

FIRSTGROUP PLC TRADING UPDATE

FirstGroup plc (the 'Group'), a leading transport operator in the UK and North America, today reports the following update on trading since the half-yearly results to September 2017.

Summary

- Bond refinancing underway with \$275m raised in US private placement market; September 2018 bond to be redeemed before financial year end resulting in approx. £14m in interest savings from next year
- US tax changes expected to reduce Group effective tax rate to mid-20's percentage
- Reported Group revenue +10.7% year to date; Group revenue in constant currency¹ and excluding the new SWR rail franchise +1.1% year to date
- For four of our divisions the trading trends in the period were similar to the first half. However, Greyhound's long-haul business was affected by intensifying airline competition, including in the key holiday season
- All three North American divisions also encountered extremely challenging weather conditions in January
- As a result, the Group's outlook for adjusted EPS is slightly reduced overall, but there is no change to management's expectation of substantial cash generation for the year

| Increase/(decrease) vs comparable period, in constant currency ¹ | End Sept 2017 – Jan 2018 | YTD |
|---|-----------------------------|--------|
| First Student revenue | +0.3% | (0.9)% |
| First Transit revenue | (0.1)% | +2.6% |
| Greyhound like-for-like revenue | (2.8)% | (0.4)% |
| First Bus like-for-like passenger revenue | +1.4% | +0.9% |
| First Rail like-for-like passenger revenue | +3.2% | +3.2% |

Commenting on today's announcement, FirstGroup Chief Executive Tim O'Toole said:

"We reached an important milestone in the period with our long-dated bond portfolio beginning to mature, allowing us to significantly reduce our interest burden by starting to refinance and rebalance the Group's debt. We are pleased by the support shown in the credit market for our improved financial profile and disciplined strategy.

"In the period First Bus has made encouraging margin progress as we benefit from our cost efficiency actions and revenue growth, while our First Rail franchise portfolio continues to generate value for the Group despite infrastructure challenges. First Student's momentum continues to be tempered by the strength of the US employment market, with no easing of the driver shortages experienced in recent years, while First Transit has taken a number of actions to help restore margins in the second half as planned. Although Greyhound's point-to-point business continues to grow, this was more than offset by significant reductions in long-haul volumes in the period. Our North American businesses were also tested by the severe snowstorms which affected the Atlantic seaboard from Nova Scotia down to Florida in January 2018. Notwithstanding the mixed trading picture in the period we continue to expect substantial cash generation for the year as a whole."

Balance sheet refinancing

The Group has placed \$275m in new long-term US private placement notes with a weighted average fixed coupon of 4.25%. The notes have been placed in two tranches, with \$100m due in March 2025 and \$175m due in March 2028, and attracting interest costs of 4.17% and 4.29% respectively. The issue closed on 15 February 2018 and the proceeds will be received by the Group on 27 March 2018. The Group intends to redeem the £300m 8.125% coupon bond due September 2018, together with any required make-whole payments, in full on 28 March 2018, using the proceeds from the new notes, other cash on hand and our £800m committed bank facility (which was undrawn as at 30 September 2017). These refinancing activities will incur an exceptional make-whole cost of approximately £11m in the current financial year, and interest savings of an estimated £14m per year from the following financial year.

Divisional update

First Student's revenue in the period began to reflect the price increases achieved during last summer's bid season, although these were partially offset by the school days cancelled due to the severe snowstorms in early January. Many schools will make these days up at the end of the academic year, which will fall into our 2018/19 financial year. With the ongoing strength of the US employment market driver shortages continue to act as a drag on the progress we are making through our contract pricing and cost efficiency programmes.

First Transit's revenue performance in the period reflected the timing of contract starts and completions, as well as further reductions in service volumes in the Canadian oil sands region. As planned we have taken several actions to improve margins to more typical levels in the second half, despite employee cost increases we are experiencing.

Greyhound's like-for-like revenue declined by (2.8)% in the period, compared with modest growth in the first half. Our strong growth in the shorter point-to-point markets accelerated in the period, but this was more than offset by intensifying challenges in the larger long-haul segment in the face of low-cost airline competition, which also resulted in a disappointing holiday season. Given the ongoing increases in fleet maintenance and driver costs highlighted previously, we are seeking further cost efficiencies to help mitigate the impact of the deterioration in long haul volumes, while continuing to improve the passenger experience.

