FirstGroup

Results for the 52 weeks to 26 March 2022

Tuesday 14 June 2022

Agenda

1. Overview
   David Martin

2. Financial review
   Ryan Mangold

3. Business review
   Graham Sutherland

4. Summary
   David Martin

A transformed business

Delivered on our commitments to simplify and refocus business while releasing value to shareholders

- All three North American businesses sold for full strategic value
- Balance sheet deleveraged and de-risked, with pension position strengthened
- £500m returned to shareholders through tender offer
- Evolution of Board complete and new CEO Graham Sutherland in place

Encouraging progress in realising further sources of value

- Greyhound legacy asset and liability management ahead of plan – expect to exceed $155m value realisation target from FY 2023 onwards
- First Transit earnout – maximum potential increased to $290m ($140m carrying value)
- UK pension escrow – release of up to £117m over medium term

Resilient earnings base established, with First Bus becoming more agile and longer term visibility for First Rail

- First Bus now delivering network, pricing and cost actions more flexibly in response to passenger demand and inflationary environment
- Up to 6yr GWR National Rail Contract awarded today; DfT expect to conclude Avanti contract of up to 10 years in autumn 2022
- Inflection point for government support of public transport in the UK
- Additional earnings opportunities added in both divisions – new B2B contracts, SPS, Lumo

Solid foundations in place for sustainable, long term value creation and balanced capital allocation policy

- While some uncertainty remains around the pace of recovery, current trading is in line with our expectations with the Group expected to make significant further progress in FY 2023
- First Bus investment to meet zero emission fleet commitments well covered by divisional cash generation and government co-funding
- Actively developing further organic and inorganic opportunities for value creation in the UK and elsewhere
- Progressive annual dividends to begin – final for FY 2022 of 1.1p per share proposed
- Potential for further additional distributions to shareholders over time

FY 2022 financial performance ahead of expectations

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Financial review summary

- **FY 2022 continuing operations ahead of expectations**
  - Stronger First Rail performance than expected at start of year and central cost reductions ahead of plan following disposals; First Bus profit growth in line
  - Underlying operational cash flow ahead of expectations, adjusted net debt lower than guided
- **Strong progress in Group adjusted attributable profit demonstrates earnings momentum of the new group**
  - Financial framework for investment, gearing and shareholder returns recognises the actual cash flows from the four main rail contracts
  - Resilient earnings base with improved cash conversion provides a robust foundation to drive future value
- **Balance sheet de-risked and positive developments in further sources of value**
  - De-risking of Greyhound liabilities is ahead of plan; property portfolio sale well advanced
  - First Transit maximum earnout potential increased to $290m ($140m carrying value)
  - UK pensions in accounting surplus; £11.8m realised from a LGPS scheme after year end
- **Strong financial position and outlook for profit and cash generation in FY 2023 underpins a balanced capital allocation policy including start of dividends**

Financial summary

Adjusted profit from ongoing group and adjusted net debt were ahead of expectations

£m	**FY 2022 Continuing**	FY 2022 Discontinued	FY 2022 Total	**FY 2022 change vs FY 2021 (Continuing)**
Revenue	**4,591.1**	996.9	5,588.0	**+272.3**
Group attributable adjusted profit[1]	**36.2**	n/a	36.2	**+16.3**
Adjusted[2]				
- Operating profit	**106.7**	120.1	226.8	**(5.5)**
- Margin %	**2.3%**	12.0%	4.1%	
- Net finance costs[3]	**(81.9)**	(11.5)	(93.4)	**+60.0**
- Profit before tax	**24.8**	108.6	133.4	**+54.5**
- Earnings per share[5] p	**1.6p**	8.6p	10.2p	**+4.4p**
Dividend per share p			**1.1p**	
Adjusting items	**(42.5)**	563.2	520.7	
- of which, bond make-whole costs	***(50.0)***	-	*(50.0)*	
- of which, other items	***7.5***	*563.2*	*570.7*	
Statutory operating profit	**122.8**	683.3	806.1	
Adjusted Net Debt[4]			**3.9**	**(1,434.8)**

1 Earnings from continuing operations adjusted for First Rail management fees and pro forma interest – see p.9 for more detail.
2 Before net adjusting items described in more detail on p.31.
3 Includes lease interest on Right of Use assets of £41.0m. Make-whole costs of £50.0m and the write-off of unamortised bridge, bond and facility costs of £8.6m are both adjusting items and hence are not included in adjusted net finance costs.
4 'Adjusted net debt' is bonds, bank and other debt net of free cash (i.e. excludes IFRS 16 lease liabilities and ring-fenced cash).
5 Adjusted EPS based on weighted average number of shares in the year of 1,057.5m reflecting the tender offer completed in December 2021; pro forma adjusted EPS for continuing group at the current number of shares in issue is 2.2p.

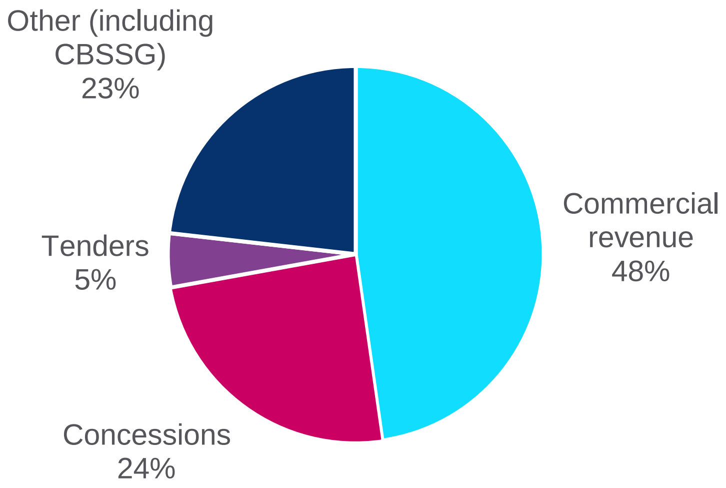
First Bus financial performance

Bus recovery continues despite the temporary setback of Omicron-related restrictions in Dec/Jan

- Passenger revenue +49% vs FY 2021, reflecting improving volumes and yields, partly mitigated by lower pandemic-related funding
  - Commercial passenger volumes returning faster than concessions
  - Margin improvement constrained by cost-plus funding schemes in England and Scotland to September 2021 and April 2022 respectively
- 23% improvement in adjusted operating profit
- Industry-wide driver shortages continue; ongoing focus on driver recruitment, retention and wage agreements
- Fuel hedging programme provides flexibility to respond to price changes over time – FY 2023 87% hedged and FY 2024 53% hedged
- Roll out of data-driven changes to pricing underway
- Focused on realigning our networks and timetables in response to passenger demand as pandemic funding tapers

£m	FY 2022	FY 2021	FY 2020
Revenue	**789.9**	698.9	835.9
Adj. operating profit[1]	**45.2**	36.6	46.1
Margin %	**5.7%**	5.2%	5.5%
Annual service mileage m	**185m**	165m	215m

Bus revenue by source, FY 2022



[1] Before net adjusting items described on p.31.
[2] Based on retranslating FY 2021 foreign currency amounts at FY 2022 rates.

