



*Go-Ahead*

# The Go-Ahead Group plc

November 2020

# Our strengths

## Clear and important purpose

Delivering vital services essential to society and for economic growth

- Ongoing government support during COVID-19 crisis underscoring the importance of public transport
- Bringing our communities together, providing vital links to friends and family
- Essential to economic recovery, enabling access to work, education, leisure and retail



## Part of the solution

Integral part of climate change and air quality agendas in our towns and cities

- Recognition by policy makers that mass transport is key to achieving air quality and climate-related targets
- Aside from walking and cycling, rail travel is the most carbon efficient mode of transport, followed by bus. An average journey by petrol car emits 120 per cent more CO<sub>2</sub> than the same journey by a diesel bus
- Leading industry change in transition to cleaner transport, introduced the UK's first all electric bus depot and our own innovative air-filtering bus technology



## Experts in our field

Extensive experience and expertise in bus and rail markets

- Largest bus operator in London with strategically located depots providing competitive advantage
- Well established regional bus operator with a focus on urban areas
- Leading change and transformation as the operator of the UK's busiest rail franchises
- Successful operations in Singapore, Ireland and Norway



## A proven approach

Devolved customer focused management, innovative approach and engaged colleagues

- Agile and responsive local management teams embedded in their local communities optimising performance and award-winning customer service
- Continual improvement driven by an innovative approach in all areas of the business
- Engaged colleagues promoting our inclusive culture which encourages diversity in all its forms, aiming to reflect the diverse communities which we serve



## A reliable partner

Strong partnerships and collaborative working with transport authorities and policy makers

- 90 per cent of revenue generated through contracts with transport authorities and industry partners
- A leading voice on the issues most critical to our business and industry
- Integral to major infrastructure change projects in UK rail delivered collectively with industry partners
- Working towards shared goals with local stakeholders, including local authorities, in our communities



## Strong financial profile

Disciplined and sustainable decision making

- Robust balance sheet; adjusted net debt to EBITDA within target range at 1.96 times\*
- Positive cashflow and good liquidity; c£230m of cash and available facilities
- Strong profile will support the resumption of dividend payments when prudent to do so
- Disciplined approach to capital allocation and risk management



\* Presented on a pro-IFRS 16 basis, in line with our bank covenant. On an IFRS 16 basis adjusted net debt to EBITDA is 1.76 times.

# Financial overview 2020

**Total operating profit \***  
(pre-exceptional items)

**£77.9m**

(2019: £121.1m)

**Adjusted net debt ^**  
(pre-IFRS 16)

**£321.6m**

(2019: £270.3m)

**Free cashflow #**

**£352.8m**

(2019: £74.1m)

**Earnings per share**  
(pre-exceptional items)

**51.6p**

(2019: 169.4p)

**Adjusted net debt / EBITDA**  
(pre-IFRS 16)

**1.96x**

(2019: 1.32x)

**Headroom on facilities plus  
unrestricted cash ^**

**£229.8m**

(2019: 282.5m)

\* Total operating profit (post-exceptional items) was £20.8m (2019: £104.3m)

# Before IFRS 16 lease charges (£371.8m) and restriction of previously unrestricted cash in rail (£45.7m) free cashflow was £26.7m (H1: (£7.7m), H2 £34.4m)

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

# COVID-19

# Strengths coming into the COVID-19 crisis

- Increased recognition of the importance of buses
- Devolved structure and management teams
- Strong collaboration with partners and clients (DfT, TfL, local authorities)
- Well planned crisis response
- Strong values and well engaged colleague base
- Good customer insight and feedback channels
- Resilient technology platforms for colleagues and customers
- Strong financial discipline, a robust balance sheet and good liquidity

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# COVID-19: Our response

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## To safeguard the health and wellbeing of our colleagues and customers

- Following government guidelines
- Support health/wellbeing
- Enabling shielding
- Protective equipment for colleagues
- Enhanced cleaning
- Social distancing for colleagues and customers
- When2Travel and SeatFinder apps to aid journey planning
- Promotion of cashless payments

