

THE GO-AHEAD GROUP PLC

HALF YEAR RESULTS FOR THE

SIX MONTHS ENDED

29 DECEMBER 2018



Go Ahead

BUSINESS OVERVIEW

- Continued good progress made in all three strategic pillars: protect and grow the core; win new bus and rail contracts; prepare for the future of transport
- First half performance ahead of expectations. Full year expectations increased principally due to rail
- Bus division results good – operating profit pre-exceptional items of £46.9m (H1'18: £46.6m)
- Rail division results ahead of expectations for the half year – reported operating profit of £17.6m (H1'18: £40.3m)
- Agreement reached with the DfT over contractual matters in relation to the GTR franchise including £15m funding for passenger enhancements
- Singapore bus performing well. Ireland commenced trading in the half year and off to a good start
- Mobilisation of German rail contracts progressing ahead of a June 2019 start date. Won a fifth rail contract in Germany and a new rail contract in Norway
- Interim dividend maintained at 30.17p

ELODIE BRIAN

Interim Group Chief Financial
Officer



FINANCIAL PERFORMANCE

	H1'19	H1'18	Change	Change
	£m	£m	£m	%
Revenue	1,920.8	1,829.4	91.4	5.0
Operating profit pre-exceptional items	64.5	86.9	(22.4)	(25.8)
Exceptional operating items	(16.8)	-	(16.8)	n/a
Operating profit post-exceptional items	47.7	86.9	(39.2)	(45.1)
Earnings per share (p)	60.7	115.5	(54.8)	(47.4)
Earnings per share pre-exceptional items (p)	93.2	115.5	(22.3)	(19.3)
Proposed dividend per share (p)	30.17	30.17	-	-
Capital investment	42.0	56.8	(14.8)	(26.1)
Free cashflow after minority dividends	58.7	93.7	(35.0)	(37.4)
Adjusted net debt	261.7	254.0	7.7	3.0
Adjusted net debt/EBITDA	1.34x	1.03x		

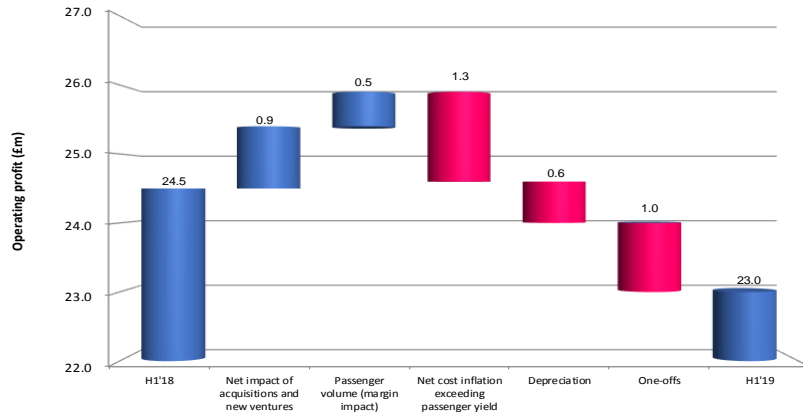
- This table contains the key financial metrics for the Group, each of which is explained in more detail later in the presentation

OPERATING PROFIT BY DIVISION

	Operating profit (pre-exceptional items)			
	H1'19	Year on year change		H1'18
	£m	£m	%	£m
Regional bus	23.0	(1.5)	(6.1%)	24.5
London bus	23.9	1.8	8.1%	22.1
Total bus	46.9	0.3	0.6%	46.6
Rail	17.6	(22.7)	(56.3%)	40.3
Total	64.5	(22.4)	(25.8%)	86.9

- Regional bus – small profit reduction in challenging market
- London bus – strong QICs performance and good result from Singapore offsetting slight mileage reduction
- Rail – stronger than expected trading in Southeastern. Settlement of GTR contract in the period. End of London Midland franchise in December 2017

