



Tom Stables
Chief Executive,
UK and Germany

National Express operates both Bus and Coach services in the UK. In UK Bus, National Express is the market leader in the West Midlands – the largest urban bus market outside of London. We also operate in the accessible transport market. In UK Coach, we are the largest operator of scheduled coach services in the UK, operating high frequency services across the country. We operate non-scheduled coach operations under one brand – National Express Transport Solutions – serving the fragmented commuter, corporate shuttle, private hire and holiday markets.

It is our ambition to have zero carbon emissions in our Bus fleet by 2030 and in our Coach fleet by 2035.



Revenue

£397.8m

2020: £388.2m

Underlying Operating Loss

£(22.6)m

2020: £(49.0)m

Statutory Operating Loss

£(46.4)m

2020: £(99.4)m

Underlying Operating Margin

(5.7)%

2020: (12.6)%

Overview

While the UK had a tough year, with mixed fortunes in our Bus and Coach operations, the performance trajectory continued to improve in terms of revenue and operating profit, particularly so in the second half of the year. Revenue grew by 2.5% to £397.8 million (and up nearly 14% in the second half). The Underlying Operating Loss of £22.6 million represents a £26.4 million improvement versus last year, with all of the loss associated with our Coach business. Despite these challenges, the UK delivered a significantly reduced loss in the year. After separately disclosed items, the statutory operating loss was £46.4 million (2020: £99.4m); an improvement of £53.0 million.

Over the year, Bus has seen a sequential improvement in passenger demand, recovering to around 80% of pre-pandemic levels in November, before the arrival of the Omicron variant, where the imposition of 'Plan B' restrictions contributed to a short-term reduction in demand for our services. However, we observed a rapid bounce back in passenger demand in the weeks following the lifting of all restrictions in England in late January, with passenger demand now back to 80% and rising. Our Bus operations continued to receive government support throughout the year, initially through the CBSSG, and then latterly through the BRG, which runs through to the end of March 2022. With passenger demand still recovering, we welcome the recent announcement of a new bus funding package, worth over £150 million, from April through to October 2022.

UK

Meanwhile, Coach had a tough start to the year, with operations temporarily mothballed in the first quarter as reimposed lockdown restrictions were in place in the UK. The second quarter saw significantly reduced service levels relative to pre-pandemic levels, with restrictions on long distance travel and social distancing in place for much of that period. The second half saw a significant recovery in passenger demand, peaking at 55% of pre-pandemic levels in November with an occupancy rate of 66%. With the arrival of Omicron, there was a temporary slowing, but we have already seen passenger demand and revenue bouncing back in the last few weeks to nearly 60% of pre-pandemic levels. The recovery has been driven by higher demand on our core intercity routes, while our airport routes have inevitably seen extremely low passenger volumes, in line with reduced levels of international travel. As we rebuild occupancy, bringing service back ahead of full patronage, this is impacting profit recovery in the short term – however, we believe this is the right strategy to drive higher medium-term returns. We expect to return to profit in our Coach business in 2022.

Our Transport Solutions business has also had a difficult year, with private hire and holidays particularly affected by the changing messaging around travel restrictions. Notwithstanding these challenges, Transport Solutions recovered to 60% of 2019 revenue, with some significant contract wins in the year.

Progressing Evolve

Our UK Bus operations have a great reputation for reinvigorating public transport, with our partnership model with Transport for West Midlands (TfWM) widely recognised at both central and local government levels for delivering for all stakeholders. Working in partnership with TfWM, we have submitted the West Midlands region's bid for Bus Service Improvement Plan (BSIP) funding, with key features including bus priority measures, sustaining low fares and ticketing innovations such as contactless capping, together with additional ZEVs – all aimed at driving modal shift from cars onto our buses. We already have the lowest fares in England, which has helped to drive the strong recovery in passenger demand to around 80% of pre-pandemic levels; we have also developed our industry-leading 'tap and go, never overpay' contactless capping ticketing further, with the launch of three-day and seven-day options, which are both attractive and convenient for customers.

We have continued to invest and improve our businesses through the roll-out of new technology and processes in the year. One such example is CitySwift, a timetable optimisation platform which uses AI and machine learning to predict journey times. This has enabled our bus operations to match service provision to prevailing traffic conditions, driving both efficiency improvements and enhanced customer service.

Filling the transit gap is best exemplified by our Transport Solutions business, which has won a number of new Shuttle contracts, including the provision of employee Shuttle services for NEXT and the Ministry of Defence, as well as providing team bussing for the inaugural Cricket Hundred tournament. And significantly, Transport Solutions won its first ZEV Shuttle contract, providing Shuttle services to the Harry Potter World studio tour.

Our relentless focus on safety has been recognised with both our Bus and Coach operations re-awarded a five-star British Safety Council audit.

Our customers are recognising our efforts, with the Net Promoter Score for our core coach brand standing at 42.3 versus a score of 38 in 2019, while our Trustpilot rating is 'Excellent', with a score of 4.4.

We have the most ambitious net zero emission fleet targets for a large public transport operator in the UK. We have made further progress towards those targets in the year, where, in partnership with Birmingham City Council, we are now operating 20 hydrogen buses around Birmingham, the first city in England to do so outside of London, with the ambition to scale up to over 200 buses from 2023. In addition, as lead operator in the UK's first all-electric city, Coventry, we have also placed orders for 130 electric vehicles, to enter operation in early 2023, through our first 'availability' contract in the UK with Zenobe. This effectively provides the Group with 'ZEVs as a service'; providing buses and charging infrastructure without the requirement for upfront capital expenditure and with the availability provider accepting risk transfer for issues such as battery performance and charging technology.

Looking ahead

Looking ahead, we expect to see a continuing recovery in demand for our bus and coach services, with the combination of low fares against a backdrop of rising costs for car owners, coupled with the arrival of the Commonwealth Games in Birmingham this summer, all helping to drive further growth in passenger demand. We anticipate passenger journeys approaching 2019 levels by the end of 2022.

With countries around the world lifting travel restrictions for tourists, we anticipate significant pent-up demand for overseas holidays this year, which, in turn, should drive a strong recovery in our services to airports this summer. Crucially, we have the contracts with the airports to access this demand, providing a significant competitive advantage over other operators.