

**Transcript of FirstGroup's trading update conference call
Wednesday 21 February 2018**

Operator: Hello and welcome to the FirstGroup plc February trading update. Throughout the call, all participants will be in listen only mode and afterwards there will be a question and answer session. And just to remind you, this conference call is being recorded. Today I am pleased to present Matthew Gregory, CFO. Please begin your meeting.

Matthew Gregory – Chief Financial Officer, FirstGroup plc: Good morning, everybody, and thanks for joining the call today. I'm joined by Rachael (*Borthwick, Group Director of Corporate Services*), Nick (*Chevis, Group Director of Finance*) and Faisal (*Tabbah, Group Head of Investor Relations*). I'll shortly be taking you through the key trading headlines in the period, but let me start with the balance sheet and some other news.

We're very pleased to get our much-anticipated bond refinancing underway, placing \$275m in the new long term US private placement notes at a weighted average interest of 4.25%. This included two tenors with \$100m due in seven years and \$175m in ten years, at fixed interest costs of 4.17% and 4.29% respectively. As you know we have a £300m bond with interest of 8.125% that falls due in September 2018. We've decided to use the proceeds together with cash on hand to redeem that bond in March of this year, six months early. This will incur an exceptional make-whole cost in the current financial year but allows us to significantly reduce our interest burden by approximately £14m from next year. The new issuance, which is substantially the same covenants as our bank deal, also helps to rebalance our debt naturally towards dollars in order to better match our asset base, and we're very pleased by the support shown in the credit market for our improved financial profile and disciplined strategy.

The other non-trading headline is that as a consequence of the US tax legislation passed at the end of last year, we expect our blended P&L tax rate to reduce to the mid-20s for this financial year and beyond.

So, turning now to the trading performance of the Group in the period between the end of the first half and 20th January, reported Group revenue was up 11% year-to-date benefiting in part from the new South Western Railway franchise and favourable foreign exchange. Excluding both of these, Group revenue was up 1.1% year-to-date or 1.3% in the period. Now, four of our five divisions saw similar trading trends to the first half. However, Greyhound's long haul business was heavily affected by intensifying airline competition, including during the important holiday season, and I'll come back to this in a minute. All three of the North American divisions also had to contend with unusually challenging weather conditions in January. Taking all of these factors, together with the recent strengthening of sterling, our outlook for the full-year adjusted EPS is slightly reduced overall but there's no change to our expectation of substantial cash generation for the year.

So, let's go into the divisions in more detail. With the start of the new school year, **First Student** revenue in the period began to reflect the continued progress made with our 'up or out' pricing strategy during last summer's bid season, where you'll recall we achieved 5.3% price increases on 'at-risk' business and retention of 83%. These were, however, partially offset by school days cancelled due to the severe snowstorms in early January which many schools will make up at the end of the academic year and which will fall in to our next financial year. The solid progress First Student is making from our pricing strategy and ongoing cost efficiencies continues to be tempered by the strength of the US employment market with no easing of the driver shortages that we've talked about previously.

First Transit's flat revenue performance in the period reflected the timing of contract starts and completion as well as further reductions in service volumes in the Canadian oil sands region. As we outlined in November, we've taken a number of actions to help restore margins

to more typical levels of around 7% in the second half period, despite employee cost increases that we're experiencing.

And finally, in North America, we turn to **Greyhound**. In the point-to-point market where our yield management capabilities are most advanced, Greyhound Express accelerated to just short of double-digit growth in the period. However, this was more than offset by the considerable challenges in the larger, long haul segment. The low-cost airlines against which we compete have been adding capacity during the year, increasing frequencies while lowering prices to fill that capacity. More recently, the bigger airlines have joined the war for market share with United Continental committing to 4 to 6% growth in capacity over the next three years, for example. It is difficult for Greyhound to be competitive with the airlines in the medium- to long-distance ranges in this environment. Volume declines in the Southwest, an important market for us, were also exacerbated by heightened immigration control activities. Overall, divisional like-for-like revenue declined by 2.8% compared with modest growth in the first half and in our expectations for the period. And we're continuing to invest in our passenger proposition, while seeking further cost efficiencies to help mitigate the margin effect of the deterioration in long-haul volumes, as well as the ongoing increase in fleet maintenance and driver costs that we highlighted in November.