## To play our role in society in challenging times

- Maintained core services through first lockdown
- Adapted services to accommodate key workers
- Colleagues and resources providing support to wider response effort
- Additional help for vulnerable customers

## To protect our business

- Swift action to conserve cash and reduce costs, including suspension of interim dividend
- Utilisation of government job retention scheme
- Lobbied central governments to secure funding
- Agile response to reducing and increasing services

# External trends accelerated

## Consumer behaviour

- Working from home, flexible working
- Food deliveries, online shopping, Deliveroo
- Staying local
- Staycations and local holidays

## Air quality and climate change

- Car free improvements during lockdown
- Increasing congestion coming out of lockdown
- Net zero emission target

## Health and wellbeing

- Investment in cycling and walking
- Isolation and mental health concerns
- Focus on reducing obesity



# Our strategy



# Our strategy



# Protect and grow the core

- Focus during crisis has been protecting core operations in:

## Regional bus

*Highest industry customer satisfaction score (90%)*

## London & International bus

*Largest operator of contracted bus services in London (24% market share). Successful operations in Singapore and Ireland.*

## Rail

*Operator of two of the largest UK rail franchises. Operations in Germany and Norway.*

- Divisional update provided in subsequent section of slide pack



# Win new bus and rail contracts

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

## Regional bus

- Contract to operate 50% of Cornwall's bus services through Go South West
- Demand Responsive Transport contract in Lincolnshire

## London & International bus

- Singapore bus contract extension to September 2023
- Further opportunities for large operations in Singapore and Australia
- Ireland growth opportunities, Bus Connects programme

## Rail

- Southeastern extension to at least October 2021
- Bidding in Nordic region continues



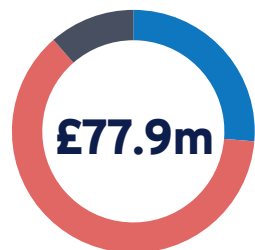
# Develop for the future of transport

- Billion Journey Project delivered partnerships with technology start ups to improve performance and customer experience
- Successful air filtering bus trial in Southampton expanding to other regions
- Northumberland Park, London has become Europe's largest overnight charging bus-depot
- Supporting the rise in active travel – bikes on board in East Yorkshire, colleague ambassador plans



# Operating divisions

# Operating profit by division - 2020



- Regional bus
- London & International bus
- Rail

	2020	Year on year change		2019
	£m	£m	%	£m
Regional bus	20.5	(24.0)	(53.9)	44.5
London & International bus	48.5	(2.7)	(5.3)	51.2
<b>Total bus</b>	<b>69.0</b>	(26.7)	(27.9)	95.7
Rail	8.9	(16.5)	(65.0)	25.4
<b>Total</b>	<b>77.9</b>	(43.2)	(35.7)	121.1

## Our performance in 2020

- Regional bus – profit reduction driven by the impact of COVID-19
- London & International bus – maintained performance in all three geographies
- Rail – reduced profit in Southeastern due to lower contractual margins and significant losses on German operations
- Impact of IFRS 16 increases Group operating profit by £9.7m (of which £8.8m relates to Rail)



# Regional bus

- Regional bus heavily impacted by COVID-19; passenger demand as low as 10% of previous levels during first lockdown – 2020 operating profit\* £20.5m (2019: £44.5m)
- Passenger volumes steadily returning before second lockdown to around 50-60% of normal volumes – regional variations
- Service levels at pre-crisis levels
- Government support enabled breakeven performance since March 2020 – in place until no longer required
- Long term viability of services at current service patterns requires return of passengers to continue upward trend
- National Bus Strategy and £5bn government funding expected in 2021
- Will look to rebalance networks to meet changing demand patterns



# Regional bus scenarios

- Three variables impacting future performance: passenger demand, service levels, government support (CBSSG)

