Go-Ahead

The Go-Ahead Group plc

Half year results for the six months ended 1 January 2022

Business overview

- Encouraging underlying performance as Go-Ahead emerges from a challenging period
- Operating profits of £42.6m, like-for-like performance £6.4m up on H1'21
- Robust balance sheet: adjusted net debt of £217.3m (2021 YE: £305.9m)
- LSER matters resolved, resulting in £12.5m net exceptional credit
- National Rail Contract agreed for GTR
- Dividend to be reinstated at year end
- Implementation underway of new strategy, "The Next Billion Journeys"
- Robust trading in the second half of the year to date

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Mark Ferriday

Group Financial Controller

Financial overview

Total operating profit
(pre-exceptional items)

£42.6m

(2021: £56.4m*)

Adjusted net debt
(pre-IFRS 16)

£217.3m

(2021 YE: £305.9m)

Free cashflow
(pre-IFRS 16)

£81.8m

(2021: inflow of £32.2m)

Earnings per share
(pre-exceptional items)

63.1p

(2021: 73.7p*)

Adjusted net debt / EBITDA
(pre-IFRS 16)

1.21x

(2021 YE: 1.56x*)

Exceptional credits

£13.0m

(2021: £4.9m*)

* Restated
# Excluding movements in restricted cash

Summary Income statement

	2022 H1			2021 H1 *		
	Post exceptional £m	Exceptional Items £m	**Pre exceptional £m**	Post exceptional £m	Exceptional Items £m	Pre exceptional £m
Revenue	**1,797.7**	-	**1,797.7**	2,070.7	-	2,070.7
Group operating profit	**55.6**	13.0	**42.6**	61.3	4.9	56.4
Net finance costs	**(5.2)**	-	**(5.2)**	(10.5)	-	(10.5)
Share of result of joint venture	**(0.3)**	-	**(0.3)**	(0.5)	-	(0.5)
Profit before tax	**50.1**	13.0	**37.1**	50.3	4.9	45.4
Tax	**(3.9)**	1.8	**(5.7)**	(8.4)	(0.7)	(7.7)
Profit for the year	**46.2**	14.8	**31.4**	41.9	4.2	37.7
Non-controlling interests	**(9.7)**	(5.4)	**(4.3)**	(5.9)	-	(5.9)
Profit attributable to members	**36.5**	9.4	**27.1**	36.0	4.2	31.8

* Restated

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Exceptional items

	2022 H1 £m	2021 H1 * £m
Department for Transport - financial penalty	(6.5)	-
Department for Transport – outstanding matters of concern and other commercial matters	(12.3)	-
Department for Transport – costs associated with LSER matters	6.3	-
Norway franchise onerous contract provision and asset impairment	(0.5)	-
Asset impairments and restructuring costs – regional bus	-	0.3
Asset impairments, provisions and restructuring costs – international rail	-	(5.2)
Exceptional items - Total	**(13.0)**	(4.9)

Financial Penalty

- In March, the DfT announced LSER financial penalty of £23.5m due to breaches of historic franchise agreements
- £30.0m provision recognised in in FY21. £6.5m release recorded as an exceptional credit in the current period

Matters of concern and ongoing commercial discussions

- Settlements reached with the DfT on outstanding matters relating to LSER and other historic franchises, including affiliate trading disputes
- Net credit of £12.3m offset by £6.3m of associated legal, professional and other costs

* Restated

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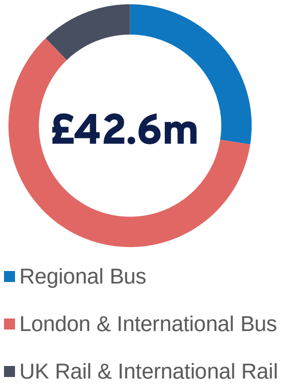
Operating profit by division



	2022 H1	Year on year Change		2021 H1*
	£m	£m	%	£m
Regional Bus	**11.7**	(0.6)	(4.9)	12.3
London & International Bus	**25.7**	(11.6)	(31.1)	37.3
Total Bus	**37.4**	(12.2)	(24.6)	49.6
UK Rail	**10.8**	(12.1)	(52.8)	22.9
International Rail	**(5.6)**	10.5	65.2	(16.1)
Total Rail	**5.2**	(1.6)	(23.5)	6.8
Total	**42.6**	(13.8)	(24.5)	56.4