REGIONAL BUS

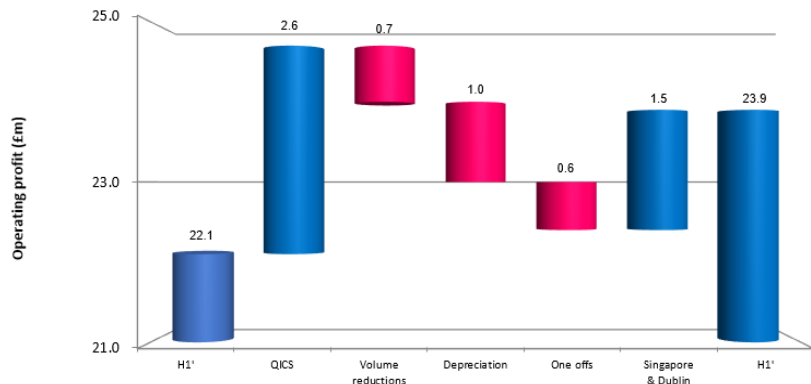


- Operating profit down £1.5m to £23.0m
- Passenger journey growth of 2.3%
- Revenue per mile up 1.0% and journeys per mile down 0.4%, excluding acquisitions
- Acquisitions and new ventures reflect the benefit from East Yorkshire, Oxford City sightseeing and costs of PickMeUp
- Work underway to address the gap between passenger yield and cost inflation
- Investment in 82 new buses reflected in higher depreciation
- Outlook: full year operating profit expected to be close to last year

	H1'19	H1'18	FY'18
Operating profit margin	10.6%	12.8%	11.9%
Revenue growth (IfI)*	3.8%	0.4%	0.4%
Passenger growth (IfI)*	2.3%	(1.2%)	(1.6%)

* On a like for like basis, excluding acquisitions (H1'19) and acquisitions and route restructuring (H1'18 and FY'18)

LONDON BUS

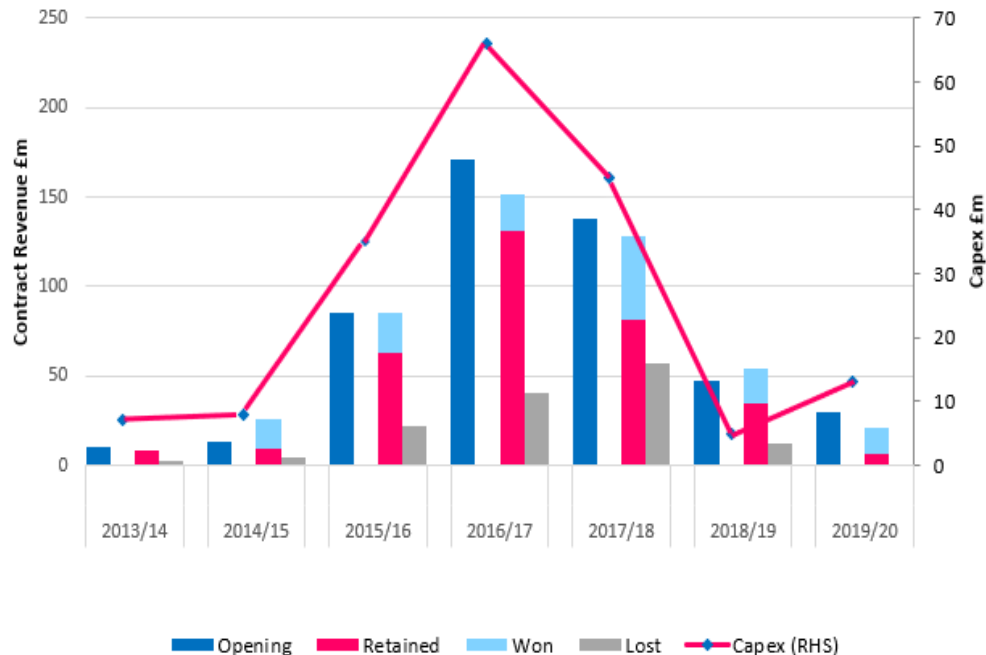


- Operating profit up £1.8m to £23.9m
- Strong QICs performance, increased to £7.2m
- Volume reductions reflect a 2.5% mileage loss
- Increase in depreciation reflects investment in 11 new buses in H1 and higher capital expenditure last year
- One-offs include impact of depot fire
- Singapore and Dublin trading well, up £1.5m
- Outlook: full year operating profit expected to be similar to last year