All three of our North American divisions were also affected to some degree by the extreme weather that affected the Atlantic seaboard from Nova Scotia to Florida in January. And as I mentioned, we expect to get some of the impact back on First Student in the next financial year.

Moving on to the UK divisions, trading was more positive in the period. **First Bus** delivered an encouraging acceleration in like-for-like growth to 1.4% in the period, with a strong start to the academic year for our services focused on universities and colleges, and a positive reaction to the rollout of contactless payment to many parts of our business. We are on track to be the first national bus player to complete the rollout of contactless throughout our business later this year. We continued to focus on optimising our networks, fares, and costs, reducing mileage by 0.7% like-for-like while increasing like-for-like volumes by 0.1%. As a consequence, I'm pleased to say that we are delivering improved margins in the division and we believe we are executing the right strategy to optimise returns from our existing businesses and will continue to target our future investment on those local markets where our stakeholders are supportive of successful bus services.

First Rail maintained like-for-like passenger revenue growth of 3.2% in the period and the division continues to deliver a strong contribution notwithstanding ongoing infrastructure challenges. On Great Western Railway (GWR), we continue to roll out the IET fleet. and meanwhile, the DfT has exercised their option to extend the current direct award to 2020 and has started negotiations for a further two-year direct award to April 2022. TPE continued to grow revenues at rates well above industry averages, notwithstanding the current lack of capacity at peak times, with further growth required when the new fleet starts to be introduced from this autumn. In the period, South Western Railway (SWR) has had to contend with ongoing operational challenges associated with the infrastructure upgrade work that was underway when the franchise started last summer.

So, in summary, trading was mixed in the period. Our operating profit outlook for the full year is lower as a result of the trading and also the recent strengthening of sterling, but adjusted EPS is only slightly lower due to the lower blended P&L tax rates, and we continue to expect substantial cash generation for the year as a whole. And more significantly for our long-term development, we're pleased to have begun the process of refinancing and rebalancing our high-cost bond portfolio in the period, a process which has already locked in significant interest cost savings going forward.

So, thanks very much for listening to all that, and I'll hand you back to the operator now to manage any questions.

Operator: The first question comes from the line of Joe Spooner from Jefferies. Please go ahead.

Joe Spooner, Jefferies: Morning. Just two questions: can you talk a little bit about SWR and the infrastructure challenges you are seeing there? Obviously, it's a new franchise and there are some fairly healthy bid assumptions in there: what kind of protections do you have in that contract around delays and ongoing infrastructure challenges? And then just secondly, can you just remind us when the next refinancing opportunity is ahead? As I understand it, I think the January 2019 bond has already been swapped into lower interest rates. So is it an opportunity there or is it really the next refinancing that we have to wait for in terms of further benefits on that front?

Matthew Gregory: Sure. Thanks for that, Joe. On SWR, the infrastructure challenges were, as you know, Waterloo was being upgraded, so that clearly caused a lot of disruption around the service, and we're finding that generally within the infrastructure we're seeing a number of issues with that network that have carried forward into this second half of the year. In terms of protection: in short-term protection, clearly we are compensated when there are issues with the infrastructure from Network Rail, so when we have short-term outages, that comes back to us, so that doesn't cause us too much concern. Looking to the other part of your question in terms of the overall protections, clearly in this franchise we saw better overall protection than we've had seen in recent years from GDP and also from the Central London Employment, but clearly those look across the overall seven year franchise. So nothing has particularly changed in that respect, and I think on the infrastructure, we do get compensated so it is just a continuing challenge to make sure we're providing the right customer service there.