First Rail financial performance

Ahead of initial expectations driven by open access outperformance and contractual settlements

£m	Revenue	Adj. op profit[1]	Attributable net income
GWR	1,373.7	43.9	23.1
SWR	995.0	19.4	7.0
WCP (incorporating Avanti)	977.7	21.0	6.5
TPE	415.8	13.2	8.9
Management fee-based operations	**3,762.2**	**97.5**	**45.5**

£m	Gross revenue	Adj. op profit[1]
Open access – Hull Trains and Lumo	**26.6**	(16.6)
Additional services – includes Mistral Data, contact centres, consulting, evo-rail, London Trams	**92.6**	6.9
Open access and additional services	**119.2**	(9.7)

- Management fee-based operations recorded profit in line with fixed fee plus two thirds of performance fee based on performance KPIs
  - GWR and TPE were slightly ahead as a result of final agreed settlements of prior contractual matters
  - Increases in revenue had no impact on fee income under the new contracts
  - Rail attributable net income from management fee-based operations is Group's share of the relevant fee income available for dividend distribution from them (see also p.9 and 26)
- Open access were ahead of our expectations in FY 2022, and current run rates support a positive contribution from them in FY 2023
  - Lumo volumes have outperformed plan since start up in October 2021
  - Hull Trains continues to benefit from robust demand for leisure travel
- Contribution from additional services increased with Mistral Data, London Trams, First Customer Contact and consulting ahead of prior year, partially offset by start up costs of evo-rail

[1] Before net adjusting items described on p.31.

Strong momentum in our key profitability metrics

Our planning focuses on underlying fees from our rail contracts to look through IFRS 16 distortions

£m`	FY 2022	FY 2021	Change
Group adjusted attributable profit comprises:			
- First Bus adjusted operating profit	**45.2**	36.6	+8.6
- Attributable net income from rail management fee-based operations[1]	**45.5**	42.3	+3.2
- Adjusted operating profit from rail open access and additional services[2]	**(9.7)**	(10.4)	+0.7
- Group central costs (operating profit basis)	**(26.3)**	(32.5)	+6.2
	54.7	36.0	+18.7
- Cash interest (pro forma continuing) and tax	**(18.5)**	(16.1)	(2.4)
	36.2	19.9	+16.3
Group EBITDA adjusted for First Rail management fees comprises:			
- First Bus EBITDA[2]	**87.6**	84.5	+3.1
- Attributable net income from rail management fee-based operations[1]	**45.5**	42.3	+3.2
- EBITDA from rail open access and additional services[2]	**(9.7)**	(8.9)	(0.8)
- Group central costs (EBITDA basis[2])	**(24.8)**	(30.8)	+6.0
	98.6	87.1	+11.5

- Earnings momentum in First Bus and First Rail divisions supplemented by central cost reductions ahead of plan following disposals
- 'Cash interest' principally relates to £200m 6.875% 2024 bond and finance leases, and excludes notional and IFRS 16 lease liability interest
- 19% UK corporation tax, increasing to 25% for FY 2024
- Group EBITDA adjusted for First Rail management fees is basis for medium term leverage target of less than 2x Adjusted Net Debt[3]

[1] IAS 17 basis net of tax and minority interests.
[2] IAS 17 basis.
[3] Adjusted Net Debt excludes IFRS 16 right of use lease liabilities and ring-fenced cash (both predominantly in First Rail).

Group cash flow

Substantial reduction in Adjusted Net Debt reflects underlying cash generation and corporate activities

- Management fees for rail management fee-based operations are paid as dividends following signing of subsidiary statutory accounts and hence cash flow relates to the prior year
- Working capital inflow for rail open access and additional services includes deferred revenue relating to evo-rail contract milestones and the build of working capital following reintroduction of Hull Trains and start-up of Lumo services during the year
- ‘Cash interest’ principally relates to £200m 6.875% 2024 bond and finance leases, and excludes notional and IFRS 16 lease liability interest. 19% UK corporation tax, increasing to 25% for FY 2024
- Exceptional items comprise disposal proceeds less exceptional costs, de-risking payments and the £500m return of value

£m	First Bus	Rail management fee-based ops	Rail open access and additional services	Group items	Total
EBITDA[1]	87.6	-	(9.7)	(24.8)	**53.1**
Management fees	-	51.5	-	-	**51.5**
Capital expenditure	(71.0)	-	(3.3)	(5.7)	**(80.0)**
Working capital	16.5	-	24.9	(7.2)	**34.2**
Interest and tax (pro forma)	-	-	-	(18.5)	**(18.5)**
Underlying cash generation	**33.1**	**51.5**	**11.9**	**(56.2)**	**40.3**
Other movements					**(22.5)**
Exceptional movements					**1,417.0**
Movement in adjusted net debt[2]					**1,434.8**
Adjusted net debt[2] at 27 Mar 2021					**(1,438.7)**
Adjusted net debt[2] at 26 Mar 2022					**(3.9)**

[1] IAS 17 basis.
[2] Adjusted Net Debt excludes IFRS 16 right of use lease liabilities and ring-fenced cash (both predominantly in First Rail).

