

# Stagecoach Group PLC

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## Stagecoach ticks up as it clinches short extension to East Midlands rail franchise

Stagecoach Group PLC's (LON:SGC) shares ticked up on Tuesday after its agreed on a short-term extension to its East Midlands rail franchise with the Department for Transport.

The FTSE 250-transport firm said under the new agreement, which will begin on 3 March and run until 18 August, would include supporting the delivery of a £1.5bn midland main line upgrade to improve capacity and reduce journey times, as well as a continuation of a stations and trains improvement programme and the roll-out of smart ticketing in March.

**READ:** Stagecoach shares travel lower as RBC expects US coach disposal to hit earnings

Stagecoach added that revenue risk for the new contract would lie primarily with the DfT and that it expected to earn a "modest profit" under the agreement and a profit-sharing arrangement.

The DfT also had the discretion to extend the franchise by up to 24 weeks on the agreed terms, the company said.

In a note to clients, analysts at broker Liberum said the extension had been "marginally longer" than assumed and that the DfT's discretionary extension beyond this represented a "modest upside opportunity ... although the profitability of the extension may be more modest than we had assumed (we had expected normal commercial terms and margins)".

### East Coast embarrassment

Stagecoach has run the East Midlands franchise, which covers routes from London to stations including Nottingham, Crewe, Derby, and Peterborough since 2007, although its reputation as a reliable provider was tarnished last year when it was stripped of the East Coast Main Line franchise which was run in a joint venture with Virgin.

The East Coast line, which is now back under public ownership for the third time in a decade, caused an £85.6mln hit to Stagecoaches' finances, as well as piling the pressure on UK transport secretary Christ Grayling.

The group also lost out on the South West Trains franchise in 2017, as well as the rail system for the Isle of Wight in the same year, both of which were taken by FirstGroup PLC (LON:FGP)-owned South Western Railway.

### Potential rivals?

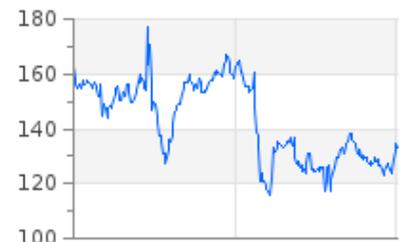
Speculation now turns to any potential bidders that could usurp Stagecoach when the newly-extended franchise finally expires.

When the DfT published the original list of bidders last year, with a key challenger being Sunderland-based transport giant Arriva, which currently runs franchises including Chiltern Railways, CrossCountry, Northern, and Great North Western.

**Price:** £1.33

**Market Cap:** £737.43 m

### 1 Year Share Price Graph



September 2018 March 2019 September 2019

### Share Information

**Code:** SGC

**Listing:** LSE

**52 week High Low**  
184.7 113.6

**Sector:** Transport

**Website:** [www.stagecoachgroup.com](http://www.stagecoachgroup.com)

### Company Synopsis:

Stagecoach Group is an international public transportation company, with operations in the United Kingdom, United States and Canada operating bus and/or rail services.

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There is also interest from Dutch operator Abellio, which currently runs the Greater Anglia franchise and ScotRail, as well as participating in a joint venture that operates the West Midlands franchise.

Another challenger in the form of a JV between FirstGroup and Italian train operator Tranitalia, pulled out of the running last April.

In late-afternoon trading, Stagecoach shares were up 1% at 154.8p.

-- Adds details on East Coast Main Line, potential bidders for East Midlands, and updates share price --

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