- Regional Bus –£7.2m CBSSG benefit in H1'21 from 2020. CBSSG replaced with BRG in Sept 21. Underlying profit improvement reflecting transition to a more commercial model
- London & International Bus – resilient results, prior year included timing benefit on QICs
- UK Rail – Southeastern ended in current year
- International Rail – diminishing losses in German operations and settlement from rolling stock manufacturer

* Restated
All figures are presented on a pre-exceptional basis

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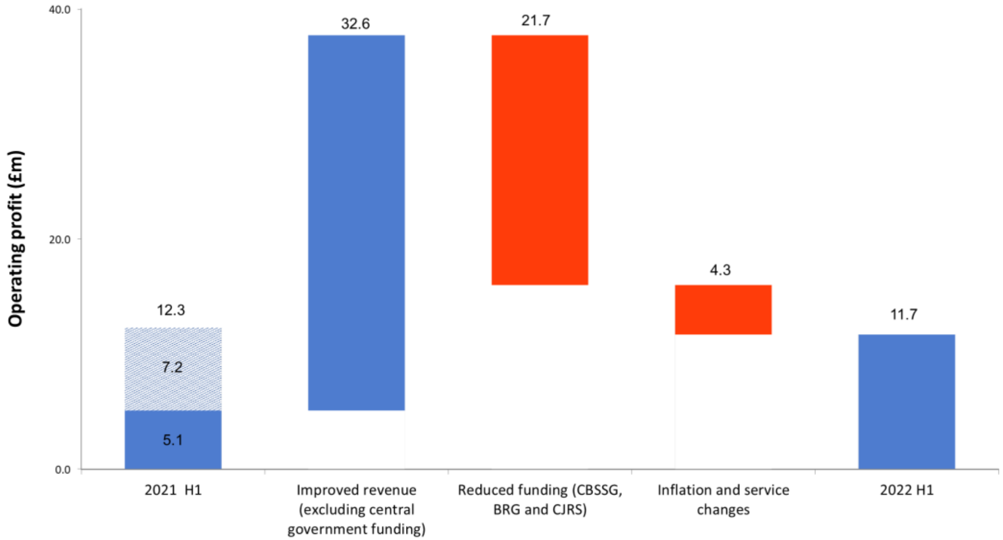
Regional Bus

- Operating profit of £11.7m, down £0.6m
- £7.2m CBSSG in H1'21 from 2020 year. Prior year operating profit excluding this was £5.1m, an improvement of £6.6m to £11.7m with move to a more commercial model
- Passenger recovery supported improved underlying commercial performance but was offset by a reduction in government support
- BRG in place since September 2021, now extended through to October 2022
- Passenger demand at just above 80% of pre-COVID levels



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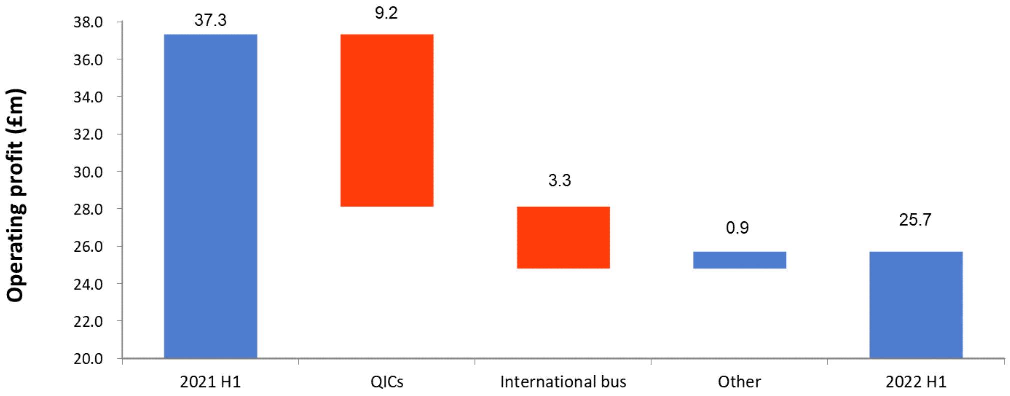
London & International Bus

