

Chief Executive Officer's review

Further growth and diversification



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Graham Sutherland

Chief Executive Officer



Introduction

FY 2025 has been another year of strong performance, further reinforcing our track record for delivery. Our adjusted operating profit has grown to £222.8m, from £204.3m in FY 2024, and our adjusted earnings per share ('EPS') has increased to 19.4p (FY 2024: 16.7p), with higher earnings benefiting from the buyback programmes we completed during the year. We have also recently completed a corporate restructuring to deliver significant cost savings and are well placed to at least maintain our adjusted EPS in FY 2026, off a stronger more diversified earnings base.

Continued growth in First Bus

We have improved our First Bus business over the last few years, growing revenues from £790m in FY 2022 to over £1bn in FY 2025 despite lower government funding. This is a great achievement and testament to the hard work and actions the team has taken to strengthen and grow the business.

In H2 2025 we delivered on our adjusted operating margin target of 10.0% excluding the contribution from London. For the full year First Bus has reported revenue of £1,081.5m (FY 2024: £1,012.2m) and adjusted operating profit of £96.0m (FY 2024: £83.6m), despite a £17m reduction in funding. This reflects further operational improvements, network and cost efficiencies, increased driver numbers, our newer electric fleet and the contribution of the businesses we acquired in FY 2025 and FY 2024.

16%
growth in
Adjusted EPS

£90m
acquisition of
RATP London

2
new rail open access
routes acquired

Following the introduction of the £3 fare cap in England in January 2025, replacing the £2 cap, we introduced a clear and simple distance-based fare structure and the resulting yield increases outpaced a slight decline in passenger volumes in H2 2025. For the full year, passenger volumes grew by c.2% (excluding the extra week in FY 2024).

Entering the London bus market at scale

At the end of February, we completed the £90m acquisition of RATP London. This was a significant acquisition for the Group as the market recovers and has allowed us to enter London with a c.12% market share. The business, now named First Bus London contributed revenue of c.£23.2m and adjusted operating profit of £0.6m in March 2025. As the route contracts evolve over the next five years, we anticipate annual revenues of £300-£350m, with operating margins in line with historical London levels of 6-7%. We are very pleased to welcome RATP London's employees to the Group and the integration of the business is progressing well.

Increased revenue contribution from Adjacent services

As a result of further contract wins and extensions, and the contribution of the businesses we have acquired over the last two years, our Adjacent services revenue has grown from £219.8m in FY 2024 to £270.8m in FY 2025. We have continued to bolster our portfolio during the year, with the acquisitions of Anderson Travel, Lakeside Coaches and Matthews Coach Hire in Ireland, and a new contract with Flixbus.

Leaders in electrification

We invested c.£88m in First Bus in FY 2025, mostly in decarbonisation, net of c.£22m of government co-funding. At the end of March 2025, c.20% of our bus fleet was zero emission and we now have three fully electric depots and a further ten substantially electrified depots and electrification underway at a further five depots outside of London. As well as lowering emissions we are benefiting from electrification operational and cost efficiencies and making use of smart technologies to optimise our battery charging and energy use.

Chief Executive Officer's review continued

We were the first operator to allow access to third party organisations and businesses to the charging facilities at our depots. During FY 2025 we have announced further third party charging partnerships, including with Centrica and a number of eHGV operators. We also continue to share our expertise with other operators and local authorities, including hosting regular knowledge-sharing sessions.

Focus on operational delivery in First Rail

In First Rail, we remain focused on delivering for our customers and partners. The division's financial performance for FY 2025 was ahead of expectations due to higher than previously forecast variable fees from the DfT TOCs. Adjusted operating profit increased to £148.8m (FY 2024: £143.3m).

Our open access operations, Hull Trains and Lumo, have continued to perform well thanks to strong demand, effective yield management and continued high levels of customer satisfaction. They have delivered adjusted operating profit of £34.1m in FY 2025, up from £30.0m in FY 2024.

Our Additional services businesses, FCC, Mistral Data and First Rail Consultancy continue to perform well. They contributed revenues of £110.7m in FY 2025, up from £98.2m in FY 2024.

In line with the Government's announced policy, the DfT took over the operation of South Western Railway ('SWR') on 25 May 2025. Improving the infrastructure, customer experience and rolling stock across SWR's services during our eight-year stewardship has enabled us to deliver for our passengers, who make more than 150 million journeys each year. I would like to thank our teams for their hard work and support to ensure a successful transition.

Driving modal shift

Driving modal shift from car and air travel to bus and train is a key strategic priority and commercial driver for the Group, and crucial for reducing congestion and improving air quality. To encourage modal shift we strive to deliver the best possible customer experience, with reliable, cost-efficient services, and we are growing our businesses to increase capacity.

Highlights during the year have included the launch of the 'Everyday Actions' internal programme in First Bus to drive service improvements. This was complemented by a major brand refresh to deliver a consistent look and feel for customers and re-focus the business on its people and customers. A new external campaign, 'Moving the everyday' was launched alongside the brand refresh, to inspire people to switch from cars to buses, highlighting the role buses play in unlocking environmental, social, economic and health benefits.

