
# FirstGroup

## H1 2024 Results

Thursday 23 November 2023

# Agenda

1. **Overview**
2. Financial review
3. Business review
4. Summary

# Continued strong financial performance from First Bus and First Rail

- Strong financial performance in H1 2024:
  - **Group Adjusted EPS increased to 8.1p** (H1 2023: 4.6p[1])
  - **Adjusted net cash of £77.1m**[2] vs. £7.3m in H1 2023
- Transformation of First Bus continues, and we are rapidly establishing ourselves as a leader in decarbonisation:
  - First Bus **adjusted operating profit of £36.0m, a 7.1% margin** (H1 2023: £20.7m; 4.8%)
  - we will have **four fully electric bus depots and c.600 zero emission buses** by March 2024
- £10m investment committed to landmark strategic £100m decarbonisation joint venture with Hitachi
- First Rail: successfully executing our contracts; focus remains on operational delivery:
  - final **FY 2023 variable fee awards** for management fee-based contracts **higher than anticipated**
  - **open access** rail operations **continued to beat expectations** due to strong demand and yield management
- Strong balance sheet and disciplined capital allocation policy maintained:
  - **1.5p dividend per share declared** for H1 2024 (+0.6p)
  - **c.£67m returned in the share buyback programmes** in the period



1 'Adjusted earnings' are shown before net adjusting items and excludes IFRS 16 impacts in First Rail management fee operations
2 'Adjusted net cash' is bonds, bank and other debt net of free cash (i.e.excludes IFRS 16 lease liabilities and ring-fenced cash)

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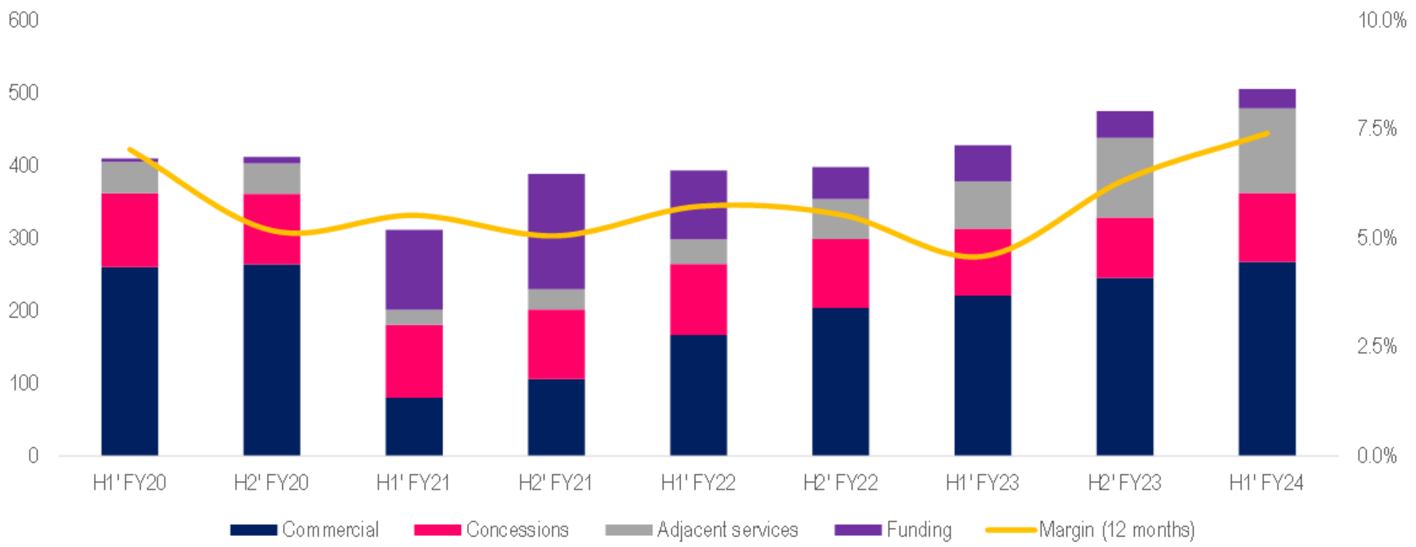
# Financial summary (continuing operations)

| £m | **H1 2024** | H1 2023 | Change % |
|---|---|---|---|
| **Revenue** | **2,207.0** | 2,212.4 | (0.2)% |
| **Adjusted operating profit[1]** | **100.6** | 66.1 | +52% |
| **Adjusted profit before tax[1]** | **73.5** | 41.0 | +79% |
| **Adjusted earnings[2]** | **56.5** | 34.0 | +66% |
| **Adjusted earnings per share p[2,3]** | **8.1p** | 4.6p | +76% |
| **Dividend per share p** | **1.5p** | 0.9p | +67% |
| **Adjusted net cash[4]** | **77.1** | 7.3 | +69.8 |

[1]Before net adjusting items
[2]'Adjusted earnings' are shown before net adjusting items and excludes IFRS 16 impacts in First Rail management fee operations
[3] 'Adjusted EPS' based on weighted average number of shares in the period of 697.7m (H1 2023: 739.8m) reflecting the current year and prior year share buybacks
[4] 'Adjusted net cash' is bonds, bank and other debt net of free cash (i.e. excludes IFRS 16 lease liabilities and ring-fenced cash)

# First Bus: on track to deliver 10% margin target

Bus revenue (£m) and adjusted operating profit margin (12 months)




| £m | H1 2024[1] | H1 2023 | Change |
|---|---|---|---|
| Revenue | **504.9** | 427.7 | +77.2 |
| Adj. operating profit[1,2] | **36.0** | 20.7 | +15.3 |
| Margin | **7.1%** | 4.8% | +230bps |
| Passenger volumes (m)[3] | **210** | 188 | +12% |
| Mileage (m)[3] | **84** | 87 | (3)% |
| Passengers per mile | **2.50** | 2.16 | +16% |