Coming on to the refinancing, you're absolutely right: the January 2019 bond is swapped to a floating rate very close to the current amounts we pay for our RCF (Revolving Credit Facility). What we're proposing with that one – there's no real benefit in refinancing that early and we will just deal with that in January 2019 using our substantial headroom in our RCF to pay that down, which will give for us, a better balance between fixed and floating rates and short and long-term bonds. So, that does leave you then with the next substantial bond coming up for refinancing being the £350 million April 2021 bond.

Joe Spooner: That's great.

Matthew Gregory: Does that then cover off your question, Joe?

Joe Spooner: It does. Thank you very much.

Matthew Gregory: Thanks a lot.

Operator: Next question is from the line of Gerald Khoo from Liberum. Please go ahead.

Gerald Khoo, Liberum: Morning, everyone. Three questions if I can. Firstly, in Greyhound, obviously, very challenging conditions there: I know this is a slightly open-ended question, but what do you think needs to be done to turn that division around? Secondly, you talked about still expecting to deliver substantial cash generation but clearly there is a weaker profit outlook. What gives you confidence on cash generation for the year? And, finally, on South Western, you talked just now about infrastructure disruption, obviously infrastructure is always a challenge: how have things panned out compared with what you assumed in your bid case, please?

Matthew Gregory: Great, okay, let me come to that one first if that's all right. We're talking about the shorter-term infrastructure challenges, so the day-to-day failures and service issues which, as I said, we get compensated for. So those don't necessarily flow into the overall bid assumptions; I think it's just a little bit early for us – we're, what, five months in or so – to be

able to look at how it affects the overall bid, but in terms of the infrastructure challenges, as I said, we do get compensated for those ones.

On Greyhound, you're absolutely right, it is challenging and we don't see any short-term let up in that competition; and clearly – this is a trading update, so we'll talk more fully about this at the year end – but clearly we are looking at the business and how best we can structure our network to counteract the challenges that we have in the long haul. I would say that in terms of the easy mileage reductions – actually it's not easy, these things are never easy – but the more straightforward mileage and network reductions and frequency reductions to the network we have already put in place, so the ability to mitigate cost is more challenging there, so we're having to look at more structural ways to reduce costs and to potentially adapt our network to take account of these trends. I suppose that's all I would say on that at the moment.

In terms of substantial cash generation, I just think you need to look at the levers that we have around cash flow. So, we've got obviously a very big balance sheet, we've got large capex numbers, large working capital numbers: so even though there is some operating profit weakness there, the quantum in terms of the scale of our balance sheet doesn't cause us a great deal of concern there, so we're comfortable that with – just normal trading, the normal way we deal with having balance sheet efficiency, that our substantial cash will continue to be delivered.

Gerald Khoo: Okay. Thanks very much.

Matthew Gregory: Thanks, Gerald.

Operator: Next question is from the line of Anand Date from Deutsche Bank. Please go ahead, your line is open.

Anand Date, Deutsche: Oh, sorry. I put myself on mute. I was just wondering, on the weather impact, could you give us the approximate amount by division, just with a view to try and figure out exactly what will come back in FY19? And so, roughly, what proportion of Student you actually expect to come back as well? And then on rail –

Matthew Gregory: Sure. So, I mean, in the – sorry, I think I cut in there. So, your –

Anand Date: The only other one was just on rail, trying to understand: infrastructure aside, if we can sort of exclude that: relative to the bid targets, where do you see yourself now? And what kind of horizon do we need to get back on to those targets? Thank you.

Matthew Gregory: Sure. So on the weather impact, in terms of where we had expected to be, the biggest impact on weather was clearly in the Student business and we're probably, 5-6 million worse than we were expecting for our January numbers. Now, ordinarily you'd expect to get about half of that back in the following financial year because not all the districts will give you those back there, so traditionally we work with 50% of it coming back in the following year. The other businesses – sorry that's 5-6 million dollars. The other businesses will have had \$1-2 million of impact. So, again, not huge, it's really the Student business that has the impact. Now the reality here is we're not weather forecasters, so we unfortunately have to sit here in February and just wait to see the outcome of the weather right up to 31st March. So that could be better or worse depending on what happens there.

