Full Year Results

For the year ended 31 December 2020

18th March 2020

national express

Agenda

01

Introduction and initial observations

Ignacio Garat

02

Financial Review

Chris Davies

03

Outlook and priorities

Ignacio Garat

Introduction and initial observations

Ignacio Garat
Group Chief Executive

Summary 2020 results

- Strong start to the year with double digit revenue growth before Covid-19
- Decisive action taken to reduce costs and conserve cash
- £187 million EBITDA; towards the top of the range for guidance
- H2 free cash flow positive and net debt reduced to £942 million
- £1.5 billion of equity and additional borrowing facilities raised
- £1.9 billion in cash, undrawn committed facilities and undrawn CCFF available
- Improving trajectory into 2021 with strong Q4 revenue, EBITDA and cash flow

Initial observations

Priorities: First four months

1. Ensure we continue to navigate the pandemic and are positioned to capitalise as restrictions are lifted
2. Engaged widely with over 2,000 colleagues across the Group
3. Visited all our businesses and met key stakeholders: customers; shareholders; and government officials
4. Ensure we continue to have high levels of financial and operational control
5. Focus on the “big deltas” for 2021 as restrictions are lifted

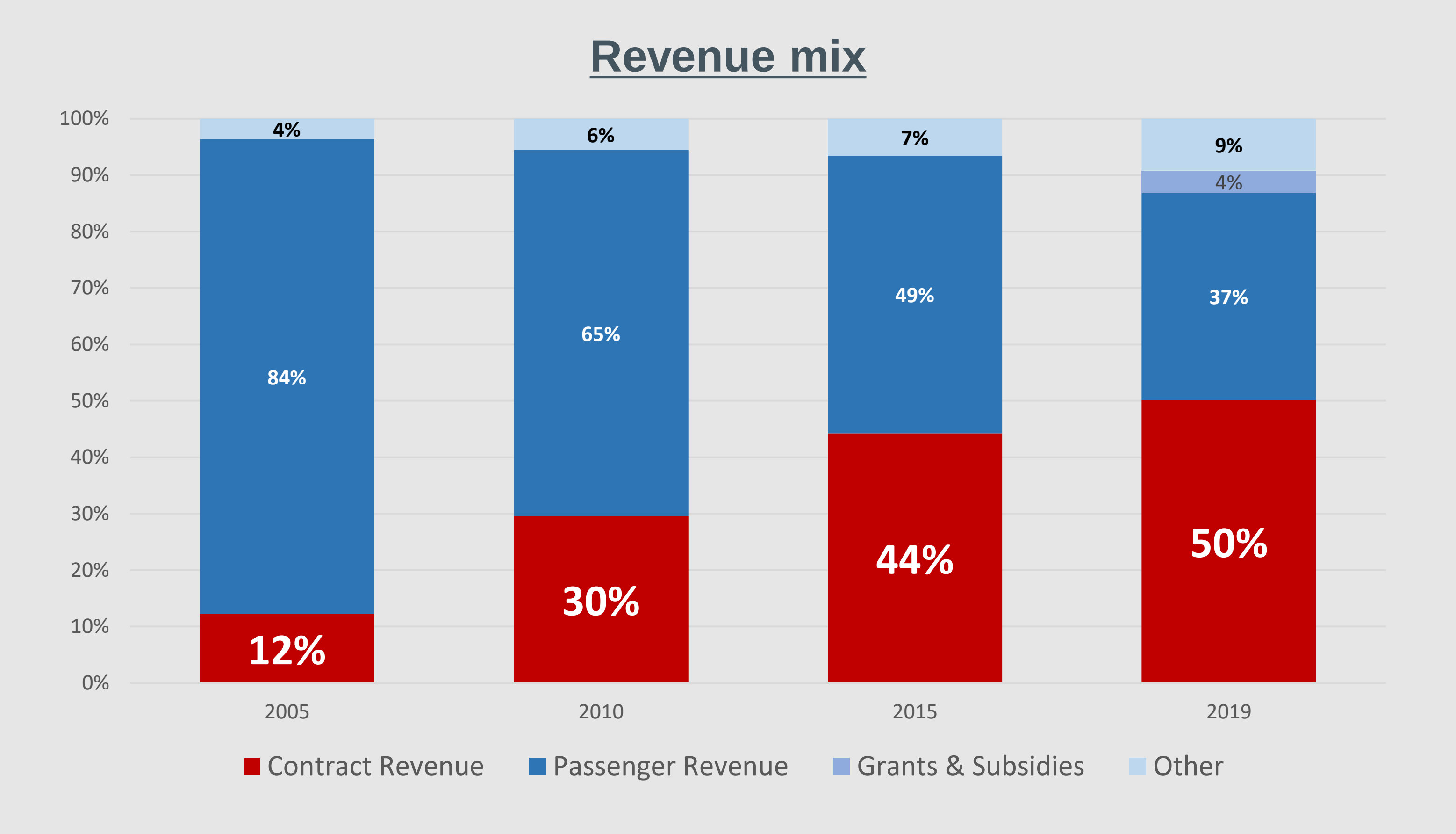
Initial observations

A great platform

- National Express remains a strong business
  - 3 strong divisions
  - Good balance of B2B and B2C
  - Strong base of contracted revenue with an increasing proportion of revenue protection
- Great customer and stakeholder relationships providing significant support through the pandemic
- Strong foundations to build on
  - Previous strategy has served well – focus on evolution not revolution
  - Opportunities for higher returns through improved efficiencies and asset utilisation
- Talented team with deep experience
- Public transport can change lives
  - plays a critical role in driving social mobility…
  - …and in tackling global challenges of air quality and congestion

Initial observations

Increasingly resilient revenue streams



- Significant change in revenue profile over last 10 years with contracted revenue up by 20ppts
- Now >50% of the business
- Good balance between contracted and non contracted revenues

What I have heard

national express

Colleagues

– Deeply committed and passionate – strong alignment to the values

– Safety in the ‘DNA’