In First Rail, we are adding capacity and applying for new routes in open access and participating in other contract opportunities. We successfully took over the operation of the London Cable Car at the end of June 2024. Our team is now focused on working with Transport for London to enhance the customer proposition and place the service at the heart of its local community.

Leading in sustainability

Leading in environmental and social sustainability has long been a priority for the Group. We are committed to the safety of our customers, our employees and all third parties in contact with our businesses. We are investing in decarbonisation, enhancing our operations and driving modal shift to reduce our environmental impact and support growth and prosperity across the UK. During FY 2025, we have again been recognised for our achievements and progress to date, including our inclusion in the most recent S&P Sustainability Yearbook and Clean200 report as well as receiving MSCI's highest possible ESG rating of AAA. We are also very pleased to have just been ranked among Corporate Knights' Europe 50 Most Sustainable Corporations.

In March, we were pleased to publish our first Climate Transition Plan, marking another important step in our sustainability journey. It sets out our comprehensive strategy to meaningfully reduce emissions, manage climate-related risks, drive modal shift and contribute to social and economic growth in the communities we serve.

Building a diverse, quality and sustainable earnings base

Our cash-generative businesses and balance sheet capacity allow us to invest in value-accretive opportunities to grow and diversify our portfolio, creating a diverse, quality and sustainable earnings base that is less affected by changes in government policy.

In First Bus, we have bolstered our Adjacent services business to grow our market share and extend our geographical reach. We have demonstrated that we have the capability to successfully integrate new businesses and there is still considerable scope for us to grow in this market, specifically in airport services, workplace shuttles and coach services, which offer stable earnings with attractive margins. As I mentioned above, the acquisition of RATP London was significant for the Group, allowing us to enter London in a strong position, with anticipated material earnings contribution in the medium term.

In First Rail, we have made very good progress in growing our UK open access capacity. We have acquired track access rights for two new services, between London and South Wales and between London and Stirling which will double our current seat capacity and treble Lumo's services in two to three years' time, creating a national brand. We have also submitted applications to the ORR for extensions to our existing services and for new routes where we have identified there is capacity and demand. Should these applications be successful, we will treble our existing capacity.

We have a disciplined capital allocation policy and a strict set of criteria when assessing investment opportunities. They must be complementary to our existing portfolio and the Group's strategy, thoroughly assessed for risks and opportunities and operated within a well-understood contractual, political and regulatory environment with an appropriate balance of risk and reward.

A strong cash conversion and balance sheet enables progressive shareholder returns

We have reported a year-end adjusted net debt of £86.9m, having invested c.£88m in decarbonisation

and c.£140m on acquisitions and returned £126m to shareholders via dividends and our buyback programmes.

We repurchased the remainder of our 2024 bonds, extended our £300m Revolving Credit Facility for five years and agreed a new £150m Term Loan Facility to fund the continued electrification of our bus fleet. We also fully discharged our remaining legacy Greyhound pension obligations.

In light of the Group's strong performance in FY 2025, the Board has proposed a final dividend of 4.8p per share (FY 2024: 4.0p per share) in line with the current policy of around three times adjusted EPS cover ratio. This will result in a dividend payment of c.£27m, to be paid on 8 August 2025 to shareholders on the register at 4 July 2025. We have also announced an additional £50m buyback programme today.

Our positive cash generation and strong balance sheet allow us to capitalise on opportunities to grow our business as our industries transition, to maintain our progressive dividend policy and for further potential returns to shareholders.

A period of significant change in UK bus and rail

The rail and bus industries in the UK will see significant change over the next few years, with the National Rail Contracts moving to public ownership, and in the bus sector, a number of regions outside London planning to adopt the franchising model.

First Rail has been one of the largest operators for more than 25 years, working successfully with a wide range of partners and stakeholders under various contract types and delivering various significant rail infrastructure projects and fleet upgrades. Companies such as ours can bring innovation, enhanced service delivery, private investment and focus on cost control. Our DfT TOCs have saved more than £360m for the DfT in their annual business plans over the last four years. Hull Trains and Lumo have delivered substantial economic growth and created jobs in the communities they serve, grown demand and contributed to the funding of the rail network.

Chief Executive Officer's review continued

Enhancing rail connections is critical to boosting economic growth in the UK and we believe that, delivered effectively, rail reform will ensure the industry can grow passenger numbers, generate greater revenues and develop the value of rail in a customer-focused, dynamic and efficient environment. We believe that any future rail policy must fully embrace open access. It has been a hugely successful aspect of the rail industry over the last 25 years, connecting previously underserved places and providing additional capacity, which helps drive more people towards rail and away from less sustainable forms of transport at no cost to the tax payer. Services are provided entirely at the operator's own commercial risk and bring private investment into the sector. They create jobs and over £1bn in economic benefit to the UK, while driving modal shift to rail over more carbon intense transport modes such as car or plane.

