FirstGroup plc

2019 half-yearly results

Thursday 14 November 2019

Overview

- **H1 adjusted trading in line with expectations overall – outlook in line (pre-IFRS 16)**
  - LFL revenue growth throughout Group
  - Challenging US motor claims environment and Greyhound trading
  - Cash generation and leverage in line (adjusting for IFRS 16)

- **Value creation through portfolio rationalisation – progress report**
  - First Bus separation workstreams making progress; pension funding framework developed
  - Cost actions and clean air funding to drive further First Bus progress before any formal sale process
  - Greyhound sale progress well advanced
  - UK rail portfolio strengthened by West Coast; discussions continue with DfT on our other franchises
  - Intent on realising value for shareholders; actively managing entire portfolio by all appropriate means

Financial review

for the six months to 30 September 2019

Financial summary

£m	H1 2019	H1 2018	Change	Change in CCy[1]	Change excluding IFRS16 impact[2], in CCy
Revenue	**3,531.9**	3,303.3	+6.9%	+4.1%	+4.1%
Adjusted[3]					
- EBITDA	**434.2**	255.1	+70.2%	+64.2%	(4.4)%
- Operating profit	**97.7**	92.4	+5.7%	+2.1%	(7.3)%
- Margin %	**2.8%**	2.8%	–	–	(30)bps
- Net finance costs	**(69.0)**	(50.4)	(36.9)%		
- Profit before tax	**28.7**	42.0	(31.7)%	(35.9)%	(19.6)%
- Effective tax rate %	**14.6%**	22.5%	(790)bps		
- Attributable profit	**24.5**	34.9	(29.8)%	(34.0)%	(19.1)%
- EPS p	**2.0p**	2.9p	(31.0)%	(35.5)%	(19.4)%
Rail ring-fenced cash adjusted Net debt pre-IFRS 16	**1,558.8**	1,501.5	+3.8%		
Rail ring-fenced cash adjusted Net debt pre-IFRS 16: EBITDA	**2.3x**	2.2x	+0.1x		
Adjusted cash (out)/inflow	**(78.0)**	50.6	n/m		

1 Change in constant currency ('CCy') is based on retranslating H1 2018 foreign currency amounts at H1 2019 rates

2 Change excluding first time adoption of IFRS 16 (leases) which resulted in a net reduction in Adjusted PBT in the period of £7.3m – see page 5

3 Before other intangible asset amortisation charges and certain other items

IFRS 16 (Leases)

- From 1 April 2019, £1.1bn of leased assets were recognised as Right Of Use assets on balance sheet
  - Rail track access payments, leases of <1 year, low values excluded; no retrospective restatement
- H1 effect of implementation below; full year effects will broadly follow the seasonality of the Group:

£m	H1 2019			H1 2018
	Under old IAS17	IFRS 16 effect	**Under IFRS 16**	Under old IAS 17
Adjusted				
EBITDA	252.9	+181.3	**434.2**	255.1
Operating profit	88.7	+9.0	**97.7**	92.4
Net finance costs	(52.7)	(16.3)	**(69.0)**	(50.4)
PBT	36.0	(7.3)	**28.7**	42.0
EPS	2.5p	(0.5)p	**2.0p**	2.9p
Net debt	1,062.0	+1,022.1	**2,084.1**	1,047.7

- Group's key banking covenants are calculated under 'frozen accounting standards'; on this basis net debt: EBITDA was flat at 1.6x and Rail ring-fenced cash adjusted net debt: EBITDA was 2.3x (H1 2018: 2.2x)
- IFRS 16 will have a significant impact on headline credit ratios when a rolling twelve month period of adjusted earnings and EBITDA under the standard is reported
- No impact on underlying cash flow; however presentation of cash flow will change

IFRS 16 (Leases) – Road and Rail

- Approximately 75% of the right of use leases recognised are in the Rail division (principally rolling stock), remainder being leased properties, PCVs and other leased assets in the Road divisions
  - RoU assets capitalised at 1 April 2019 include £842m in Rail, £103m in First Student, £75m in First Bus and £78m in Greyhound
- This is reflected in the relative effect on depreciation and operating costs in the Rail division compared with the rest of the Group:

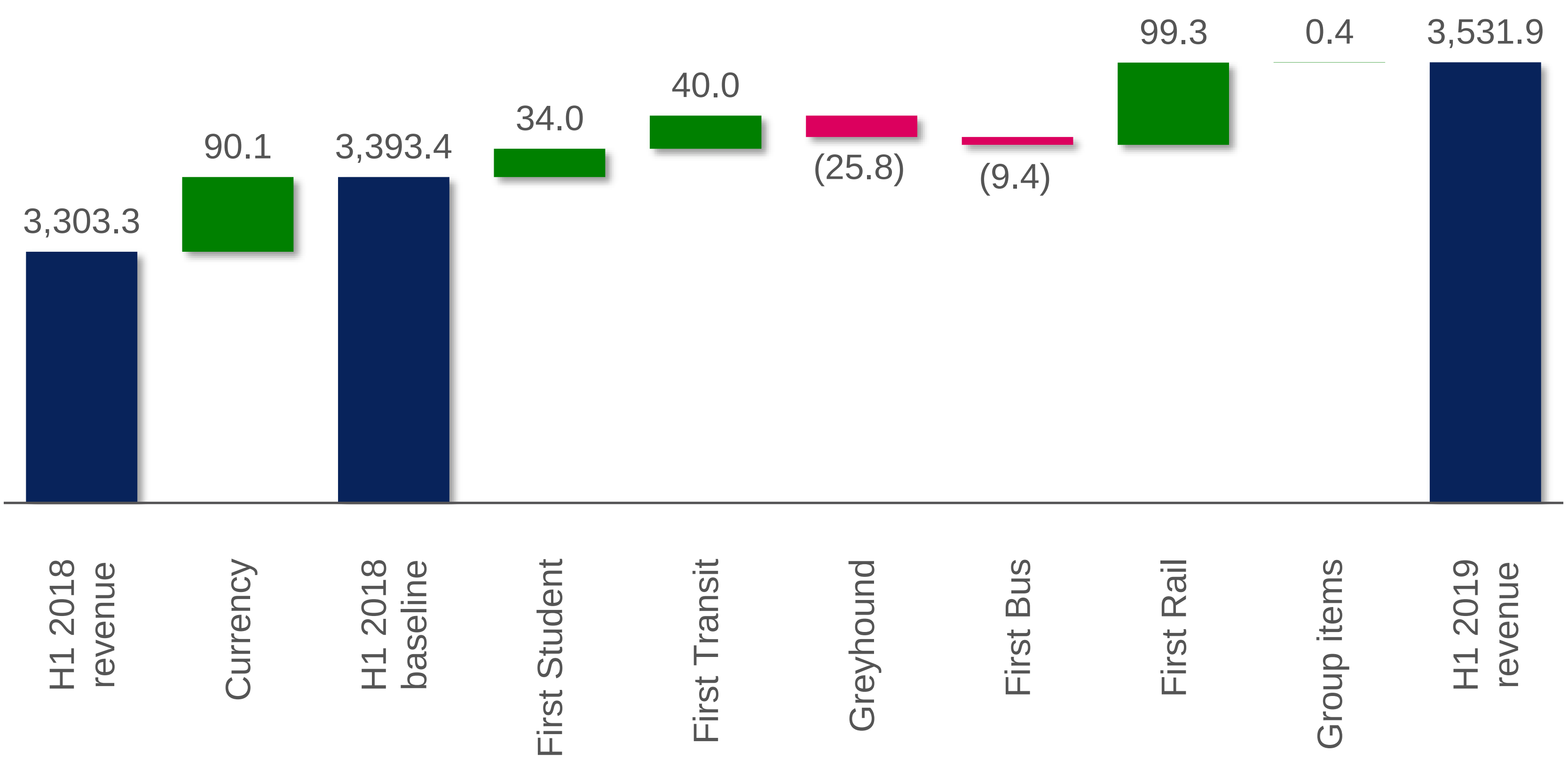
£m	H1 2019			H1 2018
	Under old IAS17	IFRS 16 effect	**Under IFRS 16**	Under old IAS 17
EBITDA[1]				
Road divisions	190.7	+39.5	**230.2**	202.5
First Rail	62.2	+141.8	**204.0**	52.6
Total Group	252.9	+181.3	**434.2**	255.1
Adjusted[2] operating profit				
Road divisions	47.3	+1.5	**48.8**	63.1
First Rail	41.4	+7.5	**48.9**	29.3
Total Group	88.7	+9.0	**97.7**	92.4

