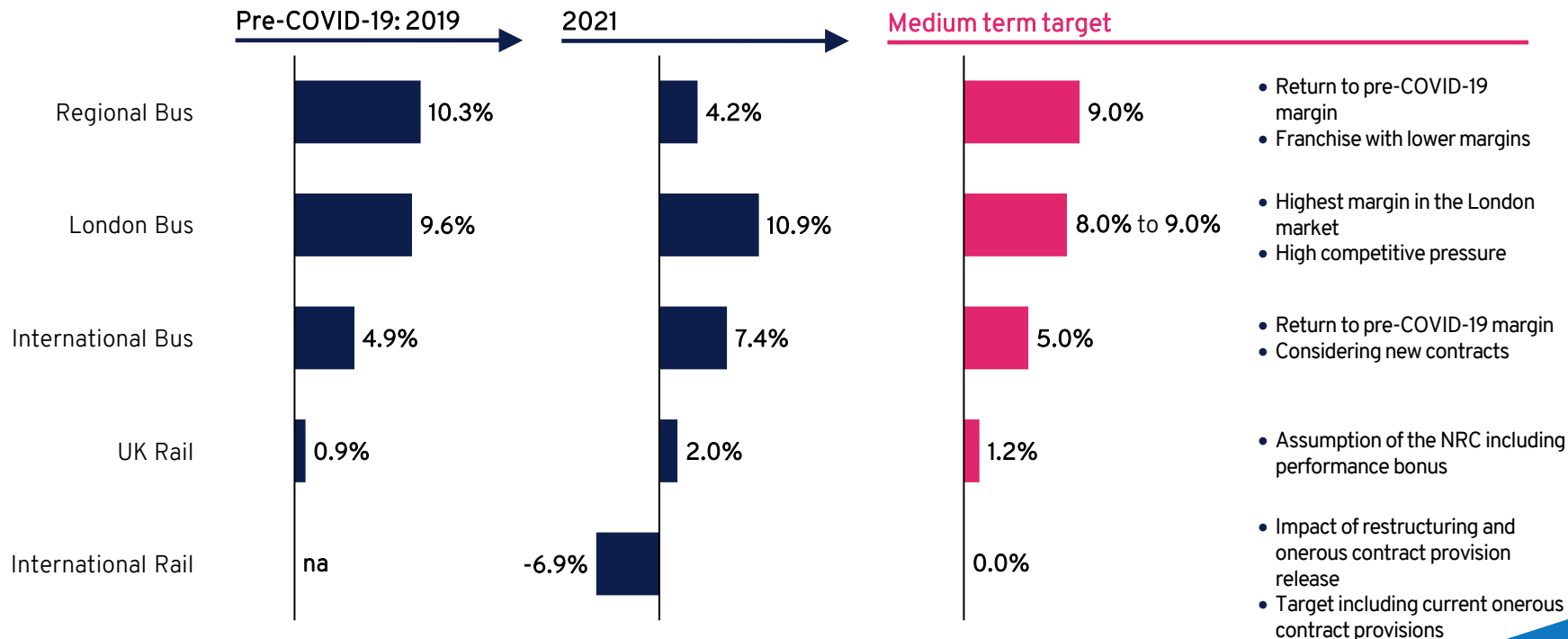
less than **50**
pence for FY22

CO2 emissions reduction

-75%
CO₂ emissions
by
2035

Business unit margin targets underpinning operating profit of at least £150m in the medium term

