Half Year Results

For the period ended 30 June 2021

29th July 2021

national express

Agenda

01

Introduction and highlights

Ignacio Garat

02

Financial Review

Chris Davies

03

Outlook and priorities

Ignacio Garat

Introduction and highlights

Ignacio Garat
Group Chief Executive

2021 H1 results ahead of our expectations

- Our first priority – to reopen safely
- Significant improvements in revenue, EBITDA, profit and cash generation – results slightly ahead of management expectations
  - Underlying operating profit increased by £54m despite small revenue decline, demonstrating impact of cost savings outlined in March
  - Strong profit growth in NA and ALSA
  - Good progress on ‘Big Deltas’
- Continuing trend of improving sequential performance despite ongoing Covid-related restrictions
  - H1 2021 EBITDA £30m higher than delivered in H2 2020
- Continue to see significant opportunity in all our markets
  - Won new and expanded existing contracts during the period and made a small acquisition in ALSA
  - Strong and active opportunity pipeline in every Division
  - Will share the outcome of our Business Review at a Capital Markets Day in the autumn

Financial Highlights

Chris Davies
Group CFO

2021 interim financial review

Summary

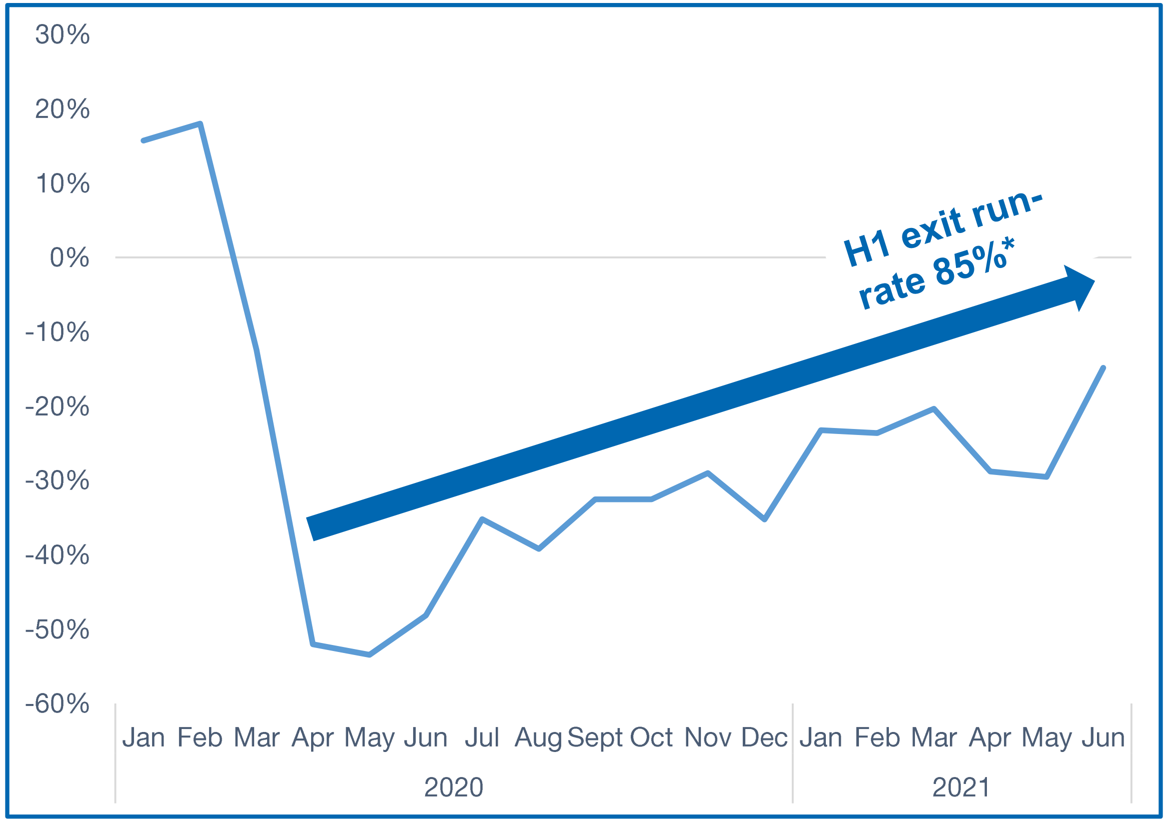
national express

Underlying £m	H1 2021	H1 2020	Change
Revenue	992.4	1,031.5	(3.8%)
EBITDA	128.2	88.3	45.2%
Group underlying operating profit	22.9	(30.6)	53.5m
Group underlying PBT	0.1	(60.7)	60.8m
Underlying EPS	(2.1p)	(9.9p)	7.8p

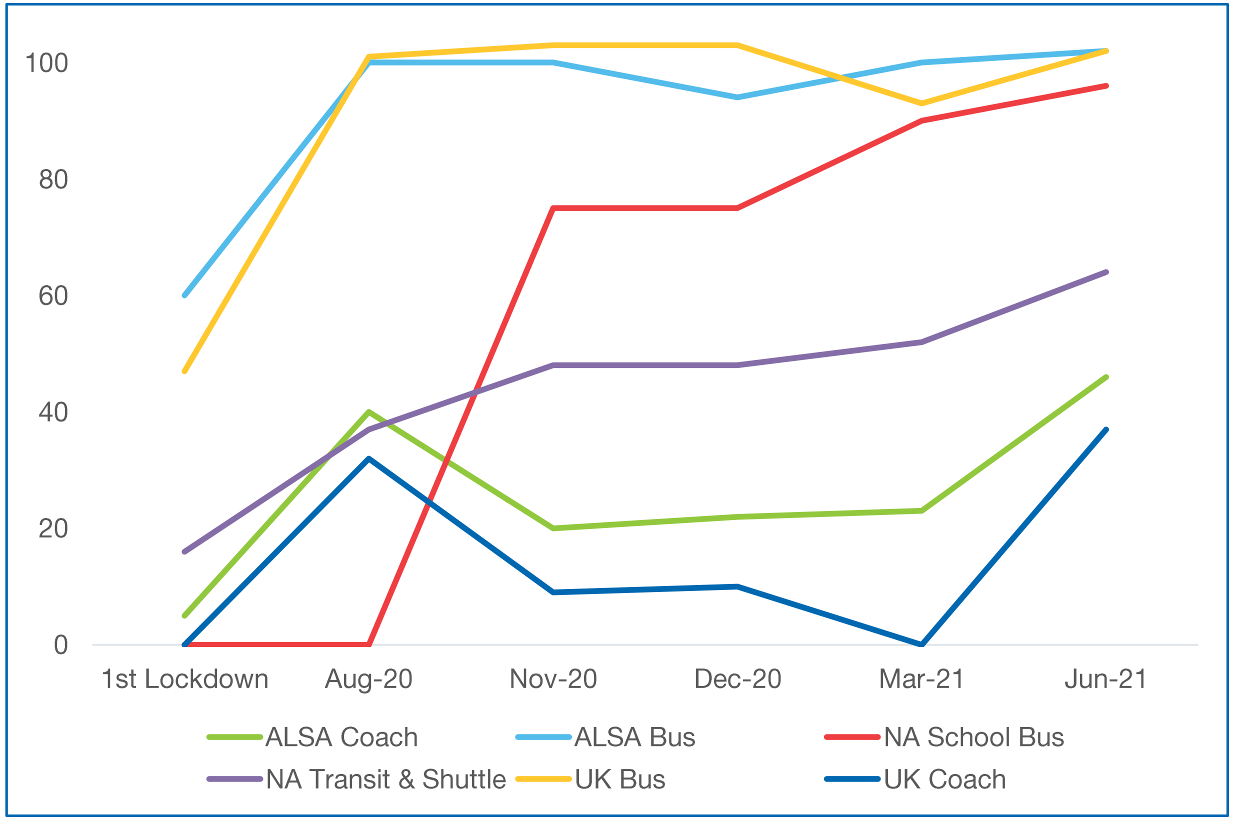
Statutory £m	H1 2021	H1 2020	Change
Group operating profit	(26.1)	(89.7)	63.6m
Group PBT	(50.2)	(122.2)	72.0m
Group PAT	(24.1)	(91.0)	66.9m
EPS	(5.8p)	(17.3p)	11.5p
Free cash flow	40.6	(193.0m)	233.6m
Net debt	1,004.4m	1,322.8m	