De-risking and future sources of value

Group’s proactive management of legacy assets and liabilities is ahead of plan, with encouraging progress in realising further sources of value

First Bus and Group pensions

Accounting position (IAS 19), £m	26 Mar 2022	*Contributions / de-risking*	*Valuation and other*	25 Mar 2021
First Bus schemes	**123.2**	*+238.8*	*+100.0*	(215.6)
Group scheme	**37.8**	*+1.9*	*+11.9*	24.0
Local Government Pension Schemes (LGPS)	**38.8**	*+4.4*	*+6.4*	28.0
	199.8	***+245.1***	***+118.3***	**(163.6)**

- Group and First Bus schemes in accounting surplus at year end following the cash contributions post-disposal and strong asset performance
- Deficit reduction payments for these schemes reduce to zero in current financial year as a result (from £30.0m in FY 2021)
- Schemes are also beneficiaries of c£117m placed into escrow in the year
- £11.8m of excess funding was returned to the Group from LGPS scheme after year end

First Transit earnout

- Payable in July 2024 or earlier in the event of a transaction
- Maximum earnout potential increased to $290m from $240m following post-closing contractual amendments agreed with the buyer
- Carrying value maintained at $140m in the accounts

Greyhound

- Greyhound residual insurance and pension liabilities reduced to $12m and $15m respectively following risk transfer agreements and other actions
- Advanced stage of a potential portfolio sale of the remaining Greyhound properties
- Further c.$65m expected in deferred consideration, rental and CARES and ARP funding receipts
- Expected net residual value from Greyhound in excess of $155m from current financial year onwards

FY 2023 financial outlook

While some uncertainty remains around the pace of recovery, current trading is in line with our expectations, with the Group expected to make significant further progress in FY 2023

First Bus

- Although sensitive to the broader consumer spending outlook, expect volumes to continue to increase with performance weighted to H2 2023, reflecting our increasing ability to adapt operations to passenger demand and manage the inflationary environment once recovery funding tapers off in the autumn

First Rail

- Expect the four management fee-based operations to continue to deliver performance metrics in line with management expectations, with a positive contribution from our open access operations

Other

- On track to realise further c.£5m in previously announced central cost savings (exceeding £10m p.a. saving target over FY 2021); interest c.£70m including expected NRC award for GWR (of which c.30% cash); 19% UK corporation tax

Cash flow

- Positive free cash generation after c.£90m cash capital expenditure in First Bus expected, resulting in a small adjusted net cash position at end of current financial year (before any further sources of value which may be received)

Financial policy framework

Strong financial position and outlook underpins a balanced capital allocation policy

Investment

- **First Bus:** c.£90m per annum in net cash capex, principally transition of bus fleet to 100% zero emissions by 2035
- **First Rail:** continues to be cash capital-light, with any capital expenditure required by the four management fee-based operations fully funded under the new contracts
- **Growth:** actively reviewing adjacent organic and inorganic opportunities in the UK and elsewhere, where this creates value for shareholders

Balance sheet

- Less than 2.0x adjusted net debt: rail management fee-adjusted EBITDA[1] target in the medium term
- Significant balance sheet strength

Returns for shareholders

- **Dividends:** regular annual dividends to begin ahead of plan: final dividend of 1.1p per share proposed
  - Targeting progressive dividend 3x covered by Group adjusted attributable profit[1] going forward
- **Cash returns:** potential for further additional distributions to shareholders over time

[1] See page 9 for definition of rail management fee-adjusted EBITDA and Group adjusted attributable profit measures.

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First Bus passenger trends

Passenger travel behaviour continues to evolve, and our ability to optimise our commercial offering in response is significantly enhanced

- First Bus passenger volume has reached c.76% of the equivalent 2019 period recently
  - School/college/university-related demand largely back to pre-pandemic levels
  - Other fare-paying customers are using bus less frequently so far – opportunity to stimulate leisure/shopping demand through new tickets/offers
  - Many past concessionary passengers have yet to return to bus use
  - Passenger volume recovery was stronger initially in England but Scotland largely caught up in H2 2022; Wales has been slower
- Seeing some evidence of a 'Work from home' effect, but limited – although commuting share is lower than the c.15% of passenger journeys seen pre-pandemic, re-designing networks with shallower peak times has benefits from a fleet size/management perspective
- With 70% of tickets now sold digitally (up from 20% in 2018), better data and our investment in systems and analytics since 2019 has transformed our ability to assess passenger demand, align networks and timetables and optimise our yields

First Bus margin trajectory

Although progress constrained by the pandemic and more recent inflationary environment, we have the tools to adapt and deliver our 10% margin ambitions

A+B. Passenger volume/funding reset and network realignment:

- Some initial network changes have taken place but more to follow as recovery funding regimes continue to taper
- Already engaging with local authorities on further route realignment plans for the end of recovery funding in autumn 2022

C. Efficiency actions:

- c.£20m in annualised overhead, operational and other efficiencies embedded since 2019, with more to follow in FY 2023 and beyond