	H1'19	H1'18	FY'18
Operating profit margin	8.7%	8.1%	8.3%
Revenue growth (lfl)*	(0.1%)	1.5%	3.1%
Mileage growth (lfl)	(2.5%)	(0.5%)	(1.0%)
Peak vehicle requirement (PVR) growth	(6.6%)	(0.9%)	(1.4%)

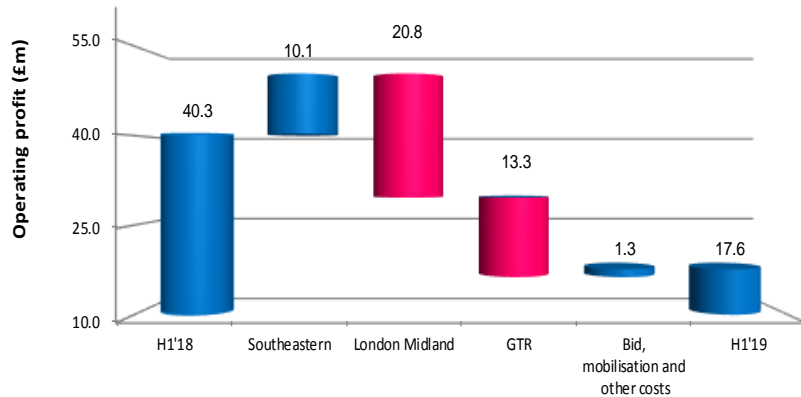
* On a like for like basis, excluding the impact of Ireland bus operations

LONDON BUS CONTRACT RENEWALS AND CAPITAL INVESTMENT



- From 2013/14 to 2015/16, all contract expiries substantially covered by work retention or new wins
- Large volumes of work re-tendered in 2016/17 & 2017/18
- Lower levels of expiring contract revenue over this year and next
- Lower levels of capex expected for this year and next provide confidence in cashflow generation

RAIL



	H1'19	H1'18	FY'18
Operating profit margin	1.2%	3.0%	1.8%

- Southeastern continues to perform well with strong revenue and profit growth
- London Midland franchise ended in December 2017
- GTR agreement reached with DfT including £15m passenger investments; no profit expected in 2018/19
- Bidding costs lower due to submission of Southeastern bid in prior year
- Continued mobilisation in Germany; mobilisation started in Norway
- Outlook: higher full year expectations based on stronger trading in Southeastern

SUMMARY INCOME STATEMENT

£m	Pre- exceptional H1'19	Exceptional items H1'19	Post- exceptional H1'19	H1'18
Group operating profit	64.5	(16.8)	47.7	86.9
Net finance costs	(3.2)	-	(3.2)	(6.9)
Share of result of joint venture	(0.3)	-	(0.3)	(0.3)
Profit before tax	61.0	(16.8)	44.2	79.7
Tax	(12.3)	2.9	(9.4)	(16.1)
Profit for the year	48.7	(13.9)	34.8	63.6
Non-controlling interests	(8.7)	-	(8.7)	(14.0)
Profit attributable to members	40.0	(13.9)	26.1	49.6

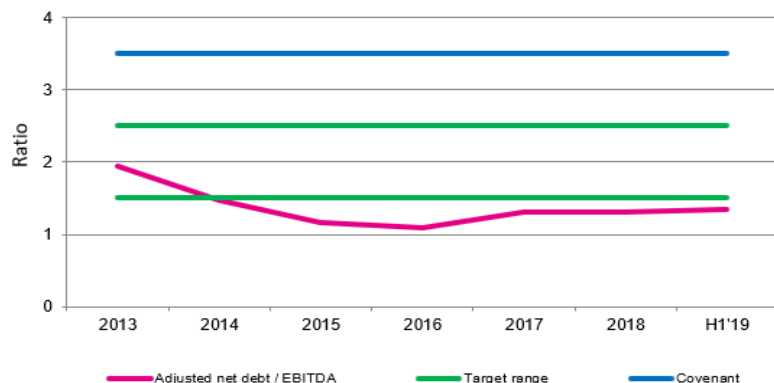
→ Exceptional item re GMP equalisation in Bus Pensions