- **Revenue** +18% vs H1 2023 mainly reflecting increased passenger volumes, service improvements and positive pricing impact, offset by £19.2m reduction in funding
- **Adjusted operated profit margin** improved to 7.1% as pricing and management actions more than offset cost pressures
- **Passenger volumes** increased by 8% vs. H1 2023 and **total mileage reduced** by 7%, excluding the extra week; **passengers per mile were up 16%**
- **Adjacent services revenue** of £116.2m in H1 2024, an increase of almost 80% (H1 2023: £65.0m)
- **Inflationary pressures remain**; average cost inflation during H1 2024: 7%
- **Pricing changes** of £31m and **network and operational efficiencies** of £18m in H1 2024
- Fuel and electricity **hedging programmes** to mitigate cost inflation are evolving as we transition the First Bus fleet to zero emissions

[1] H1 2024 has one extra week (+c.£1.4m EBIT)
[2] Before net adjusting items
[3] Passenger volumes and mileage include First Scotland East and Southampton operations until sale / closure

# First Rail: continued outperformance in open access

## Significant increase across the First Rail portfolio, adjusted operating profit up £21.6m vs. H1 2023

| £m | H1 2024 | H1 2023 | Change |
|---|---|---|---|
| GWR | **11.2** | 11.0 | +0.2 |
| SWR | **4.8** | 2.7 | +2.1 |
| WCP (incorporating Avanti) | **3.7** | 2.0 | +1.7 |
| TPE | **3.5** | 3.4 | +0.1 |
| **Attributable net income from management fee-based operations** | **23.2** | 19.1 | +4.1 |
| Adjust net income to IFRS16 basis | **19.1** | 17.6 | +1.5 |
| Gross up tax and non-controlling interest | **12.6** | 6.7 | +5.9 |
| **Adj. op profit from management fee-based operations[1]** | **54.9** | **43.4** | **+11.5** |

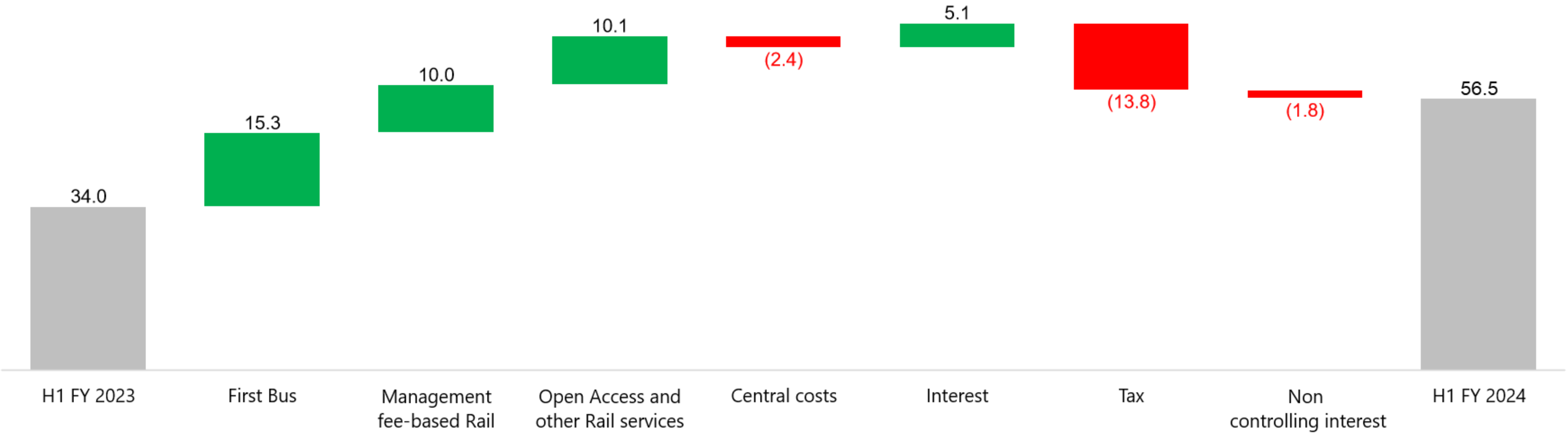
| £m | H1 2024 | H1 2023 | Change |
|---|---|---|---|
| **Revenue from open access and additional services** | **105.1** | 85.5 | +19.6 |
| Open access adj. op profit | **15.7** | 6.7 | +9.0 |
| Additional services adj. op profit | **6.4** | 5.3 | +1.1 |
| **Adj. op profit from open access and additional services[1]** | **22.1** | **12.0** | **+10.1** |

[1] Before net adjusting items

- Attributable net income from management fee-based operations up £4.1m
- Adjusted operating profit up £11.5m due to higher than accrued final variable fee payments for FY 2023
- Open access financial performance reflects strong demand and continued improvement in yield in H1 2024
- Additional services businesses delivered adjusted operating profit of £6.4m in H1 2024 an increase of just over £1m, reflecting stronger performance across all businesses, partially offset by one-off benefits in H1 2023