Continuing improved trajectory

Monthly revenue compared to 2019



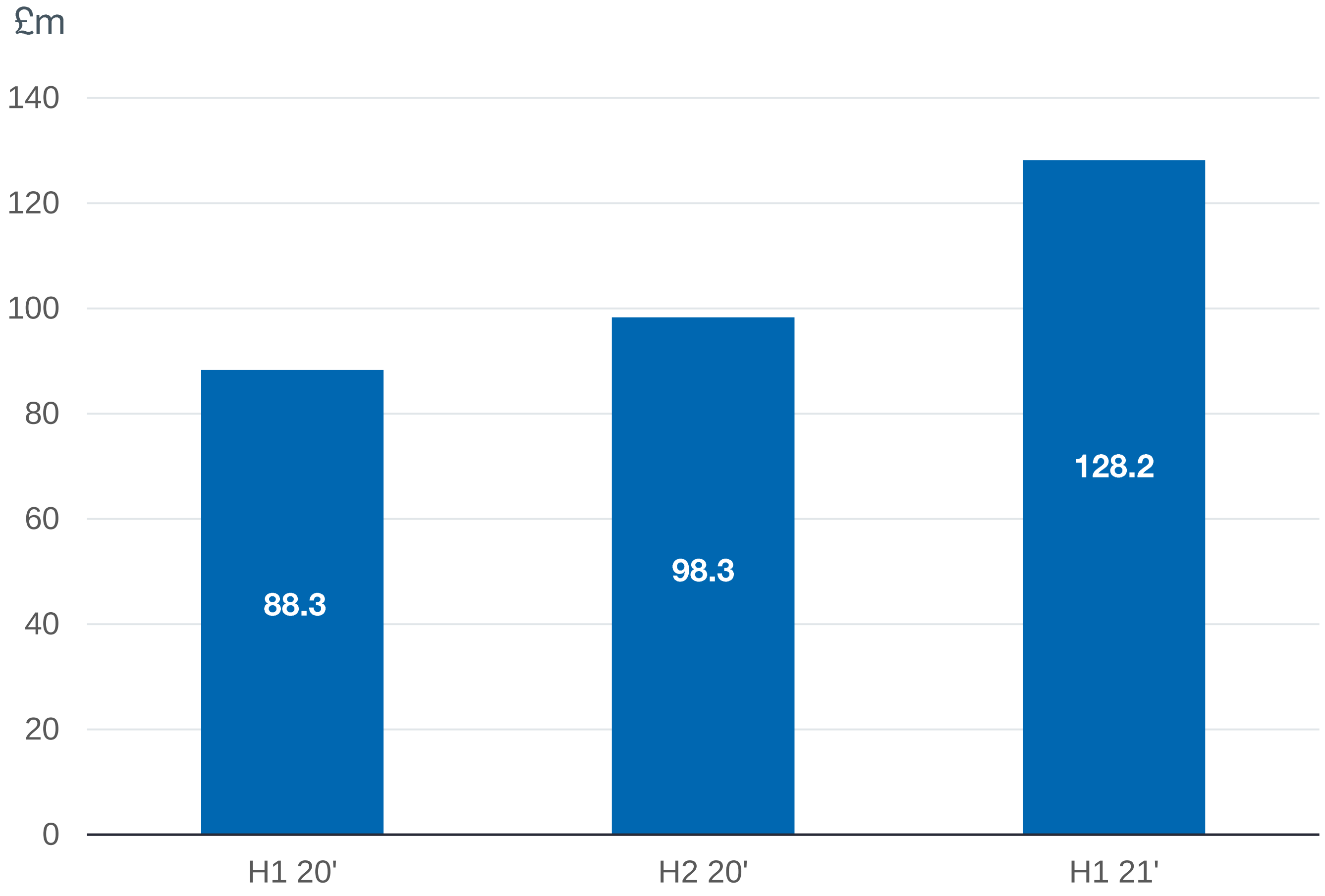
Service Evolution (% of Pre-Covid levels)



* June 2021 revenue was 85% of June 2019

EBITDA continuing to recover

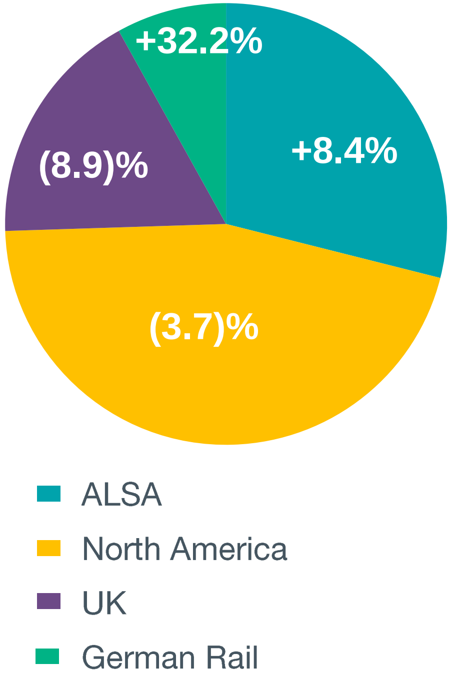
EBITDA by HY



- Significant improvement in EBITDA with £128m generated in H1
- £30m improvement on H2 2020, and £40m year on year:
  - Q1 decline of £26m, includes 2 months in 2020 when trading pre-Covid
  - Q2 up very strongly, up £66m
- 2021 H1 EBITDA c.70% of the entire EBITDA delivered in 2020 despite continuing restrictions in 2021 and 2 pre pandemic months in 2020

