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FirstGroup sells eight London bus depots

By Rose Jacobs

FirstGroup has sold eight London bus depots for £80m, taking it further towards its goal of £100m in disposals as part of a turnaround strategy.

The UK's biggest bus and train operator by revenues also said on Tuesday that the underlying performance of its UK bus division was still expected to be disappointing compared with previous years.

The operating margin for the year to March 31 is forecast to be 8 per cent, compared with 12-13 per cent in the past. The company hopes the asset sales will help edge that figure up in coming years.

FirstGroup has already sold a handful of depots and routes to rivals such as Stagecoach and Go-Ahead. Five of the eight London depots sold this week, including those at Uxbridge and Willesden Junction, will go to Metroline, a division of Comfort DelGro Corporation, a Singapore-based transport operator, and the other three to Australian group Transit Systems, a newcomer to the London market.

“While we have been a key operator in London for many years, our focus going forward is on the deregulated market outside of the capital,” said Giles Fearnley, managing director of the bus division.

Shares in FirstGroup rose nearly 3 per cent in London on Tuesday to close at 206.7p. But analysts cautioned that debt remained high and that there was a strong possibility the dividend would be cut.

“FirstGroup is slowly being turned around but it's a long process,” said John Lawson at Investec in a note. “Today's news on asset disposals bolsters the balance sheet, but we still have no word on the likely future dividend level [which the market is expecting to be cut].”

The company itself noted that it had held the interim dividend level in the wake of the West Coast fiasco, when the UK government granted FirstGroup the contract to run one of the country's biggest rail franchises, only to cancel the contest later when it discovered errors in the process.

FirstGroup said it would “consider the full-year dividend in May”, when it issues its full-year results.

Trading in the UK bus business appeared to pick up in the last quarter of the year – with revenues 2.4 per cent higher for the year compared with a 2.1 per cent increase in the third quarter – but fell off elsewhere. Sales at the US coach business, run under the Greyhound name, rose just 1 per cent, and UK rail growth was also slower than in the third quarter. Revenues in the US school business fell 3 per cent.

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