# Substantial increase in Group adjusted earnings

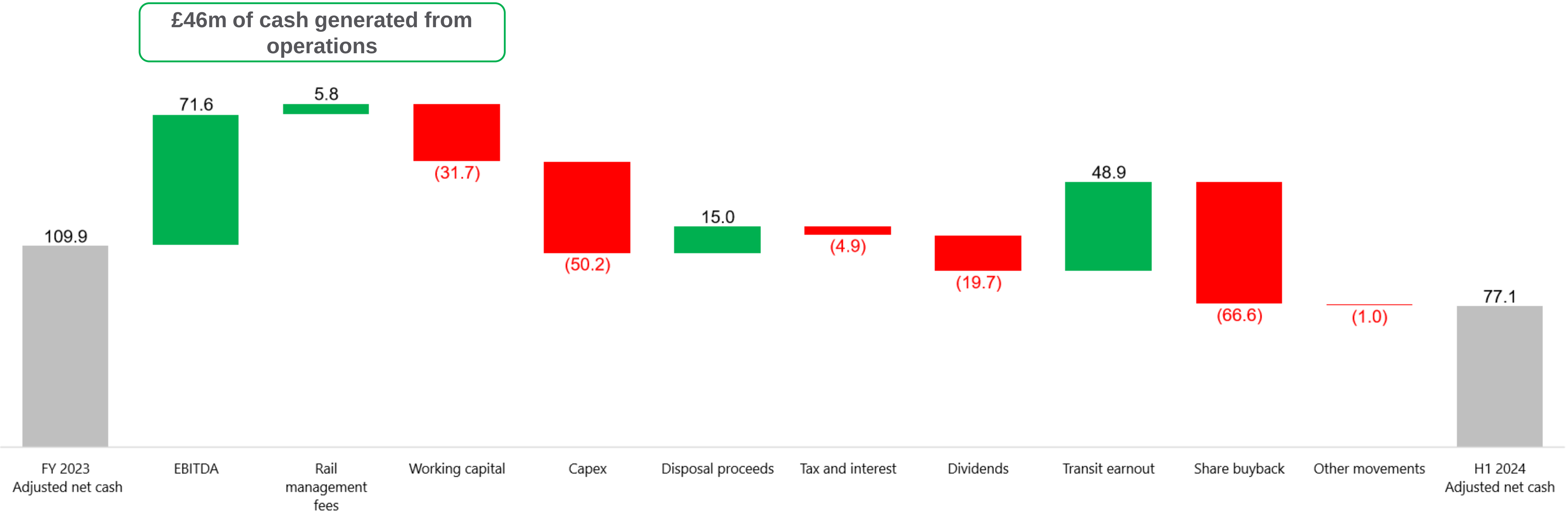
## We have delivered another strong set of results and continue to grow and diversify our earnings




- First Bus increase due to passenger volume growth, pricing improvements and efficiencies more than offsetting impacts of inflation and reduced funding
- Rail management fees favourable due to higher than accrued final variable fee payments for FY23, offsetting TPE NRC not being extended
- Continued improvement in open access driven by strong volumes and yield management
- Interest benefitted from partial bond buyback and higher interest received on deposits
- Tax charge has increased due to higher profit before tax, the end of capital expenditure super-deduction, and change in the UK tax rate to 25%
- Interim dividend of 1.5p c.£10m declared (H1 2023: 0.9p)

[1] Management-fee based Rail: Pre-IFRS 16 basis net of tax and non-controlling interests (MTR is 30% shareholder of SWR, Trenitalia is 30% shareholder in WCP).

# Resilient cash generation




- Post tax management fee from TOCs received a year in arrears and paid mainly in H2
- Working capital outflow primarily relates to timing of VAT on capex and higher trade receivables, both in First Bus
- Capex relates to First Bus cash flows, principally on the electrification of buses and depots; First Bus average fleet age down to 9.0 years in H1 2024 (H1 2023: 9.5 years)
- Disposal proceeds comprise bus vehicle sales and the Southampton depot
- Part payment of First Transit Earnout received in July 2023; balance of earnout c.£20m anticipated in H2 2024
- £93m of the total £190m share buyback remained as at 30 September
- Other movements comprise hedge settlements offset by EBT purchases of £6m



Numbers shown on pre-IFRS 16 basis
'Adjusted net cash' is bonds, bank and other debt net of free cash (i.e. excludes IFRS 16 lease liabilities and ring-fenced cash)

# £1 billion reduction in gross pensions liability

- **Termination of participation in two First Bus Local Government Pension Schemes** (LGPS) effective 31 October 2023 totalling c.£713m (as at 30 Sep 2023) resulting in:
  - estimated net cash inflow of up to £15m after costs
  - anticipated £2-3m annualised cost saving (c.£1m in FY 2024)
  - one-off adjustments to the Group's Income Statement including settlements of £(142)m
  - gain of c.£160m in the Group's Statement of Consolidated Income
- **Greyhound Canada pension scheme bought in** and **c.$75m (c.£62m) of Greyhound USA pension liabilities bought out and settled** without requiring a cash contribution from the Group; process to terminate the Greyhound USA pension plan underway, with the pension plan remaining well hedged
- Terminating LGPS and Greyhound pension management in the period will remove/fully cover **c.£1bn of pension liabilities** from the Group's balance sheet in this financial year
- On a low-dependency funding basis using assumptions consistent with the last actuarial valuation, **First Bus and Group scheme shortfalls are in aggregate c.£46m lower than at the start of the year**
- Making good progress with **merging Bus and Group pensions schemes** to drive further efficiencies
- c.£24m paid to the First Bus scheme from escrow in the period linked to the £500m capital return in December 2021, **£97m in total remains in escrow**



First

# FY 2024 full year financial outlook

**Earnings**

- **First Bus:** some further progress against our expectations anticipated in H2 2024, including the impact of Hitachi JV
- **First Rail:** financial performance anticipated to be broadly in line with our expectations for H2 2024
- P&L **net interest cost c.£65m** of which c.£5m is cash

**Cash flow**

- **Capital expenditure:**
  - £115m First Bus net cash capex for FY 2024 mostly on electrification, benefitting from Hitachi strategic partnership
  - First Rail continues to be cash capital-light, with any capital expenditure required by the management fee-based operations fully funded under the contracts
- Expect **adjusted net cash** position in range of £40-50m at end of FY 2024 including Hitachi capex saving and assuming completion of £115m buyback programme and before any further deployment of growth capital

