

FirstGroup

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FirstGroup plunges as losses and borrowings widen

FirstGroup PLC's (LON:FGP) shares dropped sharply on Thursday as the transport firm saw its promises of portfolio rationalisation not followed up by actual disposals, with its full-year losses widening dramatically as a result of related write-downs.

The company's market value plunged by a fifth on Thursday afternoon, with the 20% drop in its share price to 103p on Thursday afternoon slashing its market capitalisation from £1.5bn to £1.1bn.

In a statement, the company said its full-year guidance remains unchanged but a write-down to the North American Greyhound coach division ahead of its planned sale caused the firm's statutory loss before tax to widen 40-fold to £187m year-on-year.

READ: FirstGroup and Trenitalia's West Coast rail partnership may be blocked
The Aberdeen-headquartered transport group said the formal sale of the North American bus network is "well advanced" since the disposal announcement in May, but has now written off £124m of the value of the asset.

In the six months to 30 September, the FTSE 250-listed group's revenue was up 7% to £3.5bn, while net debt nearly doubled to £2bn.

The group said management's profit and earnings outlook for the full year remained consistent on a like-for-like basis but improved slightly due to foreign exchange and the award of the West Coast Partnership rail franchise with its partner, Italian network operator Trenitalia - though that remains somewhat up in the air as it could be investigated due to competition concerns.

There was no comment on the recent announcement of 27 days of strikes on its South Western Railway during December.

Analysts at Peel Hunt said FirstGroup's consensus forecasts are "unlikely to increase as these positive effects will be mitigated by the likely introduction of IFRS 16 into forecasts".

Profit before tax is likely to be pushed below the current consensus to £31m, said broker Peel Hunt, because of adjustments for the new IFRS 16 new accounting standards.

-- Updates shares, adds market cap --

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No investment advice

Price: 126.9

Market Cap: £1.54 billion

1 Year Share Price Graph



Share Information

Code: FGP

Listing: LSE

52 week High Low
138.8 86.85

Sector: Transport

Website: www.firstgroup.com

Company Synopsis:

FirstGroup plc is engaged in the provision of passenger transport services. It operates in four divisions: Bus, UK Rail, North America and Greyhound.

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