



Gary Waits
Chief Executive,
North America



North America

Our business in North America has three areas of activity: student transportation, Transit and Shuttle services. We operate in 34 US states and three Canadian provinces.

The student transportation business operates through medium-term contracts awarded by local school boards to provide safe and reliable transport for students, and is the second largest private operator in North America.

Our Transit business operates predominantly paratransit services across the USA.

Our Shuttle business, operating predominantly through WeDriveU, offers corporate employee shuttle services and is also growing in the universities and hospital shuttle market.

Overview

North America has delivered growth in revenue, Underlying Operating Profit and cash in the year, with an improving trajectory in trading throughout the year. Revenue grew by 7.0% to \$1,199.7 million, led by a strong return to school for the 2021/22 year. Underlying Operating Profit of \$102.3 million represents an \$86.0 million improvement versus last year, with a significant improvement in the Underlying Operating Margin, to 8.5%. After separately disclosed items, the statutory operating profit was \$63.8 million (2020: \$226.1m loss); an improvement of \$289.9 million.

Our School Bus operations saw an improving trajectory throughout the year, with the first half impacted by school closures and a mix of full in-school learning and a 'hybrid' of in-school and at-home learning. Encouragingly, the start of the new school year saw all schools returning to full in-school learning, although a few have closed sporadically in response to Omicron. As schools opened back up, this was accompanied by driver shortages, which are likely to persist for the rest of the 2021/22 school year. These driver shortages have inevitably impacted wage demands, with wage

Revenue

£872.0m

2020: £869.2m

Underlying Operating Profit

£74.4m

2020: £12.4m

Statutory Operating Profit/(Loss)

£46.5m

2020: £(176.0)m

Underlying Operating Margin

8.5%

2020: 1.5%

Revenue

\$1,199.7m

2020: \$1,121.5m*

Underlying Operating Profit

\$102.3m

2020: \$16.3m*

Statutory Operating Profit/(Loss)

\$63.8m

2020: \$(226.1)m

* Revenue and Underlying Operating Profit at constant currency in respect of the Canadian Dollar to US Dollar foreign exchange rate movement in the year

inflation rising to 5.4% in the current school year. School Bus operators are supported by grant funding through the CERTS programme, which has offset the increase in driver wages and the other costs associated with a more complex start-up to the new school year. We have taken decisive action to mitigate the impact of driver shortages including implementing new standardised recruitment procedures, supported by an enlarged centralised driver recruitment team. At the same time we introduced various incentives such as referral and retention bonus schemes, while also engaging more regularly with employees throughout the year, with a particular focus on wellbeing.

In our Transit business, service volumes recovered to 76% of pre-pandemic levels. We have benefitted from our review of the portfolio of Transit contracts conducted in the previous year, where we exited loss making contracts and achieved significant price increases on a number of other contracts which were previously earmarked as potential exits. In addition, the implementation of 'Driving Excellence' measures and tight cost control has delivered improved profitability for some previously poor performing contracts.

Our Shuttle business has also seen an improving trajectory throughout the year, with increased demand for services to restart. Earlier in the year only a quarter of services were operating; however, the second saw a strong recovery, with the majority of our customers returning to their workplaces. Encouragingly, 87% of services were operating by the year end, with more customers indicating their intention to return more employees to the office in the first half of this year.

Progressing Evolve

We have made significant progress in the year in operational transformation, spearheaded by our 'Driving Excellence' programme. The first phase of our quality management processes has been rolled out in our School Bus depots, both standardising and improving operational processes and locking them in with the roll-out of enabling technology to automate the flow-through to billing. This relentless focus on small improvements is delivering improved performance for the customer, while at the same time eliminating waste and reducing costs. One example is a 27% improvement in yard departure performance, resulting in improved on-time performance for our customers, and an 18% reduction in service penalties year on year.

Once fully implemented, we expect our 'Driving Excellence' programme to deliver annualised benefits of \$40 million.

One of the five customer propositions set out in Evolve is 'filling the transit gap' and this is best exemplified by our Shuttle business, where we have won multiple new contracts in the year, worth around \$20 million of annualised revenue, and also retained a number of key contracts, worth around \$30 million of annualised revenue. Whilst we expect the pandemic will bring some long-term changes in working arrangements, our customers view face-to-face collaboration as critical for innovation and long-term success and continue to buy up commercial real estate. In addition, with employees likely to adopt a hybrid way of working, there will be growth opportunities for operating more hours of service or more vehicles to accommodate the flexibility the companies are offering. Reflecting new business wins and confidence in the recovery of the existing business, we have raised our expectations for growth in WeDriveU over the next couple of years.

A relentless focus on driving safety improvements has helped to deliver a 64% improvement in our overall safety performance, as measured by FWI. Particularly pleasing is the improvement in our driver behaviour/risk score, which has resulted in a 42% improvement in performance over that recorded in 2019. This in turn has resulted in a 12% improvement in preventable accidents and a 42% improvement in speeding performance over the same period. We had no at-fault major injuries in North America in 2021, an accomplishment we believe is unparalleled in a transport company of our scale.

It is gratifying to see that our School Bus operations recorded their highest ever customer satisfaction score in 2021: 66% of customers gave the highest possible score, a significant increase from the score of 55% in 2019. This record rating is a direct result of the improvements our teams have delivered through the 'Driving Excellence' programme, particularly in terms of on-time performance and accurate invoicing, together with regular Covid-related communications and updates with each of our customers.

This year we set a formal target for a net zero emission fleet by 2040 and have made further progress with our decarbonisation agenda. We are already running a number of electric School Bus pilots and are developing proposals to scale these to hundreds of buses, building

on the 'availability contract' pioneered in the UK. Pleasingly, we are seeing increased demand from a number of Shuttle customers for ZEVs, where we currently operate nearly 100 ZEVs.

Looking ahead

We remain confident about the prospects for each of our businesses and anticipate further sequential improvements in performance in the coming year.

With the additional operational complexities presented by the current driver shortages being felt across all of the US School Bus market, we expect the current year to be one of consolidation, with a focus on retention of contracts rather than seeking to gain market share. Encouragingly, customers are recognising the challenges we face, and while very early in the bid season, we are seeing above-average price increases on contract renewals.

In Transit, we will continue to focus our bidding activity in paratransit opportunities, which are typically both asset light and higher margin: we are actively exploring a number of tenders that will come up for bid in the next 12-18 months, worth around \$200 million of revenue.

As noted above, we believe the growth prospects are very strong for our Shuttle operations. Indeed, we have a strong pipeline of bidding opportunities in 2022, approaching \$150 million of annualised revenue, both in the corporate and university Shuttle markets, with potential to further expand our geographical footprint across the USA.