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FirstGroup plc : 24/01/2013 - FirstGroup PLC Interim Management Statement

01/24/2013| 02:31am US/Eastern

FirstGroup PLC Interim Management Statement

TIDMFGP

Embargoed until 7:00am on Thursday 24 January 2013

FIRSTGROUP PLC

INTERIM MANAGEMENT STATEMENT

FirstGroup plc ("the Group") the leading transport operator in the UK and North America, reports the following update on trading from 1 October to 31 December 2012 ("the period" or "the third quarter").

Overview

Trading for the Group, excluding the one-off effect of Hurricane Sandy, during the third quarter was in line with our expectations. Despite the economic conditions that prevail, we continue to strengthen the business for the future by taking actions that will lead to improved performance and sustainable growth.

We were pleased by continued strong support from fixed income investors in November, which led to our issue of GBP325m of 10-year bonds being significantly oversubscribed. The proceeds were used to pay down debt, as part of our strategy to reduce reliance on bank borrowings and extend our debt maturity profile.

First Student

The roll out of management actions across the business continues to underpin performance and strengthen the operating model of First Student. Although there is significant work still to be done, we remain on track with our plans and the business is set on the path to recovery. A significant amount of our operations were disrupted by Hurricane Sandy in late October. The storm, which affected the entire eastern seaboard, parts of the Midwest and Eastern Canada, impacted some 130 of our locations and led to the closure of schools for up to nine days. This is expected to adversely impact operating profit by approximately \$15m in 2012/13. Nevertheless, our current expectations for underlying margin performance for the full year remain broadly unchanged.

First Transit

Our transit division generated good operating results from its range of operations, the majority of which require low capital investment. A strong performance was achieved with good revenue growth particularly within our core operations. We continue to see good contract retention rates and develop opportunities from a healthy pipeline of new contract bids. We are proactively working through a small number of historic legal claims within First Transit. As a result, settlement discussions have now been scheduled for February 2013 in respect of historic meal and rest break claims in the Fixed Route and Paratransit businesses which date back to 2003.

Greyhound

During the period like-for-like revenue growth was 1.6%, with **Income Statement Evolution** » operations continuing to achieve a strong performance. Against the backdrop of a sluggish economy, operating margin performance remains in line with our expectations as a result of the actions we have taken. These actions have transformed the business and created a more flexible and agile operating model. We continue to expand our popular Express product and build on the unique strength of our national network in providing support for sustainable flows on newly launched services as we roll out across more destinations. During the

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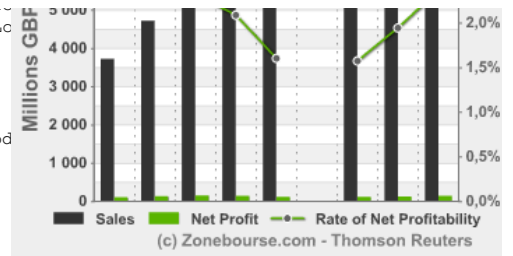
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newly launched services as we will see across more subsequent period we expanded Express service to new states including Louisiana, Nevada and Ontario, Canada.

UK Bus

Like-for-like passenger revenue growth was 2.1% in the period the challenging economic environment which continues to affect many of the urban areas in which we operate, we are making headway with our detailed plan to recover performance and equip the business to achieve increased revenue and patronage growth. We continue to work through our programme of disposals. In November 2012 we agreed the sale of our Birkenhead and Chester operations for GBP 4.5m and today we are pleased to announce the sale of our Kidderminster and Redditch bus businesses to Rotala PLC for a gross consideration of GBP1.5m. While there remains considerable work to be done across our UK Bus division, we are encouraged by early positive signs in some of our markets. As previously stated, we expect UK Bus operating margin to be approximately 8% for the full year.



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UK Rail

Our rail division continues to benefit from strong passenger growth across all of our franchises and like-for-like revenue increased by 8.1% in the period. We welcomed the publication of the independent review by Richard Brown on 10 January which called for an early return to franchising so that the private sector can continue to provide effective and efficient passenger rail services with further performance and infrastructure improvements. As the UK's largest and most experienced rail operator, we remain committed to maintaining a leading position in the market. We look forward to receiving details on the commencement of the franchise process and submitting further high quality bids that deliver for passengers, taxpayers and shareholders. During the period the Scottish Government announced that the ScotRail franchise will now end on 31 March 2015, from its previous end date of 9 November 2014.

Outlook

Commenting, Tim O'Toole, Chief Executive said:

"Trading for the Group, excluding the one-off effect of Hurricane Sandy, during the third quarter was in line with our expectations. We have leading positions in a sector that is a key enabler of economic growth and the backbone of vibrant and sustainable local economies. Demand for high quality, attractive services that offer value for money remains and we are confident that the actions we are taking will strengthen our business and its prospects for long term growth. While there is significant work still to do, we are satisfied with the progress of the actions taken so far, though we remain cautious in respect of continued economic weakness.

"As previously stated, following the uncertainty caused by the Department for Transport's decision to delay its franchising programme the Board held the interim dividend at last year's level. We will consider the full year dividend in May 2013, by which time the prospects for our rail division are expected to be clearer."

A conference call for analysts and investors will be held at 9:30am today.

Please call +44 20 7291 0507 in advance of the call to register and to receive joining details.

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FirstGroup plc is the leading transport operator in the UK and North America. With approximately 124,000 employees we carry 2.5 billion passengers every year across our bus and rail networks in the UK and our school bus, transit and intercity coach operations in the US and Canada. Our vision is to provide solutions for an increasingly congested world...keeping people moving and communities prospering.

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