



Acquisition of RATP London

10 December 2024

A significant acquisition for FirstGroup

The acquisition of RATP London will further diversify our portfolio, materially grow our earnings in the medium term and allow us to enter the London bus market at scale

Acquisition overview

- Agreement to purchase RATP Dev Transit London ('RATP London') and its subsidiaries for an enterprise value of £90m
- Anticipated to be broadly earnings neutral in FY 2025 and FY 2026 and operating cashflow positive from FY 2027
- The acquisition is anticipated to complete in H1 CY 2025

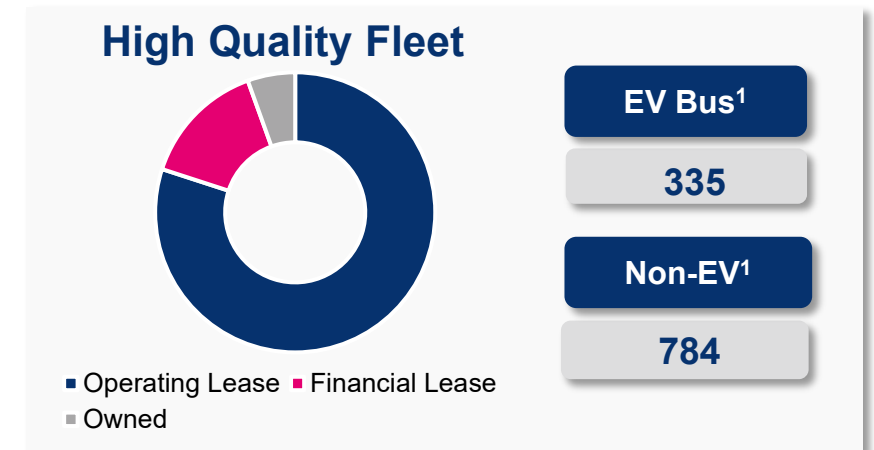
Strong strategic rationale

- Clear alignment with the Group's strategic priorities and disciplined capital allocation policy
- Combined with recent acquisitions in First Bus, further highlights attractive growth pipeline in UK bus
- Will grow and enhance our operational footprint, entering London as the market recovers
- Provides material earnings growth and diversification in the medium term
- Bolsters our credentials when participating in franchising opportunities across the UK
- The Group has identified a number of synergies that could further enhance profitability
- RATP London's experienced management team expected to transfer to the Group to continue implementation of proven turnaround plan

RATP London overview

One of London's principal bus operators with a c.12% market share operating out of ten depots in Central and West London

- A key operator in an attractive market with well-established franchise model
- Fleet of c.1,000 buses with an average fleet age of 6.8 years
- c.3,700 employees, of whom over 80% are drivers
- Senior management hires over the last three years to develop and implement a comprehensive turnaround plan
- Established depot network: 10 depots in central and west London; six leased and four owned
- Revenues of £271m reported in 2023
- Early mover in electrification – c.30% of RATP London's fleet was electric vs.16%¹ for the London market (as at 31 March 2024)



London is an established market with strong fundamentals

Bus remains the key mode of transport in London, with revenue generated through route level gross cost contracts that provide operators with visibility and security of earnings

A resilient market¹

- A £2.1bn market, c.46% of the UK bus market
- 9,000 buses and six major operators
- Average of 192 journeys per capita in 2023 (>50% of all journeys made)
- Network miles operated have remained broadly stable between 2012-2020 with only a very modest decline between 2020-2024
- Long-term funding growth of c.3%¹ pa in 2004-2023; bus funding was c.25% of total TfL operating expenditure in 2023

Positive outlook for growth²

- London population and tourist volumes are projected to continue to grow
- TfL has forecast bus passenger journeys to recover to pre pandemic levels by 2027; (+13% vs. March 2024)
- Modal shift and bus priority measures including Ultra Low Emission Zones across London and the introduction of new bus priority lanes will support volumes
- TfL is targeting an entirely zero-emission bus fleet by 2034 at the latest and electrification is now compulsory in the overall bidding process



Financial Overview

A material contribution to Group earnings in the medium term

Acquisition overview

- Enterprise value of £90m
- Financed with £45 million in cash and the assumption of RATP London's asset backed vehicle finances leases (c.£45 million); maintains the Group's balance sheet flexibility
- Four owned depots with existing use value of c.£50m; c.£100m physical asset underpin
- Profit recovery underway driven by turnaround plan that includes enhanced bid discipline and improved operational and cost performance