**Shareholder returns**

- **Progressive dividend policy** currently 3x cover of Group adjusted earnings; paid c.1/3 interim and 2/3 final dividend
- **H1 2024 dividend:** 1.5p per share dividend declared (H1 2023: 0.9p)
- Continuation of **£115m share buyback** programme in H2 2024

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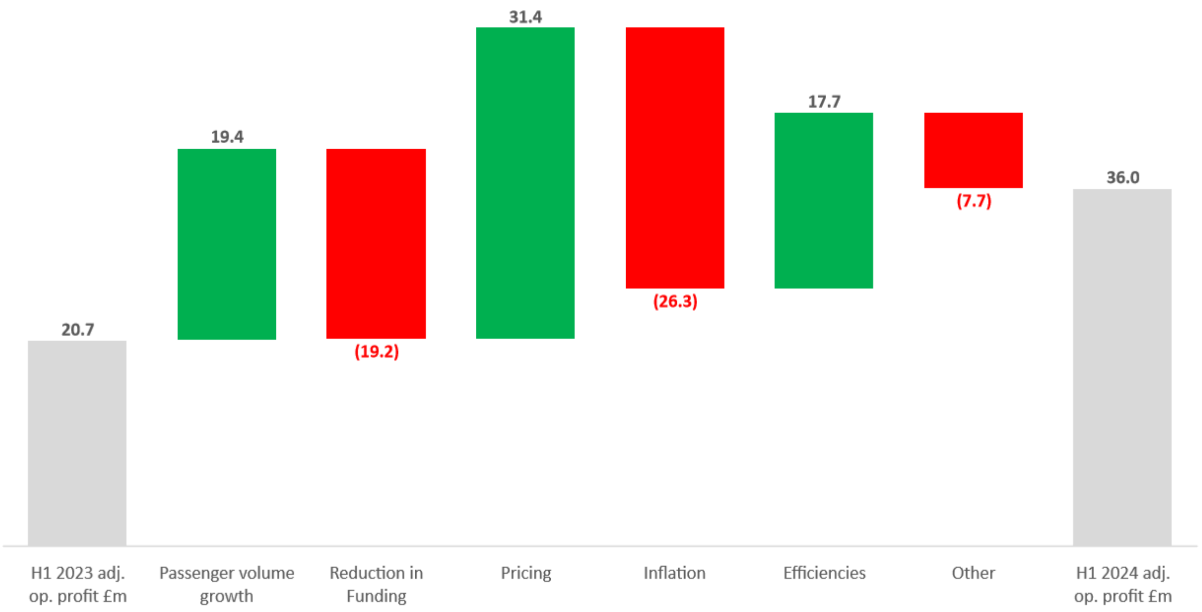
# First Bus transformation continues at pace

## We are recruiting more drivers, delivering better services and driving operational efficiencies as we progress towards our 10% margin target




| | Passenger volumes (m) | Total operated mileage (m) | Revenue per mile (£) | Adjacent Services revenue (£m) |
|---|---|---|---|---|
| **H1 2024** | **210** | **84** | **6.01** | **116.2** |
| H1 2023 | 188 | 87 | 4.92 | 65.0 |
| Change | +12% | (3)% | +22% | +79% |

- **Revenue per mile +22%,** supported by strong growth in passenger volumes and improvements in network and service reliability
- As passenger volumes recover, **funding levels have reduced** in H1 2024, with Scotland now operating a fully commercial model, England moving to BSOG+ (enhanced rates per litre and additional payments made per km operated) and Wales moving to Bus Transition Fund
- **Pricing reflects** improved commercial yield in Scotland and England
- **Continued inflationary pressure on costs**: average driver pay settlement +c.8%; total fuel price +11%
- **Increased driver recruitment** (c.6% net increase in drivers in H1 2024) has contributed to an improvement in operated vs. scheduled mileage to 98% (H1 2023: 96%; H2 2023: 97%)
- **Efficiencies** include operational and cost efficiencies and network reductions
- **Continued use of industry-leading data and digital capabilities** (including Optibus and Prospective AI tool) to implement smarter fares, optimise service delivery and drive cost and capital efficiency

# First Bus continues to focus on growth opportunities

## We are capitalising on opportunities to make use of our assets and capabilities to grow our business

### Adjacent Services

- Adjacent Services delivered revenue of £116m in H1 2024 (H1 2023: £65m)
- Growth has come from First Travel Solutions, additional contract business and the inclusion of FY 2023 acquisitions
- Opportunities to grow and win further contracts leveraging our national footprint and successful track record in managing large contracts

### Franchising and partnerships

- Rochdale franchise contracts awarded July 2023; smaller contracts with opportunities for additional contract activities
  - Franchise contracts to operate six services for schools as part of Rochdale operation recently awarded
- Key operator in Leicester City Council's successful Enhanced Partnership Scheme
  - Launched in May 2022, supported by c.£100m of private and public funding
  - First Bus patronage in Leicester up c.20% in H1 2024 with punctuality and frequency also much improved
- Experienced First Bus growth team evaluating and monitoring further franchising and partnership opportunities

### Electrification

- Significant investment in fleet and depot electrification
- c.15% of our fleet will be electric, with four fully electric depots in England by March 2024
- 166 electric buses delivered and c.100 charger heads installed in H1 2024
- Solar panels installed on 25 of our depots to power depot buildings and lower their grid energy consumption
- Electrification will further transform our business and create new, adjacent revenue streams
  - B2B third party charging is underway at Caledonia, Scotstoun, Aberdeen and Leicester depots

# Hitachi Strategic Partnership

## A pioneering strategic alliance that will provide greater visibility of our financial commitment on First Bus decarbonisation, increased efficiencies and the retention of much of the residual battery value