Moving on to the rail piece; so and again, what we have got to be clear about is both for SWR and for TPE as well, these bids are predicated on major increases in seat miles and in capacity. So whilst it's right to ask questions about the bid assumptions, it's only really going to be in 2019 that we'll get a really good sense of how the revenue is impacted by the growth in capacity. If you go back to SWR, over the life of the franchise we're adding something like 47% more seat miles in this franchise with 50,000-odd extra seats going in to Waterloo in the peak times, so it's only when those things come in that you can really truly measure the impact against the bid model.

Anand Date: Okay. Great. And if I could just ask one more actually: you've put in the statement again about First Student and the fact that wages are increasing and it's putting pressure on margins. On that basis, what is reasonable margins, margin-wise going forwards because wages... the wages actually looks like it's increasing?

Matthew Gregory: It is increasing, and obviously, we get – as we go through and re-price our contracts, roughly a third each year, we get the opportunity to factor that back in again, so we're constantly moving this forward. We still think that there is the ability to move this margin up towards the 10%, we've still got cost efficiencies that we need to grind out of the business, and we need to deliver on our scale as well. So, we still think getting up to 10% is a credible target for us.

Anand Date: Okay. Great. Thank you.

Operator: Next question is from the line of Sam Bland from JP Morgan. Please go ahead.

Sam Bland, JP Morgan: Hi, there. Two questions if I can. First is on UK Bus. I just want to better understand the improvement in revenue growth in Q3 versus the half year. I think revenue is at +1.4% in Q3, I think volume was up +0.1%: is there maybe a little bit more on price that you done in this quarter versus previous periods, or what else is going on there? And then, maybe on Student, your revenue now increasing; it's been a long-term trend towards churning off lower margin business. Is that amount of lower margin business that you can churn off now reduced to a much lower level now the margin has picked up and so there's less to churn off or, is there still a fair bit of lower margin work to go out in that business? Thanks.

Matthew Gregory: Sure, okay, thanks for that, Sam. So on the UK Bus business, we did have for the first half, I think it was +0.6% revenue growth, and you're right for this period, we're at +1.4%. What I would say is we took the mileage down on a like-for-like basis by (0.7)%, so that impacts the networks and we're being more efficient as we said in each individual opco looking at the more profitable routes. The volume did increase slightly, which is the first time for a long time we've had volume increases. So overall, I'd say that with +0.1% – I mean we have to cling on to that +0.1% volume increase – that then suggests that the fares and the mileage reductions got us +1.3%. So we are just balancing where we can increase prices – we're doing it where we're making price differentials between our mobile solutions and our cash solutions – and where we can make the network reductions: that's all coming through as well. So it's a little bit of everything which is improving the yield, taking some of the cost out with the mileage and just – we're getting some growth there as well.

Sam Bland: Great. Thanks.

Matthew Gregory: And on the Student business, you're right, we have reduced significantly the amount of the contracts that are in that low bucket. I think what I'd say is that we've got very, very few if any that make a loss. So we're down in the teens for percent of revenue in that lower bucket. What I would say there is that some of those do churn and where we've got particular areas where there are cost pressures, sometimes they fall in and fall out. But we're really getting through these and we're getting to a stage where things are starting to stabilise, which is why going forward you'll see the retention rates increasing.

Sam Bland: Okay. Thanks very much.

Matthew Gregory: So, that all plays into the mix of grinding the margin forward.

Sam Bland: Sure. Okay. Thanks.

Operator: Next question is from the line of Joe Thomas from HSBC. Please go ahead.