Divisional summary

Revenue (YOY change in constant currency)



ALSA
£287m

North America
£452m

UK
£173m

German Rail
£80m

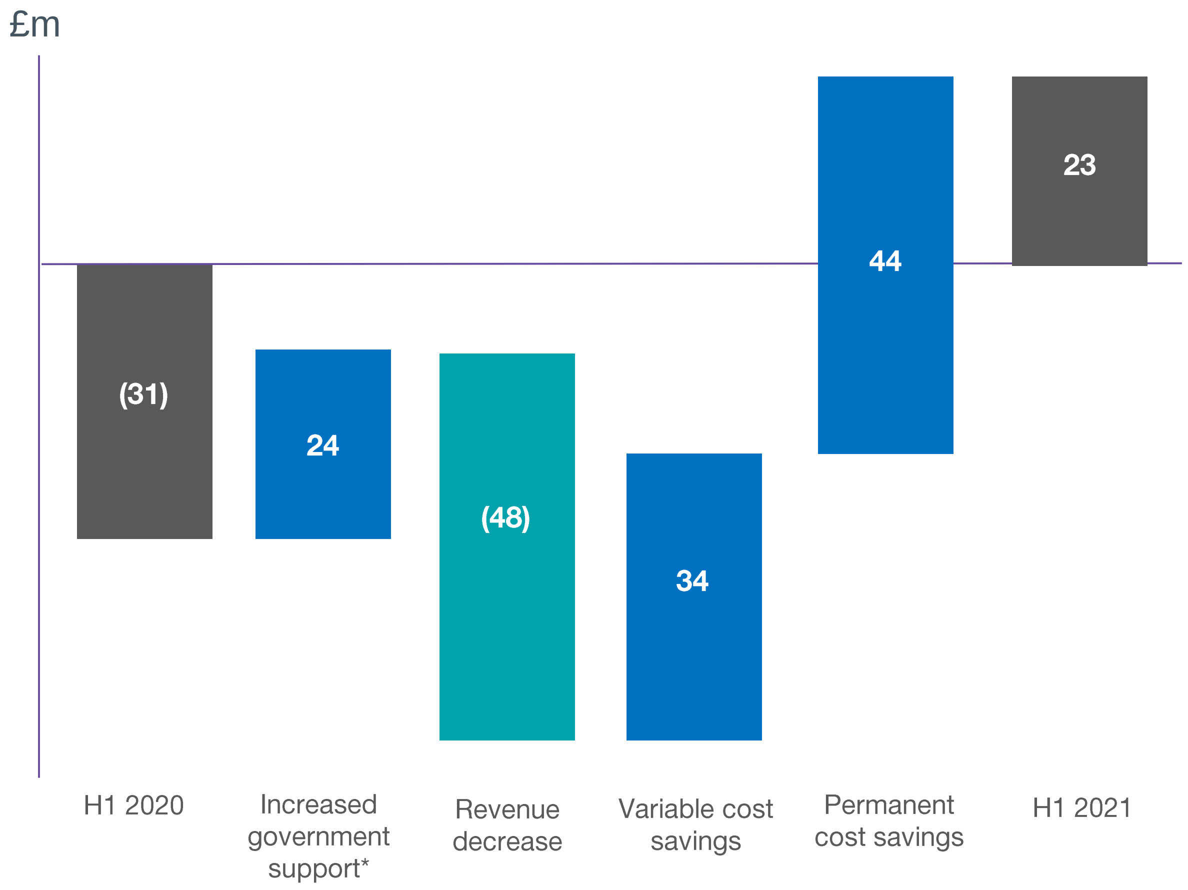
Underlying operating profit/(loss)

	H1 2021	Change
ALSA	€19.8m	€27.9m
North America	$57.6m	$47.4m
UK	(£19.9m)	(£4.4m)
Other	(£15.8m)	(£0.2m)
Group	**£22.9m**	**£53.5m**

2021 interim financial review

Operating profit bridge

Underlying Operating profit bridge



- Increased government support was a net £24m benefit
- Revenue decrease of £48m was partially offset by the variable cost savings that would ordinarily be made in line with lower revenue
- Cost savings were further boosted by reductions in fixed costs from the cost saving programme initiated in 2020 and efficiencies from Driving Excellence

* This is net of the cost of running the additional year-on-year services in UK Bus in return for the higher year-on-year bus operator grant

Significantly improved free cash flow

£m	H1 2021	H1 2020	FY 2020
EBITDA	**128.2**	**88.3**	**186.6**
Working capital	(4.5)	(139.6)	(78.3)
Net maintenance capex	(56.7)	(113.0)	(215.9)
Pension deficit	(3.6)	(3.8)	(7.4)
Operating cash flow	**63.4**	**(168.1)**	**(115.0)**
Tax & interest	(22.8)	(24.9)	(63.7)
Free cash flow	**40.6**	**(193.0)**	**(178.7)**

- EBITDA improved by £40m year on year, and up £30m versus H2 2020
- Working capital broadly flat as revenue yet to fully revert from subsidies to passenger fares
- Maintenance capex halved year on year, reflecting actions in 2020 to reduce capital additions
- Free cash inflow of £41m, a £234m improvement year on year

Improved cash generation supporting growth investment

£m

	H1 2021	H1 2020	FY 2020
Cash flow available for growth & dividends	**40.6**	**(193.0)**	**(178.7)**
Net growth capital expenditure	(74.9)	(9.1)	(35.3)
Net acquisitions and disposals	(46.9)	(39.6)	(48.0)
Proceeds from equity issues	-	230.1	725.6
Hybrid coupon	(5.3)	-	-
Separately disclosed items	(34.3)	(40.1)	(126.9)
Other (mainly forex)	58.1	(47.1)	(54.3)
Net funds flow	**(62.7)**	**(98.8)**	**282.4**
Net debt	**(1,004.4)**	**(1,322.8)**	**(941.6)**

- Growth capex reflects new contracts in ALSA, particularly Casablanca, and North America
- Acquisition of a Spanish urban bus business for £23m, £18m for the purchase of a further 10% of WeDriveU

Separately disclosed items

£m	Income Statement	Cash
Amortisation of intangibles arising upon acquisition	**(19.4)**	**-**
One-off costs, cancellation charges and compensation payments	(4.7)	(6.1)
Discontinuation of fuel trades	(0.9)	(1.1)
Onerous contract provisions and associated impairment	(3.1)	(14.8)
Impairments and associated charges	(9.9)	-
Directly attributable losses resulting from the pandemic	**(18.6)**	**(22.0)**
Restructuring and other costs	**(11.0)**	**(10.8)**
Separately disclosed items within operating profit/(loss)	**(49.0)**	**(33.6)**
Interest charges directly resulting from the pandemic	(1.3)	(0.7)
Total separately disclosed items before tax	**(50.3)**	**(34.3)**