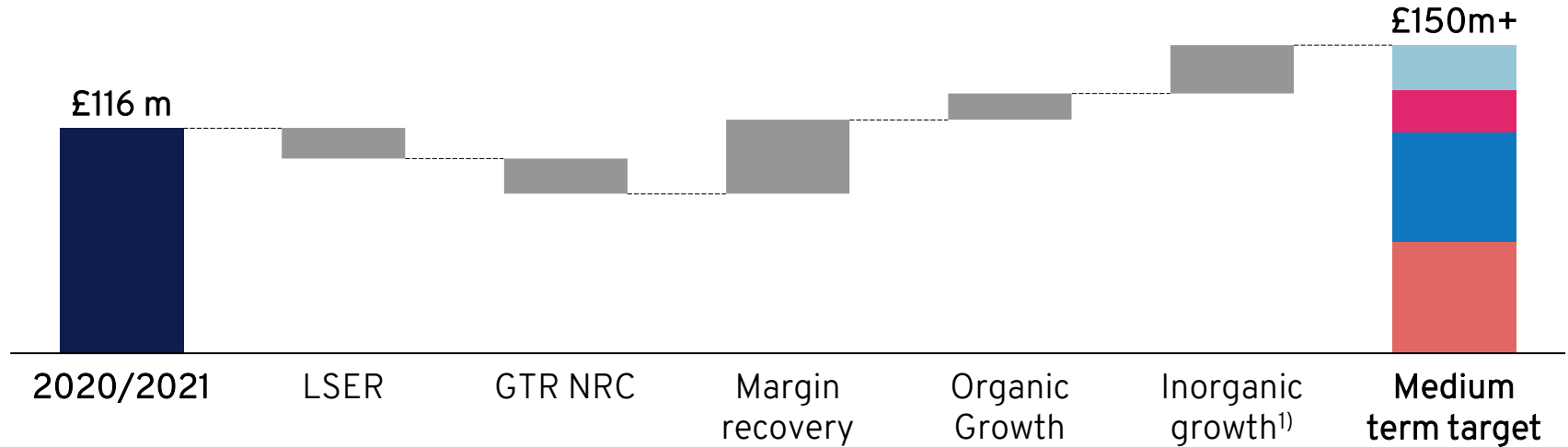
Operating margin target¹⁾



1) Before exceptional items

Illustrative operating profit bridge in the medium term

Operating profit target [£ million]



International rail UK Rail International bus London bus Regional bus

1) M&A in the UK / overseas and development in new countries (except heavy rail) by tendering

Resumption of dividend policy of 50% to 75% of EPS from FY 22 - Intention of a 50p dividend for FY22

Dividend payment

Context

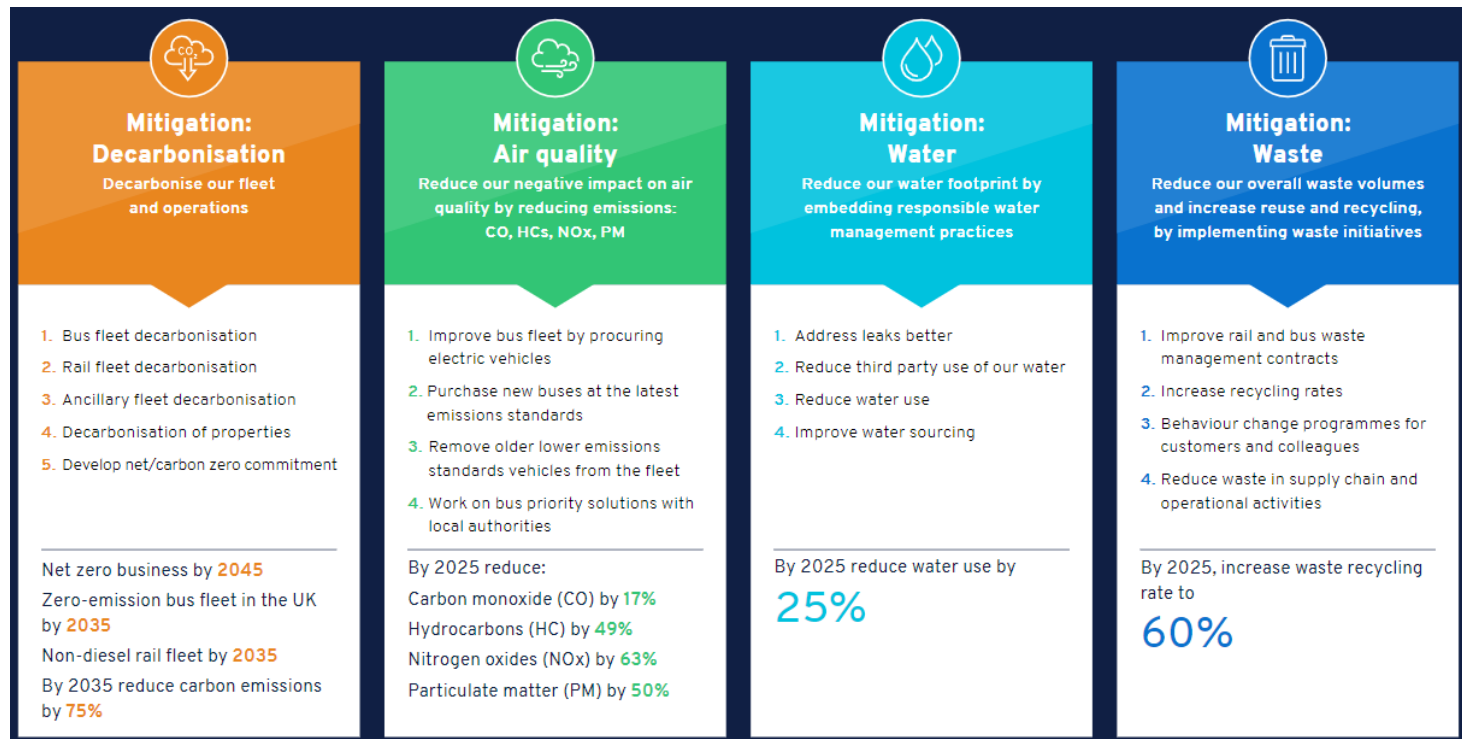
- The Board understands the **importance of dividends to Go-Ahead's shareholders** and is **committed to delivering attractive returns**
- **Dividend policy supported** by:
 - Liquidity and balance sheet strength - adjusted net debt/EBITDA (pre-IFRS 16) at the lower end of 1.5x to 2.5x target range
 - Strong cash generation
- **Previous dividend policy** of paying out between 50% to 75% of earnings per share