→ 35% Keolis holding in rail

CASHFLOW

£m	H1'19	H1'18	Change	
EBITDA	106.1	132.9	(26.8)	
Working capital	5.9	34.2	(28.3)	→ Movements in receivables and payables in rail
Cashflow from operations	112.0	167.1	(55.1)	
Tax and net interest	(10.2)	(26.5)	16.3	
Net capital investment	(37.5)	(46.0)	8.5	→ Timing of capex in London bus
Dividends paid - minority interest	(5.6)	(0.9)	(4.7)	→ Keolis minority interest
Free cashflow	58.7	93.7	(35.0)	
Dividends paid - members of parent	(30.9)	(30.9)	-	
Other	(0.5)	(31.0)	30.5	→ H1'18 includes £5.4m business acquisitions and £23.5m impact of London Midland franchise end
Movement in adjusted net debt	27.3	31.8	(4.5)	
Opening adjusted net debt	(289.0)	(285.8)	n/a	
Closing adjusted net debt	(261.7)	(254.0)	n/a	

DEBT POSITION



- Adjusted net debt / EBITDA 1.34x; below target range of 1.5x - 2.5x, as expected
- BBB- / Baa3 (stable) rating. Ratings reaffirmed in mid 2018
- 7 year £250m bond financed until 2024 and syndicated facility until 2023 with a further 2 year option

As at 29 December 2018	£m
Net cash	199.9
Restricted cash	(461.6)
Adjusted net debt	(261.7)
EBITDA (rolling 12 months)	195.0
Adjusted net debt/EBITDA	1.34x

As at 29 December 2018	£m
Five year syndicated facility 2023 (+1+1)	280.0
7 year £250m sterling bond 2024	250.0
€8m & €10.6m German facilities	16.5
Total core facilities	546.5
Amount drawn down	388.0
Total headroom	158.5

FINANCIAL OUTLOOK H2 – 2018/19

Bus Operating Profit

- Regional – H2 expected to be slightly higher than H2'18, bringing full year results close to last year
- London – H2 expected to be lower than H1, with full year similar to last year
- Overall 2018/19 close to 2017/18 level

Rail Operating Profit

- Southeastern performing well and extension confirmed until June 2019
- GTR expect a break-even position for the full year, following the agreement with the DfT
- Germany continues to mobilise, due to commence trading June 2019
- Overall rail operating profit in H2 expected to be ahead of last year

