

### Chairman's statement



**David Martin**  
Chairman

**Despite near-term uncertainty in the wider markets, there remains a fundamental need for people to travel safely and conveniently which is essential to sustainable and thriving economies and communities.**

**We are resolutely focused on delivering our plans – including the sale processes for the North American divisions – at the earliest appropriate opportunity and in the best interests of all shareholders.**

I joined as Chairman in August 2019 and since then I have spent a great deal of time with our businesses and also met regularly with our major shareholders to develop a full understanding of their range of views and perspectives. It was clear to me that there are limited synergies, particularly between the UK and North American divisions, and significant value to be unlocked by separating them, in addition to improving the performance of our UK businesses.

#### **North American sale processes**

Working with management and supported by independent advisers, the Board formally reviewed the various options to maximise value for all shareholders (acknowledging that a sale process for Greyhound was already underway) and formally announced in December 2019 that the Group would explore all options in respect of our North American contract businesses, First Student and First Transit, including a potential disposal. By this point preparatory work had been undertaken, in conjunction with expert third-party consultants and advisers, for a possible carve-out and sale of these businesses, and the team began designing the optimal structure for implementation and compiling the detailed materials and reports necessary for a transaction of this scale. We formally announced the commencement of the sale process in early March 2020 having been encouraged by the significant interest expressed in our North American contract businesses.

The onset of the coronavirus pandemic and all its attendant uncertainties for potential buyers and their finance providers has impacted the speed at which this process can be concluded but it remains the objective. The Board has continued to regularly review all options to deliver value from these assets and continues to believe that the sale of these businesses remains the best way to unlock material value for all FirstGroup shareholders. Clearly the state of financing markets and the availability of capital, as well as greater visibility on the pace and profile of the resumption of services, will be important factors for buyers to be able to make an informed assessment of the divisions' prospects.

I believe the management, supported by the current Board, are well placed to deliver this outcome and that execution of this strategy at the right time is still the best route to enhance the long-term value of our businesses, while respecting our commitments to all our stakeholders.

#### **Opportunities for bus and rail**

On completion of the North American divestments the Group will become a UK-based transportation provider with bus and rail operations at the core of its business. We will continue to capture the benefits of our strong market positions and build on them to deliver significantly enhanced performance in First Bus over the medium term.

I believe that this is one of the most interesting moments for the bus industry, and for public transport more generally, that I have seen in my career in the sector. There is huge potential to play a key role in delivering the benefits of the UK Government's announced plans to invest in improving city connectivity, raising air quality and lowering carbon intensity, and 'levelling up' harder hit parts of the country through improved economic infrastructure and opportunity. These important issues are arguably even more relevant as the UK emerges from the coronavirus crisis. Public transport can and will be at the heart of all of these agendas.

In addition, we will continue to manage First Rail's existing portfolio of rail franchises to deliver sustainable benefits for passengers, shareholders and our other stakeholders. Despite some well-trailed challenges in SWR and TPE, First Rail as a whole has continued to deliver positive cash flow. I believe that with the appropriate political will and structural changes to the franchises, rail can deliver significant benefits for passengers and shareholders in and of itself and as part of an integrated transport strategy. We look forward to further clarity around the future shape of the rail industry in the UK in light of the government's long-awaited review of franchising and the indications of their potential strategy that are implied by more recent contract awards and the structure of the Emergency Measures Agreements currently in place.

#### **Coronavirus**

The coronavirus pandemic that has swept through our communities has undoubtedly overshadowed the year and its effects may well be felt for many years to come. The Group has responded quickly to the many issues presented by the pandemic and I am extremely proud of our employees and how they have risen to the challenges of the present situation. We are deeply saddened by the loss of employees in each of our five divisions due to the outbreak. On behalf of the Board and all employees at FirstGroup, I offer our heartfelt condolences and support to their families, friends and colleagues.

I have been very impressed by how quickly and comprehensively our businesses have responded to the unprecedented challenges created by the pandemic. Although passenger volumes decreased very rapidly during the final weeks of the financial year due to the actions taken by governments to control the outbreak, it was vital that we maintained a critical level of service so that people, such as key workers, could continue to travel. Our people, together with our local knowledge and platforms have allowed us to provide much needed services, support and assistance to our communities during this challenging time, as described on pages 2-3 and elsewhere.