Joe Thomas, HSBC: Good morning. Just on UK Bus; can you just perhaps decompose that like-for-like revenue number a little bit further? So you're respectively giving yourself the benefit of mileage reductions in there. I would be interested to know what's happening to

things like subsidy levels from other concessionary fares, tendered revenues and how that plays into the number versus commercial revenue... and are there any –it is encouraging to see volumes up by 0.1%. Is there any particular trend that you see there or that you'd call out a bit like geographically or by result of action that you've taken? And then beyond that, when I look at UK Rail, is there any particular franchise there that is outperforming? My sense is that it's the great Western franchise that is perhaps compensating for a bit of weakness in the other two.

Matthew Gregory: Yeah, okay. So, on the UK Bus business, we're definitely seeing that the pressure on the subsidies and the concessions continues. So, what we see in the concessions that like-for-like revenues are down (1.5)%, (1.6)%, and in fact volumes are down there as well now. And again, in this quarter we had a bit of rain, so maybe that had some impact, but the trend is that concessionary volumes and revenues does continue to fall. But clearly obviously to get the growth that we're getting, that means our commercial passengers are growing. So we've got commercial passenger revenue like-for-like up +2.5% and the volumes are up +1.4% in that area, so we are seeing that whilst there is that pressure, by getting the commercial fares back on the buses, it's helping us. I think in terms of where we're seeing the trend, we always come back to this point that every market is local, so you have to deal with those areas with specific medicine. But again, we are seeing the volumes and the revenues in the South businesses are definitely performing better than they are in the North. And that's a kind of continued trend that we're seeing for the last three years.

Joe Thomas: Has there been any change in the trajectory there at all, Matthew? I mean, just sort of what – I mean, yeah, as you say, the North has been terrible for ages, you know – is it getting less bad now or is it just...?

Matthew Gregory: No. No, I'd say the North is not getting less bad, but the South is getting better, so we're seeing more positivity in the South. But, again, it's just really – I know we've probably categorised it this way in the past because when it comes to things like weather, then naturally that does sort of fall North and South, but it really comes to particular areas that are performing well. So, when you look at a place like Bristol and the South West, they're all performing very well, with all the work we're doing around fares and dealing with the capacity there, it's helping. And it's difficult to characterise it specifically as a general North and South divide, it has to be down to the operating company level. But no, it really does come down to the fact that the commercial passengers are growing and we're getting more volume coming on.

And so on the rail piece, in terms of the revenue perspective, TPE is still growing near double-digit levels, that business is performing way in excess of most other railways. I think GWR is performing well given the infrastructure challenges that it's got, and then SWR, again as I've said before we've had this more challenging environment, not just from the Waterloo but with further infrastructure challenges that have affected us during this period. So I don't think I'd characterise it just as GWR being the good performer and the others not, I think TPE is performing definitely from a revenue perspective better than the industry.

Joe Thomas: Thanks. Can I just ask one more question on UK Bus, please? And that relates to the cost inflation, which has been something of a concern to people, particularly driver wages. What are you seeing there? Have there been any changes? What sort of rates are people settling at?

Matthew Gregory: We're not seeing anywhere near what we're seeing in the US, that's for sure. And clearly we get into negotiations with individual regions, and we're seeing it around the 2% level, so it's not necessarily even as high as inflation in some places, so that is not causing us a huge issue. I mean clearly there is inflationary pressure in this business, a lot of our costs are affected by those inflationary pressures, that's just a constant, constant pressure on the business, but we're not seeing anything out of the ordinary from that side.

Joe Thomas: Thanks.

Operator: Next question is from the line of Damian Brewer from RBC. Please go ahead.

Damian Brewer, RBC: Thank you. A couple of questions from me. First of all, going back to UK Bus, your margins look like they might be moving a tad better but that's still sort of close to 6%. Given the sort of – the nine- to ten-month trading to date, where is the dispersion of the margins in the business you've seen in that trading period, and is all the business profitable or is there still other areas where you need to refocus the efforts on mileage reduction or even withdrawal? So, just a little bit of a view on the dispersion of performance there.

