

SPEEDING AHEAD

As the group financial controller of a listed bus and rail operator, Paul Edwards' career is heading in the right direction

Words: **Sally Percy** / Photos: **Suki Dhanda**



Paul Edwards admits that he does enough miles on the train to “circumnavigate the globe each year”. But it’s just as well that he’s familiar with public transport since he’s the group financial controller of Go-Ahead, one of the UK’s largest bus operators and holder of three rail franchises – Southern, Southeastern and London Midland. Go-Ahead’s head office is in London, but the finance function is based in Newcastle, hence Edwards spends many hours each month shuttling between the two locations, but, fortunately, he likes travelling by train.

As the group financial controller of a public company (Go-Ahead is listed on the FTSE 250 index), Edwards describes his role as a mixture of stewardship, controlling the balance sheet and managing the company’s funding and financing. From a ‘treasury’ perspective, he’s responsible for maintaining relationships with the company’s bankers and its rating agencies Standard & Poor’s and Moody’s. While the group’s FD, Keith Down, makes the financial decisions regarding strategy, those decisions are usually influenced by Edwards’ recommendations.

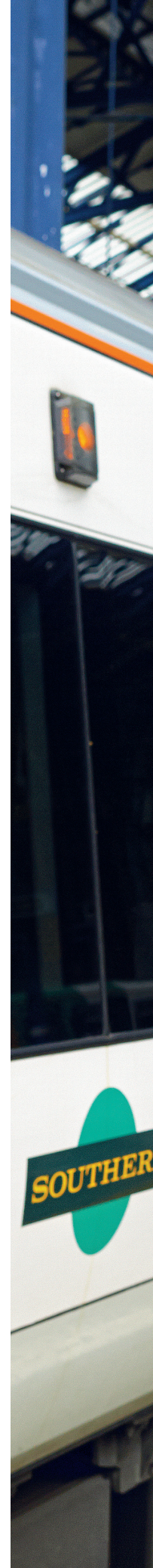
Edwards passed his AMCT in 2010, an experience he describes as “like going back to school 25 years after I left”. He adds: “The horrendous thing was waiting for the exam results.” But he says that having the qualification has proved invaluable in his role, particularly as Go-Ahead issued a £200m sterling bond the same year. “CertCFF was a perfect paper to do alongside a corporate bond,” he says. “It meant that I understood the terminology and I had the skill set to do complex discount calculations.” Besides the bond, Go-Ahead also has £140m in bank borrowings. “It’s difficult to be an FD without having treasury responsibilities,” Edwards acknowledges. “Funding falls into your remit and so does the

structure of how you finance. If you look at Go-Ahead, we have a funding requirement, fuel hedging requirements that we use derivatives to control and a small FX exposure.”

For a transport operator, diesel represents a considerable expense – and risk. The company has a fleet of around 4,600 buses that mostly run on diesel while some of its trains use it as well. Hence it has a detailed plan for managing diesel over the medium term. “Our diesel requirements give us an understanding of what we need to hedge into the future,” says Edwards. “We need 125 million litres of diesel a year and we buy that up to three years in advance. But we have a strict timetable. We buy it in regular monthly blocks so that, over a year, we don’t get caught out by the peaks and troughs in the marketplace.” Rather than trying to “second-guess” the best time to buy diesel, the company buys it on a set day each month that it decides at the start of the year. It will buy 10 million litres of diesel per month over the next three years.

Go-Ahead has typically £225m-£250m in cash deposits, but most of that is ring-fenced because it represents advance season ticket sales from commuters. As a result, the money has to be held in accordance with strict Department for Transport guidelines and no financial institution may hold more than £25m or 15% of the funds. The company works with a core group of around 12 banks globally, each of which must hold a minimum of an A- credit rating, and it maintains a spreadsheet that details the company’s exposure to each bank on a weekly basis. Before a further deposit is placed, the bank’s credit rating is checked.

Besides its UK operation, Go-Ahead runs a small yellow school bus service in Chicago. It took on the contract three years ago, seeing it as a foothold into the US market and a way to understand how the market works and the margins



“It’s difficult to be an FD without having treasury responsibilities. Funding falls into your remit and so does the structure of how you finance”



PAUL'S TOP TIPS FOR SUCCESS:

❖
"Wherever possible, keep it simple. We have a very simple hedging policy. Because we understand it, it does what we need it to do and there are no surprises."

❖
"Having the AMCT gives me credibility when I'm talking to banking professionals. Bankers recognise that I have a treasury qualification as well as being an FCA, so they talk to me on a level playing field."

❖
"Always try to have one eye on where the next opportunity is."

❖
"The most difficult question my FD could ask is: how do we rationalise him being in the same office as the finance team? He's based in London and we're based in the North East."

❖
"My favourite gadget is my iPhone and I like listening to my music app. When my wife and I go on walking holidays, we also use the GPS."

❖
"The best way to wind down after a stressful day is to take the dogs out for a walk. It's complete downtime."