Robust Balance Sheet; Investment Grade ratings confirmed

Gearing Ratios	2021 half year	2020 year end
Net debt/EBITDA	4.4x	5.1x
Interest cover	4.1x	2.7x

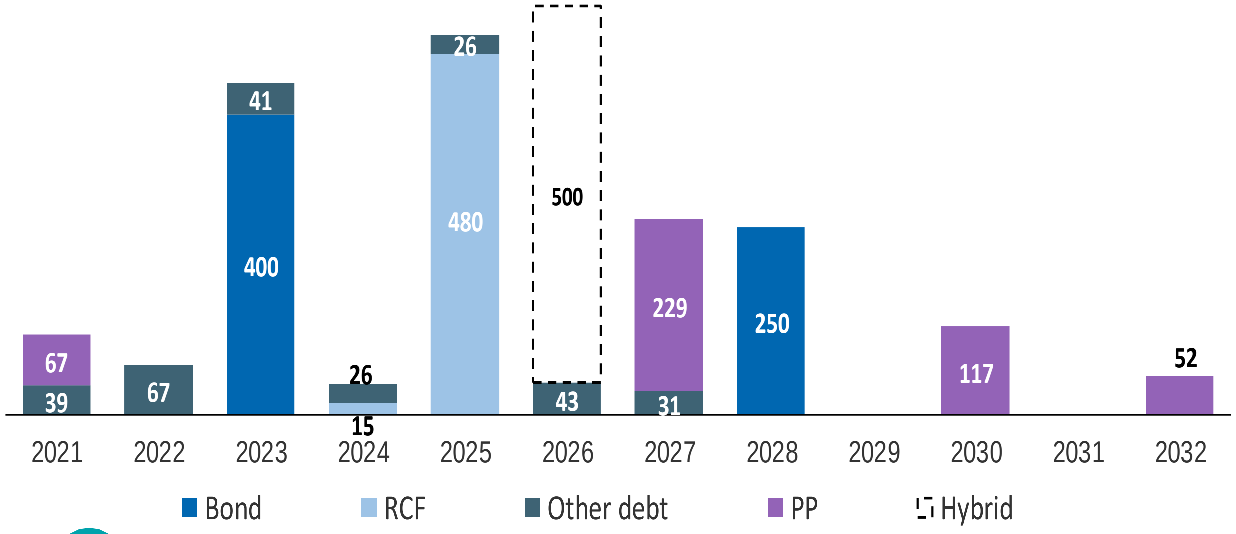
Ratings	Grade	Outlook
Moody's	Baa2	Negative
Fitch	BBB	Negative

- Pre-emptive covenant amendments and waivers in place:
  - Gearing covenant waived for June and December 2021 and amended to 5x for June 2022
  - Interest cover covenant amended to 1.5x for June 2021 and 2.5x for December 2021
  - Quarterly liquidity tests and bi-annual maximum net debt tests for next 12 months
  - Can cancel amendment package if in compliance with pre Covid covenants, unblocking dividend payment

- Remain committed to a robust financial strategy:
  - Strong commitment to Investment Grade debt rating. Moody's and Fitch reaffirmed again
  - Medium term commitment to reduce gearing to 1.5x- 2.0x EBITDA
  - Prudent risk planning – rolling fuel hedge and pension deficit plan in place

Significant liquidity headroom

Extended debt maturity profile



- £1.0bn cash and committed headroom:
  - RCF undrawn £0.5bn
  - Cash £0.5bn
- Average maturity of 5 years

Financing activity

- Short-term Covid RCF facilities and Bank of England CCFF lapsed as planned with no need to refinance given liquidity headroom projections
- No material refinancing requirement before 2023

Interim financial review

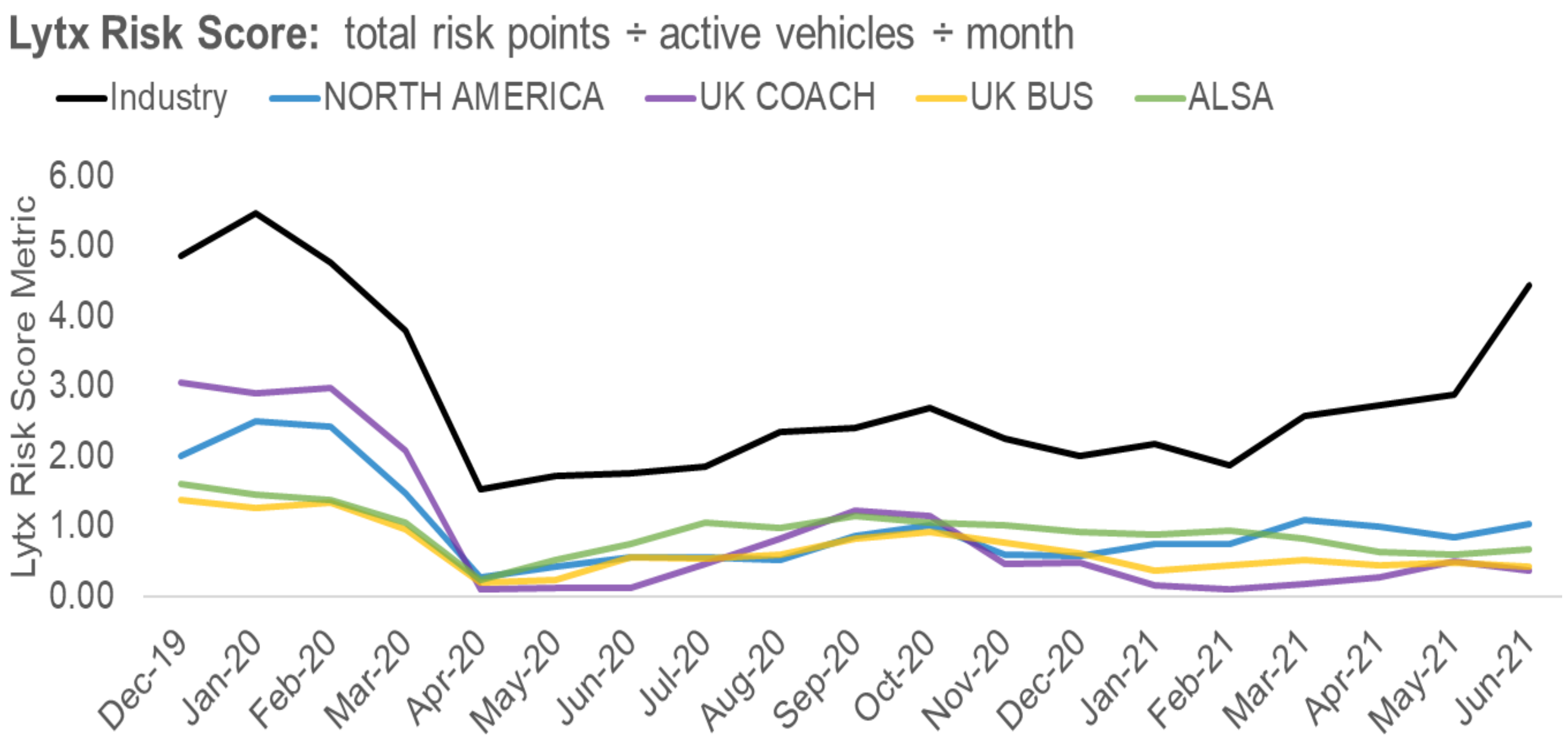
2021 a ‘transition year’