- Additional right of use assets will be recognised on mobilisation of the West Coast Partnership. GWR right of use assets reflect the current Direct Award (expires in March 2020) and not any future award

[1] Adjusted operating profit less capital grant amortisation plus depreciation
[2] Before other intangible asset amortisation charges and certain other items
For additional divisional detail on the effects of IFRS 16, see page 32

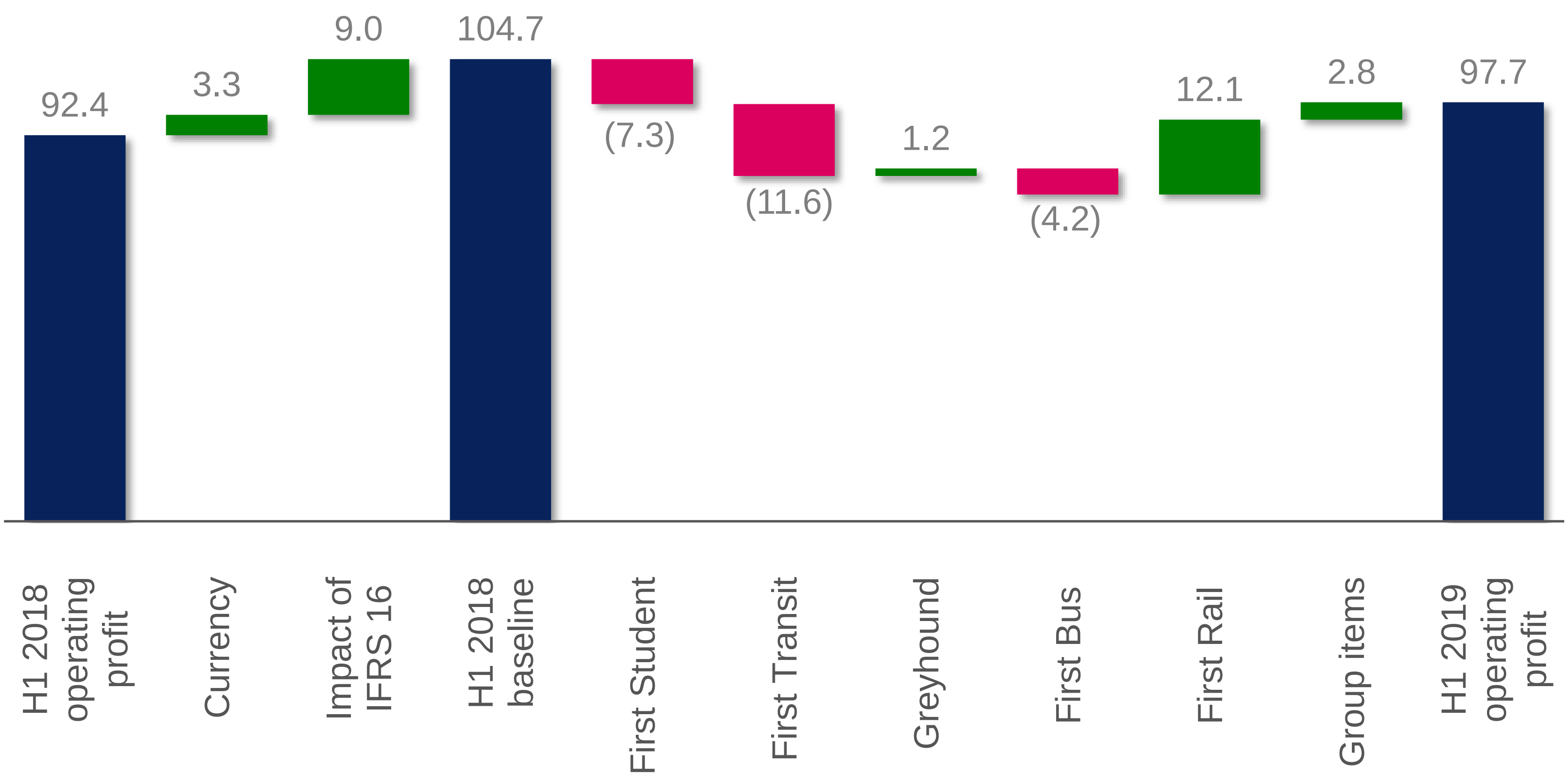
Revenue performance

- Group revenue growth +4.1% in CCy, with growth in First Student, First Transit and First Rail
- Both First Bus (passenger revenue +1.6%) and Greyhound (revenue +0.7%) delivered growth on a LFL basis, after excluding depot disposals and Canada withdrawal respectively



Adjusted[1] operating profit

- First Rail earnings includes settlement of certain GWR claims and higher subsidy receipts
- Fewer First Student operating days, worse UK summer weather in First Bus and two adverse legal judgements in First Transit affected the Road divisions' seasonally smaller first half



[1] Before amortisation charges and certain other items

Income statement – continued

£m	**H1 2019**	H1 2018	Reported change	Change in CCy
Adjusted[1]				
Operating profit	**97.7**	92.4	+5.7%	+2.1%
Net finance costs	**(69.0)**	(50.4)	(36.9)%	
Profit before tax	**28.7**	42.0	(31.7)%	(35.9)%
Tax	**(4.2)**	(9.4)		
- Effective tax rate %	**14.6%**	22.5%	(790)bps	
Non-controlling interests	**-**	2.3		
Attributable profit	**24.5**	34.9	(29.8)%	(34.0)%
EPS p	**2.0p**	2.9p	(31.0)%	(35.5)%

Includes impact of transition to IFRS 16

FY 22-23% tax guidance unchanged

Rail franchise partners (in SWR currently and WCP in future)