Secondly, on Greyhound, could you remind us what Easter does for the business given Easter falls over the cusp of your year-end this year and given that Greyhound looks like it's heading towards sort of about breakeven in the second half – does Easter act as a little bit of drag on the summer half or are there other initiatives underway?

And then, very finally, with everything going on, is there any point at which the Board will think of having a sort of bigger strategic view of what the business does and where it focuses? And if so, is there any timing on that? Thank you.

Matthew Gregory: Sure. Okay. Let's deal with that UK Bus point first. So, as I said, there is a wide variety of actions that are being taken across the individual operating companies, and so I think – it's difficult to characterise precisely where the next improvements are coming from. Your question about are they all profitable – yes they're all making a contribution to the business, but there are still some areas that need continued work around the network, looking more towards the east of the country we need more action around our Essex business, there's still action required around our Manchester business, that continues to be a challenge for us, and our Scotland businesses, towards the east of Scotland as well, there's still more action to be taken there. So each of the individual opco's has its own challenges and has its own action plans to deal with the specifics of its area.

In terms of Greyhound on Easter, yes that is split across the holiday period, we'll just have to see how that breaks down, frankly, in terms of the bookings for Easter, and that will be split across both years respectively – so there could be a day or so drag from Greyhound there.

And in terms of the overall strategic view, I think that's a good question. The Board does and has looked at the strategy. It continues to be happy with the portfolio as it stands now. I think it's fair to say that we will be coming out at some point with a view on the strategy but the timing for that [*inaudible*].

Operator: The next question is from the line of Anand Date from Deutsche Bank. Please go ahead.

Anand Date: Yeah. Hi, morning everyone. Sorry, another one from me. I was just thinking about what you were saying that, you know, in the balance sheet we have lots of levers to offset any operating cash flow reduction. I was just wondering if you could actually just go through how, you know, the levers that you're thinking about – because it's just not clear to me exactly what you could push or pull. Clearly, well arguably, we don't want to go down the capex route because we've had a bad experience with that in the past, so I was just wondering if you could outline where you sort of see those differences? Thank you.

Matthew Gregory: What I was trying to get across, Anand, is around the size of the balance sheet. So, we're talking about capex – our road capex is going to be in the £300m range, so whilst we're not making any changes to our commitments or our orders, the timing of capex can easily flow £20m up or down; our working capital numbers are very large, and again the timing on those really can easily move by up to £10m, £20m, we said in the past £30m. It's not so much that we're going to sort of use levers to deliberately change our cash position, it's just that the quantum of the P&L weakness is relatively small in the context of the size of our balance sheet, so the timing can have a substantial effect there. So, that's really the point that

we were getting across is that £10m, £20m, £30m differential on the balance sheet will flow through the cash flow and it's a much larger balance sheet than it is a P&L, if you take my point.

Anand Date: Okay, no, completely understood. Thanks. I just wanted to clear up. Cheers.

Matthew Gregory: Sure.

Operator: The next question is from the line of Alex Paterson from Investec. Please go ahead.

Alex Paterson, Investec: Morning, everyone. Can I just do the statutory three questions, please? Firstly, just on Greyhound, when you talk about further cost efficiencies, is that really network pruning or have more efficiencies become achievable recently? And if they have – or if they haven't rather, why haven't those efficiencies being taken earlier? Secondly, on UK Bus, do you think there's been any change in the price elasticity of customers; have they become more responsive to your marketing to contactless, that sort of thing? And then just on rail, I'm assuming that the very strong TPE performance is a lot better than you assumed in your bid assumption? Can you confirm that, please?