- Exact timing of recovery remains uncertain as restrictions are lifted at varying pace
- H2 has started well, seeing a continuation of the improving trends in H1
- Continue to project a robust improvement in H2 as vaccination programmes enable a fuller return to mobility
- Guidance withheld but scenarios produced to support ‘going concern’ model
  - Base case scenario assumes steady recovery in revenue in H2
  - By 31 December 2021 Group revenue close to 31 December 2019 levels
- Anticipate sustained strong positive free cash flow as performance improves through the year and reduced capital additions in 2020 reduce maintenance capital outflows this year

Outlook and Priorities

Ignacio Garat
Group Chief Executive

Our purpose and vision in practice: Industry leading safety scores



- Lytx DriveCam is installed on over 20,000 vehicles and monitors driver behaviour
- The Lytx risk score is an aggregate measure associated with the coachable events identified through DriveCam
- Our Risk score is 76% lower than the industry average
- All divisions have improved year on year
- Drives a reduction in incidents, reducing the costs of claims and enhances our relationships with customers

Outlook and priorities

Divisional Highlights - ALSA

H1 Highlights

- Revenue protection through Urban & Regional ~50% across ALSA
- Long Haul recovery underway (45% pre-Covid pax)
- Restructuring programme delivering €25m cost savings
- Morocco growth

Looking forward

- Consolidate regional and urban markets
- Complete Casablanca mobilisation
- Bidding in new cities outside of Spain
- Strong bid and acquisition pipeline

Divisional Highlights – North America

H1 Highlights
- 96% of schools back by end of school year
- Transit portfolio review delivering improved returns
- Driving Excellence delivering operational and customer benefits
- Strong recovery in operating margin and cash

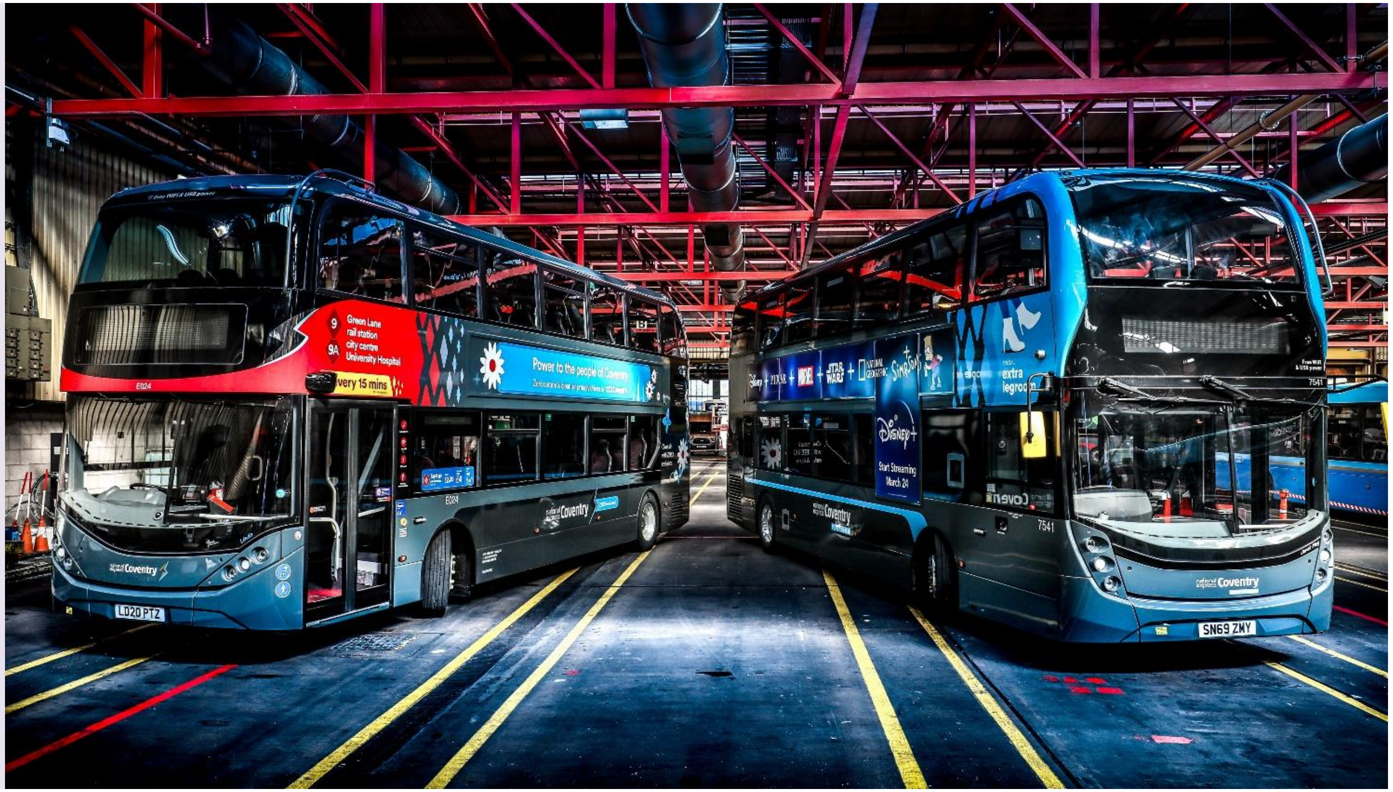
Looking forward
- Expect larger School Bus bid season for 2021/2022
- Strong bid pipeline in Transit
- Shuttle expansion – regionally and by segment (e.g. universities and hospitals)

Outlook and priorities
Divisional Highlights - UK

national express

H1 Highlights
- Increasing service and occupancy
- Reducing reliance on CBSSG
- Network optimisation of Coach on restart of services
- NETS recovery

Looking forward
- Consolidate fragmented NETS and NEAT markets
- Opportunities from franchising and consolidation
- ZEV ‘availability’ contract launch
- Bidding for further funding – around 200 hydrogen buses



Driven by our purpose

Our vision

"The world's premier mass transit operator with services offering leading safety, reliability and environmental standards that customers trust and value."

Our purpose

"We aim to make mass transit an increasingly attractive option for all our customers whether they are individuals, transport authorities, school boards or businesses. We seek to do this by earning our customers loyalty by providing safe, reliable and great value multi-model services."