[1] Before amortisation charges and certain other items

Non-GAAP adjustments

£m	H1 2019	H1 2018
Amortisation charges	**(11.8)**	(17.6)
Greyhound impairment charges	**(124.4)**	-
North America insurance reserves	**(59.3)**	-
Restructuring and reorganisation	**(15.4)**	(28.5)
Legacy pension settlement	**(4.9)**	-
TPE provision notional interest unwind	**-**	(0.5)
Other non-GAAP adjusting items	**(204.0)**	(29.0)
Total non-GAAP adjustments	**(215.8)**	(46.6)

- Amortisation charges lower due to full utilisation of old customer contract intangibles
- Restructuring and reorganisation costs relate to externally facilitated structural change and efficiency programmes to further reduce divisional cost bases
- Legacy pension settlement of £4.9m in relation to a pension liability on a business disposed of in 2013
- Greyhound impairment charge and North America self-insurance reserves charge discussed on following pages

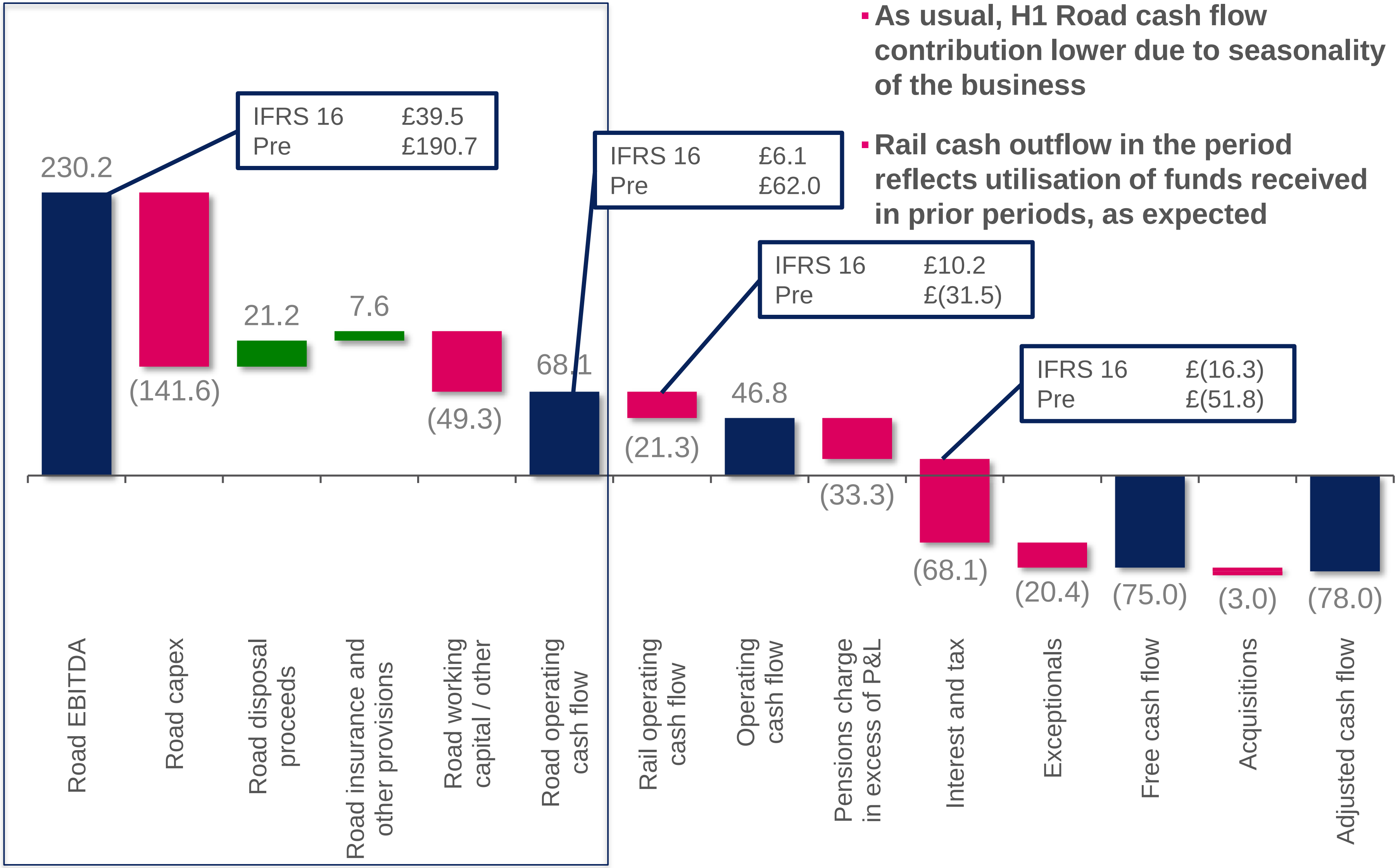
Greyhound impairment

- Greyhound impaired by £124.4m ($153.3m) reflecting updated view of profitability and outlook
- Greyhound CGU valuation as at 30 September 2019 £179.2m ($220.2m)
- Other Greyhound net assets of £46.5m ($57.2m) are excluded from CGU impairment calculations, including working capital, assets held for sale and right of use assets
- Pension deficit (IAS19 basis) £129.2m ($158.8m)
- Self-insurance reserve provision £95.6m ($117.5m)
- The process for the sale of Greyhound is well advanced; discussions ongoing with bidders
- Greyhound £40.5m ($50.8m) EBITDA (pre-IFRS 16) over the past twelve months

North America insurance reserves

- Announced in May an increase in reserve to $533m based on actuaries' recommendation and a second, independent actuarial review
- Since then, claims environment has continued to deteriorate with court judgements that are more punitive and increasingly in favour of plaintiffs in certain regions, and further adverse settlements and developments on a number of aged insurance claims
- Therefore, as at 30 September:
  - Our actuaries have increased their reserve range expectation to $490-610m, with the midpoint increasing by $39m compared with previous valuation
  - We have taken the decision to increase the reserve by a further $34m to provide additional protection
  - Changes in the market-based discount rate for actuarial calculations has also increased the provision by a further $10.1m (included in operating profit and treated as non-adjusting)
  - Combined, the North America insurance reserve has therefore required an additional charge of $83.2m (of which $73.1m is disclosed as an adjusting item), and is now $588m
- The North American divisions' operating results in H1 reflect this revised environment
- It is expected that the majority of claims will be settled over the next five years
- The Group has a strong safety record and focus on risk management, and our performance in this area continues to improve through our consistent investments in technology, training and behavior change

Group cash flow (£m)



- **As usual, H1 Road cash flow contribution lower due to seasonality of the business**
- **Rail cash outflow in the period reflects utilisation of funds received in prior periods, as expected**

Defined Benefit pensions

- Net pension deficit of £307.2m (Mar 2019) increased to £331.1m (Sep 2019) principally due to declining yields, partially offset by higher investment returns than expected

£m	Accounting position as at 30 September 2019			
	Assets	Liabilities	Offsets	Accounting surplus/(deficit)
First Bus scheme	1,311.5	(1,544.3)	-	**(232.8)**
Group scheme	176.9	(147.8)	-	**29.1**
First Bus LGPS schemes	1,366.0	(1,121.4)	(195.7)	**48.9**
UK (ex-Rail) total	2,854.4	(2,813.5)	(195.7)	**(154.8)**
First Rail schemes	2,249.1	(3,898.9)	1,646.0	**(3.8)**
North America schemes	497.0	(669.5)	-	**(172.5)**
Total Group DB schemes	5,600.5	(7,381.9)	1,450.3	**(331.1)**

