



Tom

Stables

Revenue
(+33% against 2021)
£528.3m

Underlying Operating Profit
(Loss of £7.5m in 2021)
£25.6m

Statutory Operating Profit
(Loss of £46.4m in 2021)
£18.1m

Underlying Operating Margin
(2021: n/a)
8.2%

Divisional Review

UK

National Express operates both Bus and Coach services in the UK and regional Rail in Germany.

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

Overview

The UK delivered strong revenue growth, with a sequential improvement in Underlying Operating Profit following a challenging first half which was impacted by Omicron. Revenue was up 32.8% to £528.3m, with the recovery largely driven by UK Coach. The division returned to Underlying Operating Profit in H2 to deliver a full year outturn of £25.6m (2021: Underlying Operating Loss of £(22.6)m) and an Underlying Operating Margin of 4.8%. After separately disclosed items, the statutory operating profit was £18.1m, a year-on-year improvement of £64.5m reflecting recovery in passenger numbers as well as lower separately disclosed items

Revenue growth, return to profit, passenger recovery

Our UK Bus operations benefited from a continuing upward trend in demand, with commercial passenger growth of 39%. During the year, we received government funding support, including the Bus Recovery Grant which has now been extended to June 2023. Additionally, we continued to freeze our fares at pre-pandemic rates, funded by the West Midlands' region Bus Service Improvement Plan ('BSIP'), giving us the cheapest travel of any city area in England. These funded fares freeze allows us to continue to build patronage and drive modal shift at a time when many customers are considering making the switch to public transport. We also upgraded our digital ticketing systems during H2, which has already reduced fraud and improved the range of digital tickets we can offer; well over 80% of passengers now board with a digital ticket of some description, which allows us to leverage the resulting data to build future demand.



UK Coach delivered progressive year-on-year revenue growth with a strong recovery from March onwards. This was supported and driven by the dynamic rebuilding of the network to match new and emerging demand patterns to help deliver higher frequencies and faster journey times on key intercity routes. This ability to respond quickly has been made possible by the strong relationships with our Partner Operators and the ongoing integration of our Transport Solutions business, to optimise utilisation of spare vehicle and driver capacity to customer demand.

In our scheduled Coach operations – which celebrated its 50th anniversary in 2022 – overall patronage grew 150% on previous year, with H2 of 2022 up 37% on H1. As demand improved during the year, we continued to add capacity as a result of a smarter network and pricing interventions, our occupancy averaged 72% (significantly above pre-Covid levels, the yield in UK Coach was up 15% versus pre-pandemic levels). Encouragingly for the future, our research shows that almost 10% of new customers using our scheduled network during the strikes bought another ticket within a month to travel on a non-strike day.

Our Transport Solutions business also delivered a strong uplift in revenue, albeit versus a relatively low base in 2021, benefiting from recovery in private hire and holiday demand as travel restrictions eased post-pandemic. Having merged with our scheduled Coach business, both our business lines are now better placed to optimise scarce capacity in order to maximise customer demand.

2022 was a successful year for new business wins with over 30 wins across our transport solutions and events businesses. Among these, in Transport Solutions, we secured our first ZEV Shuttle contract, providing services to the Harry Potter World studio tour. Our second UK Demand Responsive Transport (“DRT”) contract in the East Midlands with Leicester City Council reinforced our multi-modal expansion capability. We also saw returning confidence from larger B2B customers such as Next Generation Travel and delivered key one-off events including rail contingency services for the Commonwealth Games, the Tyson Fury fight at Wembley and US Navy shore leave provision in Southampton.

Progressing Evolve

During the year, we continued to make good progress versus our strategic objectives.

On safety, we continued to deliver very strong results, with initiatives such as investment in Virtual Reality driver simulators, the standardisation of driver and operator oversight and digital risk profiling helping to drive further improvements in FWI. As a result of this innovative approach, drivers are able to enter into service earlier than with traditional training and, encouragingly, we have seen a 20% reduction in collisions and a 15% reduction in risk profile in addition, we secured a 5-star audit from the British Safety Council and our sixth Sword of Honour accreditation. At the same time, our investment in people showed positive results, with record numbers of apprentices, graduates and management trainees building our capability for the future, and our ongoing focus on diversity and inclusion, wellbeing and health helping to ensure that we are seen as an employer of choice.

Divisional Review

UK continued

Our OPERATE transformation programme delivered further tangible improvements in our ambition to be the most reliable in 2022. For example, in UK Bus, we opened a new depot in Perry Barr, which has state-of-the-art design to optimise our environmental footprint and operational efficiencies. We also redesigned and reconfigured our UK core Coach network, to deliver higher frequencies and faster journey times (particularly on key intercity routes), increased utilisation, better interchanges, and efficiency savings, all of which with a view to delivering an improved customer experience.

Our net zero emission fleet targets are ambitious for a large public transport operator and remain on track to deliver in line with expectations. We now have 105 ZEV buses in service - and a further 375 approved and awaiting arrival - including Coventry where we are lead operator in the UK's first all-electric city. As part of our partnership, Transport for West Midlands ('TfWM') has secured funding for more than 100 hydrogen buses through the Zebra scheme, underscoring our commitment to help reinvigorate public transport. At the same time, as the number one Coach operator in the UK we are leading the industry in developing zero emission coaches for the future.

We continue to make progress on our aim to have the most satisfied customers. For example, the roll-out of our digital AI-enabled platform, which we are now using across our UK Bus business for timetable optimisation and service planning, is already delivering meaningful improvements in customer service, efficiency and revenue growth. Our Coach customers are also benefiting from a quicker, more streamlined online experience, resulting in higher spend per transaction as customers use new, more convenient ways to pay.

Looking forward

While we benefited from strikes elsewhere in public transport in 2022, our service levels have progressively grown, and we are encouraged by the momentum we have seen at the end of the year.

Our pipeline of bidding opportunities over the next 18 months is worth circa £240m. In Bus we will continue to benefit from longer term funding through the City Region Sustainable Transport Settlement ('CRSTS', £162m) which will double the length of priority bus lanes in the West Midlands. This will reduce journey times and improve punctuality and, as a result, increase passenger revenue and reduce our running costs, as well as underpin our low fares strategy. From January 2023, we are also receiving the Bus Fares Cap Grant to support the £2 single fare with a successor scheme in place for April 2023 onwards. BSIP provides a three-year funding platform to drive passenger growth and reinvigorate the network.

The start of 2023 has been encouraging, with continued passenger demand and contract growth in all businesses. Although the recruitment market remains tight, we have a strong employer proposition and as a result have full candidate pipelines; we expect vacancy gaps to be negligible by the Summer. Driver and engineering pay demands have reflected the national picture, and we anticipate these returning to normal levels as CPI reduces.

Tom Stables

CEO: UK and Germany



Case Study



Transforming our Coach network

Our strategic priorities in action



We implemented a major rebuild of our Coach network in 2022, redesigning the route network to better reflect the changing travel patterns in a post Covid-19 world, to deliver improved customer satisfaction and operational efficiencies.

With the first quarter of 2022 service provision impacted by Omicron, we used the opportunity to redesign a more optimal network, providing a strong platform to then rapidly ramp up our services over the course of the year. The new network offers higher

frequencies of departures, faster journey times of key intercity routes and fewer interchanges. Operationally, the new network allows us to reduce unproductive hours and miles and increase asset utilisation.

The new network also allows us to deliver on a number of key Evolve outcomes: most satisfied customers; most reliable; and employer of choice.

Delivering improved customer satisfaction and operational efficiency