Our ambition

"To be seen by 2030 as the worlds premier mass transit transport partner."

Outlook and priorities

An exciting time for public transport

Recognition of the need and desire to protect the environment is accelerating everywhere we operate

Population growth, congestion, air pollution and environmental damage requires a step-change in mobility habits

Governments are acting decisively to push people from private to public transport *and* to decarbonise fleets

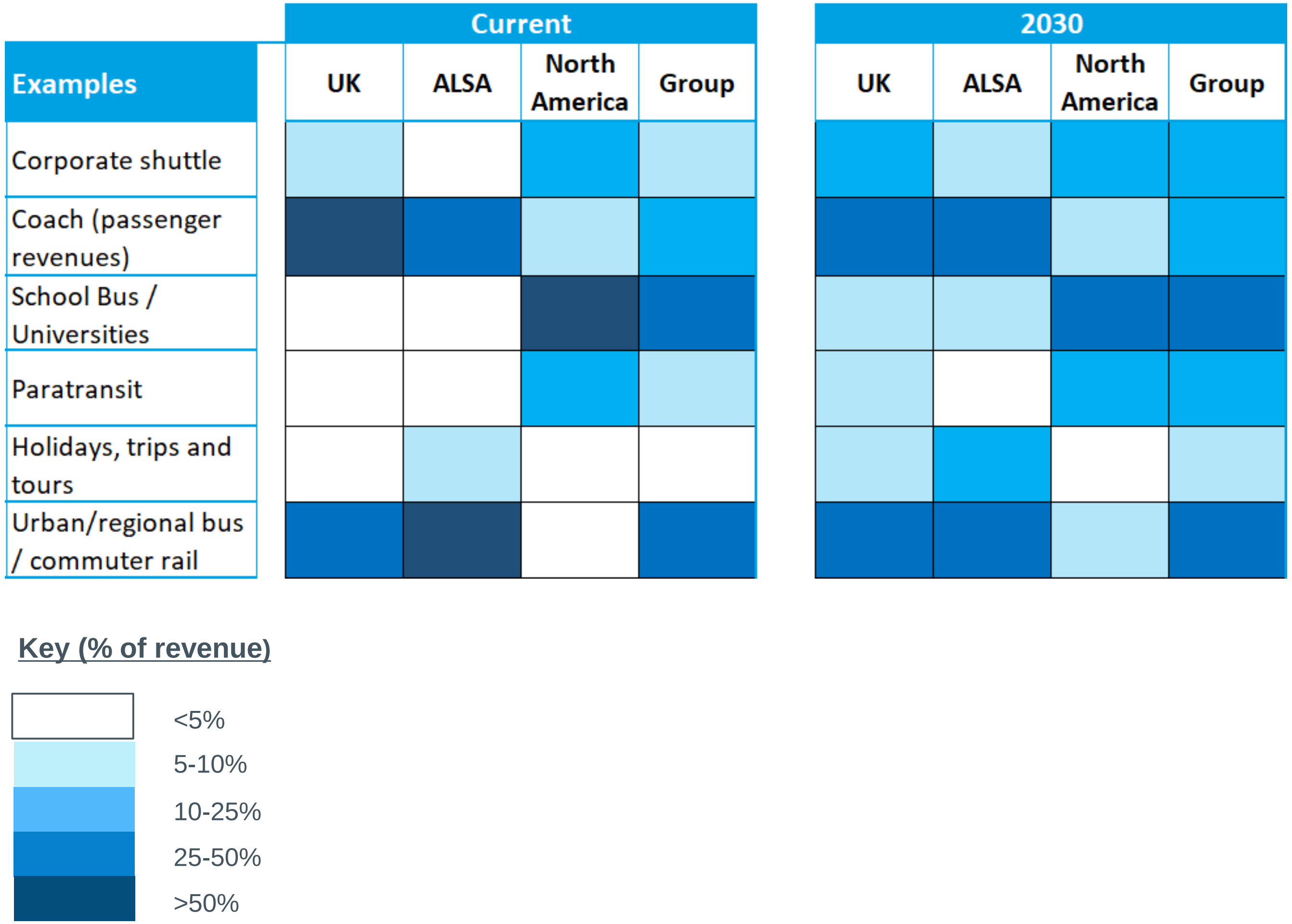
- UK: National Bus Strategy investment of £3 billion including support for at least 4,000 more zero emission buses
- North America: $2 trillion package including $15 billion for half a million EV charging stations and to transition at least 20% of school bus fleet to electric by 2030
- EU: Climate Change and Energy Transition Law proposes low emission zones in cities with over 50k people…€13 billion planned by Spanish Government to boost transition to electric vehicles

"Working in partnership with National Express we have managed to deliver an increase in passengers, brand new buses, and fare freezes. Now I am delighted to be working with the company again to help tackle the region's climate emergency."

Andy Street, West Midlands Mayor

Outlook and priorities

Ample headroom to grow…



- We currently operate in 50 of the biggest, most attractive mass transit cities in the world…
- …And we offer transport solutions in each market segments
- There is an opportunity to expand our services in our existing geographies
- We have screened 150 other cities where we can be the partner of choice for mass transport improvement.
- Around 2/3rd of these are in (or immediately adjacent to) countries we already operate in

…As the ‘solutions provider’ for our customers

Reinvigorate public transport	Multi-modal expansion	Operational transformation	Fill the Transit Gap	Consolidate & compound
Grow use of public transport in cities suffering congestion by building partnerships with cities who want sustainable solutions	Build more modal capability and city hubs from existing locations where we already have a physical footprint	Application of our processes and capabilities to drive efficiency and operational improvement and lower costs	Encouraging modal shift away from the private car in areas that are not well served by public mass transit	Consolidate fragmented markets and create ‘at scale’ operations to drive operating efficiencies and better customer solutions

'The NX Way'

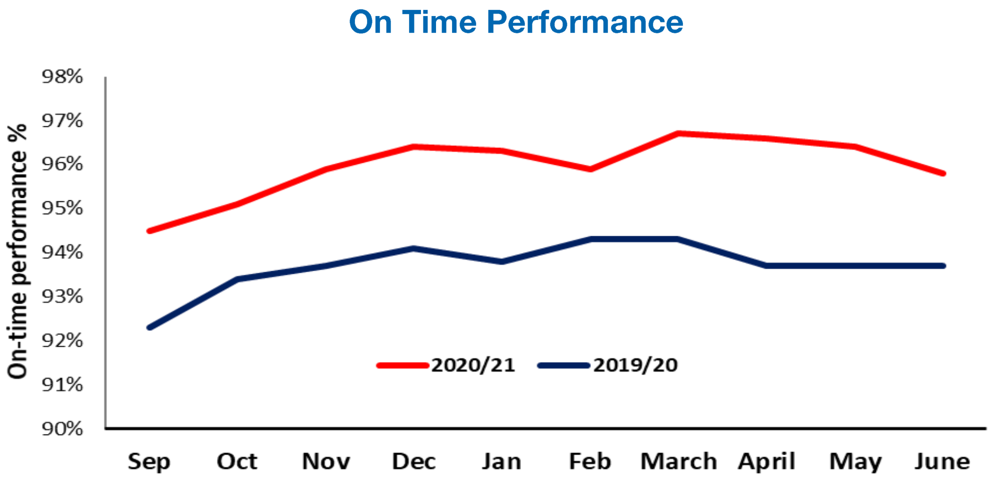
- 'How' we operate is as important as 'where' we participate and 'what' we offer
- Instilled a sense of urgency to drive a high performance culture
- Rapid and consistent roll-out and training in new quality management framework
- Standardise and scale what works – leverage the best from around the Group
- Leverage digital to unlock efficiency and growth