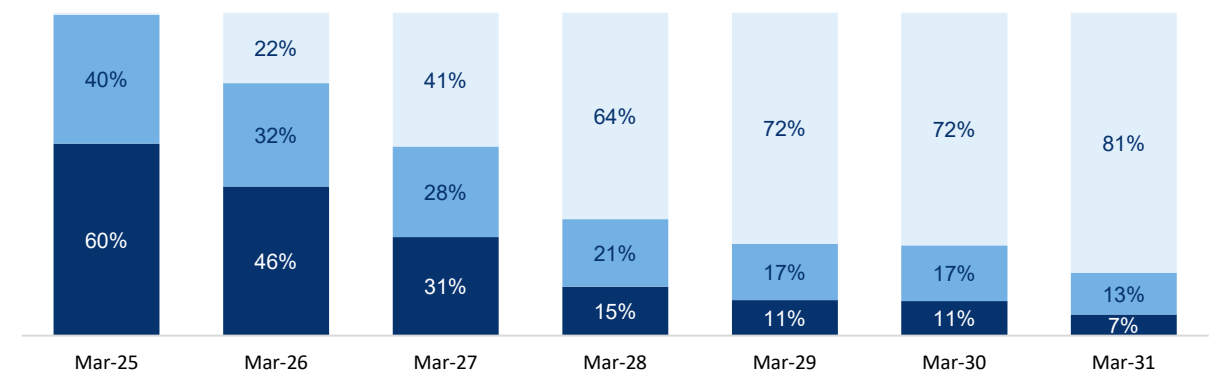
Post completion assumptions

- Broadly earnings neutral in FY 2025 and FY 2026
- Profit recovery underway driven by recent tender and cost base remediation - annual revenues of £300-350m over the next five years as the contract portfolio evolves; margins of 6-7% anticipated, in line with historical London levels
- c.40% of contracts with a positive earnings contribution; the Group will recognise onerous contracts provisions of c.£40-50m on future losses on contracts entered into prior to 2022
- Operating cash outflows of c. £30m in the first two years of ownership after bus operating lease payments and capex
- The business is expected to be operating cash positive from FY 2027 assuming continued use of operating leases to finance buses, bus financing will be reviewed going forward given electrification

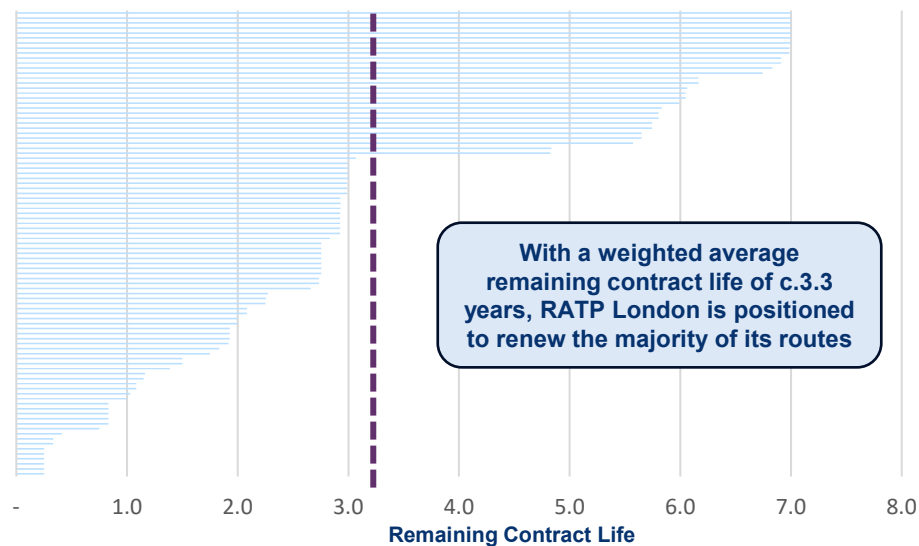
An improving contract portfolio

As RATP London's route contract portfolio evolves over the next five years, annual revenues are expected to grow to £300-350m, with operating margins in line with historical London levels of c.6-7%

- RATP London 2023 revenue of £271 million:
 - 98%: c.90 TfL CPI linked¹ route contracts
 - 2%: non-TfL: rail replacement, school bus, advertising
- Route contracts typically have a 7-year maturity
- On average c.13 contracts in the portfolio are renewed each year
- With a weighted average remaining contract life of c.3.3 years RATP London is well positioned to renew the majority of its routes at more attractive rates as the market improves



■ Contract Revenue - Loss Making Contracts ■ Contract Revenue - Profitable Contracts ■ Contract Revenue - Renewals



Positive contribution from FY 2026

Financial performance

- **Group:** earnings neutral in FY 2026 with growth thereafter
- Interest: c.£6m increase in FY 2026 interest cost including IFRS 16 relating to the Acquisition
- **First Bus:** some contribution from RATP London to FY 2026 adjusted operating profit, at a lower margin
- **First Rail:** c.£80m inflow over three years from April 2025 (as previously guided)

Investment

- **First Bus:** c.£125m net cash capex in both FY 2025 and FY 2026, mostly on electrification; (excludes bus purchased in RATP London, where bus operating leases will be under review)
- **First Rail:** remains capital-light

Balance sheet

- FY 2025 year-end adjusted net debt of c.£110m, increasing to c.£130m in FY 2026
- Maintain less than 2.0x Adjusted Net Debt: rail management fee-adjusted EBITDA, in the medium term

Growth

- Actively reviewing pipeline organic and inorganic growth opportunities that create value for shareholders and exceed the Group's cost of capital

Shareholder returns

- The Board remains committed to returning surplus cash to shareholders
- Additional £50m buyback programme launched on 15 November 2024;
- Progressive dividend policy of c.3x cover of Group adjusted earnings; paid c.1/3 interim and 2/3 final dividend



Conclusion

Conclusion

- A significant transaction that will transform our First Bus business and materially grow earnings in the medium term
- Strong strategic rationale, delivering growth and diversification of earnings
- An excellent entry point into London, as the market recovers
- A strong management team joining FirstGroup to continue the transformation of the business
- Further growth opportunities and synergies including in electrification where we have strong capability
- Bolsters our credentials when participating in franchising opportunities across the UK
- We will maintain our capital allocation policy balancing growth investments and shareholder returns



Q&A

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