Matthew Gregory: Sure. Thanks, Alex. On the Greyhound point, what we're saying is that we are looking for further cost efficiencies. I think if you go back two or three years, as the business started to be affected by the fuel price and the fall off of demand, the business acted very quickly to take cost out of the business and actually at far higher rate of cost than you might have expected, so their ability to reduce frequency on our network – so instead of running six services, they might run four services – enabled them to take cost out of the business very quickly. I think we're at a stage now where actually the variable cost changes, so changing the frequencies, is pretty much at a minimum. What we're having to look for is more structural changes that take fixed cost out of the business. That would include how many locations we are running to, whether we choose to run to all the locations that we currently run to. And that's a different and more challenging cost reduction than just running less frequencies between two different city pairs. That's what I was alluding to in that we were having to look at more structural changes rather than the variable cost changes.

On the UK Bus piece, I think it's a little bit early to say whether people are more willing to pay for the services. We definitely see a bit of price elasticity with people who are still paying cash fares when they could get a cheaper mobile fare, but I think it's a little bit early to say that people are just willing to pay more for the services. We are dealing with competition in each of our marketplaces and we're just needing to have the right prices there.

And then the final point on TPE, we are performing well. In terms of better than the bid model: we obviously look at the bid model over the life of the franchise and we've got some very big growth targets in our franchise as a result of bringing in the new capacity, and those are the growth levels that we need to achieve in FY19 and FY20 years that will make the franchise a success. So, that's what I'd say on the point about TPE growth, we need to get more growth in that business.

Alex Paterson: Thank you.

Operator: Next question is from the line of Damian Brewer from RBC. Please go ahead.

Damian Brewer: Good morning, again. Just one short one given no one else has asked it. Given the trading performance versus the still what looks like robust cash position; as the Board reviews the trading performance, has there been any change in opinion on the possibility of restoring a dividend at some point?

Matthew Gregory: Our comment on the dividend, is as it has been, that we still think this should be a dividend paying stock, and we've always said that we will pay a dividend at the point that we're comfortable that we have sustainable cash flow from the business. A Q3 trading update is not really the time to talk about the dividend from our perspective; the Board

will continue to review that over the coming months as we come towards our final results announcement.

Damian Brewer: Okay, very good. Look forward to 31 May. Thank you.

Matthew Gregory: Okay. Thanks, Damian.

Operator: Question is from Sam Bland from JP Morgan. Please go ahead.

Sam Bland, JP Morgan: Hi, there. I thought I'd have one short follow up as well. Just on Greyhound, can you just talk about – you know, it sounds as if, in this quarter, the weakness has very much been on the long haul route. Can you just talk about how much shared infrastructure there is between the long haul business and the short haul, whether it would be possible to kind of move the mix of business towards short haul or is that very difficult to do, or could you downscale the long haul part to offset the weaker trends there? Thanks.

Matthew Gregory: Yeah, Sam, that's a very good question and it's one that we are actively looking at. I think it's fair to say that the strength of Greyhound has been predicated on the strength of the network, so whilst you may have buses that are running a short haul between two cities, those same buses are connecting a long haul service throughout the network. If you've got something going from Chicago to Orlando, that's a long haul route, but in between those stops, that same bus will be doing shorter haul services, let's say, from Chicago to Cincinnati. So the strength has always been around the network and our ability to manage the flows.

I think the question you pose is the right one; as we see our short haul market or particularly our Express market growing at high single digit towards double digit, and the long haul market challenged: how can we adapt the network to reflect that trend. It's not as straightforward as just taking cost out of the business because to take the significant cost out you're going to have to take out certain cities, maybe not running to certain cities and that's quite an interesting challenge, particularly given the fact we think that each of our routes does make a contribution at some level. So this is the challenge that the business is looking at – how can we react to the challenges in long haul and focus on the short haul but without causing us to lose the miles that may still be profitable to the business.

Sam Bland: Yeah, okay, sounds good. All right. Thanks very much.

Matthew Gregory: Thanks, Sam. Thank you, everyone, for your time this morning. We appreciate it and we look forward to speaking to you at the back end of May. Thanks, all.