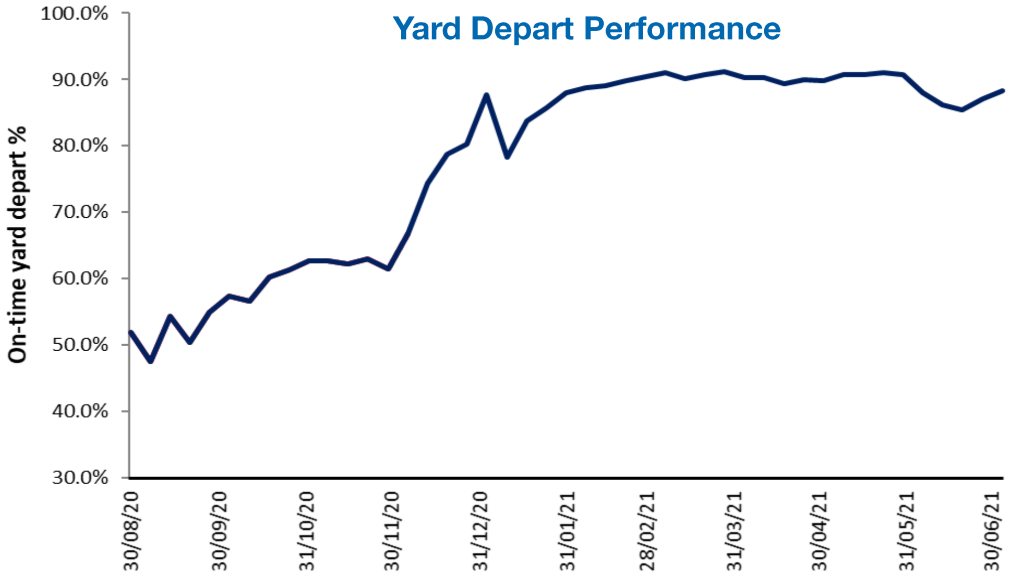
Outcomes

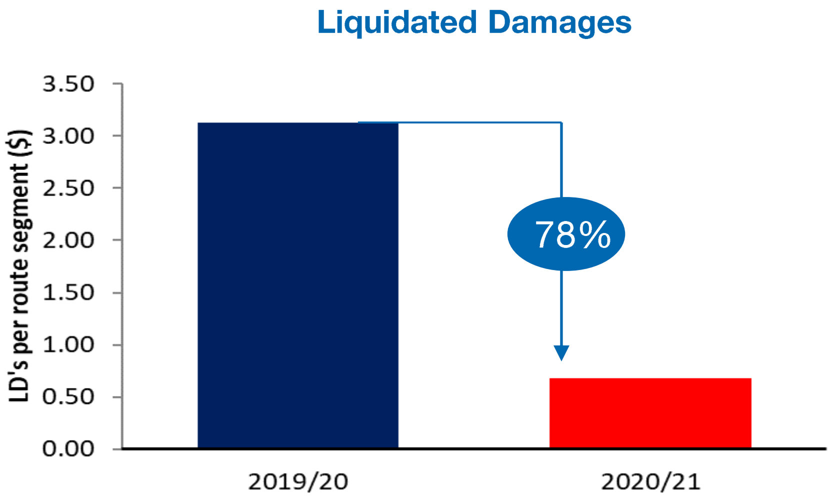
- Safest
- Most reliable
- Greenest
- Most satisfied customers
- Employer of choice

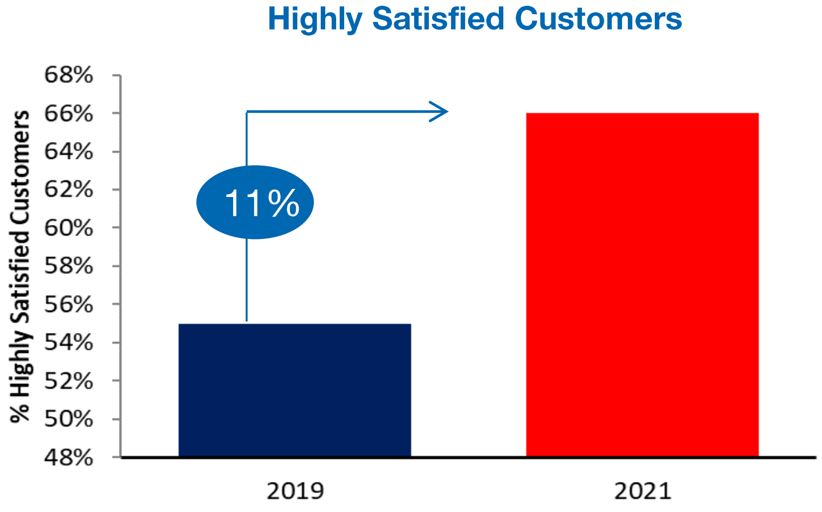
Outlook and priorities

Case Study: Driving Excellence









Outlook and priorities
Stabilise then grow

Stabilise

- Restore pre Covid levels of revenue, profit and cash
- Embed quality management processes (replicate Driving Excellence)
- Organise to win
- Prioritise asset-light opportunities
- Return to paying dividend
- Reduce gearing to 1.5-2 times

- Broaden and deepen penetration of existing markets
- Invest to expand – bid or buy into more of the '200 key cities'
- Establish 'availability' models to accelerate decarbonisation without stressing balance sheet
- Return to strong growth in revenue, profit and cash

Grow

In summary

- First half performance has exceeded our expectations and shows an improving positive trajectory
- We expect to see this trend continue through the second half
- Whilst our first focus is on accelerating the recovery to pre-Covid levels of trading, we remain committed to the sustainable, profitable growth of the Group
- We continue to see significant opportunity in all our Divisions
- Demographics are in our favour and legislation is in our favour - we provide solutions to the pressing problems of the 21st century
- We are uniquely placed as the only listed diversified, international public transport company with operations across North America, the EU and the UK

Appendix


National Express
national express SH305
CAETANO
BV69 KTE
LEVANTE
National Express
national express