- Operating profit of £25.7m, down £11.6m. Significant non-recurring benefits in the prior year with London QICs down £9.2m.
- Resilient performance with operating profits returning to pre-COVID levels
- QICs income returned to more usual levels
- International Bus profits £3.3m lower than prior year with performance returned to pre-COVID levels
- Prior year included one-off benefits in Singapore relating to COVID-19 support



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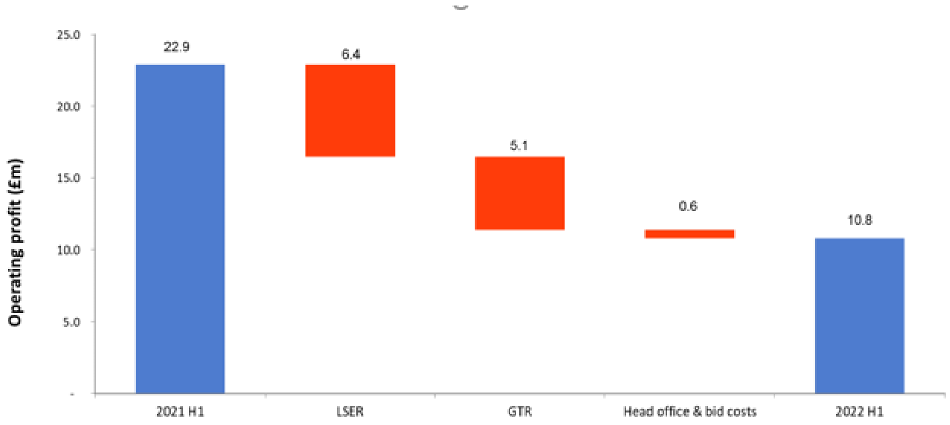
UK Rail

- Operating profit of £10.8m, down £12.1m
- Southeastern ended in October, resulting in £6.4m reduction in profits
- GTR performance fee of £3.8m in H1’21 relating 2020
- Excluding this, GTR performance broadly in line with the prior period, with operating profit down £1.3m



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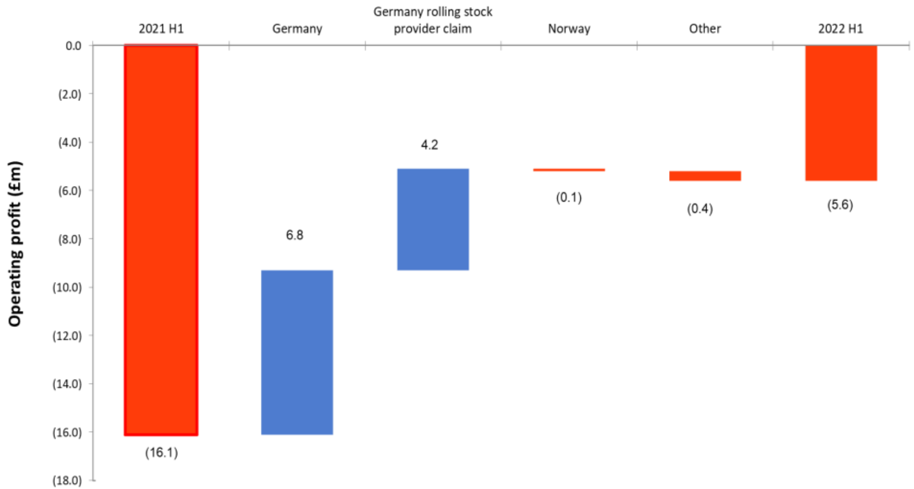
International Rail

- Operating loss of £5.6m, up £10.5m
- Lower German losses due to improved operational performance in Baden-Württemberg, improvement plan continuing to be on track
- Non-recurring benefit from rolling stock claim (€5m) £4.2m
- Stable performance in Norway - government support in Norway in place until end of June 2022