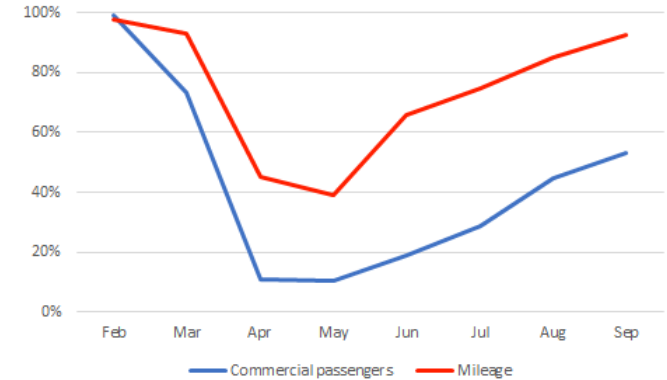
## Scenarios

Passenger demand vs pre-COVID-19	50-60%	80%	90%
Service level vs pre-COVID-19	90%	95%	100%
Impact on underlying margin	(c. 25ppts)*	(7ppts)	(4ppts)

\* Theoretical impact before CBSSG

- Stages of management action:
  - Service optimisation to match revised demand profile
  - Operating and capital expenditure restricted and matched to service levels
  - Alignment of Group structure and overheads
- Continuation of government funding limits downside to breakeven

## Impact as % of prior year





# London & International bus

- Resilient businesses; no exposure to changes in passenger demand and revenue protected by contracted income
  - 2020 operating profit of £48.5m (2019: £51.2m)
- Operating mileage at pre-crisis levels in London, Ireland and Singapore
- Delivering service in line with clients' expectations
- Majority of expected revenue for 2021 already secured; new contract wins in London expected to lead to increase in mileage and revenues in 2021
- Overall division expected to perform in line with 2020 in 2021



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# Rail

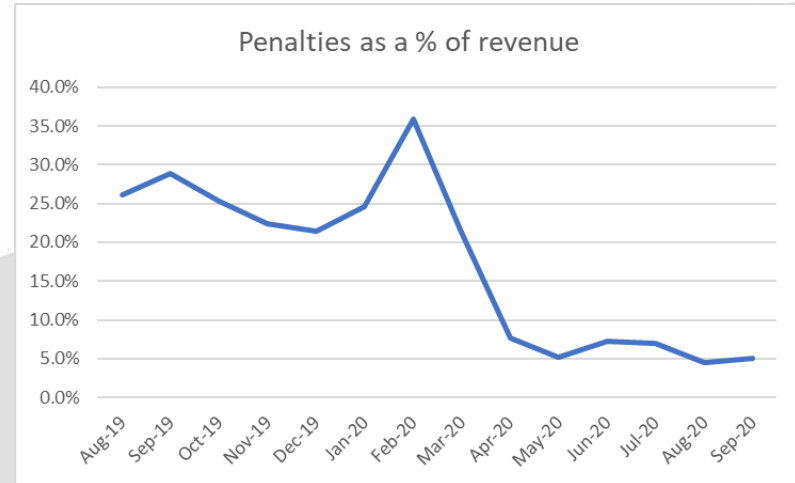
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- Resilient business; limited exposure to changes in passenger demand. Majority of revenue generated through contractual payments
  - 2020 operating profit (before exceptional items) was £8.9m, down £16.5m largely due to changing contractual arrangements (not COVID related) and challenges in German rail
- Passenger numbers remained low in the UK but had begun to increase prior to the second lockdown
- UK franchises operating under short-term contracts (EMA and ERMA) until Autumn 2021, with potential extension opportunities
- German contract operating under original management contract. Norwegian contract receiving Government support to prevent material losses during crisis.
- Expect a breakeven financial performance for the division in 2021