- The partnership will provide:
  - a newly formed 50:50 joint venture, NextGen to purchase up to 1,000 electric bus batteries valued at c.£100m (£10m cash contributed by both FirstGroup and Hitachi + £80m debt financing)
  - an anticipated contribution to Group's adjusted earnings of c.£3m per annum by FY 2026 before operational efficiencies
  - a c.£20m saving in the Group's FY 2024 capital expenditure, with further savings totalling c.£40m to FY 2027

- The key terms of the strategic partnership include:
  - an option to participate in future value creation through the deployment of Hitachi ZeroCarbon's decarbonisation solutions to commercial fleet operators worldwide
  - the batteries will be leased from NextGen to First Bus over an initial eight-year period with the potential to extend the lease by a further two years at zero cost depending on battery capacity
  - the Group will retain 75% of the residual battery value when taken off each bus, with material second life value opportunities
  - the provision of Battery and Charging Management Services ('BCMS') by Hitachi ZeroCarbon for 1,500 of First Bus's electric buses to ensure efficient energy utilisation and the potential extension of battery useful life for a further two years


# First Rail: strong delivery on management contracts

## As one of the most experienced UK operators we are uniquely positioned to work with our partners to add value and provide better rail services

- West Coast Partnership awarded nine-year National Rail Contract ('NRC') to October 2032
  - includes the operation of Avanti West Coast and acting as shadow operator for HS2 Phase 1
- Management fee-based operations delivered £23.2m of attributable net income in H1 2024 (H1 2023: £19.1m)
  - majority of upside comes from higher than accrued final FY 2023 variable fee awards for GWR and SWR due to strong operational contract delivery
- Some market recovery in the UK rail industry, with double digit passenger revenue growth and increased seat capacity utilisation across all of our NRCs
- Efficient execution of major investment programmes in partnership with the DfT including new Avanti and SWR fleets
- First Rail Additional Services delivered £6.4m of adjusted operating profit in H1 2024 (H1 2023: £5.3m)




First

# Open access rail continues to significantly improve financial performance

## Driving modal shift to rail and outperforming expectations thanks to strong demand, effective yield management and good service delivery

| LUMO | H1 2024 | H1 2023 | Change |
|---|---|---|---|
| Revenue (£m) | **26.1** | 18.3 | +43% |
| Passenger journeys (m) | **0.6** | 0.6 | +3% |
| Seat capacity utilisation (%) | **78%** | 74% | +400bps |

- Financial performance predominantly driven by improving demand and effective yield management; Lumo still offers very competitive prices
- Lumo has now carried more than 2 million passengers since its October 2021 launch
- Independent research report shows that a London-Edinburgh trip with Lumo results in 95%[1] fewer carbon emissions than flying
- 90% of the team were recruited through apprenticeships; first wave now completed
- Actively pursuing opportunities to expand operations through efficiency improvements and additional capacity

| HULL TRAINS | H1 2024 | H1 2023 | Change |
|---|---|---|---|
| Revenue (£m) | **20.2** | 14.4 | +40% |
| Passenger journeys (m) | **0.7** | 0.5 | +33% |
| Seat capacity utilisation (%) | **69%** | 57% | +1200bps |

- Financial performance largely driven by significant improvement in passenger journeys, up 33%
- ORR data for the four-week period to 16 September 2023 showed that Hull Trains was the best performing operator in England with only 1% of trains affected by a cancellation
- Targeted marketing has driven a 16% increase in Business traveller volumes in H1 2024
- Increasing capacity by running ten-car operations at peak demand times
- Named Top Employer at 2023 Women in Rail Awards with a near 50/50 gender split, and the largest percentage of female train drivers in the UK

[1] Source: Arup report 'The case for Rail', April 2023

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# Four strategic priorities to drive sustainable growth and earnings

## We will leverage our key strategic drivers to create value-accretive sustainable growth, underpinned by our strong balance sheet and disciplined capital allocation policy

### Deliver, day in day out

**Deliver a consistently safe and reliable customer experience**

- Operational excellence to improve customer experience, reliability and cost efficiencies
- Win / extend key contracts in First Bus and First Rail
- Pricing strategies to enhance customer value, drive demand and improve yield

### Drive modal shift

**Drive a step change from car and air travel to bus and train**

- Add capacity to rail open access businesses
- Reposition First Bus customer proposition to drive demand / focus on car usage
- Increase First Bus Adjacent Services where car is becoming less attractive

### Diversify our portfolio

**Invest to grow and ensure our business is resilient**

- Bus franchise and partnership opportunities and new rail open access opportunities
- Pursue non-DfT rail contracts and other opportunities
- Expand adjacent services and affiliate businesses in First Bus and First Rail
- Selective M&A opportunities

### Lead in environmental and social sustainability

**Deliver our net zero commitments**

- Continue First Bus fleet and infrastructure decarbonisation and optimise funding
- Build out electrification adjacent revenue opportunities
- Support prosperity, growth and green jobs in the communities we serve



First

# Significant financial progress and well positioned for the future

**FirstGroup is a resilient and profitable business delivering sustainable growth from our leading bus and rail operations, despite the challenging economic environment**

- First Bus: we are on track to deliver a 10% operating margin
- Decarbonisation of the First Bus fleet and infrastructure will reduce operating costs and unlock adjacent revenue streams
- First Rail: focused on operational delivery and securing longer-term National Rail Contracts, building on success of open access operations and making use of our capabilities to scale additional services and further diversify earnings
- Strong balance sheet underpinned by disciplined capital allocation policy
- Committed to progressive shareholder dividends
- Ongoing review of broad pipeline of growth opportunities in existing and adjacent markets in bus and rail sectors in line with Group’s strict investment criteria
- Focused on being a trusted partner to our stakeholders and playing our part in local and national governments’ societal and environmental goals

# Appendix

# Appendix: Building on our strong sustainability foundations

## Public transport is central to levelling up, urbanisation and decarbonisation agendas as well as a source of green jobs throughout the supply chain