Capital investment

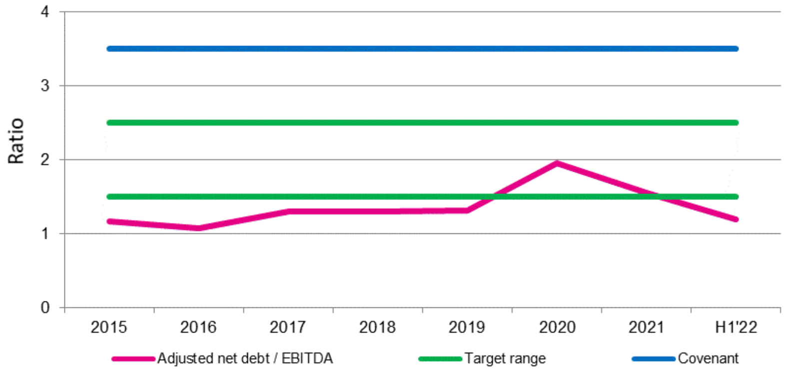
- Continued disciplined approach to capital allocation
- Low spend in H1'22 partly due to timing
- Average fleet age maintained
- £13.5m acquisition of site in East London in H2'22
- Total capex of c. £45m in 2022
- Acquisition of Hydrogen buses now expected in H1'23. Future capex will be increasingly focused on decarbonisation

	2022 H1* **£m**	Year on year change £m	2021 H1* £m
Regional bus fleet	**0.6**	(23.6)	24.2
London bus fleet	**0.7**	0.5	0.2
Total bus fleet	**1.2**	**(23.2)**	**24.4**
Technology and other	**2.5**	1.7	0.8
Bus depots	**0.9**	0.3	0.6
Rail investment	**2.2**	1.0	1.2
Total tangible capital investment	**6.8**	**(20.2)**	**27.0**
Intangible expenditure	**1.3**	0.3	1.0
Total capital investment	**8.1**	**(19.9)**	**28.0**

*Excluding leases

Net debt

	Pre IFRS 16	Pre IFRS 16
	At 1 Jan 2022 £m	At 3 July 2021 £m
Net debt / (cash)	(36.5)	(237.8)
Restricted cash	253.8	543.7
Adjusted net debt	217.3	305.9
EBITDA (rolling 12 months)	180.2	195.7
Adjusted net debt/EBITDA	1.21x	1.56x



- Adjusted net debt (pre-IFRS 16) lower at £217.3m (3 July 2021: £305.9m)
- Adjusted net debt / EBITDA of 1.21x (pre-IFRS 16) below target range of 1.5x – 2.5x, well below 3.5x bank covenant
- S&P: BBB- confirmed at Stable / Moody's: rating withdrawn
- Adjusted net debt lower due to expected settlement on LSER below provision
- Flexbuss acquired in H2'22 increase FY net debt by c. £23m
- All cash held in GTR continues to be restricted

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Liquidity

- Improved headroom of c.£329m at 1 Jan 2022 (3 July 2021: c.£240m)
- No debt maturities until July 2024
- Dividend payments to recommence following year end announcement

	At 1 Jan 2022 £m	At 3 Jul 2021 £m
Syndicated facility 2025	**280.0**	**280.0**
7 Year £250m Sterling Bond 2024	**250.0**	**250.0**
Euro financing facilities	**14.3**	**13.2**
Total facilities	**544.3**	**543.2**
Amount drawn down at year end	**350.1**	**389.8**
Balance available	**194.2**	**153.4**
Unrestricted cash	**135.1**	**86.9**
Headroom on facilities plus unrestricted cash	**329.3**	**240.3**

Financial outlook

Fuel hedging:

Position at April 2022:

	2022	2023	2024	2025
% hedged	Fully	85%	44%	17%
Price (ppl)	32.8	35.6	35.1	41.3

Inflationary pressure:

- 85% of Group revenue covered by contracts with indexation
  - London & International Bus contracts include contractual inflationary uplift mechanisms
  - UK Rail & International Rail protected by inflation pricing mechanisms
  - Majority of current year wage awards in Bus agreed and fuel fully hedged