PAUL'S CURRICULUM VITAE

2008 to present

Group financial controller,
Go-Ahead Group

2007-2008

FD, the Grill Group

2006-2007

FD, the Vardy Group

2003-2006

Group FD, Bannatyne Private Fitness

2001-2003

Group senior manager, Deloitte, Newcastle

1998-2001

Senior manager, Ernst & Young, London

1992-1998

Audit senior/manager, Grant Thornton,
Newcastle, Melbourne, Sheffield, London

1987-1992

Worked for two small accountancy
practices in the North East

Qualifications

AMCT, FCA

involved. The company's exposures are limited by the fact that both its borrowings and revenues are dollar-based. The group just needs to remit dollars back to the bank to pay off its loan, which is in dollars. "It's quite a small exposure," says Edwards. "It's \$6m."

Go-Ahead has set a goal of growing its bus division operating profit to £100m by 2015/16, up from £78.2m in 2013. While growing its rail franchise operation is a core part of its strategy, having a healthy bus division gives the company security since rail franchises can be both won and lost. "With buses, you can form an organic business," says Edwards. "If you can control your costs and your revenues, you can generate greater profits. Anything we can achieve from rail on top of that is essentially a bonus, so it's a successful group with or without rail." While the margins on the rail business are slimmer than those on its bus business (1.3% and 10.3% respectively in 2013), the scale of the rail operations means that rail is still a lucrative business to be in. So, Go-Ahead is bidding with a partner to operate the Southern and Thameslink franchises and also Crossrail, the new trans-London train network that will open in 2018.

Into the dragon's den

Edwards has been with his current employer for six years and his career prior to that was varied, spanning both industry and practice. He trained with an accountancy firm in the North East immediately after leaving school and worked in practice for 16 years, most recently at Deloitte, until he jumped ship to his client Bannatyne Private Fitness, the health club group founded by Duncan Bannatyne, entrepreneur and star of TV show *Dragons' Den*.

As group FD of Bannatyne Private Fitness, Edwards had to quickly adjust to working in an entrepreneurial environment after having spent his career until that point in professional services. "In an entrepreneurial-led business, there's quite a skills gap between the directors and the clerks and controllers," he says. "You don't have the same support structure. But you do get to make decisions and to see those decisions through. You get to work on negotiations that fundamentally matter to the business and you get to work on strategy alongside the board of directors. It's much more dynamic in terms of your interaction with the board, but there is less support in terms of the people around to help you. That's the key difference between being in an entrepreneurial environment and a plc as well."

Of Bannatyne, Edwards says: "He has created an image that he's a hard-nosed business mentor and you can see a lot of that in the day-to-day operations. He has a great way of boiling down big problems into small, bite-sized pieces. The flip side is that he was always thinking about every aspect of the business. He would ask me about refinancing a £75m loan facility and when I said that was going OK, he would ask me what I was doing about the issue with petty cash in Crewe." During the course of their three-and-a-half-year relationship, Edwards admits to having some "frank" conversations with Bannatyne. "It wasn't smooth sailing," he says. "But when you had a point to make and you stood by your arguments, he would listen." He also reveals that Bannatyne has a caring side – the entrepreneur spent a day actively trying to hunt Edwards down in London on the day of the 2005 bombings.

After Bannatyne Private Fitness, Edwards spent brief spells working for philanthropist Sir Peter Vardy and North West restaurant chain the Grill Group. He then saw an advertisement for the group financial controller role at Go-Ahead and decided to apply for it. "The financial controller role in a listed company suits a lot of entrepreneurial FDs," he

"The ability to forecast cash flows is essential to overall corporate strategy and the treasurer is core to that"

explains, "because the role is quite similar." He describes the Go-Ahead position as "a good role with a great team. I report into a strong board of directors". He also has a seat on the audit committee and enjoys working with a team that has similar strength and depth to those he was used to in his practice days.

Given his broad skill set, Edwards has plenty of options when it comes to planning his future career direction. "In terms of what I see as my next role, it is likely to be a CFO

in a plc," he says. And he believes that his treasury training will help to give him an edge when that time comes. "The ability to forecast cash flows is essential to overall corporate strategy and the treasurer is core to that." So, for now, Edwards might be happy travelling with Go-Ahead, but who knows where his next stop will be? ♥

Sally Percy is editor of *The Treasurer*

£2.6bn

Go-Ahead's revenue for the year ending 29 June 2013

£102.5m

Go-Ahead's operating profit for the year ending 29 June 2013

£90.9m

Go-Ahead's net debt as at 29 June 2013

1 billion +

the number of passenger journeys taken on Go-Ahead's UK bus and rail services each year

VITAL STATISTICS

23,500

the number of people employed by Go-Ahead around the UK

24%

Go-Ahead's share of the London bus market

78%

the customer satisfaction score for Go-Ahead's rail passengers

30%

the proportion of rail passengers in England that travel on Go-Ahead's three franchises – Southern, Southeastern and London Midland

4,600

the approximate number of buses operated by Go-Ahead in the UK

7.4

the average age of a bus in Go-Ahead's fleet

1987

the year in which Go-Ahead was founded