- April 2019 First Bus triennial valuation progressing with Trustee. Based on initial work and taking into account the parent company guarantee, deficit expected to be below previous value (£302m as at April 2016), albeit c.£80m higher than accounting basis at the equivalent date

Pensions – separation update

- Strategy announcement has facilitated productive engagement with the Trustee as part of the First Bus separation process from the outset
- Expecting focus of discussions with Trustee increasingly to move on to agreeing continued funding level improvement, including consideration of
  - liability management options
  - covenant
  - de-risking the investment strategy and
  - securing member benefits
- "Self-sufficiency" not precisely defined, but we believe achievable in line with a discount rate for liabilities in the range of Gilts to Gilts +50bps in the context of a material change to the Group's portfolio, whilst continuing to reduce exposure to investment risk (especially given rate the Scheme is now maturing following closure to new entrants and to ongoing accrual)
- Whilst a range of outcomes are possible, we have devised a potential framework for pensions in context of First Bus separation, which would be in the region of £360-400m (subject to market conditions at time)
  - Compares to previous expected self-sufficiency valuation of c.£550m
  - Believe framework is responsible and deliverable in a range of potential transaction scenarios

Financial position

- Notwithstanding the presentational changes under IFRS 16, the Group continues to have strong liquidity and a stable financing position:
  - Net debt: EBITDA on the ‘frozen accounting standards basis’ relevant to the Group’s banking covenants was flat at 1.6x
  - Headroom under committed facilities plus free cash: £496.6m (H1 2018: £727.3m) – in January 2019 we repaid the £250m 2019 bond from our revolving bank facilities
  - Long term facilities in place – average maturity of bond debt, senior unsecured loan notes and bank facilities is 3.8 years (H1 2018: 4.0 years)
  - Next maturity £350m bond due April 2021
  - Rated investment grade by Standard & Poor's and Fitch
  - c.50% of net debt denominated in US Dollars via bank debt, finance leases, US private placement borrowing and hedging via derivatives; c.80% at fixed interest rates

2019/20 guidance

- Overall Group outlook (before effects of IFRS 16) in line with our expectations and has increased since our full year results to reflect
  - part-year contribution from West Coast Partnership award and
  - favourable currency translation rates
- Net full year effect of IFRS 16 – which is expected to increase EBITDA by £420-440m, adjusted operating profit by £20-30m and finance costs by £30-40m – is to partially offset these upgrades at adjusted PBT and EPS level
- Margin expectations are underpinned by efficiency programmes launched this year
- Tax rate broadly stable (22-23%)
- No change to pre-IFRS 16 adjusted cash flow expectations

Business review

First Student

- Strong bid season – net fleet increase to c.43,000 and growth in market share again
  - 88% retention rate on 'at risk' business reflects strong safety and customer service record
  - New business mainly net share shift from large competitors, some organic/conversion
  - Price increases continue to cover off cost inflation including from driver shortages
- Bolt-on M&A – two transactions since FY (300 buses), entry into Special Education segment
- Strong school start-up; continue to deliver procurement, operational and maintenance efficiencies
- As ever, H1 margin more reflective of operating days and weather effects in the period

6 months to 30 Sep	$m		Change in constant fx[2]
	H1 2019	H1 2018	
Revenue	**1,078.3**	1,038.5	+4.2%
Adjusted[1] operating profit	**26.7**	36.6	(29.3)%
Adjusted[1] operating margin	**2.5%**	3.5%	(110)bps

[1] Before amortisation charges and certain other items
[2] Based on retranslating H1 2018 foreign currency amounts at H1 2019 rates

First Student

- Sustainable returns from our market-leading multi-year contract portfolio in the home-to-school market
- Balanced growth from organic and M&A-led growth, including entry into adjacent markets and provision of complementary transportation technologies and services

Hamilton County Schools start up, Chattanooga, TN.

EAST END
BUS LINES

Hopewell
TRANSPORTATION

Two acquisitions since full year (300 buses)

First Transit

- Encouraging growth from contract wins and organic progress; continue to win business in existing markets and adapt to evolution of our markets
- Bid discipline maintained – 93% 'at risk' contract retention rate includes loss of two large contracts with sub-optimal returns where we required significant price increases on rebid
- Targeted recruitment and retention initiatives partially mitigated driver wage inflation but two legal settlements and higher self-insurance charge affected margin in the period
- Procurement, driver operations and maintenance efficiencies to raise second half margin relative to H2 2018/19, while maintaining best overall value offering for clients

6 months to 30 Sep	$m		Change in constant fx[2]
	H1 2019	H1 2018	
Revenue	**740.6**	691.3	+7.3%
Adjusted[1] operating profit	**17.6**	32.5	(46.5)%
Adjusted[1] operating margin	**2.4%**	4.7%	(240)bps

[1] Before amortisation charges and certain other items
[2] Based on retranslating H1 2018 foreign currency amounts at H1 2019 rates

First Transit

- Well-established profitable platform to capture long term growth in evolving transit management markets
- Winning MaaS and SAV opportunities and leveraging our partnerships with Transportation Network Companies (TNCs) and others

Fixed route contract for CNG buses, Arlington, VA.


Lyft paratransit services, CA.


Shuttles to new TNC/taxi hub, Los Angeles Airport, CA.

Houston Metro Shared Autonomous Vehicles, TX.

Greyhound

- Marketplace remains challenging with low-cost airline competition and lower fuel prices
- Strong demand in Q1 in southern US border states abruptly slowed to five year low in Q2; actively managing mileage in response to latest demand trends
- Operating margin benefitting from withdrawal from Western Canada and tactical commercial initiatives to grow revenue per mile through pricing and capacity optimisation
- Fleet, technology and customer service investments continuing

6 months to 30 Sep	$m		Change in constant fx[2]
	H1 2019	H1 2018	
Revenue	**422.0**	455.4	(7.1)%
Adjusted[1] operating profit	**16.5**	12.9	+23.1%
Adjusted[1] operating margin	**3.9%**	2.8%	+100bps

[1] Before amortisation charges and certain other items
[2] Based on retranslating H1 2018 foreign currency amounts at H1 2019 rates

First Bus

- LFL revenue and commercial revenue per mile growth of 1.6% through improved customer offering and active network management
  - Partially offset by disappointing summer weather vs prior year, as reported by others
- Contactless and mobile app now 45% of commercial ticket revenue, offers a step change in convenience for passengers; on-bus digital implementation continues to transform efficiency
- Confident in our continued margin momentum; expecting further network and schedule efficiencies, maintenance optimisation and other changes to result in FY margin progress
- Importance of bus services to local economies increasingly being recognised – growth in central government funding and local authority partnerships (supported by clean air agenda)

6 months to 30 Sep	£m		Change in constant fx[2]
	H1 2019	H1 2018	
Revenue	**424.5**	433.9	(2.2)%
Adjusted[1] operating profit	**21.5**	24.8	(13.3)%
Adjusted[1] operating margin	**5.1%**	5.7%	(60)bps

