

# Our Purpose

To provide a crucial service by conveniently and safely connecting people to jobs, education, shopping and leisure in an environmentally responsible way, through value fares.

Our customers are at the heart of what we do at National Express. Whether they are fare paying passengers, transport authorities or school boards, the mission is the same: to relentlessly meet their expectations.



Visit our Group website to read our latest news, access investor information and find out more about how we operate.

[www.nationalexpressgroup.com](http://www.nationalexpressgroup.com)



Unless otherwise stated, all operating profit, margin and EPS data refer to normalised results, which can be found on the face of the Group Income Statement in the first column. The normalised result is defined as being the IFRS result excluding intangible amortisation for acquired businesses, result from the year from discontinued operations and in the prior year, UK restructuring and US tax reform. The Board believes that this gives a more comparable year-on-year indication of the operating performance of the Group and allows users of the financial statements to understand management's key performance measures. Further details relating to separately disclosed items are provided in note 5 on page 130 to the Financial Statements. In addition, unless otherwise stated, all pre-tax results and margin data refer to the Group's continuing operations. 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.

All definitions of alternative performance measures used throughout the Annual Report are included on page 205-206.

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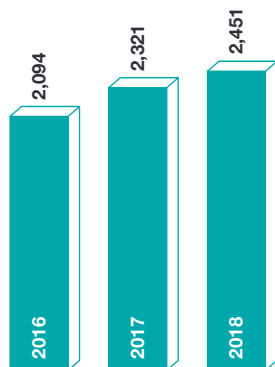
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# A resilient growth story

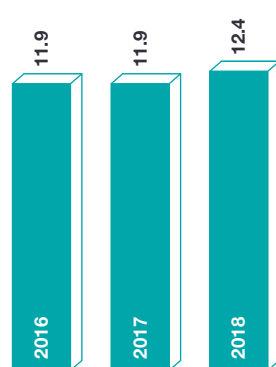
## GROUP REVENUE (£m)

**2,450.7**



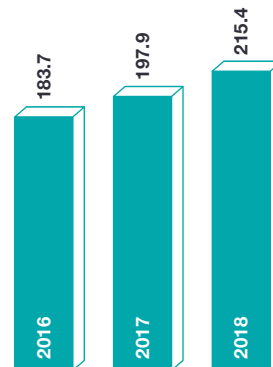
## ROCE (%)

**12.4**



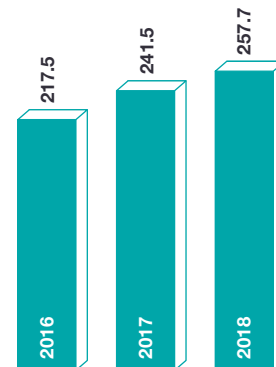
## STATUTORY OPERATING PROFIT (£m)

**215.4**



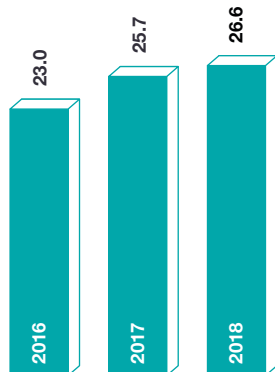
## NORMALISED OPERATING PROFIT (£m)

**257.7**



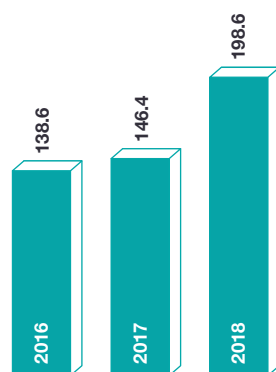
## STATUTORY EARNINGS PER SHARE (p)

**26.6**



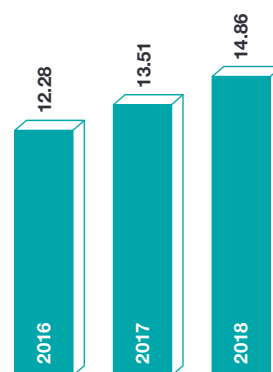
## FREE CASH FLOW (£m)

**198.6**



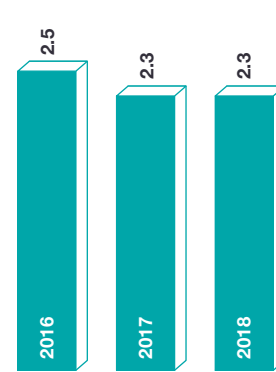
## DIVIDEND PER SHARE (p)