# Rail - Germany

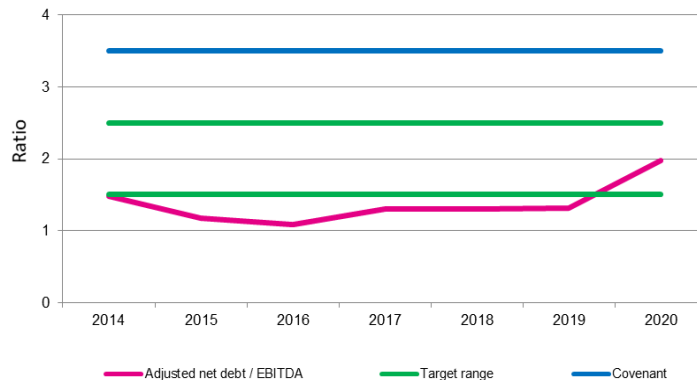
- Significant operational challenges since contracts began in June 2019 - Late delivery of trains and driver shortages
- Material financial loss - Contractual penalties incurred and additional costs of hiring temporary drivers and leasing temporary vehicles
- Ongoing claims against rolling stock manufacturer (up to £26m but not recognised in year end 2020 accounts)
- Comprehensive review undertaken; restructuring consultants in place since May - operational performance significantly improved and penalties reduced from over 35% to less than 5% of revenue
- Work ongoing to improve operational and commercial performance; plan in place with a path to profitability in the medium term



# Net debt

- Material impact of IFRS 16 – bank covenants remain on pre-IFRS 16 basis
- Adjusted net debt / EBITDA of 1.96x (pre-IFRS 16) at 27 June 2020 - within target range of 1.5x - 2.5x
- Expected to peak towards the upper end of the target range at H1'21
- BBB- / Baa3 (stable) rating. Ratings reaffirmed

	IFRS 16 basis	IAS 17 basis
	At 27 June 2020 £m	At 27 June 2020 £m
Restricted cash	<b>474.8</b>	<b>474.8</b>
Net debt / (cash)	<b>491.1</b>	<b>(153.2)</b>
Adjusted net debt	<b>965.9</b>	<b>321.6</b>
EBITDA (rolling 12 months)	<b>547.8</b>	<b>163.9</b>
Adjusted net debt/EBITDA	<b>1.76x</b>	<b>1.96x</b>



# Liquidity

## Liquidity position

- Headroom at year ended 27 June 2020 was c. £230m including unrestricted cash
- EBITDA positive
- No debt maturities to 2024

## Actions taken to further strengthen liquidity

- Reduction in operational expenditure and capex, suspension of interim dividend and reduction in Board salaries and fees
- Year end position over £25m better than previous guidance

## Further actions available

- Eligible for £300m through the Bank of England's COVID-19 Corporate Financing Facility – not utilised

	At 27 June 2020 £m
Syndicated facility 2024	280.0
7 Year £250m Sterling Bond 2024	250.0
Euro financing facilities	17.1
Total facilities	547.1
Amount drawn down at year end	412.3
Balance available	134.8
Unrestricted cash	95.0
Headroom on facilities plus unrestricted cash	229.8

# Financial outlook

- Regional bus outlook remains uncertain. Financial performance dependent on balance of passenger demand, service levels and government funding
- London & International bus is expected to deliver a similar operating result in 2021
- Rail is expected to deliver a breakeven operating performance with UK profitability mitigating losses in Germany:
  - UK Rail – continuing on EMA and ERMA terms for remainder of contract terms
  - Germany – expecting losses to reduce in 2021 supported by better operational and commercial performance
- 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 and the temporary closure of bus manufacturing in the UK
- Liquidity position to fall slightly but remain stable throughout the year

# 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

- Investment in health and wellbeing – mental health ambassadors, more colleague engagement
- Diversity – increasing female representation, and looking to better reflect the communities we serve
- Apprentices – 1,000 apprentices in 2019





# Happier customers

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

- Innovation in customer information – app, website and journey planners include Seat Finder and When2Travel information on bus and rail
- Increased cashless payments through increased mobile ticketing, smartcard and contactless payments
- Industry leading customer satisfaction score in regional bus at 91%
- High customer satisfaction scores in GTR and Southeastern of 82% and 83%



# Stronger communities

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

- Adapting services to meet local needs for NHS and other key workers during lockdown
- Supporting wider community needs for equipment and practical assistance
- Sustainable procurement charter focused on local suppliers