[1] Before amortisation charges and certain other items

[2] Based on retranslating H1 2018 foreign currency amounts at H1 2019 rates

First Rail

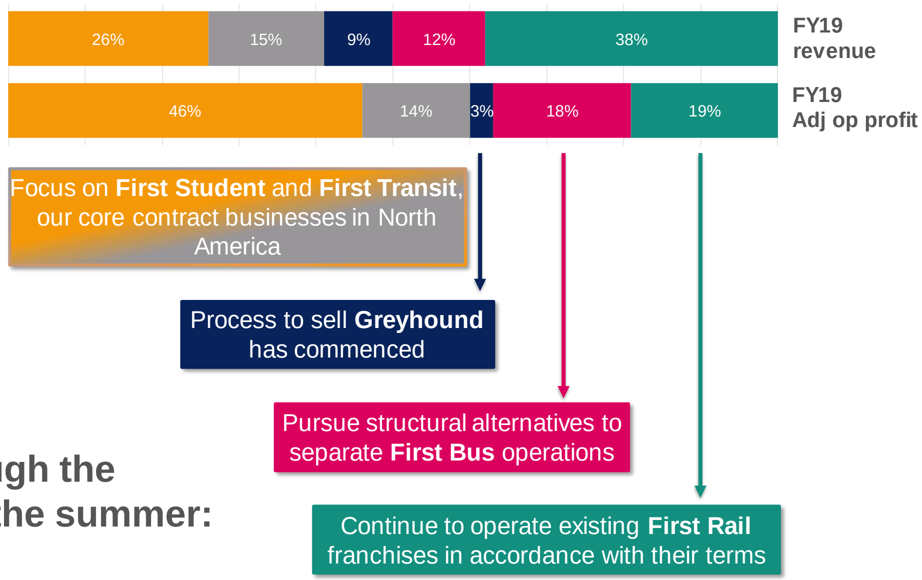
- Focused on delivering service improvements and other commitments for passengers – largest GWR timetable change in a generation, fleet upgrades across several franchises
- LFL passenger revenue growth +4.9%, passenger volumes +4.1%
- Financial performance driven by GWR
- Engaged in negotiations with DfT to work through potential commercial and contractual amendments to reflect timetable deferrals and other issues, in accordance with current franchise agreements
- West Coast Partnership mobilisation on track for 8 December start
  - Remedies proposed to CMA are in line with our expectations in bidding process

6 months to 30 Sep	£m		Change
	H1 2019	H1 2018	
Revenue	**1,323.5**	1,224.2	+8.1%
Adjusted[1] operating profit	**48.9**	29.3	+66.9%
Adjusted[1] operating margin	**3.7%**	2.4%	+130bps

[1] Before amortisation charges and certain other items

Strategic progress

- **FirstGroup has:**
  - Five market-leading public transportation businesses…
  - …with limited synergies, particularly between North America and UK…
  - …that face a number of friction costs and constraints that need to be resolved



- **Creating value is therefore best achieved through the portfolio rationalisation process we started in the summer:**
  - Greyhound sale process well advanced
  - First Bus separation workstreams making progress; pension funding framework developed
  - Cost actions and clean air funding to drive further First Bus progress ahead of formal sale process
  - UK rail portfolio, strengthened with West Coast Partnership win, being managed for value
  - Our North American contracting divisions are attractive and valuable assets, well positioned in profitable growth markets
- **Intent on realising value for shareholders and will actively manage our entire portfolio by all appropriate means**

Summary

- H1 adjusted trading in line with expectations and outlook in line
- Driving forward divisional business plans to grow and create value
- Portfolio rationalisation strategy moving forward
- Resolute focus on realising value for shareholders from our portfolio by all appropriate means

First

FirstGroup plc
2019 half-yearly results

Thursday 14 November 2019

Appendices

Financial results

£m	H1 2019	H1 2018	Change
Revenue	**3,531.9**	3,303.3	+6.9%
EBITDA[1]	**434.2**	255.1	+70.2%
EBITDA margin %	**12.3%**	7.7%	+460bps
Operating profit[2]	**97.7**	92.4	+5.7%
Operating profit margin %	**2.8%**	2.8%	–
Net finance costs	**(69.0)**	(50.4)	(36.9)%
Profit before tax[2]	**28.7**	42.0	(31.7)%
Non-GAAP adjustments	**(215.8)**	(46.6)	
Loss before tax	**(187.1)**	(4.6)	n/m
Tax	**14.2**	(4.6)	
Loss after tax	**(172.9)**	(9.2)	n/m
Basic EPS p	**(14.3)p**	(0.6)p	n/m
Adjusted EPS p	**2.0p**	2.9p	(31.0)%

[1] Adjusted operating profit less capital grant amortisation plus depreciation
[2] Before other intangible amortisation charges and certain other items

Divisional performance

	Revenue		Change in CCy	Operating profit[1]		Change in CCy	Operating margin[1]		Change in CCy
	H1 2019	H1 2018		**H1 2019**	H1 2018		**H1 2019**	H1 2018	
£m									
First Student	**851.6**	775.2	+4.2%	**18.3**	24.6	(29.3)%	**2.1%**	3.2%	(110)bps
First Transit	**588.7**	519.6	+7.3%	**13.8**	24.4	(46.5)%	**2.3%**	4.7%	(240)bps
Greyhound	**335.4**	342.6	(7.1)%	**13.3**	10.2	+23.1%	**4.0%**	3.0%	+100bps
First Bus	**424.5**	433.9	(2.2)%	**21.5**	24.8	(13.3)%	**5.1%**	5.7%	(60)bps
Group items	**8.2**	7.8		**(18.1)**	(20.9)				
Road divisions	**2,208.4**	2,079.1	+1.8%	**48.8**	63.1	(26.5)%	**2.2%**	3.0%	(90)bps
First Rail	**1,323.5**	1,224.2	+8.1%	**48.9**	29.3	+66.9%	**3.7%**	2.4%	+130bps
Total Group	**3,531.9**	3,303.3	+4.1%	**97.7**	92.4	+2.1%	**2.8%**	2.8%	–
$m[2]									
First Student	**1,078.3**	1,038.5		**26.7**	36.6		**2.5%**	3.5%	
First Transit	**740.6**	691.3		**17.6**	32.5		**2.4%**	4.7%	
Greyhound	**422.0**	455.4		**16.5**	12.9		**3.9%**	2.8%	
North America	**2,240.9**	2,185.2		**60.8**	82.0		**2.7%**	3.8%	

[1] Before other intangible amortisation charges and certain other items
[2] US Dollar amounts include Canadian Dollars converted at the exchange rates prevailing in either period

IFRS 16 (Leases) – P&L effects by division

£m	H1 2019			H1 2018
	Under old IAS17	IFRS 16 effect	**Under IFRS 16**	Under old IAS 17
EBITDA[1]				
First Student	111.6	+16.1	**127.7**	111.5
First Transit	24.7	+4.3	**29.0**	34.2
Greyhound	25.6	+9.6	**35.2**	23.7
First Bus	45.6	+8.7	**54.3**	52.8
Group items	(16.8)	+0.8	**(16.0)**	(19.7)
Road divisions	190.7	+39.5	**230.2**	202.5
First Rail	62.2	+141.8	**204.0**	52.6
Total Group	252.9	+181.3	**434.2**	255.1