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

- Committed to operating a **zero emission bus fleet by 2035** and helping to deliver the UK Government's goal to remove all diesel trains from service by 2040
- We have a **£300m sustainability-linked RCF**[1] linked to carbon emissions per £m of revenue, and the growth of our zero emission bus fleet
- Climate-related measures are part of our **annual and long-term incentive plans**
- We have a number of successful programmes to **support career progression** of women and employees from minority ethnic groups and our Board is **Hampton-Alexander and Parker Review-compliant**

### H1 2024 sustainability highlights

- Our near-term **science-based emission reduction target** aligned with a 1.5C ambition has been **validated and approved by global body, the Science Based Targets Initiative**, it includes:
  - a 63% reduction in our Scope 1 and 2 emissions by FY 2035 from a FY 2020 base year
- FirstGroup has recently been ranked as the **top performing bus and rail operator in FTSE4Good Index**

**Selected FirstGroup credentials and ratings:**

CLEAN200™
Top 200 cleanest publicly-listed firms worldwide

FTSE4Good
Top performing bus and rail operator in our sector

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

S&P Global
Only UK transport operator in the 2022 S&P Sustainability Yearbook

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

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

World Benchmarking Alliance
Third out of the world's 90 transport companies in WBA's new 2022 Transport Benchmark

CDP DISCLOSURE INSIGHT ACTION
Scoring improved to 'B' rating this year

[1] RCF: Revolving Credit Facility



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# Appendix: First Rail accounting

## FirstGroup includes alternative measures in the accounts that adjust for the underlying economics of the rail contracts:

| £m | H1 2024 | H1 2023 | Change |
|---|---|---|---|
| Revenue from management fee-based operations | **1,662.1** | 1,743.3 | (81.2) |
| Revenue from open access and additional services | **105.1** | 85.5 | +19.6 |
| Intra-divisional eliminations | **(45.3)** | (44.1) | (1.2) |
| **Total Rail division revenue** | **1,721.9** | 1,784.7 | (62.8) |
| Attributable net income from management fee-based operations | **23.2** | 19.1 | +4.1 |
| Gross up for tax, non-controlling interests and IFRS 16 | **31.7** | 24.3 | +7.4 |
| Adj. operating profit from open access and additional services | **22.1** | 12.0 | +10.1 |
| **Total Rail division adj. operating profit[1]** | **77.0** | 55.4 | +21.6 |

- **Attributable net income** from management fee-based operations: cash fee income attributable to the Group from these businesses – with adj. operating profit in the accounts grossed up from this level by taxation, non-controlling interests and IFRS 16
- First Bus and non-contracted First Rail EBITDA, plus contracted First Rail dividends, minus central costs are used as the primary basis to measure the Group's **leverage policy**
- Under the NRCs, the businesses are **fully consolidated** in the Group accounts with the net cost of operations and capex to be funded in advance by the DfT
- The Group receives an **annual dividend** from the train operating companies ('TOCs') reflecting the post-tax net management and performance fees - these dividends are paid following the completion of the audited accounts of the TOCs, settlement by the DfT of the management and performance-based fees and subsequent approval of dividend payment by the DfT
- **Intra-divisional eliminations**: Majority of gross additional services revenue is currently secured from our management fee-based operations

[1] Before net adjusting items

# Appendix: Rail management fee-based operations fees summary

| £m | SWR National Rail Contract (70% share) | GWR National Rail Contract | WCP National Rail Contract (70% share) |
|---|---|---|---|
| **Fixed annual management fee** | **3.3** | **6.9** | **3.6** |
| Variable fees | Up to 9.9 | Up to 17.8 | Up to 11.1 |
| **Annual fee opportunity range (net of SWR and WCP minorities, pre-tax)** | **3.3 – 13.2** | **6.9 – 24.7** | **3.6 – 14.7** |

- Variable fees are scored against three categories evaluated on a bi-annual basis by the DfT – operational performance (including punctuality), customer measures and financial measures. Scores are based on a mix of quantitative metrics and qualitative assessments with three levels (‘below acceptable’, ‘acceptable’, ‘good’) – ‘acceptable’ rating results in c.2/3 of variable fee element being payable
- Fees are distributed, after disallowable costs and tax, up to FirstGroup plc annually
- SWR and WCP (West Coast Partnership) are fully consolidated in the Group statutory accounts with MTR and Trenitalia’s 30% shareholdings recorded as non-controlling interests
- West Coast Partnership (incorporating Avanti West Coast) includes West Coast Partnership Development (HS2 shadow operator) performance fees
- GWR: the operation of the Heathrow Express service is linked with GWR’s NRC
- TPE fees for April 2022 to end of May 2023 will be paid to the Group following completion of audited accounts, expected in H2 FY 2024 and H1 FY 2025; TPE’s ring-fenced cash balance at FY 2023 year end was £41.8m

# Appendix: Divisional adjusted operating profit

| £m | Revenue | | Operating profit[1] | | Operating margin[1] | |
|---|---|---|---|---|---|---|
| | **H1 2024** | H1 2023 | **H1 2024** | H1 2023 | **H1 2024** | H1 2023 |
| First Bus | **504.9** | 427.7 | **36.0** | 20.7 | **7.1%** | **4.8%** |
| First Rail | **1,721.9** | 1,784.7 | **77.0** | 55.4 | **4.5%** | **3.1%** |
| Group items | **(19.8)** | - | **(12.4)** | (10.0) | **n/a** | **n/a** |
| **Continuing total** | **2,207.0** | 2,212.4 | **100.6** | 66.1 | **4.6%** | **3.0%** |
| **Discontinued** – First Student, First Transit, Greyhound US | **-** | 2.7 | **(2.2)** | (8.4) | **n/a** | **n/a** |
| **Total Group** | **2,207.0** | 2,215.1 | **98.4** | 57.7 | **4.5%** | **2.6%** |