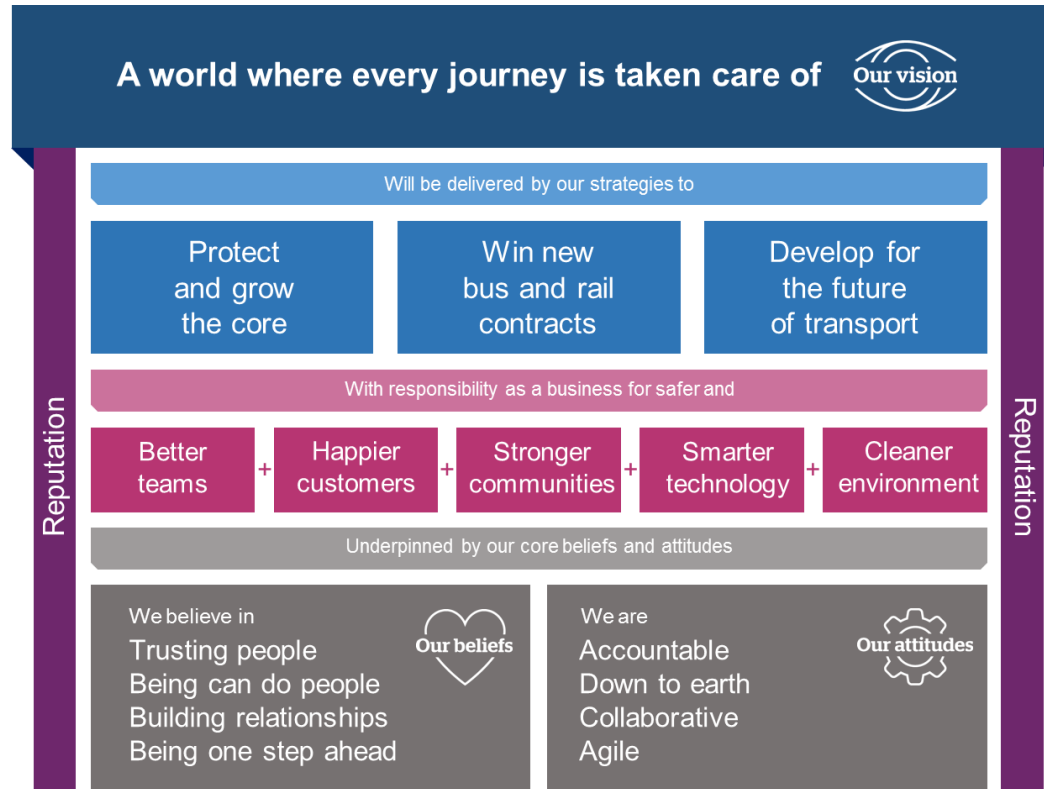
Net Capital Expenditure

- Net capital expenditure in H2 expected to be slightly higher than H1, full year remains in line with expectations of around £85m

DAVID BROWN
Group Chief Executive



GO-AHEAD'S 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 “bolt-on” acquisitions and other growth opportunities

Highlights

- Growth in passenger numbers
- Market leading customer satisfaction of 91%
- Investment in new buses
- Innovation in customer apps and contactless ticketing
- Delivering health and well-being agenda
- Integration of East Yorkshire
- Announced acquisition of Manchester depot

Market trends

- Change in consumer behaviours
- National decline in volumes
- 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
- Growing expertise in electric buses
- Bus Driver apprenticeship training scheme introduced
- Focus on innovation and safety leadership aligned to the Mayor's "Vision Zero"

Market trends

- TfL budget pressure

- Congestion

- Air quality



UK RAIL

- We are participating in the Rail Review, we would like to see customer driven solutions including:
 - Different models for different customer markets
 - Contracts to drive accountability – balance of risk and reward
 - Regional political devolution – services tailored to local customer and community needs
 - Strategic body that owns and co-ordinates the vision
 - Network Rail accountability at a regional level
- Strategy may evolve based on outcome of Rail Review

Market trends

- Increased passenger numbers
- Investment & modernisation
- Rail review



SOUTHEASTERN

- Most punctual Autumn on record, exemplary joint working with Network Rail and industry-leading communications campaign
- 'Motion' onboard entertainment launched through free WiFi
- 'The Key' smart ticketing system enhanced and extended
- Investment to improve passenger information systems
- Colleague network groups launched to boost diversity and inclusion
- Contract extension to June 2019, awaiting result of next South Eastern franchise award



GTR

- DfT contractual settlement
- Performance improvements across all routes; Southern best performance since franchise began
- Running 3,600 services a day across the GTR network
- Additional Cambridge-Brighton services and more weekend services from May
- Consultation underway on £15m customer improvement fund
- Providing better customer information by equipping customer facing staff with 3,000 new smart phones
- More than 2,000 qualified drivers across GTR
- 150 new Moorgate line carriages



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

Visible pipeline
of work

Preferred market entry
via contract with
regulatory authority

Low capital
requirements

Where

Stable political
& legal systems

Consistent with
our values

Transport authority which wants
international expertise

Current pipeline

Singapore | Ireland | Germany | Nordics | Australia

Success

Our target is 15-20% of Group profit by 2022

INTERNATIONAL PROGRESS

- Singapore bus performing well
- Successful mobilisation in Dublin
- Mobilisation in Germany progressing and on track for start of operations in June
- Won a fifth rail contract in Germany. Our 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
- Good progress towards achieving 15-20% of Group operating profit from international activities by 2022