£m	H1 2019			H1 2018
	Under old IAS17	IFRS 16 effect	**Under IFRS 16**	Under old IAS 17
Adjusted operating profit[2]				
First Student	18.6	(0.3)	**18.3**	24.6
First Transit	14.2	(0.4)	**13.8**	24.4
Greyhound	12.0	+1.3	**13.3**	10.2
First Bus	20.6	+0.9	**21.5**	24.8
Group items	(18.1)	-	**(18.1)**	(20.9)
Road divisions	47.3	+1.5	**48.8**	63.1
First Rail	41.4	+7.5	**48.9**	29.3
Total Group	88.7	+9.0	**97.7**	92.4

[1] Adjusted operating profit less capital grant amortisation plus depreciation

[2] Before other intangible asset amortisation charges and certain other items

First Student

$m	H1 2019	H1 2018	Change in CCy[1]
Revenue	**1,078.3**	1,038.5	+4.2%
Operating profit[2]	**26.7**	36.6	(29.3)%
Margin %	**2.5%**	3.5%	(110)bps

$m	Revenue	Operating profit[2]
H1 2018	**1,038.5**	**36.6**
Operating/weather days	(16.2)	(7.0)
Pricing above inflation	13.4	13.4
Net growth	22.6	1.6
Pay above inflation	-	(6.9)
Insurance	-	(5.1)
Inflation / FX / Other	20.0	(5.9)
H1 2019	**1,078.3**	**26.7**

[1] Change in constant currency is based on retranslating H1 2018 foreign currency amounts at H1 2019 rates
[2] Before amortisation charges and certain other items

First Transit

$m	H1 2019	H1 2018	Change in CCy[1]
Revenue	**740.6**	691.3	7.3%
Operating profit[2]	**17.6**	32.5	(46.5)%
Margin %	**2.4%**	4.7%	(240)bps

$m	Revenue	Operating profit[2]
H1 2018	**691.3**	**32.5**
Growth / new business / pricing	29.8	7.7
Pay above inflation	-	(3.6)
Insurance	-	(11.5)
Legal settlements	-	(3.5)
Inflation / FX / other	19.5	(4.0)
H1 2019	**740.6**	**17.6**

1 Change in constant currency is based on retranslating H1 2018 foreign currency amounts at H1 2019 rates
2 Before amortisation charges and certain other items

Greyhound

$m	H1 2019	H1 2018	Change in CCy[1]
Revenue	**422.0**	455.4	(7.1)%
Operating profit[2]	**16.5**	12.9	+23.1%
Margin %	**3.9%**	2.8%	100bps

$m	Revenue	Operating profit[2]
H1 2018	**455.4**	**12.9**
Revenue	3.1	3.1
Cost inflation	-	(9.3)
Canada closure	(34.3)	3.9
Property gains	-	(2.3)
Management actions	(0.9)	9.5
Marketing phasing	-	3.5
Insurance	-	(2.6)
FX / other	(1.3)	(2.2)
H1 2019	**422.0**	**16.5**

[1] Change in constant currency is based on retranslating H1 2018 foreign currency amounts at H1 2019 rates
[2] Before amortisation charges and certain other items

First Bus

£m	H1 2019	H1 2018	Change in CCy[1]
Revenue	**424.5**	433.9	(2.2)%
Operating profit[2]	**21.5**	24.8	(13.3)%
Margin %	**5.1%**	5.7%	(60)bps

£m	Revenue	Operating profit[2]
H1 2018	**433.9**	**24.8**
LFL revenue	1.0	1.0
Cost inflation	-	(10.6)
Management actions	-	3.9
Fuel	-	(3.0)
Depot disposals	(11.6)	3.2
Other	1.2	2.2
H1 2019	**424.5**	**21.5**

1 Change in constant currency is based on retranslating H1 2018 foreign currency amounts at H1 2019 rates
2 Before amortisation charges and certain other items

First Rail

£m	H1 2019	H1 2018	Change
Revenue	**1,323.5**	1,224.2	+8.1%
Operating profit[1]	**48.9**	29.3	+66.9%
Margin %	**3.7%**	2.4%	+130bps

Like-for-like passenger revenue, six months to	Sep 2019	Mar 2019	Sep 2018	Mar 2018
Great Western Railway (GWR)	**5.7%**	5.6%	**4.6%**	3.6%
TransPennine Express (TPE)	**4.7%**	6.9%	**9.4%**	10.2%
South Western Railway (SWR)	**4.1%**	8.4%	**n/a**	n/a
Hull Trains	**4.1%**	4.0%	**5.6%**	(0.3)%
Total	**4.9%**	7.0%	**5.5%**	4.8%

- Like-for-like volume increased by 4.1% in the six months to September 2019

[1] Before amortisation charges and certain other items

Rail cash flow H1 2019 – pre IFRS 16

- Rail is cash generative, with profit after tax equating to dividends available for the Group, albeit with some phasing of the funds flows
- First Rail "capital expenditure" is typically matched by franchise receipts, capital grants or other funding from third parties, agreed in advance of franchise start

Net Rail cash inflow		£m
Cash from trading		
Rail operating profit		41
Depreciation	35	
Third party grant amortisation	(14)	
Franchise payment capital amortisation	(13)	
		8
		49
Capital expenditure cash flows		
In-year capex spend	(51)	
Franchise payment capital receipts	5	
Third party capital grant receipts	9	
Net capital receipts		**(37)**
Contract provision utilisation		**(60)**
Working capital/other		**16**
Net rail cash flow for H1 2019		**(31)**

→ Capital payments offset by capital receipts

→ Utilisation of contract provision (SWR/TPE)

→ Temporary timing benefit, to reverse in future years

Ring-fenced cash		£m
Opening ring-fenced cash		525
Working capital	16	
Net capital receipts	(37)	
PCS/AFC	18	
Contract provision utilisation	(60)	
Other	35	
		(28)
Closing ring-fenced cash		**497**

Rail cash flow FY2015 to H1 2019 – pre IFRS 16

Net Rail cash inflow		£m
Cash from trading		
Rail operating profit		372
Depreciation	431	
Third party grant amortisation	(125)	
Franchise payment capital amortisation	(222)	
		84
		456
Capital expenditure cash flows		
Cumulative capex spend	(501)	
Franchise payment capital receipts	353	
Third party capital grant receipts	157	
Net capital receipts		**9**
Contract provision utilisation		**(60)**
Working capital/other		**124**
SWR MTR PCS/AFC (at 30%)		**21**
End of franchise outflows	(178)	
Start of franchise inflows	89	
		(89)
Net rail cash inflow over period		**462**

Ring-fenced cash		£m
Opening ring-fenced cash		361
Working capital	124	
Contract provision utilisation	(60)	
Net capital receipts	9	
SWR MTR PCS/AFC (at 30%)	21	
PCS/AFC (£49m SWR FG at 70%, £50m TPE)	99	
End of franchise outflows	(178)	
Start of franchise inflows	89	
Other	32	
		136
Closing ring-fenced cash		**497**

- Capital payments offset by capital receipts
- Contract loss provision utilisation (TPE/SWR)
- £86m of working capital to reverse in future years
- MTR 30% share of SWR PCS/AFC
- Outflows: First ScotRail £(106)m, First Capital Connect £(72)m; inflows: SWR £89m

