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## FirstGroup cuts losses to £8m

By Jane Wild

**FirstGroup** has begun to stem its losses, raising hopes that its recovery is taking hold after a year in which a painful £615m rights issue sent its shares plunging.

Its first-half pre-tax loss shrank to £8m, on revenues that were up 1.6 per cent to £3.3bn on the same period last year.

The transport group said that while there was a lot more to be done, it had put in place the foundations for its recovery and was on track to meet its goals, including to restart paying dividends from the close of its financial year.

However, it has not yet managed to find a replacement for Martin Gilbert, who heeded investor calls in May by announcing he would step down as chairman once a successor had been named.

“It’s a steady as you go performance,” said Tim O’Toole, FirstGroup’s chief executive. “We were able to deliver and [that] allowed us to reaffirm our commitments on goals we had set out with shareholders when we did the rights plan.”

Investors reacted well to the group’s half-year results to September 30, and shares closed 5.8 per cent higher at 122.9p in London. Its shares are still down 26.6 per cent in the year to date.

The group’s two big recovery plans – in its bus business in the UK and in the US and Canada – were moving ahead, Mr O’Toole said, stressing that each would take a couple of years.

“We’ve finally seen volume growth across the business, which is the first time we’ve seen that in many years at FirstGroup,” he said.

First Student, its school bus services, was generating margins of about 6 per cent, he said, and the aim was to get it into double digits within the next two to three years. “While we did have margin improvement in the first half, it’s an improvement on very small numbers. The big push and the big challenge is still in front of us,” Mr O’Toole said.

In its UK rail business, where it runs trains from London to the southwest, and in the north, its operating profit was up 38 per cent, as passenger numbers grew. The group has been shortlisted for the ScotRail and Thameslink franchises and said it is interested in East Coast.

Analysts tentatively welcomed the results. “The recovery programme in Student and UK bus seems to be on track, although as with any turnaround story, trying to see what is really going on underneath the bonnet can be difficult,” noted John Lawson, analyst at Investec.

FirstGroup said it had managed to cut its net debt by about a third to £1.45bn, reducing its net debt to ebitda ratio from 3.2 times last year to 2.4 times.

Its operating profit was £90.6m, up 44.3 per cent, and after its rights issue its diluted loss per share was 0.1p.

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