

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.

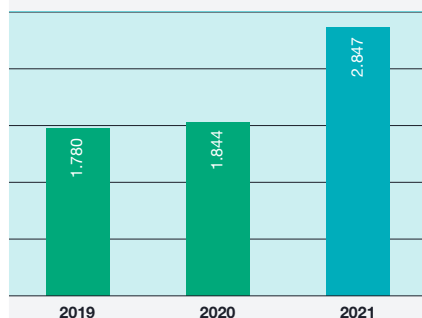
Remuneration linkage
ROCE is one of the performance conditions for the Long-Term Incentive Plan of Executive Directors and senior managers.

Non-financial

Safety – Fatalities and Weighted injuries

2.847

2020: 1.844



KPI definition

The Fatalities and Weighted Injuries (FWI) Index weights injuries by severity to give an overall standard-based score. The definition has been amended in the year to exclude non-responsible minor injuries, with prior year numbers restated to give a like-for-like comparison.

Relevance to strategy

Safety is of paramount importance to a public transport operator and being the 'safest' is one of the five Evolve outcomes.

Safety is at the heart of our values and is our priority for both our customers and our employees.

High safety standards also help to drive sustainable growth through customer loyalty and new business wins.

Performance

- In 2021 we saw an increase in the score to 2.847.
- This score compares with the best ever score recorded in 2019 and remains significantly better than historical scores as the third lowest score.
- Our UK Bus, Spanish and North American operations all delivered improvements in their scores vs. 2020, with North America delivering its lowest ever score for the third year running, with a 64% improvement year on year.
- On a per million miles basis, the score of 0.005 represents a 90% improvement since we first introduced our Driving Out Harm programme in 2011.

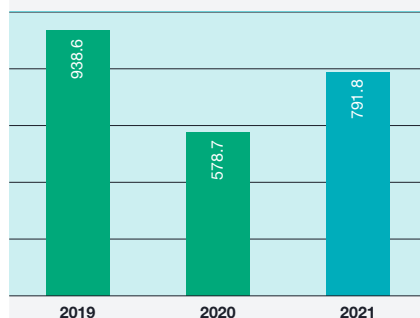
Remuneration linkage

FWI per million miles is an input into the Executive Directors' and senior managers' annual bonus structure.

Passenger journeys

791.8m

2020: 578.7m



KPI definition

Passenger numbers as measured by the aggregate of passenger journeys across each of our operating divisions.

Our numbers for North America are estimated as our school bus services are non-ticketed.

Relevance to strategy

Growth in passenger journeys is a leading indicator for growing our business and hence driving modal shift from cars to buses and coaches.

National Express is targeting increased passenger ridership as a longer-term driver of sustainable value for both the business and the environment, with public transport a key solution to lowering carbon emissions and easing travel congestion.

Performance

- Passenger numbers recovered strongly to 792 million, rising by 37% in 2021 as lockdown restrictions eased across each of our divisions.
- Record number of passengers in Morocco with nearly 290 million passenger journeys, an increase of 50% versus 2019, reflecting new contracts in Rabat and Casablanca, and growth in existing contracts such as Tangier.
- Strong rebound in North America, with schools returning to full in-school learning in the new school year.

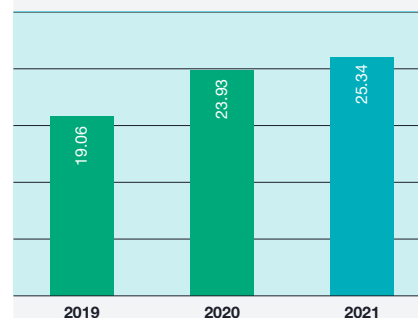
Remuneration linkage

The Executive Directors' and senior managers' annual bonus structure typically includes a component of personal objectives relating to business development metrics.

GHG emissions*

25.34

2020: 23.93



KPI definition

Total Scope 1 and 2 greenhouse gas emissions divided by the total number of passenger kilometres travelled across each of our operating divisions.

* Measured as tCO₂e/million passenger km.

Relevance to strategy

Reducing the environmental impact of transport is core to our purpose. Per passenger, bus and coach travel is vastly less polluting than cars and, as such, modal shift is the single most important thing we can do. But we are also committed to making public transport greener. We have adopted targets through to 2025 that are 'science based' and aligned with limiting global warming in line with the Paris Agreement.

Performance

- Total Group carbon emissions increased by 25% due to the recovery in demand for our services, with a corresponding higher level of services operated year on year.
- 6% increase in tCO₂e/million km to 25.34 due to lower load factors, particularly where social distancing restrictions applied in the first half of the year; with an improving trend in the second half of the year as restrictions lifted.
- We expect to make progress against our targets in 2022, with a continued recovery in passenger demand.
- Launched net zero emission fleet targets across ALSA and North America, following on from previously announced targets for the UK.
- Launched a Group-wide net zero emission target for Scope 1 and 2 emissions, by 2040.

Remuneration linkage

25% of the Executive Directors' and senior managers' Long-Term Incentive Plan is linked to reducing GHG emissions and transitioning to ZEVs. See Remuneration Report commencing on page 89.