– Appreciate how they have been led through the crisis (strength of the management team)

– Looking forward to increased engagement

Customers

– Looking to continue long-term relationships with quality operators

– Trust National Express and value us for what we do

– Numerous opportunities for further growth (matter of ‘when not if’)

– Excited to partner on evolving technologies such as ZEVs

Investors

– Desire for ‘evolution not revolution’ as we rebuild from the pandemic

– Balance: pursue growth opportunities, repair leverage and reinstate dividend

– Appreciative of ESG leadership and commitments

Financial Highlights

Chris Davies
Group CFO

2020 full year financial review

Covid-19 significantly impacts performance

Underlying £m	2020	2019	Change
Revenue	1,955.9	2,744.4	(28.7%)
EBITDA	186.6	510.1	(63.4%)
Group operating profit	(50.8)	295.3	(346.1)
Group PBT	(106.1)	240.0	(346.1)
EPS	(14.6p)	34.5p	

Statutory £m	2020	2019	Change
Group operating profit	(381.4)	242.3	(623.7)
Group PBT	(444.7)	187.0	(631.7)
Group PAT	(326.7)	148.3	(475.0)
EPS	(57.9p)	27.6p	
Free cash flow	(178.7m)	178.7m	(357.4m)
Net debt	941.6m	1,224.0m	282.4m

Notes:
- Underlying profit before tax excludes £339m of separately disclosed items, principally comprising £263m of Covid-related costs and £53m of intangible amortisation
- References to EPS are to basic EPS
- 2019 net debt is re-presented for the transfer of £17.5m out of net debt in respect of vehicle leases entered into in 2019 to fulfil contracts that have been deemed to be in scope of IFRIC 12.

Separately disclosed items

	Income statement		Cash
£m	**2020**	**2019**	**2020**
Amortisation of intangibles arising upon acquisition	(52.6)	(53.0)	-
Covid-related costs	(262.5)	-	(109.6)
Restructuring costs	(14.0)	(8.8)	(10.8)
Other separately disclosed items	(1.5)	8.8	-
Separately disclosed items within operating (loss)/profit	**(330.6)**	**(53.0)**	**(120.4)**
Interest charges directly resulting from Covid-19	(8.0)	-	(6.5)
Total	**(338.6)**	**(53.0)**	**(126.9)**

- Consistent with previous years, amortisation of acquired intangibles is separately disclosed and was broadly flat year on year
- £263m of Covid-related costs were incurred in the year, of which £110m were cash costs
  - Further detail on the following slide
- £14m of restructuring costs were incurred in relation to structural cost reduction programmes
- £8m of finance charges directly associated with Covid-related financing (CCFF and short terms loans)