Decision

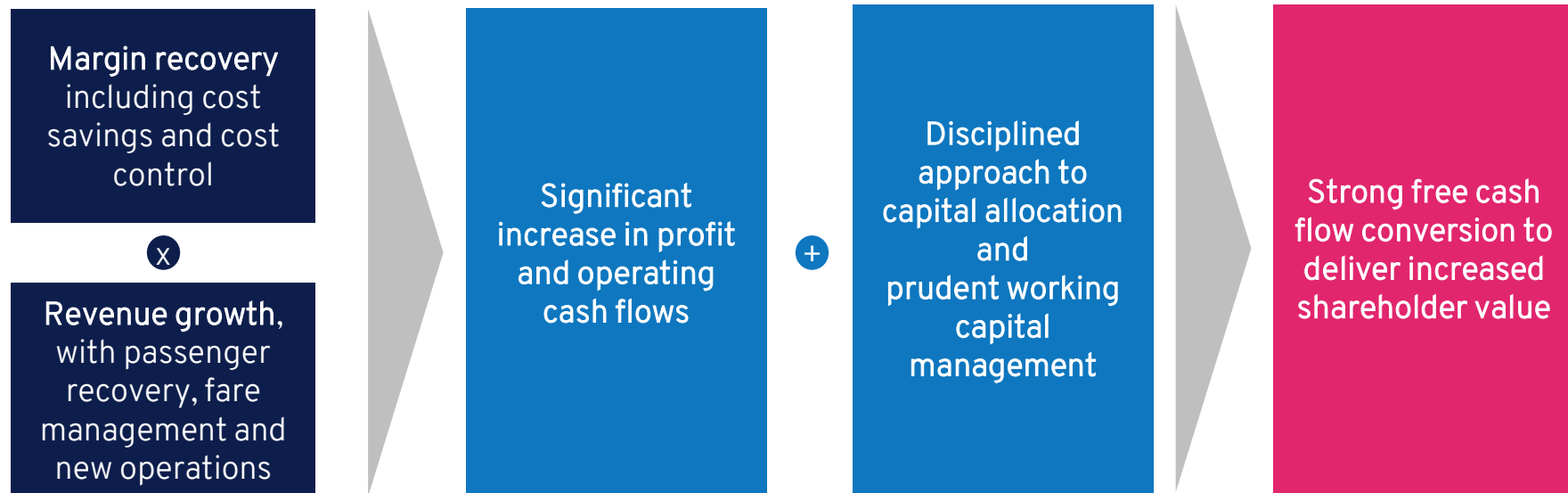
- Resumption of dividend policy to pay between 50% and 75% of earnings per share to apply from FY22
- Board's intention to recommend a final dividend of not less than 50 pence in respect of FY22 in line with the resumed dividend policy

Business review reaffirms intention to cut carbon emissions by 75% by 2035

Climate change targets



“The Next Billion Journeys” strategy will deliver increased shareholder value



New purpose

**“Moving you and the next generation
towards a smarter and healthier
planet”**

Q&A