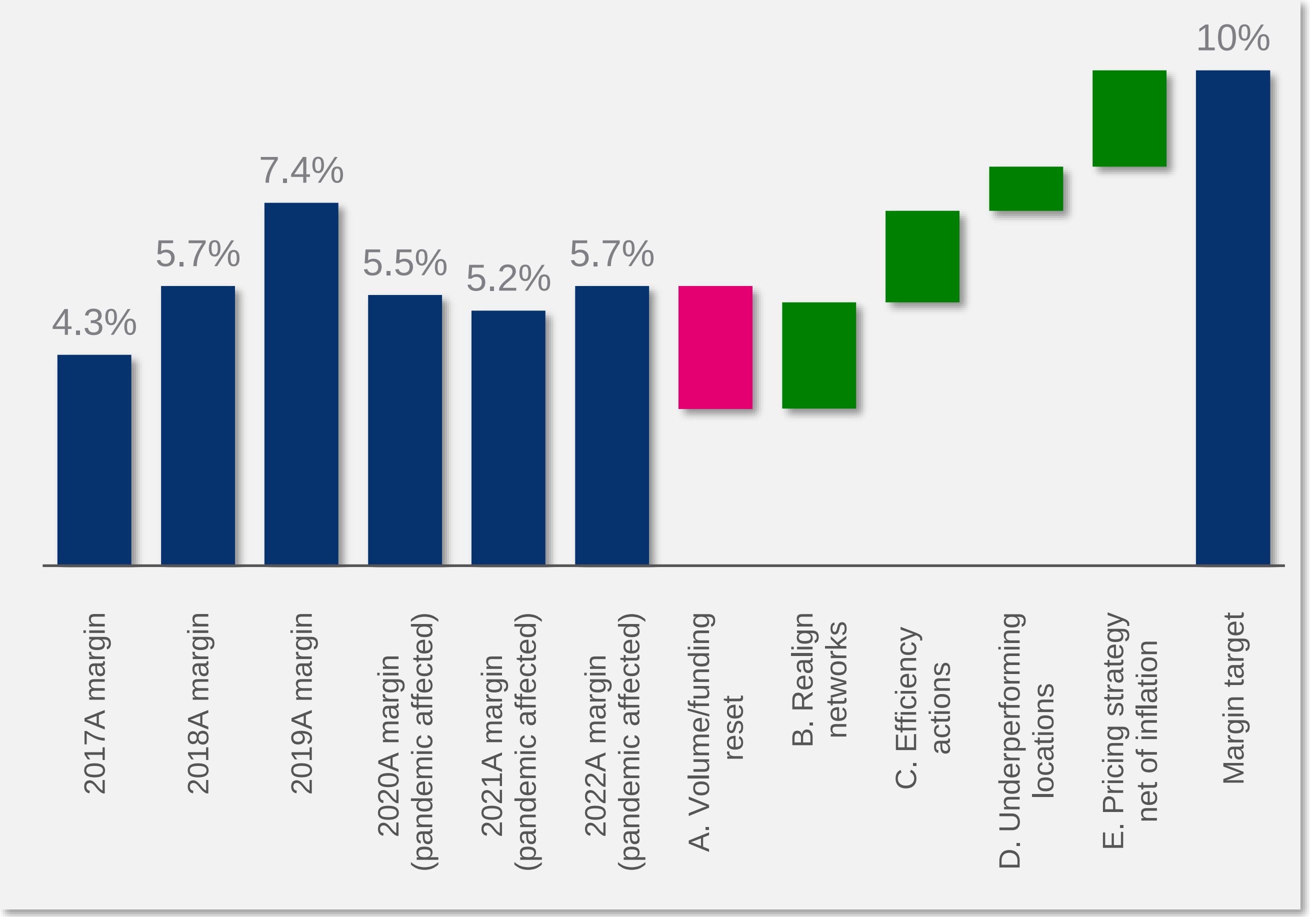
D. Underperforming locations:

- Demand may no longer support commercial operations on some routes
- Local transport authority support to be put in place (e.g. from National Bus Strategy funds) or will be reconfigured

E. Data-driven pricing:

- Began rolling out changes to fare baskets in England from autumn 2021; have been securing yields comparable to CPI so far
- Employee costs (c.60% of cost base) and fuel (c.10-15%) increases mitigated by multi-year wage agreements and hedging programme

Key components of 10% margin delivery



Regional bus policy update

First Bus continues to be at the forefront of the industry in working with local stakeholders to secure funding for service improvements and zero emissions vehicles

England (69% of First Bus mileage)

Operating commercially, supported by Bus Recovery Grant to Oct 2022

- Local authorities submitted plans under the **National Bus Strategy** to strengthen the economic, environmental and social impact of bus networks in their areas:
  - 23% of the £1bn+ allocated in April for Bus Service Improvement Plans (BSIPs) was in First Bus operational areas
  - BSIPs typically include action on bus priority, funded fares reductions, frequency/ network enhancements and capped ticketing
- **£355m in Zero Emission Bus Regional Areas (ZEBRA) funding** committed by Westminster since National Bus Strategy launch:
  - ZEBRA fast-track: First Leicester awarded £13m in co-funding for 68 Electric Vehicles in Oct 2021
  - ZEBRA main scheme: First Bus awarded £25m in co-funding for 125 Electric Vehicles in York, Leeds, Norfolk and Portsmouth in Mar 2022
- Government's **Levelling-up White Paper** and the **City Region Sustainable Transport settlements** also allocating funding to enhance the role for public transport in delivering key policy goals

Scotland (24% of First Bus mileage)

Operating commercially, supported by recovery grant funded to autumn 2022 – guidance to wear face coverings on public transport remains in place

- First Bus awarded £19m in co-funding from the Scottish government for 74 Electric Vehicles in Glasgow and Aberdeen
- £500m Bus Partnership Fund supporting local authorities to deliver bus priority infrastructure to tackle congestion in partnership with operators; initial allocation of £19.2m to First Bus' Scottish markets
- Free bus travel extended to all under-22's since Jan 2022

Wales (5% of First Bus mileage)

Welsh cost-plus pandemic recovery scheme funded to end Jul 2022 – guidance to wear face coverings on public transport remains in place

- Welsh Government currently consulting on a new strategy designed to ensure public transport supports its climate change and economic objectives

Taking First Bus forward

- **Although sensitive to broader consumer spending outlook, volumes and revenues are expected to grow**
  - Ongoing passenger recovery as pandemic restrictions ease
  - Benefits of National Bus Strategy funding to encourage modal shift and enhance towns and cities
  - Opportunities to stimulate passenger demand and yield with more sophisticated pricing
- **Financial objectives to be met through operating leverage and capabilities we already have in place**
  - Increasing agility to optimise networks and timetables to passenger demand, particularly once recovery funding tapers off in autumn 2022
  - Embedded cost savings, operating efficiencies and fuel hedging will help to mitigate the impact of the broader inflationary environment
- **Continued focus on being a trusted partner to our stakeholders**
  - Local authorities have new resources to tackle congestion, air quality and levelling up – and look to us for help meeting these challenges
  - At the forefront of the zero emission fleet transition; excellent relationships with vehicle manufacturers and co-funding sources facilitating decarbonisation agenda
- **Ongoing investment required to sustain First Bus well covered by cash generation and government co-funding**
- **Broad base of opportunities to develop beyond core regional bus business**
  - B2B, Aircoach, electrification-related earnings streams, organic and inorganic growth in the UK and elsewhere

First Rail's management fee-based operations continue to deliver

Leading operator with 27% share as the industry's evolution continues

- DfT continues to progress plans to award multi-year contracts to current incumbents:
  - 3+3yr GWR National Rail Contract (NRC) awarded today
  - In March 2022 DfT issued a Prior Information Notice (PIN) indicating a potential 4+4 year direct award to TPE from May 2025
  - In August 2021 DfT issued a PIN for indicating a contract of up to 10 years for Avanti from October 2022
  - We have been a significant operator since 2007, with our experience and capabilities putting us in a strong position for the future as Government implements its new model for rail