**14.86**



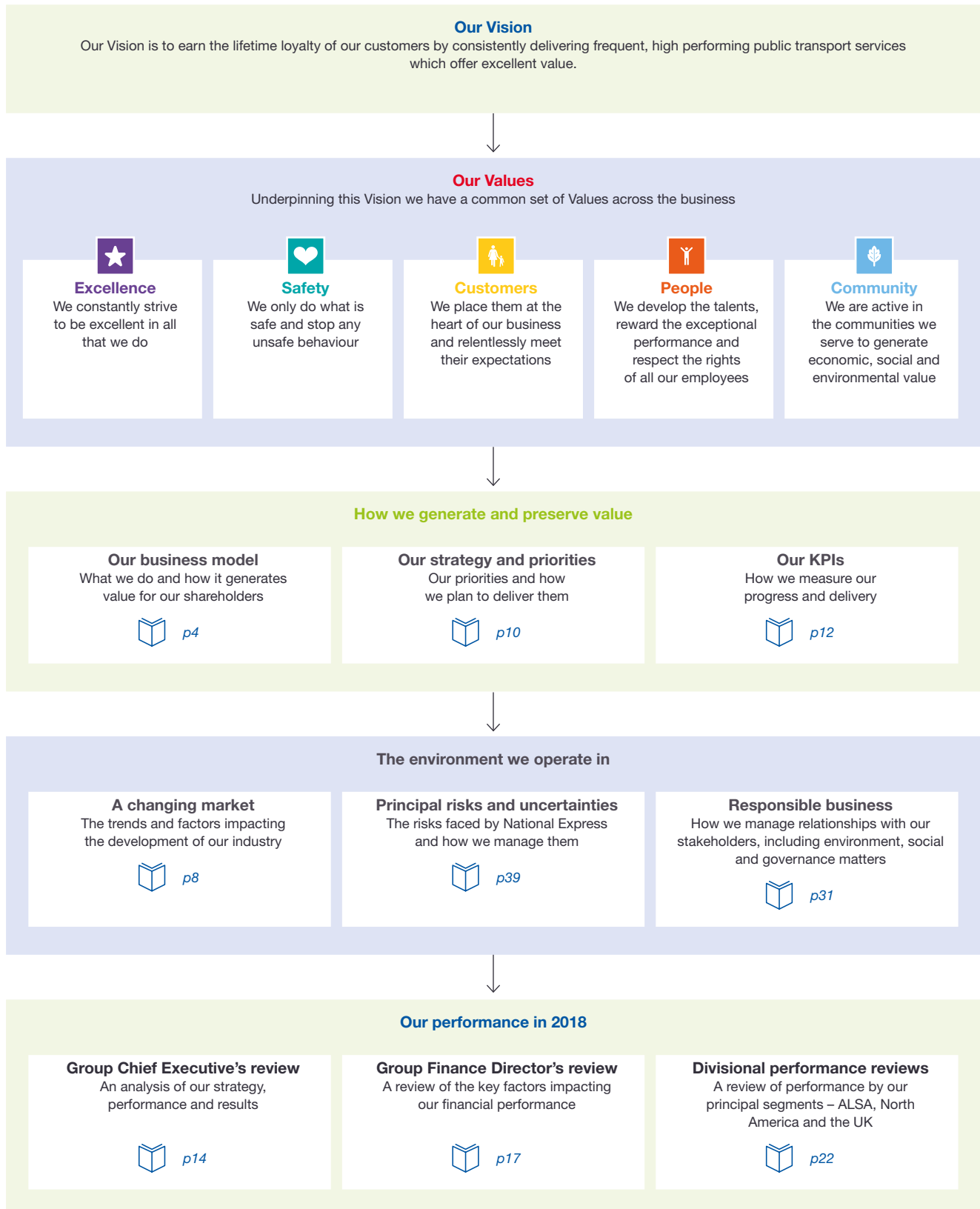
## GEARING (x)

**2.3**



|   | IFRS basis |            | Normalised basis |            |
|---|------------|------------|------------------|------------|
|   | 2018<br>£m | 2017<br>£m | 2018<br>£m       | 2017<br>£m |
| Revenue                                       | 2,450.7    | 2,321.2    | 2,450.7          | 2,321.2    |
| Operating profit                              | 215.4      | 197.9      | 257.7            | 241.5      |
| Profit before tax                             | 177.7      | 156.4      | 220.0            | 200.0      |
| Profit for the year                           | 138.7      | 134.3      | 171.0            | 152.0      |
| Profit after tax from continuing operations   | 138.7      | 128.4      | 171.0            | 152.0      |
| Basic earnings per share (pence)              | 26.6       | 25.7       | 32.9             | 29.1       |
| Free cash flow                                | 198.6      | 146.4      |                  |            |
| Net debt                                      | 951.5      | 887.9      |                  |            |
| Full year proposed dividend per share (pence) | 14.86      | 13.51      |                  |            |