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# Safer working

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

- Ensuring workplaces and customer environments are COVID secure – hi-tech sanitising, swab testing, driver screens
- Continued innovation and investment in technology – remote camera monitoring, intelligent speed adaptation, acoustic vehicle alerting for electric buses



# Cleaner environment

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

- Largest electric bus operator in UK, now around 180 vehicles
- 172 low or zero emission buses introduced in the year
- Target of zero emission bus fleet by 2035
- UK rail's largest EV charging hub at Hatfield station
- Group wide Climate Change Taskforce in place and Climate Strategy under development



# Group outlook and focus

- Continue to build confidence in customers in using buses and trains
- Agile response through local teams to reshape schedules and networks to match customer demand patterns
- Rebuilding as a lean business; maintain strong financial discipline
- Strong partnerships and relationships; working collaboratively with governments over funding
- Continue to explore growth opportunities in attractive markets
- Committed to resumption of dividend payments when appropriate

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





# Appendices

# IFRS 16 – divisional impact

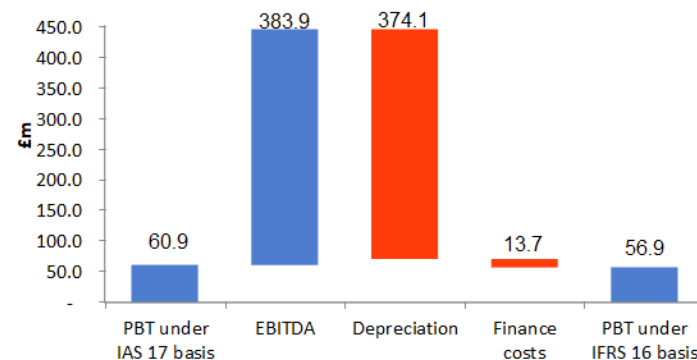
## Operating profit (on a pre-exceptional basis)

	2020			2019
	IFRS 16 basis £m	IFRS 16 effect £m	IAS 17 basis £m	IAS 17 basis £m
Regional bus	<b>20.5</b>	0.3	<b>20.2</b>	44.5
London & International bus	<b>48.5</b>	0.6	<b>47.9</b>	51.2
Total bus	<b>69.0</b>	0.9	<b>68.1</b>	95.7
Rail	<b>8.9</b>	8.8	<b>0.1</b>	25.4
Total	<b>77.9</b>	9.7	<b>68.2</b>	121.1

# IFRS 16 – Impact on key metrics

	2020*			2019*
	IFRS 16 basis £m	IFRS 16 effect £m	IAS 17 basis £m	IAS 17 basis £m
EBITDA	<b>547.8</b>	383.9	<b>163.9</b>	205.5
Group operating profit – pre-exceptional items	<b>77.9</b>	9.7	<b>68.2</b>	121.1
Net finance costs	<b>(20.4)</b>	(13.7)	<b>(6.7)</b>	(6.8)
Profit before tax – pre-exceptional items	<b>56.9</b>	(4.0)	<b>60.9</b>	113.8
Earnings per share – basic (p) pre-exceptional items	<b>51.6</b>	(5.0)	<b>56.6</b>	169.4
Cashflow from operations	<b>508.6</b>	385.5	<b>123.1</b>	209.9
Free cashflow	<b>352.8</b>	371.8	<b>(19.0)</b>	74.1
Adjusted net debt	<b>965.9</b>	644.3	<b>321.6</b>	270.3
Adjusted net debt/EBITDA (x)	<b>1.76</b>	(0.20)	<b>1.96</b>	1.32

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

\* Presented on a pre-exceptional basis for all metrics throughout the presentation



# Accreditations and recognition

- “Low risk” rating from Sustainalytics
- “AAA” rated by MSCI
- FTSE4Good percentile rating of 99 out of a maximum of 100
- London Stock Exchange Green Economy Mark
- Carbon Disclosure Project – B grade

Contact us @ [investorrelations@go-ahead.com](mailto:investorrelations@go-ahead.com)