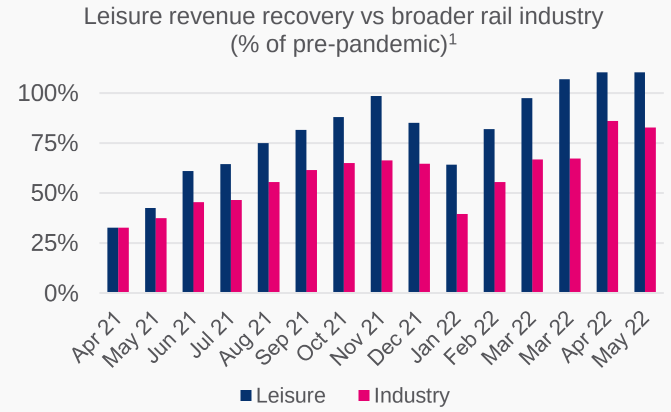
First Rail management fee-based operations	Status	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
South Western Railway (SWR)	NRC **AGREED** up to May 2025											
TransPennine Express (TPE)	NRC **AGREED** up to May 2025; 4+4yr contract PIN issued Mar 2022											
Great Western Railway (GWR)	NRC **AGREED** up to June 2028											
West Coast Partnership (Avanti)	Emergency Recovery Measures Agreement to Oct 2022; NRC TO BE AGREED; up to **10yr contract PIN** issued Aug 2021											

- Continuing to deliver passenger and other performance metrics on the management fee-based operations:
  - Therefore accruing for the fixed fee plus a substantial proportion of performance fees on our four concession-style operations (which have no revenue risk and limited cost risk)
  - Working with DfT and other stakeholders to ensure that future service provision is fit for purpose in light of the substantial changes in passenger requirements

First Rail: open access and additional services

Actively developing non-management fee-based rail operations by leveraging our operational expertise

Open access (Lumo and Hull Trains)



- Both open access operations primarily focused on leisure travel which has been more resilient than rest of industry
- Following its launch in October 2021, **Lumo** has consistently exceeded our expectations with strong passenger bookings. Now fully operational with 5 trains a day, c.£35m+ revenue p.a. expected
- **Hull Trains** also performed ahead of our expectations during the year as it returned to full-time schedule, with c.£35m revenue p.a. expected

evo-rail track-to-train Wi-Fi connectivity solution

- First solution of its kind in operation; progressing installation on SWR
- Trials underway or in negotiation in a number of international markets

Consulting

- Awarded development partner work to support delivery of TransPennine Route Upgrade infrastructure project; c.£5m in fees over two years
- HS2 ‘shadow operator’ work continuing to scale up over time

London Trams

- Experienced tram system operator, having run concession-based contract for TfL since 2000
- TfL’s five year funding review completed in line with expectations; contract completes in May 2030

Other opportunities with growing addressable market

- Mistral Data: Proprietary information integration tools (subscription model)
- First Customer Contact centre: bespoke, scalable low-cost solution

[1] Source: Great British Railways Transition Team.

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Summary

We have created a focused and resilient Group, with a strong platform from which to drive value for all our stakeholders

FirstGroup investment case

- Leading positions in bus and rail transport in the UK
- Inflection point for growth, underpinned by supportive government and social policies
- Digital innovation to attract more customers, enhance business efficiency and flexibility
- First Bus: ready to complete trajectory to 10% margin post-pandemic
- First Rail: well placed for lower risk, long-term and cash generative rail operations
- Opportunities from adjacent markets in bus and rail in the UK and elsewhere over time
- Critical enabler of society's sustainability goals, accelerating the transition to a zero carbon world

Sources of further value realisation

- First Transit earnout up to $290m ($140m carrying value)
- At least $155m in Greyhound remaining net property proceeds
- Up to £117m UK pensions escrow release over medium term

A range of opportunities to create shareholder value

- Resilient earnings base established, with First Bus more agile and growing visibility for First Rail
- Trajectory for value additive growth established in Bus B2B, open access and additional rail services
- Organic and inorganic opportunities actively being developed
- Annual dividends underway, with potential for further additional distributions to shareholders over time

FirstGroup

Results for the 52 weeks to 26 March 2022

Appendix: Building on our strong sustainability foundations

Responsible business remains intrinsic to our operating model – and key to our future

Business model highly aligned to broader long-term social objectives

- Public transport is critical long-term infrastructure, central to levelling up, urbanisation and decarbonisation agendas as well as a source of green jobs throughout our supply chain
- FirstGroup's ongoing operations are already low carbon and support the modal shift from cars – and our zero emission commitments will increase our EU Green Taxonomy eligibility year by year
- FirstGroup has a clear social purpose – we provide easy and convenient mobility, improving quality of life by connecting people and communities

Continuously improving the sustainability of the Group during FY 2022:

- Committed to operating a zero emission bus fleet by 2035, with no purchases of diesel buses after 2022. Helping to deliver UK Government's goal to remove all diesel trains from service by 2040
- Science-based target aligned with a 1.5°C ambition set to reduce Scope 1 and 2 emissions; currently assessing the development of Scope 3 targets
- Completed an in-depth risk scenario analysis and quantitative financial impact assessment of our most material climate change risks and opportunities, in accordance with TCFD principles
- Creating a more diverse and inclusive business in what has been a 'traditional' sector; expanded our successful programmes to support career progression of women and employees from minority ethnic groups
- FirstGroup Board now Hampton-Alexander and Parker Review-compliant
- £300m sustainability-linked RCF linked to (a) Scope 1, 2 and 3 carbon emissions per £m of revenue, and (b) growth of zero emission bus fleet
- Climate-related measures added to annual and long-term incentive plans, reinforcing our commitment to incorporate sustainability issues into core business decisions

Selected FirstGroup credentials and ratings:

CLEAN200™
Top 200 cleanest publicly-listed firms worldwide

FTSE4Good
94th percentile in sector
Constituent for 19 consecutive years

SUSTAINALYTICS
ESG risk: 'low', Ranked 21st of 352 in sector globally

Dow Jones Sustainability Indexes
Moved up to 89th percentile in sector

MSCI
'Leader' in managing ESG risks and opportunities, AA rating

ISS ESG
'ESG Prime' rating from ISS ESG – top decile

V.E
ESG score: 'Robust'
Ranked 5th of 21 in Travel and Tourism

CDP
DISCLOSURE INSIGHT ACTION
Longstanding participant in CDP

Appendix: First Rail accounting

£m	FY 2022	FY 2021	Change
Revenue from management fee-based operations	**3,762.2**	3,596.7	+165.5
Revenue from open access and additional services	**119.2**	69.8	+49.4
Inter-divisional eliminations	**(80.2)**	(46.6)	(33.6)
Total Rail division revenue	**3,801.2**	3,619.9	+181.3
Attributable net income from management fee-based operations	**45.5**	42.3	+3.2
Gross up for tax, minorities and IFRS 16	**52.0**	76.2	(24.2)
Adj. operating (loss) from open access and additional services	**(9.7)**	(10.4)	+0.7
Total Rail division adj. operating profit[1]	**87.8**	108.1	(20.3)