# Generating stakeholder value



Chairman's statement

# Building on opportunities

**Sir John Armitt CBE**

Chairman



## Dear fellow Shareholder

### Introduction and overview

It gives me great pleasure to report to fellow shareholders that National Express has enjoyed a record-breaking 2018. The Group delivered significant increases in revenue, profit and free cash; our profit performance was a record on every measure. Driving this were record performances in both our North American and ALSA divisions. Our UK bus and coach businesses also had a very strong year, in contrast to some of the pervasive commentary around our sector.

These record-breaking results have been delivered through a combination of organic growth and new acquisitions. The Group again carried more passengers than it did the year before and our targeted acquisition strategy has added prime new businesses to our portfolio. We augmented this with business wins, from the substantial urban bus operation in Rabat, Morocco (which will make us the largest private operator in that country) to the 20 smaller 'tuck in' contracts in North America. We will also start our next German rail operation – the Rhine-Ruhr Express – later this year.

This combination of organic growth, targeted acquisitions and strategic contract wins is helping deepen our presence in significant urban markets as well as diversify our earnings streams. As Dean Finch makes clear in his Group Chief Executive's report, we are seeking to build a multi-modal presence in selected large and wealthy cities, to provide a range of services in an efficient, safe and valued manner. We are building platforms from which we can

both grow into new local market segments by serving them efficiently from our existing locations and begin to offer comprehensive door-to-door journeys for customers.

As a Board we have worked closely with the Executive team as they develop interesting ideas around the future of transport and mobility. We believe that this model, with customers looking for 'seamless' end-to-end journey information and options through a single technology platform, is likely to increasingly define transport. National Express is investing now to position ourselves appropriately in this area. As our significant growth in digital revenue, with increasingly sophisticated online and app presences and industry-leading Revenue Management Systems in the UK and Spain demonstrate, we are already seeing the benefit of targeted investment in areas where customers want innovation and modernisation. This is an approach that we will maintain.

### A trusted operator and partner

The Board has always been greatly impressed with Dean's determination and focus on safety within our business. In the last year, the Group has significantly expanded the number of vehicles fitted with Lytx DriveCam smart safety cameras and rolled out enhanced driver monitoring. These technologies are also augmented with personalised feedback sessions between managers and drivers, drawing on the information generated. Both our UK bus and coach businesses were again awarded five-star British Safety Council awards.

As a company we greatly value our relationships with customers, local partners and regulators. This is demonstrated by our award-winning and pioneering Bus Alliance in the West Midlands and the long-term nature of our regional and urban contracts in Spain, for example. We also believe we have an important role to play in society, which is why we were so pleased to become the first private transport group to become a Living Wage Foundation accredited employer in the UK.

It is this combination of consistently strong financial performance with an active sense of our responsibility as an employer that helped us secure the accolade of Britain's Most Admired Transport Company in the 2018 Management Today awards. I would like to personally commend Dean, Chris, Matt and the rest of the Executive team for their hard work to deliver both this record result and such an accolade.

### The year ahead

The Board expects the Group to build again on these results to deliver further growth in 2019. While there remains considerable uncertainty regarding Brexit at the time of writing, as a business we have reviewed a range of potential scenarios and do not believe we are exposed to any material adverse direct consequences. Nonetheless, as set out in the Finance Director's review on page 17 and the Risk section on page 39, we have sought to mitigate any potential impacts.

### Dividend

It is with this confidence in mind that the Board is recommending, for the third successive year, a 10% increase in the final dividend for 2018 to 10.17 pence which will bring the full year dividend to 14.86 pence per share. Subject to shareholder approval of the final dividend at the AGM, it will be paid on 14 May to those shareholders registered on 23 April 2019.

**Sir John Armitt CBE**

Chairman

28 February 2019

## Governance highlights

The Board is fully committed to ensuring that high standards of good governance are in place and consistently applied in the boardroom and throughout the organisation. It also embraces the increased emphasis of the new UK Corporate Governance Code, which applies to the Company from 2019. This pronounces that a positive relationship between companies, shareholders and other stakeholders (including the workforce) is a driver of long-term sustainable growth and having a strong workplace culture aligned with the Company's purpose, business strategy and values is an essential underpin to any successful business. At National Express, many of these fundamentals already exist, but during the rest of this year the Board and management will be looking at ways in which we can further strengthen and extend our current position in response to the new Code.



[Read more p62](#)