National Express Group PLC
Q1 Trading Update
19 April 2023

National Express Group PLC ("National Express" or "the Group") today reports its Trading Update for the period 1 January 2023 to 31 March 2023 ("Q1" or "the period").

Unchanged outlook supported by Revenue up 17% at constant currency, and a productivity improvement and cost reduction programme

Overview

- Q1 revenues of £774.4m up £153.9m (+25%) vs 2022 (+17% on a constant currency basis), reflecting an overall performance in line with expectations
- Continuing strong performance in ALSA, particularly in Long Haul and Morocco, with Porto mobilising in the year
- North America contract wins in Transit and Shuttle in new target cities and segments
- US School Bus contracts: expecting 13% average price increases on contracts expiring in this bid season; limited route recovery (in-line with expectations) as the bulk of reinstatements happen in September
- Strong recovery in UK Coach and in German Rail. UK Bus affected by six-day bus driver strike and the associated pay settlement, but with continuing passenger growth
- Implementing a wide-ranging productivity improvement and cost-reduction programme in response to ongoing industry and economic uncertainties, without cutting front-line roles or our capacity for growth

Ignacio Garat, Group Chief Executive, said:
"I am pleased to report another quarter of progress at National Express with Group revenues in-line with expectations, albeit affected by the bus driver strike in the UK, and recognising that the most significant trading periods for our US School Bus and UK and Spanish coach operations still lie ahead."

"Given ongoing industry and economic uncertainties, we have launched a wide-ranging productivity improvement and cost-reduction programme that will start to deliver benefits in the second half of this year. That initiative will also help to ensure we deploy the right resource most efficiently across the business and capitalise on the significant opportunities for growth that we face."

ALSA

Alsa delivered another strong quarter with revenue up 33% on Q1 2022 (+26% on a constant currency basis).
Long Haul continues to trade well boosted by the impact of the free travel passes initiative in Spain, and a strong lead up to the Easter trading period. Our Regional and Urban operations continue to grow, and Morocco is trading well, driven by Rabat and Casablanca. We have also started mobilisation of our Porto contract in Portugal, with operations commencing in November this year.

North America

North America revenues grew by 21% on Q1 2022 (+10% on a constant currency basis).
Whilst progress continues to be made in ***School Bus*** on the associated issues of driver recruitment and route reinstatement, the next opportunity for a significant step change in performance will come with the start of the next school year in September. We remain focused on driver recruitment and route reinstatement.

Contract pricing increases have been good: based on progress to date we expect to achieve an average price increase of c.13% across the portfolio of expiring contracts. Net new business wins have been slightly below expectations, but with some further opportunities remaining.

In ***Transit and Shuttle*****,** we have won a new 10-year fixed route and paratransit contract in Charleston: a key Evolve target city. The shuttle business continues to diversify away from its traditional technology sector customer base, as revenues from that segment suffer what appears to be cyclical pressure, with new work in manufacturing with Tesla in Buffalo, NY and a university contract in San Mateo.

UK & Germany

In the UK, revenue grew by 27% on Q1 2022

Scheduled coach revenue was up 87% on the prior year, reflecting the recovery from the Covid related network shutdown in prior year and the impact of the rail strikes in the UK. During the quarter, the business was impacted by the now settled ***UK Bus*** drivers' strike, and the associated pay settlement. Whilst that pay settlement was higher than expected, we are working internally, and with our partners Transport for West Midlands (TfWM), towards mitigating the impact of these and other cost increases.

In the first quarter of the year, we also placed a firm order for 170 additional double deck electric buses. The resulting fleet will be the largest of its type in the UK and includes an earlier order for 130 buses that are part of the UK Government's ambitions to make Coventry the country's first All-Electric Bus City by 2025.

Our ***German Rail*** business also delivered another good quarter of growth, up 10% on prior year (+5% on a constant currency basis). This reflects the continuing operation of the Lot 1 contract on an emergency basis, with plans well progressed to transition to the 10-year contract from late 2023.

Productivity improvement and cost-reduction

In the context of continuing uncertainty in the external environment, we continue to take decisive action. Fuel hedges are in place covering 100% of 2023 volumes, 59% of 2024, and 26% of 2025 volumes. We also have a number of mechanisms in place to mitigate the impact of wage settlements, and we have long-term supply agreements on the majority of our remaining non-staff costs.

In addition, we have launched a new productivity improvement and cost-reduction programme. We are targeting at least £25m annualised savings, with the first beneficial impact of those actions delivered in H2 2023. This programme will not affect front-line roles or our capacity for growth.

Balance Sheet and currency

Over 80% of Group debt is at fixed interest rates. As previously communicated, we have already put in place a bridge-to-bond facility in respect of the £400m bond due November this year. We expect incremental annualised interest costs from this bond refinance to be in the region of £12m. As we manage the currency profile of our debt to match the currency in which EBITDA is generated, our covenant leverage is not impacted by currency volatility. We continue to see a clear path to debt reduction, which remains a priority, and we expect to be close to our target covenant leverage range of 1.5x to 2.0x Net Debt to EBITDA by Q1 2025.

Enquiries

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There will be a conference call for investors and analysts at 9.00am on 19th April 2023.
You can join the call at: https://www.netroadshow.com/events/login?show=dda95ef1&confId=49413
Alternatively, details are available from Headland: nationalexpress@headlandconsultancy.com

About National Express

National Express is a leading, international 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 document contains forward-looking statements with respect to the financial condition, results and business of National Express Group PLC. By their nature, forward-looking statements involve risk and uncertainty and there may be subsequent variations to estimates. National Express Group PLC's actual future results may differ materially from the results expressed or implied in these forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, National Express 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 can be made in writing but also may be made verbally by members of the management of the Group (including without limitation, during management presentations to financial analysts) in connection with this document.