- Inter-divisional eliminations: Majority of gross additional services revenue is currently secured from our management fee-based operations
- Attributable net income from management fee-based operations is the cash fee income attributable to the Group from these businesses – with adjusted operating profit in the accounts grossed up from this level by taxation, minority interests and IFRS 16
  - Fee income is expected to remain broadly constant during the life of these contracts
  - See p.26 for detail on IFRS 16 gross up amount in FY 2022

[1] Before net adjusting items described on p.31.

Appendix: reconciliation to First Rail-adjusted metrics

£m	FY 2022 Group adjusted attributable profit	Movements			FY 2022 Adjusted earnings after tax
		Adjusted First Rail earnings to IFRS 16 basis	Gross up tax and minority interests	Actual interest and tax	
First Bus adjusted operating profit	**45.2**	-	-	-	**45.2**
Attributable net income from First Rail management fee-based operations	**45.5**	34.0	18.0	-	**97.5**
First Rail adjusted operating profit from open access and additional services	**(9.7)**	-	-	-	**(9.7)**
Group central costs (operating profit basis)	**(26.3)**	-	-	-	**(26.3)**
	54.7	34.0	18.0	-	**106.7**
Cash interest	**(20.7)**	(33.1)	-	(28.1)	**(81.9)**
Tax	**2.2**	-	(12.4)	7.5	**(2.7)**
Minority interest	**-**	-	(5.6)	-	**(5.6)**
	36.2	0.9	-	(20.6)	**16.5**

Appendix: Movement in net debt

£m	Adjusted Net Debt	*Ring-fenced cash*	*IFRS 16 leases*	*Statutory net debt*
Underlying cash movements	40.3	-	-	*40.3*
Discontinued businesses	(3.4)	-	-	*(3.4)*
Bus receivable delayed from FY 2021	63.1	-	-	*63.1*
Adjust to actual interest and tax	(78.4)	-	*(41.0)*	*(119.4)*
Foreign exchange	(3.8)	-	*(1.0)*	*(4.8)*
IFRS 16 lease movements	-	-	*808.8*	*808.8*
Ring-fenced cash movements	-	*(194.8)*	-	*(194.8)*
Total other movements	(22.5)	*(194.8)*	*766.8*	*549.5*
Disposal proceeds	2,575.3	-	-	*2,575.3*
Pension payments in excess of P&L	(457.4)	-	-	*(457.4)*
Insurance de-risking	(121.3)	-	-	*(121.3)*
Exceptional items	(79.6)	-	-	*(79.6)*
Return of value	(500.0)	-	-	*(500.0)*
Total exceptional movements	1,417.0	-	-	*1,417.0*
Movement in net debt	**1,434.8**	***(194.8)***	***766.8***	***2,006.8***
Net (debt)/cash at 27 Mar 2021	**(1,438.7)**	***662.9***	***(1,850.0)***	***(2,625.8)***
Net (debt)/cash at 26 Mar 2022	**(3.9)**	***468.1***	***(1,083.2)***	***(619.0)***

- Disposal proceeds include £220m debt transferred with First Student and First Transit and £35.3m post-completion receipts for Greyhound legacy business
- Pension payments in excess of P&L include £220m paid to the UK Bus scheme, £117m paid into escrow arrangements and £86m for Greyhound scheme
- Exceptional items principally cost of disposal and bond make whole costs

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Appendix: Divisional adjusted operating profit

	Revenue		Operating profit[1]		Operating margin[1]	
	FY 2022	FY 2021	**FY 2022**	FY 2021	**FY 2022**	FY 2021
£m						
First Bus	**789.9**	698.9	**45.2**	36.6	**5.7%**	5.2%
First Rail	**3,801.2**	3,619.9	**87.8**	108.1	**2.3%**	3.0%
Group items	**-**	-	**(26.3)**	(32.5)	**n/a**	n/a
Continuing total	**4,591.1**	4,318.8	**106.7**	112.2	**2.3%**	2.6%
First Student	**479.5**	1,226.2	**88.2**	55.8	**18.4%**	4.6%
First Transit	**299.7**	977.0	**15.6**	51.7	**5.2%**	5.3%
Greyhound	**217.7**	322.8	**16.3**	0.5	**7.5%**	0.2%
Discontinued total	**996.9**	2,526.0	**120.1**	108.0	**12.0%**	4.3%
Total Group	**5,588.0**	6,844.8	**226.8**	220.2	**4.1%**	3.2%
$m[2]						
First Student	**669.5**	1,617.7	**123.4**	78.1	**18.4%**	4.8%
First Transit	**417.7**	1,277.4	**22.1**	69.1	**5.3%**	5.4%
Greyhound	**301.4**	422.3	**23.0**	2.0	**7.6%**	0.5%
North America (discontinued)	**1,388.6**	3,317.4	**168.5**	149.2	**12.1%**	4.5%

[1] Before net adjusting items described on p.31.
[2] US Dollar amounts include Canadian Dollars converted at the exchange rates prevailing in either period.

Appendix: Divisional EBITDA

	Revenue		EBITDA[1]		EBITDA margin[1]	
	FY 2022	FY 2021	**FY 2022**	FY 2021	**FY 2022**	FY 2021
£m						
First Bus	**789.9**	698.9	**104.4**	100.8	**13.2%**	14.4%
First Rail	**3,801.2**	3,619.9	**649.9**	711.1	**17.1%**	19.6%
Group items	**-**	-	**(23.1)**	(29.1)	**n/a**	n/a
Continuing total	**4,591.1**	4,318.8	**731.2**	782.8	**15.9%**	18.1%
First Student	**479.5**	1,226.2	**88.2**	282.6	**18.4%**	23.0%
First Transit	**299.7**	977.0	**15.6**	87.1	**5.2%**	8.9%
Greyhound	**217.7**	322.8	**27.1**	26.4	**12.4%**	8.2%
Discontinued total	**996.9**	2,526.0	**130.9**	396.1	**13.1%**	15.7%
Total Group	**5,588.0**	6,844.8	**862.1**	1,178.9	**15.4%**	17.2%
\$m[2]						
First Student	**669.5**	1,617.7	**123.7**	374.3	**18.5%**	23.1%
First Transit	**417.7**	1,277.4	**22.2**	115.3	**5.3%**	9.0%
Greyhound	**301.4**	422.3	**38.1**	35.6	**12.6%**	8.4%
North America (discontinued)	**1,388.6**	3,317.4	**184.0**	525.2	**13.2%**	15.8%

[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.