Significant cost of dealing with the crisis

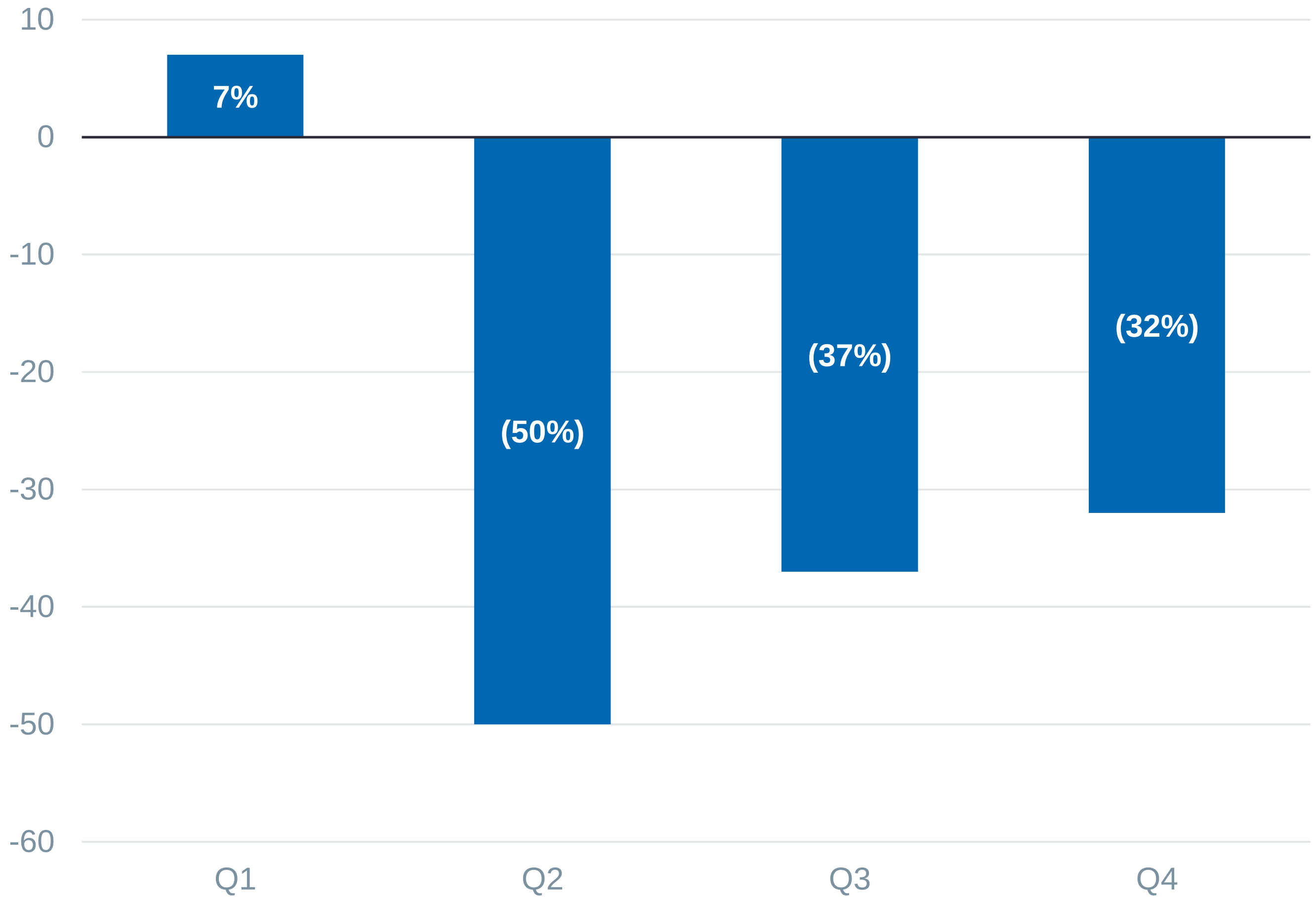
£m	2020 P&L	2020 cash
One-off costs, cancellation charges and compensation costs	(46.4)	(28.1)
Discontinuation of fuel trades	(17.3)	(14.6)
Onerous contracts and associated asset impairments	(133.4)	(66.9)
Impairments and associated charges	(99.3)	-
Re-measurement of the WeDriveU put liability	33.9	-
Total	**(262.5)**	**(109.6)**

- One-off costs of £46.4m include compensation payments to third party operators, incremental health and safety costs and a provision for Covid-related claims
- £17.3m of discontinued fuel trades where mileage has been cut due to travel restrictions
- £133.4m in onerous contract provisions were recognised where Covid-related restrictions drive losses until renewal date
- £99.3m of impairments to dedicated assets associated with contracts that have been terminated or not renewed due to the impacts of the pandemic
- The re-measurement of the WeDriveU put liability results in a credit due to the impact of the pandemic on the short-term earnings projections