Current diesel hedge position

Year to 31 March	UK			North America		
	2019/20	2020/21	2021/22	2019/20	2020/21	2021/22
Annual volume (barrels 'm)	1.7	1.3	1.3	1.3	1.3	1.3
% hedged	87%	53%	30%	57%	28%	13%
Crude rate ($/barrel)	$65.47	$66.00	$68.84	$62.10	$65.34	$68.93
Diesel rate ($/barrel)	$77.94	$79.10	$80.88	$80.43	$81.20	$84.51
Equivalent cost per litre	35.8p	36.6p	37.7p	US 50.6¢	US 51.1¢	US 53.2¢

	First Bus	First Rail	First Student	First Transit	Greyhound	**Total**
Annual volume (barrels 'm)	0.8	0.9	0.7	0.1	0.5	**3.0**

- Prices include crude and refining cost but exclude delivery margins, duty, taxes and BSOG
- Equivalent cost per litre reflects FX hedges placed at $1.37, $1.36 and $1.35 : £1.00 in 2019/20 to 2021/22
- North America annual volume excludes c.2.2m barrels provided by customers or protected by contract escalators
- The decrease in expected annual volume consumption in 2020/21 reflects the end of the minimum GWR franchise term

Foreign exchange

- Lower US Dollar compared to March balance sheet date:

	30 Sep 2019	31 Mar 2019	30 Sep 2018
Closing rate for the balance sheet US$	**$1.23**	$1.30	$1.30
Closing rate for the balance sheet CAN$	**$1.63**	$1.74	$1.68

- Lower US Dollar compared to prior period effective rate:

	Six months to 30 Sep 2019	Year to 31 Mar 2019	Six months to 30 Sep 2018
Effective rate US$ earnings	**$1.34**	$1.32	$1.38
Effective rate CAN$ earnings	**$1.84**	$1.74	$1.84

- "Certain" and "highly probable" foreign currency transaction exposures may be hedged at the time the exposure arises for up to two years at specified levels, or longer if there is a very high degree of certainty. The Group does not hedge the translation of earnings into the Group reporting currency (pounds Sterling), but accepts that reported Group earnings will fluctuate as exchange rates against pounds Sterling fluctuate for the currencies in which the company does business. During the year, the net cash generated in each currency may be converted by Group Treasury into pounds Sterling by way of spot transactions in order to keep the currency composition of net debt broadly constant

Net finance costs and taxation

Net finance costs, £m	H1 2019	H1 2018
Bonds	28.2	30.2
Bank borrowings	8.7	5.4
Loan notes	0.6	0.5
Senior unsecured loan notes	4.7	4.4
Lease interest	17.4	1.5
Notional interest on long term provisions	5.9	5.6
Notional interest on pensions	4.7	3.9
Investment income	(1.2)	(1.1)
Net finance costs	69.0	50.4

Taxation, £m	H1 2019	H1 2018
Current tax	0.5	1.4
Deferred tax	(14.7)	3.2
Tax (credit)/charge	(14.2)	4.6
Tax paid	2.0	4.3
Tax rate on adjusted profit before tax %	14.6%	22.5%

EBITDA by division

	Revenue		EBITDA[1]		EBITDA margin[1]	
	H1 2019	H1 2018	**H1 2019**	H1 2018	**H1 2019**	H1 2018
£m						
First Student	**851.6**	775.2	**127.7**	111.5	**15.0%**	14.4%
First Transit	**588.7**	519.6	**29.0**	34.2	**4.9%**	6.6%
Greyhound	**335.4**	342.6	**35.2**	23.7	**10.5%**	6.9%
First Bus	**424.5**	433.9	**54.3**	52.8	**12.8%**	12.2%
Group items	**8.2**	7.8	**(16.0)**	(19.7)		
Road divisions	**2,208.4**	2,079.1	**230.2**	202.5	**10.4%**	9.7%
First Rail	**1,323.5**	1,224.2	**204.0**	52.6	**15.4%**	4.3%
Total Group	**3,531.9**	3,303.3	**434.2**	255.1	**12.3%**	7.7%
$m[2]						
First Student	**1,078.3**	1,038.5	**164.3**	152.3	**15.2%**	14.7%
First Transit	**740.6**	691.3	**36.8**	45.5	**5.0%**	6.6%
Greyhound	**422.0**	455.4	**44.0**	31.0	**10.4%**	6.8%
North America	**2,240.9**	2,185.2	**245.1**	228.8	**10.9%**	10.5%

[1] Adjusted operating profit less capital grant amortisation plus depreciation
[2] US Dollar amounts include Canadian Dollars converted at the exchange rates prevailing in either period

Capital expenditure

£m	H1 2019	H1 2018
Passenger carrying vehicles (PCV)	218.4	203.0
IT including transformation & software	3.0	1.4
Equipment	14.0	9.9
Facilities and depot development	12.9	6.7
Acquisitions	3.0	2.3
Road divisions capital investment	**251.3**	223.3
First Rail	120.3	46.3
Total capital investment	**371.6**	269.6
Net creditor movement	(44.1)	(37.5)
Funded by lease	(131.0)	(40.2)
Cash capex	**196.5**	191.9

- Disciplined investments principally in vehicle fleet continues
- Road cash capital expenditure in line with expectations
- Fleet investment prioritised to
  - Student retention and volume growth
  - Low-emission fleet in First Bus
- Leases with a capital value of £60.4m entered into in the Road Divisions' in the period

Total capital expenditure and acquisitions

£m	Cash		Fixed asset / software additions (including acquisitions)	
	H1 2019	H1 2018	**H1 2019**	H1 2018
First Student[1]	**84.1**	103.8	**135.9**	160.5
First Transit	**16.4**	10.8	**14.9**	10.8
Greyhound	**28.2**	15.7	**26.5**	9.1
First Bus	**13.9**	14.8	**6.8**	2.7
First Rail	**51.9**	46.8	**49.8**	46.3
Group items	**2.0**	-	**2.0**	-
Total	**196.5**	191.9	**235.9**	229.4

- In addition, during the period we entered into leases in the Road divisions' with capital values in First Student of £48.9m (H1 2018: £7.8m), First Transit of £0.1m (H1 2018: £3.4m), Greyhound of £6.2m (H1 2018: £10.2m), First Bus of £5.2m (H1 2018: £18.8m) and Group items £0.1m (H1 2018: £nil)

First Rail commitments and bonds

30 September 2019, £m		GWR	TPE	SWR 70% share	Total
First Rail commitments					
Parent company support (PCS) incl AFC total commitment	A	30.0	173.8	82.2	286.0
- Of which, unbonded commitment (non-cash)	B	*30.0*	*89.4*	*51.6*	*171.0*
- Of which, PCS bond (non-cash)	C	-	*84.4*	*30.6*	*115.0*
Performance bond (non-cash)	D	10.0	15.0	10.5	35.5
Season ticket bond (cash collateralised)	E	29.6	2.9	52.4	84.9
Total First Rail bonds (C+D+E)		**39.6**	**102.3**	**93.5**	**235.4**
PCS and performance bond – 'downside' (A+D)		**40.0**	**188.8**	**92.7**	**321.5**