Appendix: Other key profit and loss items

- **Group items:** central costs £6.2m lower than prior year, reflecting changes implemented following North American disposals; expect to deliver further c.£5m reduction in FY 2023
- **Net finance costs:** interest on £200m 6.875% 2024 bond and £36m of finance leases, as well as IFRS 16 notional amounts going forward
- **Tax:** limited cash tax expected from FY 2023 as majority of UK businesses expect to reflect accelerated tax depreciation and pension contribution
- **Non-controlling interests:** represent First Rail minority partners in SWR and WCP
- **EPS** – 1,057.5m weighted average number of shares in issue for FY 2022 reflecting tender offer in December; c.750m currently
- **Discontinued operations:** First Student, First Transit contribution to 21 July 2021, Greyhound to 21 October 2021
- **Non-GAAP adjustments** – includes the gain on disposals of North American businesses, uses of proceeds and other items – see p.31

£m	FY 2022	FY 2021
Adjusted[1]		
First Bus	**45.2**	36.6
First Rail	**87.8**	108.1
Group items	**(26.3)**	(32.5)
Continuing adj. operating profit[1]	**106.7**	112.2
Net finance costs	**(81.9)**	(141.9)
- Cash interest	***(44.7)***	*(83.2)*
- IFRS 16-related finance costs[2]	***(37.2)***	*(58.7)*
Profit/(loss) before tax	**24.8**	(29.7)
Tax	**(2.7)**	1.8
Non-controlling interests	**(5.6)**	(5.3)
Attributable profit/(loss)	**16.5**	(33.2)
EPS p	**1.6p**	(2.8)p
Statutory		
Continuing operations	**106.7**	112.2
Discontinued operations	**120.1**	108.0
Non-GAAP adjustments	**579.3**	65.6
Operating profit	**806.1**	285.8
Net finance costs	**(152.0)**	(170.0)
Profit before tax	**654.1**	115.8
Tax	**(12.1)**	(24.7)
Non-controlling interests	**(5.6)**	(12.7)
Profit after tax	**636.4**	78.4
EPS p	**60.2p**	6.5p

[1] Before net adjusting items described on p.31.
[2] Notional interest and lease interest on IFRS 16 Right of Use assets.

Appendix: Net adjusting items

£579.3m credit from net adjusting items principally reflects gains on sale of the North American businesses and the resulting uses of proceeds

£m	FY 2022 Cont.	FY 2022 Disc.	FY 2022 total
Amortisation charges	-	(0.4)	(0.4)
Greyhound Canada closure	(1.7)	-	(1.7)
Rail termination sums net of impairment reversal	4.0	-	4.0
Gain on disposal of Greyhound properties	13.8	6.5	20.3
Gain on sale of FS/FT	-	50.5	50.5
Recycling of translation reserves relating to FS/FT	-	450.6	450.6
Other costs associated with the disposal of FS/FT	-	(32.7)	(32.7)
Gain on sale of Greyhound	-	16.2	16.2
Recycling of translation reserves relating to Greyhound	-	92.8	92.8
Partial reversal of prior year impairments of Greyhound	-	55.4	55.4
Other costs associated with the disposal of Greyhound	-	(11.1)	(11.1)
Greyhound insurance provision de-risking	-	(19.3)	(19.3)
Impairment of Greyhound properties	-	(7.2)	(7.2)
Employment taxes relating to FS/FT	-	(6.6)	(6.6)
North America insurance provisions	-	(31.5)	(31.5)
Other non-GAAP adjusting items	16.1	563.6	579.7
Total non-GAAP adjustments	16.1	563.2	579.3

- Rail termination sums reflect final 'true-up' of the pre-pandemic TPE and SWR franchises
- 'Discontinued' adjusting items principally relate to the sales of First Student and First Transit (FS/FT) in July 2021, of Greyhound US operating activities in October 2021, and the subsequent management of the remaining Greyhound assets and liabilities
- One-off charge for accelerated state and federal employment taxes in relation to First Student and First Transit
- Charges to the North America insurance provisions were incurred in H1 2022 prior to the sales of the businesses
- In addition to the items opposite, total make-whole costs (bonds and facilities) of £50.0m and write-off of unamortised bridge, bond and facility costs of £8.6m are included in net finance costs

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Appendix: IFRS 16 (leases)

- As at 25 September 2021, £1.4bn of leased assets were recognised as Right Of Use assets on the balance sheet. Rail track access payments, leases of <1 year, low values excluded; no retrospective restatement

£m	FY 2022			FY 2021
	Under IAS17	IFRS 16 effect	**Under IFRS 16**	Under IFRS 16
Adjusted				
EBITDA	234.1	+628.0	**862.1**	1,178.9
Operating profit	176.8	+50.0	**226.8**	220.2
Net finance costs	(52.4)	(41.0)	**(93.4)**	(170.0)
PBT	124.4	+9.0	**133.4**	50.2
EPS	9.3p	+0.9p	**10.2p**	3.3p
Reported net debt/(cash)	(464.1)	+1,083.2	**619.0**	2,625.8
Adjusted net debt /(cash)	3.9			

- As at the FY 2022 balance sheet date, £1,083.2m of IFRS 16 lease liabilities were recognised in reported net debt, of which £1,031.2m or 95% related to the Rail division (principally rolling stock associated with the management fee-based rail operations)

Appendix: Diesel hedge position as at June 2022

	UK	
	FY 2023	FY 2024
Annual 'At risk' volume (litres 'm)	94m	91m
% hedged	87%	53%
Diesel rate ($/barrel)	$79.63	$90.79
Equivalent cost per litre	37.5p	43.3p

