

Chair's statement

A challenging year, but building for the future.

Helen Weir, Chair



Financial Performance and Dividend

2023 was a challenging year for the Group and the Board recognises that the overall financial performance was disappointing. Notwithstanding revenue growth across the Group, which more than off-set the loss of Government subsidies, and strong profit momentum in ALSA, the pace of profit recovery in other parts of the Group was not sufficient to offset strong inflationary headwinds. It is now clear that these will take time to recover through pricing and operational improvements which means that the return to Group profit growth is taking longer to deliver than we had previously anticipated.

The challenging environment also highlighted, more than ever, the importance of a focus on tight management of costs, improving our leverage and increasing our returns. 2023 saw the successful delivery in excess of £30m cost savings across the Group as part of Accelerate 1.0 and we have already launched the next phase of our cost efficiency programme – Accelerate 2.0 – targeted at achieving a further £20m in annualised savings. In addition, we have commenced a process for the proposed sale of our asset intensive North American School Bus business.

On 12 October 2023, the Company announced that it would suspend the 2023 final dividend. The Board will continue to monitor business performance and prospects and the associated pace of reduction in covenant gearing. The Board is keenly aware of the importance of dividends to shareholders, but considers that reducing leverage is the primary priority. We will reinstate the dividend only when we consider that sufficient progress is being made on reducing the debt levels of the Group.

The delay to our audited results allowed management to conclude its review, and our auditors, Deloitte, the requisite amount of time to complete their audit work on our German business. This is in the context of the deterioration of profitability in 2023 primarily due to higher energy and labour costs, and driver shortages, and changes to certain indices used to calculate the associated cost recovery (with those changes being both in the behaviour of the indices, and a restatement of historical index values by the German Federal Statistical Office). The work to evaluate the impact on future contract performance is now complete, with the most significant result being the increase in the onerous contract provision for the RRX 2/3 contract. Work is already underway to improve the profitability of our German business going forward.

While the Board remains confident that the Evolve strategy will deliver profitable and sustainable growth in the years ahead, we recognise the need to take further immediate steps to improve profitability and reduce leverage.

Safety

Our relentless focus on safety continued in 2023. Although our FWI Index performance deteriorated year on year, it remains in line with our target and below historical levels. This is a significant achievement, particularly given the number of new driver hires in the year, and reflects the Group's ongoing investment in safety including the adoption of new technical solutions. We have also seen highly successful mobilisations in Lisbon in Portugal and Saudi Arabia where the business has invested significant time and resources to ensure that safety standards are maintained.

Environmental Leadership

The Group continues to move at pace to evaluate and mobilise ZEVs and our transition to net zero continues to gather momentum. We remain on track to have 1,500 ZEVs by 2024 and 14,500 by 2030. In addition, UK Bus remains on track to have 50% of its bus fleet comprised of ZEVs by 2025 and 100% by 2030.

In terms of environmental reporting, we have received confirmation that in January 2024, our new environmental targets were formally verified by the Science Based Initiative Taskforce in line with best practice reporting and we will move to reporting against our new targets in next year's annual report. We continue to improve our environmental data reporting processes and I am pleased that we have, once again, achieved limited external assurance to ISO 14064-3 Standard from Carbon Responsible Limited for our Scope 1, 2 and 3 emissions.



Read more about our leadership on pages 82 to 87

Employer of Choice

As a growing international business, we know how critical our people are to the delivery of our performance and the achievement of our Evolve ambitions. How we treat our people is a cornerstone of our business. In 2023, we continued to work on our journey to creating a high trust, listening culture, as reflected in our people strategy: Be Part of the Future Today.

We have refreshed and strengthened our executive leadership, with new divisional CEOs being appointed in North America School Bus and the UK and Germany. These leadership changes are key to addressing the specific challenges within these divisions, sharpening our commercial focus and ensuring we have a strengthened team to lead the future of sustainable travel.

We have undertaken our second global employee engagement survey. Once again we achieved a high level of participation at 73% with an overall eNPS score of +11. Although we just missed our target, the increase of 4 points in eNPS year on year is pleasing in a year of challenge and change.

A key focus has been on improving female representation across the Group, given the historic under-representation of women in senior roles in transportation. In the last year, female representation increased across the senior leadership teams in North America and ALSA.

Group Name Change

Shareholders will be aware that the Group was renamed to Mobico Group PLC in June 2023. The Mobico name better reflects the Group's international nature and its diverse range of mobility services, as we continue to lead the modal shift to mass transit.

The Group's operating subsidiaries retained their well-known customer-facing brands, including National Express, ALSA, WeDriveU, Peterman and Durham School Services.

Concluding Remarks

As I reflect on my first full year as Chair, two things have struck me. Firstly, there is a need for us all to think differently about transportation in a world where private car use continues to dominate political decision making and remains the default mobility option for many consumers.

Secondly, we hear time and again about the climate crisis, with evidence of changing weather patterns and record global temperatures being hit in 2023, as well as the ongoing cost of living crisis. It is clear that public transportation has a very significant role in addressing both of these global challenges.

I am convinced that we have an important role to play in bringing these significant environmental and social benefits, and delivering value to shareholders. Each of our businesses have strong positions in their respective markets. Notwithstanding the challenges faced in some of our businesses over the last year, we are confident that they are well placed for future growth. This will be underpinned by a continued focus on reducing leverage and efficient capital allocation.

Last but not least, I am immensely proud of the commitment of our colleagues who have worked very hard to deliver safe, reliable and affordable services. I would like to express my heartfelt thanks to each of them for their contribution during 2023.



Helen Weir
Chair

21 April 2024



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Read more about our [Evolve strategy](#) on pages 10 and 11