Consistent with our leadership position in our markets, and the trusted role we play for our stakeholders, we also took an active role in engaging with policymakers at all levels of government to ensure that our operations providing essential transportation services were sustained during the crisis. As described in more detail in the Chief Executive's report on pages 9-11 and the business reviews (pages 18-27), the various forms of funding and support made available amply demonstrate how important the services we provide are to governments and our customers.

In light of the very substantially reduced passenger volumes across all our divisions, the Group also took a series of proactive steps to reduce costs and prioritise cash flow. By their nature, these types of decisions are very difficult but were necessary in order to protect the Group for the long term. Wherever possible we have sought to use the emergency schemes put in place by governments to maintain our people in employment during the crisis, and in several divisions we have now begun to bring employees back to work as activity levels have started to increase. The imperative has been to maintain critical services in the short term and be ready to respond quickly to resume the services that will reconnect people and re-open communities as restrictions are eased.

The fact that all of our businesses are leaders in their markets gives me confidence they are well placed to restore services rapidly when required, and potentially will see new opportunities for us to do more to deliver for all our stakeholders.

## Preparing for the future

There are many uncertainties ahead which create a range of potential scenarios for our businesses to consider as our markets on both sides of the Atlantic emerge from the lockdown. The effects potentially will be felt at the macroeconomic level, the level of customer behaviour in our markets, in the level and duration of continued fiscal support provided to our and others' industries and in other ways we cannot yet predict. The material uncertainties facing the Group and the Board's consideration of them are discussed in more detail in the going concern and viability statements on pages 69-73. However, while the precise timing and details are unclear, I am confident that the underlying demand for children to travel to school, for commuters to get to work, friends and family to visit each other and meet up to socialise, and for people to shop and to do business face to face will return.

Since my appointment in mid-August, I have been actively engaging with our divisions' commercial plans to stay at the forefront of our markets, and I am encouraged by the innovations in customer experience we are delivering. Clearly another key factor, of increasing importance to our customers and communities, is for the public transport industry to make further progress in support of the environmental sustainability agenda. Our Group-wide sustainability framework, explained on pages 38-41, focuses on innovating for our customers, being a partner of choice for low- and zero-emission transport and supporting our people to help make the transition to greener transportation a reality.

## The Board

As discussed in more detail on pages 96-97, the Board's composition, activities and processes have changed and adapted as a result of the events of this year, and have been working well. In addition to my appointment as Chairman, Ryan Mangold joined the Board as Chief Financial Officer while Julia Steyn and Sally Cabrini joined the Board as Non-Executive Directors during the year. The Directors have acted to promote the success of the Company for the benefit of shareholders, whilst having regard to the matters listed on section 172 of the Companies Act 2006 during the year. Details of how we did this can be found on pages 44-53 – our stakeholders and on pages 82-95 – Governance. In addition, the Board and Company fully applied the principles and complied with the provisions of the UK Corporate Governance Code 2018, which applies to FirstGroup for the first time this year. Further information on our governance

arrangements can be found in the Governance section of this report. I am also satisfied that the Board has the appropriate mix of skills, experience and knowledge to provide effective input and oversight to the portfolio rationalisation strategy.

## Our people

The dedication and resilience of our more than 100,000 employees has been vividly demonstrated during the coronavirus pandemic and I am extremely proud of all of our employees who have more than risen to the challenges of the present crisis in support of our customers and communities.

## Conclusion

Despite near-term uncertainty in the wider markets, there remains a fundamental need for people to travel safely and conveniently for business, education, social or recreational purposes which is essential to sustainable and thriving economies and communities. We are resolutely focused on delivering our plans – including the sale processes for the North American divisions – at the earliest appropriate opportunity and in the best interests of all shareholders. In the year ahead the Board will continue to focus its collective experience and expertise on the task of delivering value for all our stakeholders.

## David Martin

Chairman  
8 July 2020