

# Measuring our progress

## Financial

### Underlying Operating Profit (£m)

# £87.0m

2020: £(50.8)m

Year	Underlying Operating Profit (£m)
2019	295.3
2020	(60.8)
2021	87.0

**KPI definition**  
Group Underlying Operating Profit from operations.

**Relevance to strategy**  
A key measure of the overall performance of the business.

We are focused on driving growth in operating profit in order to generate higher and sustainable returns for our shareholders and providing the platform for further growth for all our stakeholders including our employees, our customers and our partners.

**Performance**

- Significantly improved profit performance reflecting: strong recovery in demand for our services, with revenue growth of 11.0%; the benefit of cost actions taken in 2020; and ongoing support of customers and authorities.
- £138 million improvement year-on-year.
- Improved profit performance in every division, with Group operating margin of 4%.

**Remuneration linkage**  
Group Underlying Profit before tax is one of three bonus inputs to the Executive Directors' and senior managers' annual bonus structure.

### Free cash flow (£m)

# £123.4m

2020: £(196.0)m

Year	Free cash flow (£m)
2019	178.7
2020	(196.0)
2021	123.4

**KPI definition**  
Free cash flow is the cash flow available after deducting net interest and tax from operating cash flow. See reconciliation on page 227.

**Relevance to strategy**  
Strong cash generation provides the funding to invest in initiatives to drive our strategy.

This focus on strong cash generation ensures that we are running the business efficiently, converting profit to cash to enable investment into the business; returns to shareholders; and providing the platform for further growth for all our stakeholders.

**Performance**

- Operating cash inflow of £184 million reflects the significant improvement in Underlying Operating Profit to £87 million.
- Free cash of £123 million after investing £142 million in capital expenditure to maintain our fleet, together with a working capital inflow of £33 million, reflecting strong cash collection and a partial reversal in revenue streams back into cash-upfront passenger revenue from payments in subsidy income with a longer payment cycle.
- £319 million improvement in free cash generation.

**Remuneration linkage**  
Free cash flow is one of three bonus inputs to the Executive Directors' and senior managers' annual bonus structure.

### Return on capital employed (%)

# 3.4%

2020: (2.0%)

Year	Return on Capital Employed (%)
2019	12.4
2020	(2.0)
2021	3.4

**KPI definition**  
Return on capital employed (ROCE) is Underlying Operating Profit, divided by average net assets excluding net debt and derivative financial instruments, translated at average exchange rates. See reconciliation on page 228.

**Relevance to strategy**  
Demonstrates how efficiently the Group is deploying its capital resources to generate operating profit.

A focus on ROCE ensures that we maintain a disciplined approach to capital investment and continue to invest in those areas in which we deliver the best returns. This ensures that we maximise returns to shareholders for the capital they invest.

**Performance**

- ROCE is still depressed as we rebuild post the pandemic.
- ROCE of 3.4% – reflects the return to Underlying Operating Profit in the year, versus an operating loss in 2020.
- Invested £142 million of net maintenance capital, predominantly in replacing our fleet in our existing operations.
- Invested £134 million in growth capital expenditure including vehicles to service new contracts in ALSA and North America.

**Remuneration linkage**  
ROCE is one of the performance conditions for the Long-Term Incentive Plan of Executive Directors and senior managers.