

26 October 2017

National Express Group PLC: Trading Update

Good profit and passenger growth through continued international strength and improved UK performance

National Express Group PLC (“National Express” or “the Group”) today reports its Trading Update for the period from 1 July 2017 to 30 September 2017 (“the period”).

Our focus on operational excellence continued to deliver strong growth across the Group. In the period:

- Group normalised profit before tax was up 12.3%. It was up 14.9% in constant currency, an increase on 11% growth at the half year;
- Group revenue up 6.4% (4.8% in constant currency);
- Strong passenger growth across the Group, up 2.5%;
- On course to deliver our Group profit, free cash and leverage targets for the year.

Our international divisions continued to deliver strong growth:

ALSA saw a particularly strong summer performance with passenger numbers up 4.1% and underlying revenues increase by 2.1%. This revenue increase consisted of growth in both Spain, particularly as the benefits of our real-time revenue management system (RMS) continue to be realised, and Morocco, as a new fare strategy reversed the declines seen in the first half of the year:

- Occupancy rates on the routes with RMS in place has again increased, up 2% year-on-year;
- No Ministry of Public Works coach concession tenders have been started in the period, giving us confidence that there will now not be any impact from the renewal process in 2018;
- ALSA remains on course to deliver a record performance in the year.

North America saw revenue growth accelerate to 13.7% in the period, with both organic growth and strong progress in interesting new markets:

- We have significantly grown our presence in the Charter market, through a combination of acquisition and organic growth. We have a new national team in place focused on converting a strong pipeline of growth and see significant future potential here;
- We continue to grow our Transit business, winning a further 5 contracts this year. Annualised revenue has more than doubled in the last 18 months to over \$280 million and we have many further opportunities to pursue.

The period also saw particularly pleasing results in a challenging UK market:

Both UK Bus and UK Coach have driven growth in the period through sophisticated pricing and decisive management action:

- UK Bus increased revenue per mile by 2.4% in the period. This has been achieved by both growing like-for-like commercial patronage (up 0.6% in the period) and reducing service mileage by 2% to better match seasonal demand over the summer:
 - Our Low Fare Zones continue to be successful, with the first two driving a combined 4% patronage growth and a 2% increase in revenue; a further 13 pricing initiatives are now in place to promote further growth;

- These actions are combining to deliver improving revenue growth every month and have seen UK Bus' 1.4% decline in year-on-year revenues at the half year, change trajectory to a 0.2% increase in the period;
- This improved performance has also translated in to an increase in UK Bus profit by £1 million, year-on-year in the period.
- UK Coach has continued to grow both revenue (up 1.2%) and patronage (up 3.1% on core coach services) in the period:
 - UK Coach has responded to the challenges of competition and the impact of the terrorist events, using its RMS to adapt pricing and drive passenger growth.
- UK Bus and UK Coach both saw particularly strong performances in September, giving us further confidence for the rest of the year.

Progress on strategy

Our focus on operational excellence drives our service performance to customers, sales growth and the operational efficiency that secures strong returns

UK Bus and UK Coach now have both 5-star British Safety Council and European Foundation for Quality Management ratings, key indicators of a well-run business.

Across the Group we continue to invest in technology that drives service improvements and efficiencies:

- DriveCam smart camera technology continues to be rolled out and is both reducing collisions and bringing down costs by around a third where installed;
- Our real time active revenue management system in UK Coach and ALSA continues to drive incremental revenue improvement and occupancy rates;
- We continue to grow digital sales, providing a more efficient and targeted method of sale: for example, over 10% of UK Bus' commercial revenue now comes through our m-ticketing platform.

Across the Group we have also delivered significant cost savings in the year:

- UK Bus and UK Coach have combined some back office functions and streamlined operations after our exit from UK Rail, delivering an annualised saving of £10 million;
- North America has also undertaken an efficiency review and secured \$10 million of annualised savings helping to off-set wage pressures.

These strong returns are being deployed to underpin investment in growth and acquire new businesses in our fastest growing markets

We continue to actively pursue further acquisitions in North America and ALSA, retaining our strict discipline on returns, with a number in advanced negotiations. Our recent acquisitions are also opening new growth opportunities:

- Our North American business' acquisition of the demand-responsive transport technology company Ecolane last year has not only brought in new contracts directly, but also helped secure other transit contracts through joint bids. We believe there is further opportunity here for Group-wide collaboration;
- In July we completed the significant acquisition of Cook-DuPage Transportation, securing entry into the US' largest para-transit market, Chicago. Integration has progressed well, further strengthening our credentials in this fast-growing sector.

In the period ALSA won a sightseeing contract in Tenerife and began operating a Bus Rapid Transit (BRT) operation in Marrakesh.

UK Bus and UK Coach have secured additional contract work, sometimes bidding jointly to offer comprehensive credentials. Successes in the period include major staff bussing and British Airways interlining contracts. We are active in further joint bids.

In German Rail, in the period passenger numbers grew 1% and revenue increased 20.7% in constant currency, as we continued to see the benefit of the recognition of prior years' revenues not included in the 2016 accounts. The Rhine-Ruhr Express contracts mobilisation is on-track.

Dean Finch, National Express Group Chief Executive, said:

"We have delivered another strong performance and remain on track to deliver our targets for the year. I am pleased that we have both successfully addressed our challenges and exploited our strengths. We have reversed UK Bus' decline; continued to secure growth in UK Coach despite the impact of terrorism; enjoyed perhaps our best summer in Spain; and secured a very strong school start up in North America, allied with the emergence of additional exciting growth opportunities.

"We will retain a relentless focus on efficiency, delivering both competitive prices for our customers and a strong cash flow. Through this I am confident that we will continue to deliver growth and the returns for further investment in both our fastest growing markets and the new technology which is already delivering real benefits and promises much more to come. This momentum will be further underpinned by the significant fuel cost savings we will see in 2018. Fundamentally, this underpins our determination to deliver ever-improving shareholder returns, building on our recent performance."

Enquiries

National Express Group PLC

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**There will be a conference call for investors and analysts at 0900 on 26 October 2017.
Dial in details are as follows:**

UK Toll Number: +44 3 333 000 804
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Notes

Constant currency basis compares the current year's results with the prior year's results translated at the current year's exchange rates. The Board believes that this gives a better comparison of the underlying performance of the Group. Unless otherwise stated, all results refer to the Group's continuing operations