[1] Before net adjusting items

# Appendix: Divisional EBITDA

| £m | Revenue | | EBITDA[1] | | EBITDA margin[1] | |
|---|---|---|---|---|---|---|
| | **H1 2024** | H1 2023 | **H1 2024** | H1 2023 | **H1 2024** | H1 2023 |
| First Bus | **504.9** | 427.7 | **68.8** | 51.0 | **13.6%** | **11.9%** |
| First Rail | **1,721.9** | 1,784.7 | **286.8** | 305.6 | **16.7%** | **17.1%** |
| Group items[2] | **(19.8)** | - | **(11.1)** | (8.7) | **n/a** | **n/a** |
| **Continuing total** | **2,207.0** | 2,212.4 | **344.5** | 347.9 | **15.6%** | **15.7%** |
| Discontinued – First Student, First Transit, Greyhound US | **-** | 2.7 | **(2.2)** | (8.4) | **n/a** | **n/a** |
| **Total Group** | **2,207.0** | 2,215.1 | **342.3** | 339.5 | **15.5%** | **15.3%** |

| £m | H1 2024 | H1 2023 | Change |
|---|---|---|---|
| - First Bus EBITDA[3] | **61.4** | 42.8 | +18.6 |
| - Attributable net income from rail management fee-based operations[4] | **23.2** | 19.1 | +4.1 |
| - EBITDA from rail open access and additional services[3] | **22.2** | 12.6 | +9.6 |
| - Group central costs (EBITDA basis[3]) | **(12.0)** | (9.6) | (2.4) |
| **Group EBITDA adjusted for First Rail management fees** | **94.8** | 64.9 | +29.9 |

- Group EBITDA adjusted for First Rail management fees is basis for medium-term leverage target of less than 2x adjusted net debt[5]

[1] Adjusted operating profit less capital grant amortisation plus depreciation
[2] Central management and other items. Revenue adjustment for inter-divisional trading
[3] Pre-IFRS 16 basis
[4] Pre-IFRS 16 basis net of tax and non-controlling interests
[5] Adjusted net debt excludes IFRS 16 right of use lease liabilities and ring-fenced cash (both predominantly in First Rail)

# Appendix: Group adjusted earnings

| £m | H1 2024 | H1 2023 | Change | FY 2023 |
|---|---|---|---|---|
| **Group adjusted earnings comprises:** | | | | |
| - First Bus adjusted operating profit | **36.0** | 20.7 | +15.3 | **58.4** |
| - Adjusted operating profit from rail management fee operations excl IFRS16[1] | **35.8** | 25.8 | +10.0 | **54.0** |
| - Adjusted operating profit from rail open access and additional services | **22.1** | 12.0 | +10.1 | **31.5** |
| - Group central costs (operating profit basis) | **(12.4)** | (10.0) | (2.4) | **(22.2)** |
| **Group adjusted operating profit excluding IFRS16 impacts from rail management fee operations** | **81.5** | 48.5 | +33.0 | **121.7** |
| - Interest excluding IFRS16 interest from rail management fee operations[1] | **(0.9)** | (6.0) | +5.1 | **(8.7)** |
| - Tax[1] | **(20.2)** | (6.4) | (13.8) | **(22.1)** |
| - Non-controlling interest[1] | **(3.9)** | (2.1) | (1.8) | **(5.3)** |
| **Group adjusted earnings** | **56.5** | 34.0 | +22.5 | **85.6** |

- Final dividend of c.£10m recommended, in line with announced policy of 3x cover by Group adjusted earnings and c.1/3 interim 2/3 final dividend split
- 19% UK corporation tax has increased to 25% in H1 2024

[1] Excluding IFRS 16 impacts for rail management fee operations

# Appendix: Reconciliation to Adjusted Earnings

| £m | H1 2024 | | | H1 2023 | | |
|---|---|---|---|---|---|---|
| | **Adjusted** | **IFRS16 for rail management fee ops** | **Adjusted excl IFRS16 from rail management fee ops** | Adjusted | IFRS16 for rail management fee ops | Adjusted excl IFRS16 from rail management fee ops |
| First Bus adjusted operating profit | 36.0 | - | **36.0** | 20.7 | - | **20.7** |
| Rail management fee operations operating profit | 54.9 | (19.1) | **35.8** | 43.4 | (17.6) | **25.8** |
| First Rail adjusted operating profit from open access and additional services | 22.1 | - | **22.1** | 12.0 | - | **12.0** |
| Group central costs | (12.4) | - | **(12.4)** | (10.0) | - | **(10.0)** |
| **Adjusted operating profit** | **100.6** | **(19.1)** | **81.5** | **66.1** | **(17.6)** | **48.5** |
| Interest | (27.1) | 26.2 | **(0.9)** | (25.1) | 19.1 | **(6.0)** |
| Tax | (18.4) | (1.8) | **(20.2)** | (6.1) | (0.3) | **(6.4)** |
| Non-controlling interest | (3.9) | - | **(3.9)** | (2.0) | (0.1) | **(2.1)** |
| **Adjusted earnings** | **51.2** | **5.3** | **56.5** | **32.9** | **1.1** | **34.0** |
| **Number of shares** | | | **697.7** | | | **739.8** |
| **Adjusted earnings per share** | | | **8.1p** | | | **4.6p** |