- Prices include crude and refining cost but exclude delivery margins, duty, taxes and BSOG
- Equivalent cost per litre reflects FX hedges placed at $1.34 and $1.32 : £1.00 in FY 2023 and FY 2024 respectively
- The 'At risk' position above excludes volumes relating to the rail management fee-based operations, where fuel exposure is protected through the relevant contractual arrangements with DfT

Appendix: Net finance costs and taxation

£m	FY 2022	FY 2021
Bonds	**22.2**	55.8
Bank borrowings	**14.1**	15.7
CCFF (commercial paper)	**0.7**	2.0
Supplier financing	**1.5**	3.0
Senior unsecured loan notes	**3.2**	9.2
Lease interest	**43.3**	73.1
Notional interest on long-term provisions	**4.9**	3.8
Notional interest on pensions	**2.6**	9.0
Notional interest – other	**2.4**	0.4
Investment income	**(1.5)**	(2.0)
Adjusted net finance costs	**93.4**	170.0
Total make-whole costs (bonds & facilities)	**50.0**	-
Write-off of unamortised bridge, bond and facility costs	**8.6**	-
Net finance costs	**152.0**	170.0

Taxation, £m	FY 2022	FY 2021
Current tax	**4.1**	22.7
Deferred tax	**8.0**	2.0
Tax charge	**12.1**	24.7
Tax paid	**21.4**	4.5
Tax rate on adjusted profit before tax %	**15.3%**	8.4%

Appendix: Total capital expenditure and acquisitions

£m	Cash		Fixed asset / software additions (including acquisitions)	
	FY 2022	FY 2021	**FY 2022**	FY 2021
First Student	**72.6**	50.6	**87.7**	174.0
First Transit	**21.8**	16.2	**12.2**	20.2
Greyhound	**37.1**	14.9	**37.0**	5.7
First Bus	**61.1**	30.1	**63.2**	24.0
First Rail	**57.3**	116.5	**52.6**	118.6
Group items	**1.7**	0.2	**5.1**	-
Total	**251.6**	228.5	**257.8**	342.5

- In addition, during the period we entered into leases with capital values in First Student of £8.4m (FY 2021: £37.5m), First Transit of £1.7m (FY 2021: £17.0m), Greyhound of £0.2m (FY 2021: £9.0m), First Bus of £11.3m (FY 2021: £4.6m) and Group items £0.8m (FY 2021: £0.3m)
- First Rail management fee-based operations' capex is consolidated in the accounts but is fully funded under emergency arrangements and the new National Rail Contracts
- Schedule excludes IFRS 16 Right of Use Assets

[1] Service costs excluding interest for defined benefit schemes.

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Appendix: Pensions

£m	Surplus/(Deficit)			Cash contributions			P&L charge[1]		
	Mar 2022	Mar 2021	Mar 2020	**12m to Mar 2022**	12m to Mar 2021	12m to Mar 2020	**12m to Mar 2022**	12m to Mar 2021	12m to Mar 2020
First Bus and Group	**197.5**	(166.9)	(94.9)	**245.5**	44.2	37.8	**6.9**	6.2	10.7
North America	**(10.9)**	(104.7)	(218.5)	**102.0**	34.1	20.6	**23.9**	15.3	8.7
First Rail (TOCs)	**-**	-	-	**57.9**	56.6	45.6	**57.9**	56.6	45.6
Total	**186.6**	(271.6)	(313.4)	**405.4**	134.9	104.0	**88.7**	78.1	65.0

- Note – figures in table include continuing and discontinued operations
- Material improvement in North America and First Bus funding levels as a result of contributions paid into pension arrangements following sale of North American operations
- Strong asset performance and committed contributions in H2 have largely eliminated the remaining shortfall in legacy Greyhound pension plans. Investment risk is being significantly reduced and preparation has commenced for terminating and winding up these arrangements
- In H2 2022 £117m was paid into a Limited Partnership escrow arrangement under the terms agreed with the Group and Bus schemes in the UK. Contributions, other than to meet expenses, have ceased to these schemes. Funds may be released back to the Company if they are not required by the schemes to achieve low-dependency funding targets in the coming years
- Discussions as to the long-term funding of the Rail Pension Scheme (RPS) are ongoing with the Pensions Regulator and DfT as part of the Rail Industry Reform Group project. Under the terms of our management fee-based contracts, we are not exposed to funding risk on the contract sections of the RPS

[1] Service costs excluding interest for defined benefit schemes.

Appendix: GWR National Rail Contract

Terms similar to SWR and TPE National Rail Contracts

Contractual structure	▪ Concession-style National Rail Contract; Train Operating Company (TOC) earns annual fee for service delivery with performance incentives ▪ Initial three year contractual term to June 2025, with option to extend by up to three further years to June 2028 at DfT discretion ▪ Management fee comprising an annual fixed fee of £6.9m and a performance-based fee of up to £17.8m ▪ Additional fees for operating Heathrow Express (average of £2.0m p.a. over core term) and for any industry change projects agreed with DfT
Passenger service delivery	▪ Operational skills and expertise directly incentivised through passenger service performance metrics ▪ Performance-based fee scored against four categories – operational (including punctuality), customer satisfaction, financial performance and business management ▪ 'Acceptable' performance across all categories would result in 2/3 of performance-based fee being payable
Revenue risk	▪ None – passenger volume and revenue variability lies with DfT
Cost risk	▪ Very limited cost risk – DfT retains cost risk up to agreed annual business plan budgetary levels, with change protections ▪ TOC bears the risk of costs in excess of the agreed annual budget unless agreed in advance with the DfT ▪ Contractual change mechanisms in place to allow budget to increase for items outside of TOC control or for additional activities requested by DfT
Contingent capital risk	▪ No significant contingent capital risk – contingent capital reduces to £13m (50% bonded) ▪ Previous Direct Award contingent capital to remain in place until final settlement of any net assets or liabilities relating it is agreed ▪ No structural changes to the ring-fenced cash mechanism or working capital cap-and-collar mechanism in place
Accounting	▪ Accruing on basis of 'acceptable' performance, fee agreed with DfT and distributed up to FirstGroup plc as a dividend annually in arrears ▪ Continue to fully consolidate TOC (including right of use leases for rolling stock, ring-fenced cash etc) in Group financial statements ▪ The Group financial statements will include Right of Use assets for FY 2023 of c.£1.0bn recognised under IFRS 16. Other impacts under IFRS 16 compared to an IAS 17 basis include EBITDA +c.£260m, EBIT +c.£30m and interest cost +c.£30m

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