Financial outlook

Regional Bus

- Level of profitability subject to passenger recovery. BRG Extension confirmed until October 2022
- 2022 result expected to be slightly ahead of prior two year

London & International Bus –

- 2022 result expected to be in line with underlying profitability levels

UK Rail –

- Southeastern ended in October 2021
- GTR ERMA until March 2022, replaced with NRC
- 2022 result expected to be between £25m-£30m

International Rail

- Germany – Baden-Württemberg losses to reduce due to better operational and commercial performance. Breakeven performance expected in Bavaria (onerous contract provision in place)
- Norway – breakeven performance expected (government funding and onerous contract provision offsets)
- 2022 result expected to be between (£15m) – (£20m)

Financial outlook

Net debt

- Adjusted net debt/EBITDA ratio expected to be in the lower half of the target range at year end
- Adjusted net debt at FY22 expected to increase from H1'22 but reduce compared to FY21 due to impact of investment in H2'22 including:
    - London land acquisition for depot development
    - Acquisition of Swedish bus business, Flexbuss, including impact of debt acquired
- Expect c. £70-80m of GTR cash to become unrestricted over the next 18 months following new NRC award – c.£30-40m in H2'22

Dividend

- Dividend payments to resume – FY22 final dividend expected to be paid

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Christian Schreyer

Group Chief Executive

External trends

Climate change

- Modal shift to public transport is fundamental in achieving net zero targets in the UK and other major nations

Digitalisation

- Technological acceleration in planning, and delivering, end-to-end journeys

Urbanisation

- Crowding leads cities to prioritise roadspace for mass transit

Ageing population

- A larger cohort of people with leisure time and a propensity to travel

COVID-19

- Passenger numbers rebuilding – although travel patterns have changed

Inflation

- Cost of motoring is rising; Go-Ahead hedged this year and next against higher fuel costs

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Regional bus

- Passenger numbers at 80% of pre-COVID levels, boosted by marketing initiatives
- BRG funding extended to October 2022
- Go-Ahead areas including Newcastle, Brighton & Hove, Cornwall and East Anglia benefit from £1.1bn DfT funding for local schemes - more bus lanes, cheaper fares
- Oxford: Go-Ahead to run fleet of 103 electric buses part funded via Govt's ZEBRA scheme
- Go-Ahead's first hydrogen buses to be deployed this year in the Crawley / Gatwick Airport area

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London & International bus

- Strong relationship with client bodies in London, Dublin and Singapore
- No direct exposure to changes in passenger demand
- London:
  - On-time performance of 85%, passenger recovery 80%
  - Success in TfL tenders; 12 additional zero emission buses
  - Purchase of £13.5m land for depot expansion
- Singapore:
  - Positive discussions with LTA about contract extension
  - Best Collaboration Partner – LTA awards
- Dublin:
  - Well placed to expand under BusConnects programme
- Sweden:
  - Acquisition of Flexbuss, a highly profitable, family-owned bus operator – post half-year end

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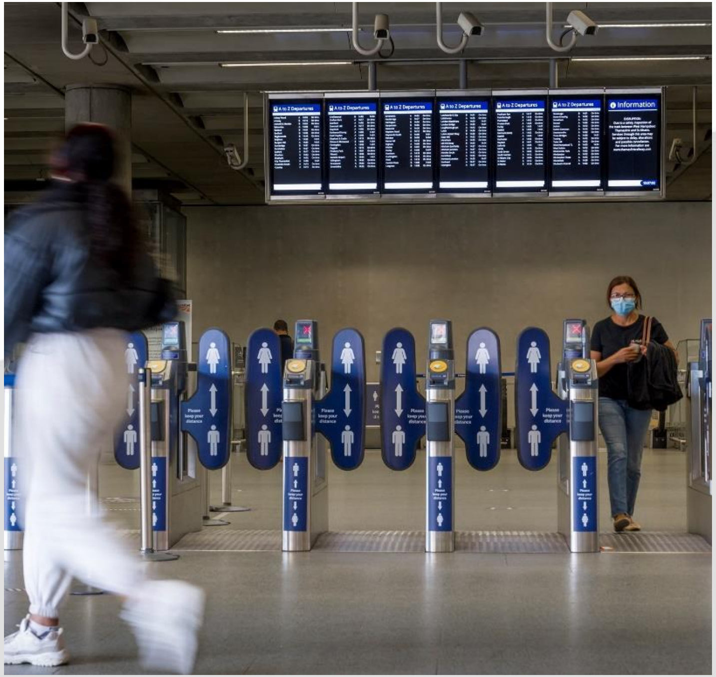
UK Rail