In bus, we are one of the largest operators in the UK, carrying more than a million passengers a day. We are well placed to support the transformation of the bus sector, leveraging our expertise to work in close partnership with national, regional and local governments, in every regulatory environment, to ensure the best outcomes for customers. We believe this can be achieved with a focus on bus priority and congestion tackling measures, 'bus first' planning decisions, targeted fare initiatives for young people to support life long bus usage, improved reliability, enhanced facilities and accessibility, attracting workers to the sector and making bus a leading visible indicator in the green transition.

Well positioned to navigate the industry transition

Over the last few years we have worked to transform, grow and diversify our businesses, including a recently completed corporate restructuring. Coupled with our strong balance sheet and leading positions, this leaves us well placed to navigate the industry transition ahead.

In First Bus we intend to win our fair share of the regional franchise market, develop our existing commercial bus business and grow our Adjacent services market share, and we will continue to actively evaluate a pipeline of inorganic growth

opportunities in existing and new areas across the UK. We will also make use of our property portfolio and decarbonisation credentials to drive innovation, leverage electrification efficiencies and generate new revenue streams in the energy sector.

In First Rail, we are focused on growing our successful open access business, identifying where we can scale our Additional services businesses, bidding for new contracts and identifying new open access opportunities in the UK, as well as monitoring open access opportunities in Europe as the market continues to liberalise.

Board changes

At our AGM in July 2024, David Martin announced his intention to retire from the Board. I am grateful to David for his contribution to the Group and the strategic progress that he has overseen.

On 1 February 2025, Lena Wilson CBE joined the Board as Chair. Lena is currently Senior Independent Director at NatWest Group plc, and has held senior and Board roles at a number of listed and private companies. She was also Chief Executive of Scottish Enterprise from 2009 to 2017 and prior to that a Senior Investment Adviser to The World Bank in Washington DC. We are delighted that Lena has joined the Group and there is no doubt that we will benefit from her substantial experience in both the public and private sectors.

Outlook

We have entered FY 2026 with a stronger and more diversified earnings base and expect to at least maintain our adjusted EPS, with a lower contribution from the DfT TOCs offset by further profit growth in First Bus and lower corporate costs, aided by at least £15m of annualised cost savings as a result of the restructuring of our businesses.

In First Bus, we are restructuring the business to ensure we remain a strong and agile business as we respond to changes in the UK bus market. We anticipate further progress during FY 2026, with incremental yield, network and operational efficiencies, the contribution of the businesses acquired in the last two years and cost savings resulting from the restructuring of the business

offsetting continued inflationary pressures and the anticipated c.£15m impact of the increase in employers' National Insurance contributions. We anticipate revenue of c.£1.4bn from First Bus in FY 2026, including c.£300m from First Bus London.

In First Rail, we anticipate lower adjusted revenue and adjusted operating profit, reflecting the transfer of SWR to public ownership, a normalised level of DfT TOC variable fees and mobilisation costs in our new open access operations, offset by continued growth in our current open access operations.

The Government's announced policy is to bring the National Rail Contracts into public ownership at the earliest possible opportunity, with SWR transferring on 25 May 2025, c2c on 20 July and Greater Anglia on 12 October 2025, with subsequent contracts transferring at intervals of approximately three months in the order that their current core contractual terms expire.

As the contracts transition, we anticipate a cash inflow of c.£120m from the DfT TOCs, after any reorganisation cash costs the Group may incur, over a three-year period from April 2025 with cash received from the management fees a year in arrears. The increase in the anticipated cash inflow to the Group has primarily been driven by higher variable fees in FY 2025 combined with GWR now expected to transition in FY 2027. This cash receipt includes the earnings from the division's Additional services businesses which are expected to continue supporting the DfT TOCs for a year or more after the National Rail Contracts end. First Rail continues to support Trans Pennine Trains in a number of areas two years after the transition of the National Rail Contract.

In First Bus, positive free cash flow is anticipated after net cash capital expenditure of c.£150m, mainly on decarbonisation.

Looking further ahead, we anticipate that our First Bus and our First Rail open access businesses will continue to grow from their existing strong bases. We also expect them to be more cash generative following a period of significant investment in the First Bus fleet and open access rail being capital light, with rolling stock funded through operating leases for the duration of the track access agreements.

Conclusion

In FY 2025 we have successfully executed our strategy, further strengthened our businesses and grown and diversified our portfolio despite high inflation and the impact of public policy changes. Our strong performance is testament to the expertise and efforts of our people and I am very grateful to all our teams for their continued hard work to ensure we provide the best possible services for our customers and stakeholders.

Looking ahead, for some time now we have been working to restructure our businesses and cost base ahead of a period of major transition for the Group. We are confident we will at least maintain our adjusted EPS in FY 2026, from a stronger, more diverse earnings base, with scope for material earnings growth in the medium term as we grow revenues in First Bus and open access rail.

As a leading, highly experienced and innovative public transport operator we are well placed to participate in future opportunities in UK bus and rail and to continue our significant investment in growth and decarbonisation. We recognise that we have a critical role to play in the delivery of the country's wider economic, social and environmental goals, and will continue to take a proactive approach, demonstrating our strengths as a trusted, experienced partner for the delivery of public transport services.

Graham Sutherland

Chief Executive Officer

10 June 2025