First Bus delivered an encouraging acceleration in like-for-like passenger revenue growth to +1.4% in the period, with a strong start to the academic year for our student-focused services, positive passenger take-up of new contactless payment options, and other network and fare optimisation actions across the division. Like-for-like passenger volumes increased by +0.1% in the period; we are delivering improving margins from our cost efficiency actions and continue to target our investment plans on local markets where our stakeholders are supportive of successful bus services.

First Rail's like-for-like passenger revenue growth was stable at +3.2% in the period, and the division continues to deliver a strong contribution notwithstanding ongoing infrastructure challenges. GWR continues to roll out the Intercity Express Train fleet and has started negotiations with the Department for Transport ('DfT') for a further two-year direct award to April 2022 (with an extension option of up to two further years at the DfT's discretion), as announced in November. In the period TransPennine Express continued to deliver industry-leading revenue growth, with even greater growth required as the new fleet starts to be introduced into service from Autumn 2018. SWR is working to improve its operational performance for passengers, which has been affected by ongoing infrastructure challenges since the start of the franchise last summer.

US tax changes

The Group notes that the Tax Cuts and Jobs Act signed into law at the end of 2017 reduces the US federal corporate income tax rate from 35% to 21%. The ultimate impact of this change can only be determined once certain complex provisions in the Act are clarified, but we anticipate that the Group's effective tax rate will reduce to a mid 20's percentage in the current financial year, and that there will be no substantive impact on our expected cash tax payments. The Group's deferred tax assets and liabilities will be remeasured in light of the Act and the non-cash impact of that exercise will be reflected in the Group's balance sheet at year end.

Investor information

A conference call for investors and analysts will be held at 8:30am today. Please call +44 (0) 20 7725 3354 in advance of the call to register and receive joining details. A playback facility will be available together with a pdf copy of this announcement at www.firstgroupplc.com/investors.

The Group is scheduled to announce results for the year to 31 March 2018 on Thursday 31 May 2018.

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Notes

¹ Changes 'in constant currency' throughout this announcement are based on retranslating prior period foreign currency amounts at current period rates.

Unless otherwise stated, all financial figures for the 'period' include the results of the First Rail business for the 16 weeks to 6 January 2018 and the results of all the other businesses for the four months to 20 January 2018, with growth compared to the comparable period in the prior year. All 'year to date' or 'YTD' financial figures include the results of the First Rail business for the 40 weeks to 6 January 2018 and the results of all the other businesses for the ten months to 20 January 2018, with growth compared to the comparable period in the prior year. References to 'like-for-like' revenue adjust for changes in the composition of the divisional portfolio, holiday timing, severe weather and other factors, for example engineering possessions in First Rail, that distort the period-on-period trends in our passenger revenue businesses. Full year results for 2018 will include the results and financial position of First Rail for the year to 31 March 2018 and the results and financial position of all the other businesses for the 53 weeks ended 31 March 2018.

Figures presented in this announcement are not audited. Certain statements included or incorporated by reference within this announcement may constitute 'forward-looking statements' with respect to the business, strategy and plans of the Group and our current goals, assumptions and expectations relating to our future financial condition, performance and results. By their nature, forward-looking statements involve known and unknown risks, assumptions, uncertainties and other factors that may cause actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Shareholders are cautioned not to place undue reliance on the forward-looking statements. Except as required by the UK Listing Rules and applicable law, the Group does not undertake any obligation to update or change any forward-looking statements to reflect events occurring after the date of this announcement.

Legal Entity Identifier (LEI): 549300DEJZCPWA4HKM93

FirstGroup plc (LSE: FGP.L) is a leading transport operator in the UK and North America. With £5.7 billion in revenue and more than 100,000 employees, we transported around two billion passengers last year. Each of our five divisions is a leader in its field: in North America, First Student is the largest provider of student transportation with a fleet of more than 40,000 yellow school buses, First Transit is one of the largest providers of outsourced transit management and contracting services, while Greyhound is the only nationwide operator of scheduled intercity coaches. In the UK, First Bus is one of Britain's largest bus operators, transporting 1.6 million passengers a day, and we are one of the country's most experienced rail operators, carrying around 130 million passengers last year.

Our vision is to provide solutions for an increasingly congested world... keeping people moving and communities prospering.

Visit our website at www.firstgroupplc.com and follow us @firstgroupplc on Twitter.