First Rail ring-fenced cash					
Ring-fenced cash as at 30 September 2019		275.1	68.1	153.6	496.8
- Current expected end of franchise date		*Mar 2020*	*Mar 2023*	*Aug 2024*	
- Estimated end of franchise cash outflows		*117*	*40*	*123*	*280*

- PCS and performance bond (A+D) combined represent the maximum committed funding obligations accruing to the Parent in respect of franchise losses or non-performance over their contract lives
  - As at 30 September 2019, approximately £96m of this maximum committed funding had been utilised
- Monies that cash-collateralise the season ticket bonds are part of the First Rail ring-fenced cash
- The additional cash in the First Rail ring-fence represents cash to be spent by the franchise or returned to the Parent over the life of the franchise

Defined Benefit (DB) pensions

£m	Accounting position as at 30 September 2019				Cash contributions
	Assets	Liabilities	Offsets	Accounting surplus/(deficit)	H1 2019
First Bus scheme	1,311.5	(1,544.3)	-	**(232.8)**	**12.7**
Group scheme	176.9	(147.8)	-	**29.1**	**1.0**
First Bus LGPS schemes	1,366.0	(1,121.4)	(195.7)	**48.9**	**11.5**
UK (ex-Rail) total	2,854.4	(2,813.5)	(195.7)	**(154.8)**	**25.2**
First Rail schemes	2,249.1	(3,898.9)	1,646.0	**(3.8)**	**18.3**
North America schemes	497.0	(669.5)	-	**(172.5)**	**19.1**
Total Group DB schemes	5,600.5	(7,381.9)	1,450.3	**(331.1)**	**62.6**

- UK schemes valued every three years (next valuations: main Bus scheme, LGPS scheme in England and Rail Pension Scheme currently underway, LGPS Scotland in 2020, Group scheme in 2021)
- First Bus and Group schemes benefit from FirstGroup plc funding guarantees; deficit reduction plans fully agreed for these schemes
- Based on the draft valuation results as at April 2019, and taking into account the parent company guarantee provided by FirstGroup plc, the draft First Bus scheme funding deficit is approximately £80m higher than the accounting position at the valuation date
- First Bus and Group schemes closed to future accrual, three Local Government Pension Schemes (LGPS) closed to new members

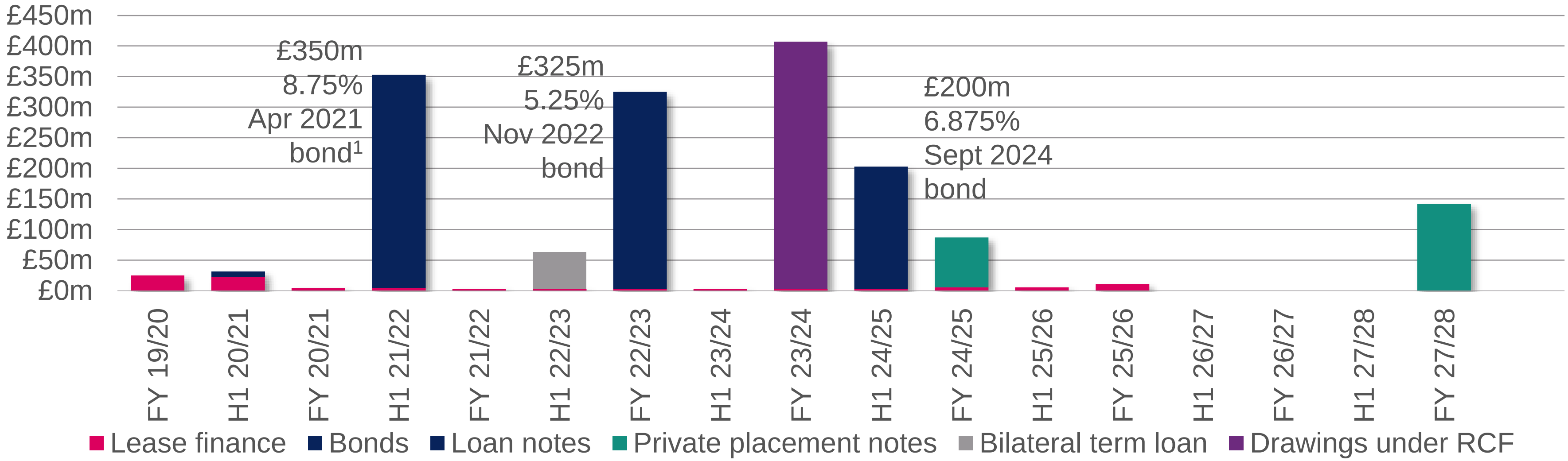
Pensions

£m	Deficit			Cash contributions			P&L charge[1]		
	Sep 19	Mar 19	Sep 18	6m to Sep 19	12m to Mar 19	6m to Sep 18	6m to Sep 19	12m to Mar 19	6m to Sep 18
North America	**(172.5)**	(164.4)	(140.2)	**19.1**	27.2	17.7	**4.5**	11.1	4.4
First Bus	**(154.8)**	(139.7)	(86.2)	**25.2**	43.1	22.9	**6.4**	34.8	5.3
First Rail	**(3.8)**	(3.1)	(2.4)	**18.3**	38.6	17.3	**18.4**	38.7	17.4
Total	**(331.1)**	(307.2)	(228.8)	**62.6**	108.9	57.9	**29.3**	84.6	27.1

- Net pension deficit of £307.2m (Mar 2019) increased to £331.1m (Sep 2019) principally due to declining yields, partially offset by higher investment returns than expected

[1] Service costs excluding interest for defined benefit schemes

Financial position (pre-IFRS 16)



- Strong liquidity and stable financing position
  - In addition to the debt instruments noted above, reported net debt of £2,084.1m also includes £1,022m which was added as a result of adoption of IFRS16, of which £726m relates to Rail (mainly rolling stock), and £296m relates to the Road divisions (property, PCVs and other leases)
  - Headroom under committed facilities plus free cash: £496.6m (H1 2018: £727.3m). £394.4m (H1 2018: £587.0m) of undrawn facilities under committed bank revolving credit facility (RCF) expiring November 2023. Free cash of £102.2m (H1 2018: £140.3m) excludes First Rail and other ring-fenced cash and deposits of £496.8m (H1 2018: £453.8m)
  - In January 2019 we repaid the £250m 2019 bond from our revolving bank facilities
  - Long term facilities in place – average maturity 3.8 years (H1 2018: 4.0 years) of bond debt, senior unsecured loan notes and bank facilities

[1] The April 2021 bond has been swapped to floating rates and hence has a lower effective rate net of these swaps

ROCE (Pre-IFRS 16 basis)

	Group ROCE	Road divisions ROCE
As at 30 September 2018	**9.2%**	**6.3%**
Foreign exchange	(0.4)%	(0.2)%
ROCE at constant currency	**8.8%**	**6.1%**
Rail division trading	0.6%	-
SWR contract provision	0.5%	-
Road divisions trading	(0.8)%	(0.7)%
North America insurance provision	0.5%	0.3%
Greyhound impairment	0.4%	0.2%
Tax rate / other	0.1%	0.1%
As at 30 September 2019	**10.1%**	**6.0%**

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