

## **FIRSTGROUP PLC**

### **SALE COMPLETION AND INCREASE IN PROPOSED RETURN OF VALUE**

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- Sale of First Student and First Transit to EQT Infrastructure completed yesterday evening
- Proposed return of value in autumn increased to £500m (c.41p per share) from £365m
- Estimated pro forma net debt of c.£100m following the Sale and the use of proceeds is unchanged, as the increase in proposed return of value reflects:
  - \$58m increase in cash proceeds received at completion due to final working capital and debt and debt-like balances
  - Increased clarity for First Rail resulting from agreement of SWR and TPE National Rail Contracts and final rail franchise termination sums
  - Cashflows of the continuing Group anticipated to be better than was assumed in April

FirstGroup plc ('FirstGroup' or the 'Group') is pleased to announce that it has completed the sale of First Student and First Transit to EQT Infrastructure (the 'Sale'), which was approved by FirstGroup shareholders on 27 May 2021. Completion follows the satisfaction of the conditions precedent to the Sale, as outlined in the circular to FirstGroup shareholders published on 10 May 2021.

The net disposal proceeds of \$3,123m received by FirstGroup at completion is an increase of \$58m over the base amount previously announced, due to the final adjustments for working capital and debt and debt-like items as described in the circular.

The Board intends to increase the proposed return of value to shareholders to £500m (equivalent to c.41p per share) from £365m. The increased quantum reflects the higher cash proceeds received from the Sale, the increased clarity for First Rail resulting from agreement in May 2021 of SWR and TPE National Rail Contracts and the TPE final rail franchise termination sum being c.£50m lower than anticipated, and improving cash flow expectations for the continuing Group as a result of further easing of pandemic restrictions in our core UK bus and rail markets. The estimated pro forma net debt of c.£100m for the ongoing Group following the Sale, and the other uses of net disposal proceeds set out in the circular, are therefore unchanged. The proposed return of value is expected to be undertaken in the autumn of 2021, with the distribution mechanism to be announced in due course in consultation with shareholders.

In addition to the cash consideration received at completion of the Sale, the First Transit earnout worth up to \$240m was also agreed as part of the Sale consideration, under which the Group will receive 62.5% of First Transit's value above \$380m, either in three years (following an independent valuation) or sooner in the event that it is sold by EQT Infrastructure to a third party.

The Board is committed to keeping the balance sheet position of the ongoing Group under review and will consider the prospects for making further additional distributions to shareholders in due course, following crystallisation of the First Transit earnout noted above, resolution of the legacy liabilities related to Greyhound and the potential release of monies from pension escrow (up to £117m). The Board also notes the capacity to increase gearing over time, as end market conditions and hence business performance improves.

First Student and First Transit will be reported as discontinued operations in the Group's annual results to the end of March 2021, which will be announced on 27 July.

**Commenting, FirstGroup Chairman David Martin said:**

"We are pleased to announce the completion of the sale of First Student and First Transit and a significant increase in the proposed return of value to shareholders this autumn. This delivers on our strategic objective and creates a focused and stronger business with a bright future. The vital role of public transport in the UK has never been clearer, and with the most supportive policy backdrop in decades coupled with our strong credentials, FirstGroup is in prime position to deliver on its goals with a well-capitalised balance sheet and an operating model that will support attractive dividends."

**Commenting, FirstGroup Chief Executive Matthew Gregory said:**

"We have delivered this transformational sale which resolves the Group's long-standing legacy liabilities, puts the Group in a strong position to benefit from its many opportunities, and releases £500m of value to return to shareholders. I would like to thank everyone in First Student and First Transit for the pivotal role they play in their communities. As part of the FirstGroup family for many years, they have gone from strength to strength, and I am confident that they will continue to flourish as part of EQT Infrastructure."

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**Notes**

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