

national express

National Express Group PLC

Q3 Trading Update – Sustained momentum across the Group

20 October 2022

National Express Group PLC (“National Express” or “the Group”) today reports its Trading Update for the period 1 July 2022 to 30 September 2022 (“Q3” or “the period”).

Overview

- Revenue up 33% year on year and 5% ahead of 2019 levels at constant currency
 - ALSA up 35% year on year, North America up 11%, UK up 30% and Germany up 63%
- Ongoing recovery in passenger journeys across our diversified markets
 - Strong growth in UK and Spanish coach businesses, alongside rising occupancy and yields, with bus patronage also recovering well
- Good progress towards meeting full-year driver recovery targets in North America School bus, although the labour market remains tight
- FY 2022 results anticipated to be broadly in line with expectations

Ignacio Garat, Group Chief Executive, said:

“I am pleased to report sustained momentum across the Group and another period of operational progress and revenue growth. We continue to see strengthening passenger numbers in our coach businesses in the UK and Spain, and we are focused on meeting our driver recovery targets for the full year in our North America school bus division.

“We are well positioned for the current inflationary environment with long-term supply contracts, fuel hedging, and a proven ability to pass through price increases over time. While we are mindful of the challenges we face in our sector, we are confident in our Evolve strategy and look forward to making further progress.”

Divisional operating highlights

ALSA

ALSA delivered another strong quarter, with revenue up 35% year on year and 20% ahead of 2019 levels, both in constant currency. Growth was particularly strong in Long Haul, where revenue grew by 53% and passenger journeys were up 42% year on year. Occupancy is now running at 64%, over 5 percentage points higher than 2019. Yield increased by 8% year-on-year, and is up 5% versus 2019.

Morocco continues to deliver strong growth, delivering record daily passenger numbers: revenue is up 37% and passenger journeys are up 21% year on year.

We continue to make good progress in Portugal with our mobilisation in Porto on track for next year, and we are progressing a number of significant bid opportunities, in both existing and new geographies.

North America

Revenue grew 11% year on year in the period, in constant currency.

We have made encouraging progress on driver numbers, with the driver shortage narrowing significantly compared to the position at the end of the 21/22 School Year, and in line with our targets.

Our focus on recruitment has resulted in over 40% more hires than in the prior year, boosted by highly targeted online recruitment initiatives and social media activity, which saw applications through these channels up over 30%. We also boosted our field based recruitment resource, and optimised our training and on boarding processes. In parallel, we continue to drive retention with targeted pay increases where

appropriate, and we have implemented steps to ensure that as drivers return, routes are re-instated. Early signs are encouraging, but the market remains challenging and this is our key area of focus in school bus.

Our Shuttle and Transit businesses made further progress in the quarter, with revenue up 21% and 7% respectively year-on-year, with Shuttle revenue ahead of 2019 levels. We have won three new shuttle contracts, with two contracts in the Universities sector, and are making further progress in our Boston hub, which is a key city we targeted for expansion. In addition we have renewed a number of other contracts during the period on improved terms.

As we focus on further improving our return on invested capital, we are close to finalising the details of our first electric school bus “availability contract” at scale.

UK & Germany

UK revenue grew 30% in the period, largely driven by very strong growth in our core coach operations where revenue more than doubled year on year, occupancy was up nearly 20 percentage points year on year to 78% (8 percentage points ahead of 2019) and yield was up 21% versus 2019. Our ability to react quickly to events means that we were able to provide more services during rail strikes, and we were proud to play a part in supporting the Metropolitan Police during the Queen’s funeral. On several of our core UK inter-city corridors, we are now seeing demand well in excess of 2019 levels.

UK Bus commercial patronage continues to improve and is now running at around 90% of 2019 levels and up 24% year on year. The Bus Services Improvement Plan (BSIP) funding of £88 million (over three years) has been formally granted to Transport for West Midlands (“**TfWM**”). This funding has allowed TfWM to announce frozen fares, and for us to seek to maintain our comprehensive network as passenger numbers recover. The phasing of the grant (and associated revenue recognition) is expected to be finalised shortly.

Our German rail business delivered another quarter of strong growth, with revenue up 63% year on year, in constant currency, largely reflecting contract awards of two new services at the start of the year.

Balance Sheet, currency, and interest rates

We are well positioned to weather the current market volatility. We have Inflation protection from fuel hedges, covering 100% of 2023 volumes, and 50% of 2024 volumes. We have long-term supply agreements on the majority of our remaining non-staff costs, with inflation expected to be in the region of 4% over the next 12 months. Staff cost negotiations are ongoing and are progressing in line with our expectations.

Over 80% of debt is at fixed interest rates with no material exposure to increased interest rates until 2024. Because we manage the currency profile of our debt to match the currency in which EBITDA is generated, our covenant leverage is not impacted by currency volatility. We expect to be in line with covenant leverage guidance of 2.5x to 3.0x net debt to EBITDA at year end.

Enquiries

National Express Group PLC

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There will be a conference call for investors and analysts at 8.00am on 20th October 2022. Details are available from Headland: nationalexpress@headlandconsultancy.com

About National Express

National Express is a leading shared mobility provider with bus, coach and rail services in the UK, North America, continental Europe, North Africa, and the Middle East.

Notes

Legal Entity Identifier: 213800A8IQEMY8PA5X34

Forward looking statements and other important information

This document contains forward-looking statements with respect to the financial condition, results and business of National Express Group PLC. By their nature, forward-looking statements involve risk and uncertainty and there may be subsequent variations to estimates. National Express Group PLC's actual future results may differ materially from the results expressed or implied in these forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, National Express does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise. Forward-looking statements can be made in writing but also may be made verbally by members of the management of the Group (including without limitation, during management presentations to financial analysts) in connection with this document.