- National Rail Contract for GTR demonstrates positive relationship with DfT
- Margin of up to 1.85% of cost base, plus additional fees for delivering specific initiatives
- Liaising closely with Government over shape of GB Railways and future PSCs
- Resumption of Gatwick Express from April 2022
- Passenger numbers up to near 70%, supported by industry's "Let's Get Back on Track" campaign
- £600k improvement package for accessibility at stations



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International Rail

Germany

- Turnaround well underway under new leadership team
- Baden-Wurttemberg: driver training accelerated; new express service from Stuttgart to Crailsheim
- Bavaria: 90% reliability in first 100 days
- Free travel provided to thousands of Ukrainian refugees

Norway

- Government financial support extended to end of June 2022
- Negotiations continue to restructure contract

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Our strategy

What

DELIVER PROFITABLE GROWTH | **DELIVER SUSTAINABLE FUTURE**

Value creation

3 Progress NEW OPPORTUNITIES by leveraging existing capabilities and resources

2 GROW organically and externally

1 Improve PERFORMANCE

Timing

How

A Strengthen **GOVERNANCE and transparency**

B Improve **DIGITAL and DATA capabilities**

C Consolidate **ZERO EMISSION capabilities**

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

E Enhance **PEOPLE engagement** and **COLLABORATION**

Improve performance

- First quarterly reviews completed with newly implemented operating model – providing extra transparency over costs:
  - Driver costs, maintenance, energy, fleet, overheads
- Enhanced use of data for routes, schedules and ticketing
- Centres of Excellence being created in use of data and in operation of zero emission vehicles
- Objective: improve efficiency and reduce costs in UK bus by £40m
- Leadership strengthened:
  - Strategy and transformation team created
  - Sarah Mussenden to join as CFO in May
  - Executive Committee restructured, including new role for MD, UK Regional Bus

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Grow organically and externally

- Marketing to accelerate passenger recovery and increase modal shift:
  - Flexible daily price capping
  - Low Fares Pilot funded by DfT
  - ‘Any ticket, any bus’ multi-operator ticketing
  - Rail industry ‘let’s get back on track’ campaign
- Opportunities for UK regional bus expansion – Manchester franchising, M&A in the Midlands and north of England
- Evaluate opportunities for Passenger Service Contracts on UK rail
- Replicate successful business models in new geographies – e.g. franchised bus in London, Singapore, Dublin
- Global opportunity estimated at £80bn. Priority markets – France, Sweden, Australia. First transaction, Flexbuss, completed

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Progress new opportunities

- Consider new mass transit urban modes – metro, light rail
- Accelerate in B2B services – including rail replacement buses, airport transfer
- Explore new services by moving along the mobility value chain:
  - Zero emission services
  - Mobility as a Service operation
  - Property utilisation at bus depots
- Strict adherence to analysis of risk criteria

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Summary of financial targets

Revenue	Operating profit	Net debt	Dividend	CO2 emissions reduction
circa **£4.0 bn** or **+30%**[1] Medium term target	at least **£150m** Medium term target	Adjusted Net debt / EBITDA[2] maintained between **1.5x** and **2.5x**	not less than **50** pence for FY22 To pay between **50%-75%** of earnings per share from FY22	**-75%** CO_2 emissions by **2035**