North America
Improving trajectory across each business line

Summary

– School bus back to 96% service (mixture of traditional & hybrid) by end of school year, followed by strong summer school season
– Transit now operating at 80% service levels
– Shuttle operating at 47% service levels with customers looking to return to office in Q3
  – Renewed & expanded a sizeable contract by over 40%
– Successful school bid season with price renewals on expiring contracts of 3.7%
– Expect 2021/2022 bid season to be bigger than normal, with potentially increased outsourcing opportunities

New opportunities

– Potential market share gains from weaker operators
– Potential for growth from customers looking to outsource
– Employee & universities shuttle opportunities

Risk

– Further lockdowns
– WFH in Shuttle
– Reduced discretionary travel in Transit
– Driver shortages & wage inflation

Returns

	H1 2021	H1 2020
Revenue	$627.6m	$651.9m
Underlying Op profit	$57.6m	$10.3m
Underlying Op margin	9.2%	1.6%

Revenue: Down 4% in constant currency, strongly ahead of H2 2020 and versus H1 2020 which included 2 months of pre-Covid performance

Profit: $47m improvement reflecting a continual recovery throughout the period, together with the benefit of management actions taken in 2020 to reduce structural costs and early benefits from ‘Driving Excellence’ programme.

ALSA
Improving trajectory and return to revenue growth and profit

Summary
- Urban revenue protected: nearly 50% of revenue protected across ALSA
- Long haul significantly impacted by inter-regional travel restrictions
  - Recovering as restrictions eased: currently at 45% vs. 2019
- Strong revenue growth in Morocco, up nearly 40%, driven by Casablanca & recovery in other cities; record passengers in Tangier
- Acquisition of an urban bus business in Granada, further consolidating our position in the region
- Restructuring programme delivering €25m annualised cost savings

New opportunities
- Further opportunities in Regional and Urban
- Opportunities in Intercity & further cities in Morocco
- Opportunities in adjacent markets like Portugal, France and Italy

Risk
- Further lockdowns
- Intercity concession renewal but no intention to restart process in the near term
- Competition from low cost High Speed Rail

Returns

	H1 2021	H1 2020
Revenue	€331.1m	€305.4m
Underlying Op profit	€19.8m	(€8.1m)
Underlying Op margin	6.0%	-

Revenue: Up 8% at constant currency driven by growth in urban and regional in Spain and strong growth in Morocco, with the ongoing mobilisation of Casablanca.

Profit: €28m improvement, with the improving trajectory in trading and the benefit of cost actions taken in 2020 to reduce structural costs.

UK
Improving trajectory from H2 2020

national express

Summary

– Revenue decline reflects mothballing of Coach operations in Q1 with 3rd national lockdown, with significantly reduced services in Q2
– Coach revenue starting to rebuild with ramp up of services – now at 37% of pre-Covid service levels & 33% pre-Covid passengers
– Commercial bus patronage: 70% pre-Covid levels & services at 100%
– Significant contract wins, both new and retained, in NEAT & NETS and both with strong active pipelines
– National Bus Strategy (NBS) emulates West Midlands partnership approach - highly supportive to the sector and for transition to ZEVs
  – Bus bidding for *c*.200 Hydrogen buses

New opportunities

– NETS – private hire, holidays & corporate contracts
– NBS presents opportunities to grow patronage
– Accessible transport market
– ‘Staycations’

Risk

– Further lockdowns
– WFH and online shopping
– Competition in coach market

Returns

	H1 2021	H1 2020
Revenue	£172.8m	£189.8m
Underlying Op profit	(£19.9m)	(£15.5m)
Underlying Op margin	-	-

Revenue: Down 9% - temporary mothballing of coach operations; Revenue growth in Bus with services operating at 102% for much of the period, & receiving revenue support through CBSSG

Profit: Operating loss of £20m, but at a much reduced level versus H2 2020, reflecting losses in Coach with the decline in revenue partly mitigated by payroll savings through the use of the CJRS, together with other cost actions

German Rail
Strong revenue growth with the start up of new services

Summary
- Strong revenue growth reflecting start-up of final service in the RRX contract in December 2020
- Revenue partially protected: RRX contract being a gross cost contract
- Service running at 100% of pre-Covid levels
- Patronage currently down 52% due to Covid restrictions
- Expect to receive subsidies from local PTAs in H2 to compensate for reduced patronage
- Continue to build our reputation for high performance and reliability and strengthening relationships with stakeholders and PTAs

New opportunities
- Pipeline of German rail tenders
- Profitability improvements

Risk
- Failure to win bids in Germany at acceptable rates
- Mobilisation of new contracts

Returns

	H1 2021	H1 2020
Revenue	€92.6m	€70.1m
Underlying Op profit	€(8.8)m	(€7.2m)
Underlying Op margin	-	-

Revenue: Up 32% reflecting the start up of the final service to be mobilised in RRX.

Profit: Operating loss of €9m driven by phasing of Covid relief, expect to recover in H2

Strong environmental credentials

national express

Taking cars off the road, easing congestion, reducing emissions

- Public transport key to tackling climate change & provision of clean transport
  - Each coach takes up to a mile of traffic off the road
  - Each bus takes up to 75 cars off the road, reducing congestion and speeding up journey times
  - Euro VI bus less polluting than Euro 6 car on an absolute basis

- Commitment not to buy another diesel bus in the UK
  - UK Bus to be zero emission by 2030
  - UK Coach to be zero emission by 2035
- Looking to set ambitious target for all parts of the Group in 2021

Our commitment

- Investing in zero emission vehicles across each of our businesses
  - 29 electric buses in UK with a further 170 to come for Coventry first electric bus city
  - 20 Hydrogen buses to start operating in Birmingham in H2 2021, and bidding for funding to purchase a further 200
  - More than 100 ZEVs operating in North America, with a further 30 to be added in the coming year
  - 20 ZEVs in ALSA, with trials in Hydrogen buses and HVO, an advanced bio-fuel, with near zero emissions

- UK fleet over 80% Euro VI compliant
  - Our West Midlands bus fleet is the largest certified low-carbon fleet outside London
- Commitments backed by environmental targets for LTIPs and science based KPIs
- Early adopter of the UN's Sectoral Decarbonisation Approach climate science based targets with 5 targets aligning to 3 SDGs

External recognition - ESG ratings
MSCI and Sustainalytics

national express

MSCI*

– As of 2020, National Express received an MSCI ESG rating of AA

MSCI ESG RATINGS

AA

CCC	B	BB	BBB	A	AA	AAA

Sustainalytics

– National Express rated ‘low risk’ for ESG overall - & ‘low’ or ‘negligible’ risk in every subcategory

– Rated in the 2nd percentile of all transport companies (349) in the Sustainalytics global universe

– Rated 5th percentile of over 14,000 companies in the Sustainalytics global universe

SUSTAINALYTICS


Charged by
renewable energy
CHARGE E022
COOLANT