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# Appendix: Reconciliation of Statutory to Adjusted cash flows

| £m | Statutory | *Adjusting items* | *Ring fenced cash movements* | *IFRS16* | *Reclassifications* | Adjusted |
|---|---|---|---|---|---|---|
| EBITDA | **202.5** | 142.0 | (35.9) | (237.0) | - | **71.6** |
| Management fees | **-** | | 5.8 | - | - | **5.8** |
| Working capital | **(70.0)** | (5.2) | 78.2 | (23.1) | (11.6) | **(31.7)** |
| Cash flow from operations | **132.5** | **136.8** | **48.1** | **(260.1)** | **(11.6)** | **45.7** |
| Capex | **(60.3)** | - | 17.5 | - | (7.4) | **(50.2)** |
| Disposal proceeds | **16.3** | - | (1.3) | - | - | **15.0** |
| Pension payment in excess of income statement | **113.1** | (136.8) | - | | 23.7 | **-** |
| Interest & Tax | **(31.4)** | - | (1.3) | 27.8 | - | **(4.9)** |
| Dividends | **(19.7)** | - | - | - | - | **(19.7)** |
| Transit earnout | **48.9** | - | - | - | - | **48.9** |
| Share buyback | **(66.6)** | - | - | - | - | **(66.6)** |
| Other movements | **(8.3)** | - | (0.7) | 12.7 | (4.7) | **(1.0)** |
| Other cash flows | **(8.0)** | **(136.8)** | **14.2** | **40.5** | **11.6** | **(78.5)** |
| **Movement in net (debt) /cash** | **124.5** | **-** | **62.3** | **(219.6)** | **-** | **(32.8)** |
| | | | | | | |
| **Net (debt) / cash at 26 March 2023** | **(1,269.1)** | **-** | **(369.6)** | **1,748.6** | **-** | **109.9** |
| **Net (debt) / cash at 30 September 2023** | **(1,144.6)** | **-** | **(307.3)** | **1,529.0** | - | **77.1** |

- Adjusted net cash at 30 September 2023 comprises cash (+£281.8m) less 2024 bond (£172.0m), finance leases (£32.1m) and loan notes (£0.6m) = £77.1m

# Appendix: Total capital expenditure and acquisitions

| £m | Cash | | Fixed asset / software additions (including acquisitions) | |
|---|---|---|---|---|
| | **H1 2024** | H1 2023 | **H1 2024** | H1 2023 |
| First Bus | **94.5** | 46.8 | **88.7** | 46.1 |
| First Rail | **20.4** | 14.7 | **19.5** | 16.3 |
| Group items | **0.7** | - | **0.1** | - |
| **Total** | **115.6** | 61.5 | **108.3** | 62.4 |

- In H1 2024 First Bus did not enter into any capital leases (H1 2023: £19.3m)
- First Rail management fee-based operations' capex is consolidated in the accounts but is fully funded under the new National Rail Contracts
- Schedule excludes IFRS 16 Right of Use Assets



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# Appendix: IFRS 16 (leases)

- As at 30 September 2023, £1.5bn of leased assets were recognised as Right of Use assets on the balance sheet.

| £m | **H1 2024** | | | H1 2023 |
|---|---|---|---|---|
| | Under IAS17 | IFRS 16 effect | **Under IFRS 16** | Under IFRS 16 |
| **Adjusted and Continuing** | | | | |
| EBITDA | 107.5 | +237.0 | **344.5** | 347.9 |
| Operating profit | 80.2 | +20.4 | **100.6** | 66.1 |
| Net finance costs | 0.7 | (27.8) | **(27.1)** | (25.1) |
| PBT | 80.9 | (7.4) | **73.5** | 41.0 |
| Reported net debt/(cash) - total business | (384.4) | +1,529.0 | **1,144.6** | 1,475.0 |
| Adjusted net (cash) - total business | (77.1) | | | n/a |

- As at 30 September, £1,529m of IFRS 16 lease liabilities were recognised in reported net debt, of which £1,492m or 98% related to the Rail division (principally rolling stock associated with the management fee-based rail operations)
- The Group does not anticipate an impact on existing Right of Use assets as a result of the award of the NRC to WCP in Sep 2023



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# Appendix: Net finance costs and taxation

| £m | H1 2024 | H1 2023 |
|---|---|---|
| Bonds | **6.5** | 6.9 |
| Bank borrowings | **3.2** | 1.6 |
| Lease and asset backed financial liabilities interest | **28.4** | 20.7 |
| Notional interest - pensions | **(1.5)** | (2.8) |
| Notional interest - other | **-** | 0.6 |
| Bank interest income | **(9.5)** | (2.2) |
| **Net finance costs** | **27.1** | 24.8 |

| Taxation, £m | H1 2024 | H1 2023 |
|---|---|---|
| Current tax | **0.7** | 0.5 |
| Deferred tax | **(17.9)** | 6.8 |
| Tax (credit)/charge (including discontinued operations) | **(17.2)** | 7.3 |
| Tax paid | **(1.5)** | (0.4) |
| Tax rate on adjusted profit before tax % (continuing operations) | **25.0%** | 14.9% |

[1] Interest numbers are total including discontinued operations

# Appendix: Diesel and Electricity hedge positions

| UK Bus Diesel Exposure | H2 2024 | FY 2025 | FY 2026 |
|---|---|---|---|
| Annual 'At risk' volume (litres 'm) | 41.2m | 69.5m | 57.9m |
| % hedged | 81% | 62% | 17% |
| Diesel rate ($/barrel) | 96.5 | 99.43 | 99.64 |
| Equivalent cost per litre | 46p | 51p | 51p |

- Prices include crude and refining cost but exclude delivery margins, duty, taxes and BSOG
- Equivalent cost per litre reflects FX hedges placed at $1.27, $1.23 and $1.24 : £1.00 in FY 2024 to FY 2026 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

| UK Bus Electricity Exposure | H2 2024 | FY 2025 | FY 2026 |
|---|---|---|---|
| Annual 'At risk' volume (MWh) | 17,339 | 46,027 | 64,164 |
| % hedged | 89% | 67% | 21% |
| Hedged electricity rate (£/MWh) | 165 | 144 | 111 |

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