1) vs. 2021 and by excluding LSER – 2) pre-IFRS16

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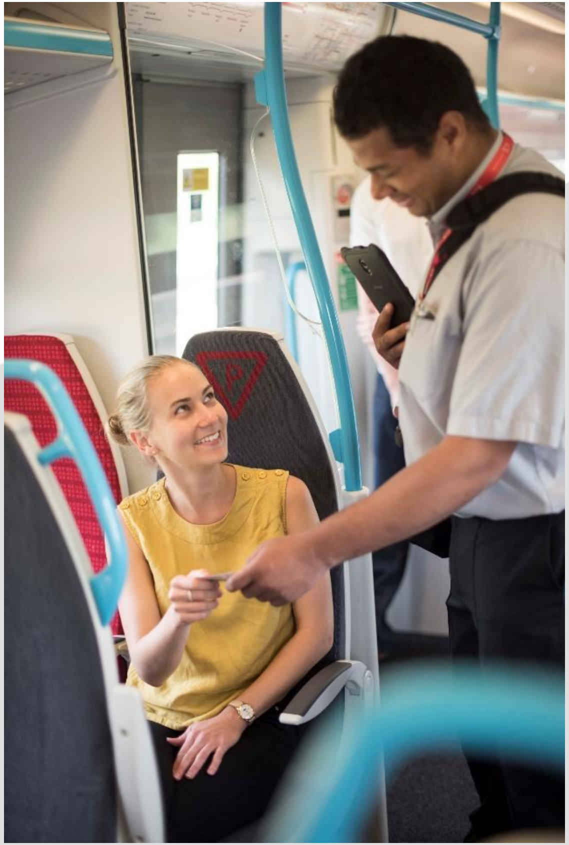
Closing remarks

- Remaining LSER issues have been resolved
- Clearly defined strategy established to grow the business
- Strong balance sheet provides capacity for investment:
  - Adjusted net debt/EBITDA ratio of 1.21 times
- Dividend payments to be recommenced at the year end
- Bus and rail services being adapted for post-pandemic travel habits
- A bright future awaits – as transport benefits from 'megatrends'



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Q&A


Help point
Trains to Luton Airport
Platform 2
Help point
platform 3
10:02:52

Appendices

Summary cashflow

	2022 H1		2021 H1 *		Change
	IFRS 16 basis £m	IAS 17 basis £m	**IFRS 16 basis £m**	IAS 17 basis £m	(IAS 17 basis) £m
EBITDA	**294.0**	82.8	**350.9**	98.5	(15.7)
Working capital and other operating cashflows	**(280.2)**	(276.0)	**(83.5)**	(83.6)	(192.4)
Movement in restricted cash	**289.8**	289.8	**48.6**	48.6	241.2
Cashflow from operations (excluding movement in restricted cash)	**303.6**	96.6	**316.0**	63.5	33.1
Tax and net interest	**(14.9)**	(12.5)	**(15.9)**	(10.2)	(2.3)
Net capital investment	**(2.3)**	(2.3)	**(21.1)**	(21.1)	18.8
Dividends paid – Minority partner	**-**	-	**-**	-	-
Free cashflow	**286.4**	81.8	**279.0**	32.2	49.6
Dividends paid	**-**	-	**-**	-	-
Inception of new leases	**(18.0)**	-	**(12.8)**	-	-
Other	**6.8**	6.8	**(0.1)**	(10.5)	17.3
Movement in adjusted net debt	**275.2**	88.6	**266.3**	21.7	66.9
Opening adjusted net debt	**(615.6)**	(305.9)	**(965.9)**	(321.6)	15.7
Closing adjusted net debt	**(340.4)**	(217.3)	**(699.6)**	(299.9)	82.6

* Restated

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Climate change strategy

Go-Ahead aims to lead the transport industry in climate change strategy

Our objectives, endorsed by the Science Based Targets initiative, are:

- Decarbonise by 75% by 2035
- Net zero by 2045
- Transition to a zero-emission fleet of buses and trains
- Water consumption to be cut 25% by 2025
- 80% of all waste to be recycled by 2035

Progress overseen by Climate Change Task Force, drawn from across the group, reporting to Executive Committee

Progress to date: emissions down by 22% in absolute terms since 2016 – a period in which the group has expanded internationally

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ESG ratings and accreditations

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

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