

National Express Group PLC
Trading Update
14 October 2021

National Express Group PLC (“National Express” or “the Group”) today reports its Trading Update for the period 1 July 2021 to 30 September 2021 (“Q3” or “the period”).

Overview

- Sequential improvement in performance continued in Q3 with revenue up to 83% on the same period in 2019 on a constant currency basis (vs. 76% in Q2).
- Mitigating rising input costs: Payroll and fuel account for 70% of our cost base; fuel is fully hedged through 2022 and into 2023; and wage settlements have been agreed across the business.
- Continue to successfully mitigate the financial impact of ongoing driver shortages, an industry-wide challenge, through our operational agility, cost control and, in North America, the recent Coronavirus Economic Relief for Transportation Services (“CERTS”) funding.
- Anticipate underlying profit before tax for 2021 to be in line with expectations.
- Retain significant liquidity and strong free cash flow; expect to close 2021 with around £0.8 billion in cash and undrawn committed facilities.
- The Group has now signed its first bus “availability” agreement in the UK, enabling it to utilise zero emission vehicles without capital outlay.

Ignacio Garat, Group Chief Executive, said:

“Due to the tremendous efforts of our colleagues across the Group coupled with the support and cooperation of our customers across all of our markets, the trend of improving performance has continued through the third quarter. I am particularly grateful for the efforts of our colleagues in mitigating the industry-wide challenges of driver availability. This is particularly the case in our North American School Bus business and our team there has worked tirelessly to deliver results in line with our expectations despite this.

I am pleased to say that our ongoing focus on cost management along with our long-established procurement and fuel hedging programmes mean that we have seen no material impact from input cost inflation.

We continue to focus on profitable growth with a strong pipeline of opportunities across the Group and recent contract wins in Spain and the UK. We have completed our business review and I look forward to communicating the exciting path ahead for the Group at our forthcoming Capital Markets Day.”

Divisional operating highlights

ALSA

- The recovery in passengers and revenue continued, with revenue at nearly 90% of 2019 levels in the period; around half of ALSA revenue is protected, predominantly in our Spanish urban bus and regional bus contracts.
- Currently, Long Haul passengers have recovered to over 65% of pre-Covid levels, from 45% at the end of June. We are now operating 70% of services (up from 55% in June).
- Regional and Urban bus in Spain are operating 100% of services with patronage around 80% of pre-Covid levels (from c.65% at the end of June).
- Collective wage agreements have been concluded in Spain at around a 2% increase for 2021 and 3% for 2022, in line with our expectations.
- In Morocco, we continue to see strong growth in revenue versus 2020 (up 34%) and passengers (up 33%), driven in part by the ongoing mobilisation of Casablanca. We expect Casablanca to be fully mobilised, on time and on budget, by the end of October.

- In recent months we have won the Jaén urban bus contract, in Andalusia, and renewed a number of small school bussing contracts in Galicia and the Balearic Islands.
- Our recent acquisition of Rober, Granada is integrating well with performance, ahead of expectations.

North America

- Almost all schools are fully opened after the summer break. Only a very small proportion have subsequently had localised shutdowns for Covid cases – these have been short-term (typically lasting around a week) and have had very minimal impact on revenue.
- Driver shortage is an industry-wide challenge and our driver headcount is currently at 92% of full establishment levels. **This is having some impact on revenue, but we're minimising lost routes** through staggered school starts and arranging emergency cover where possible.
- As a consequence of the ongoing tighter labour market, we now expect driver wage inflation of around 5% for the 2021/2022 school year.
- The US Treasury has now awarded grants to transport companies under its CERTS programme. This is applicable to our school bus business and the amount awarded to the Group is \$113m, which is to be utilised over the 2021/22 school year. The amount of the grant that is utilised in 2021 is higher than we had previously been expecting which is enabling us to offset the financial impact of driver shortages and wage inflation.
- In our Transit business, services are now running at more than 70% of pre-Covid levels securing around 70% of pre-Covid revenue.
- In our Shuttle business, revenue was nearly 90% of pre-Covid levels, with 85% of services running.
- During the period we continued to roll out initiatives from our 'Driving Excellence' programme, driving improvements in both operational performance and financial results.

UK

- Bus patronage is now at 76% of pre-Covid levels.
- The Covid-19 Bus Service Support Grant ended in August and has been replaced by the Bus Recovery Grant, which runs through to 5th April 2022, and supports bus operators whilst patronage recovers.
- UK Coach is now operating 56% of services (up from 37% at the end of June), with passengers now up to 52% of pre-Covid levels (from 33% in June).
- During the period our National Express Transport Solutions (NETS) business has secured additional contract wins for corporate shuttle business.
- Collective agreements for driver wages have been concluded at a 2% increase, both in 2021 and 2022.
- The recent fuel shortages in the UK have had no impact on our businesses; we have had continuity of supply throughout.

Corporate Activity

On 21st September, the Group announced the potential all-share combination with Stagecoach, which the Board believes could deliver significant growth and cost synergies, as well as strong value creation for both sets of shareholders. Discussions and reciprocal due diligence continue and there can be no certainty that an offer will be made.

Outlook

Whilst there are ongoing shortages of drivers across the sectors in which we operate, we are minimising the impact on revenue and tightly controlling costs. We continue to anticipate underlying profit before tax for 2021 to be in line with **management's** previous expectations.

As previously guided we continue to anticipate robust positive free cash flow in 2021, reflecting the improved trading performance through the year and the capital expenditure reduction actions taken in 2020.

Capital Markets Day

The Group will host a capital markets day on Monday 18th October, commencing at 14:00 London time. The event will be online only and will consist of presentations from Group CEO, Ignacio Garat, and members of the **leadership team that bring to life the Group's strategy and outlook for the years ahead.**

Enquiries

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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 announcement contains forward-looking statements made as at its date with respect to the financial condition, results and business of National Express Group PLC. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and/or depend on circumstances that will or could occur in the future. There are a number of factors that could cause National Express Group PLC's actual financial condition, results or business to differ materially from those expressed or implied in these forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, National Express Group PLC 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 may also be made verbally by members of **National Express Group's management team in connection with this announcement (including without limitation, during management presentations to financial analysts)** and the same cautionary statement is given in relation to those.