PREPARE FOR THE FUTURE OF TRANSPORT



PREPARING FOR THE FUTURE

- PickMeUp in Oxford: Grown to 20,000 registered users and providing 3,000 weekly rides
- Contract with TfL to run demand responsive pilot in Sutton
- Billion Journey project: 20 start ups taken through the incubator programme, with plans to pilot Citi Logik and Airportr
- World first air filtering bus launched in Southampton
- Hammock: two contracts completed during the period; further opportunities in the pipeline



SUMMARY

Protect and grow the core

- Stable bus performance in challenging market environment
- Rail services improving, contractual certainty at GTR and 12-week extension to Southeastern
- Focus on the customer experience

Win new bus and rail contracts

- Awaiting outcome of new South Eastern franchise
- Positive momentum in winning international contracts
- On track to achieve our international target of 15-20% of Group profit by 2022

Prepare for the future of transport

- Piloting and trialling innovative solutions for the future of transport which are attractive to customers and deliver sustainable growth

Strong focus on shareholder returns

- Overall operating profit predicted to be ahead of management expectations principally due to rail
- Interim dividend maintained at 30.17p

Q&A



Go Ahead

Go Ahead London

Go North East

METROBUS

gosouthcoast

Brighton & Hove

oxford
bus & light rail

city 24/7

goeastanglia

GTR

southeastern

Go Ahead
bus & bus

Go Ahead
bus & bus

Go Ahead
Singapore

Go Ahead
NORDIC

APPENDICES



Go Ahead

EXCEPTIONAL ITEMS

	£'m	Pence per share
Unadjusted earnings	26.1	60.7
Exceptional operating items - pensions	16.8	
Taxation	(2.9)	
Adjusted earnings	40.0	93.2

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

CAPITAL INVESTMENT

£m	H1'19	H1'18	Change
Regional bus fleet	17.5	23.1	(5.6)
London bus fleet	3.4	10.1	(6.7)
Total bus fleet	20.9	33.2	(12.3)
Technology and other	3.3	6.1	(2.8)
Depots	6.9	0.0	6.9
Rail investment	10.9	17.5	(6.6)
Total capital investment	42.0	56.8	(14.8)

- Investment in 82 new buses in Regional bus
- Investment in 11 new buses in London bus reflecting contract requirements
- Investment in rail relates to station upgrades and ticket machines required by franchise contracts

BUS PENSION

Net Pension Scheme Assets / (Liabilities):

£m	H1'19	H1'18
Assets	816.5	814.2
Liabilities	(817.7)	(812.7)
Less tax	0.2	(0.2)
Post tax (deficit)/surplus	(1.0)	1.3

£m	H1'19	H1'18
Operating profit charge	0.9	0.8
Cash contribution	3.3	3.2

- Scheme closed to future accrual with effect from 1 April 2014
- The post tax position has been impacted by the GMP equalisation ruling which resulted in a one-off charge of £16.8m
- Different assumptions applied on actuarial valuation compared to accounting valuation
- Triennial actuarial valuation at 31 March 2018 recently completed and showed a surplus of assets of £104.4m relative to the technical provisions

BUS FUEL UK

Fuel hedging prices	H1'19	FY'19	FY'20*	FY'21*	FY'22*
% hedged	100%	100%	75%	50%	20%
Price (pence per litre)	33.2	33.2	35.3	36.3	39.0
Usage (m litres pa)	61	121	120	120	120
£'m commodity cost	20	40	42	44	47

- FY'20 - 75% hedged – 6.3% higher than FY'19
- FY'21 and FY'22 – 50% and 20% hedged respectively
- No near term expectation of change in BSOG c. £20m in Regional bus

- Fuel hedging is consistent with policy
- Hedge periods have been extended to provide greater certainty to the fixed price contracts in London