2020 full year financial review

Strong start pre-Covid, improving trajectory

Year-on-year revenue growth by quarter

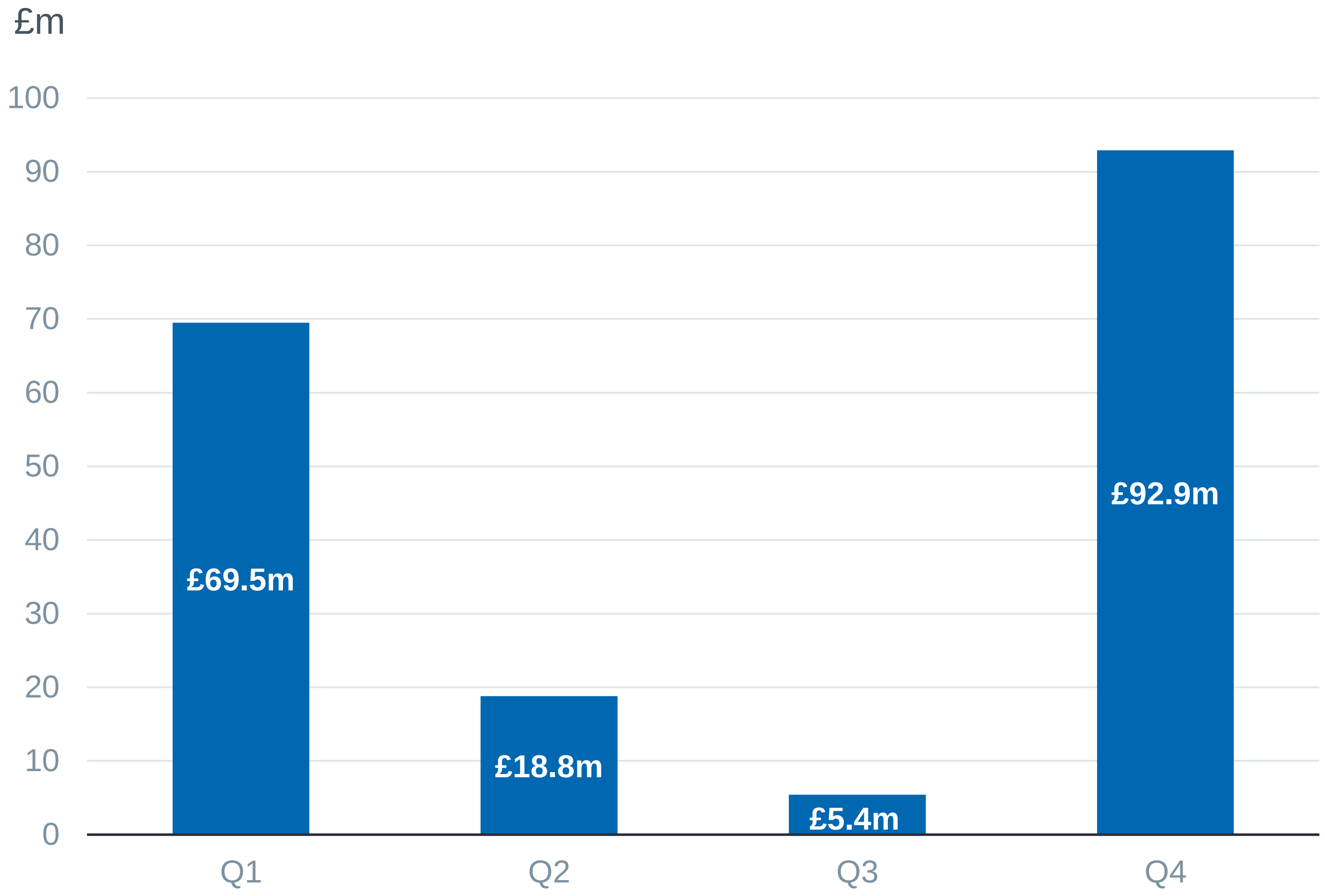


- Strong trading pre-Covid resulting in Q1 revenue growth of 7%
- 50% revenue decline in Q2 as first lockdowns were implemented
- Steady revenue recovery in Q3
- Re-imposition of restrictions in Q4 slowed the pace of improvement…
- …But with Q4 showing an improving run rate of (32%)

2020 full year financial review

Strong finish to the year

EBITDA by quarter

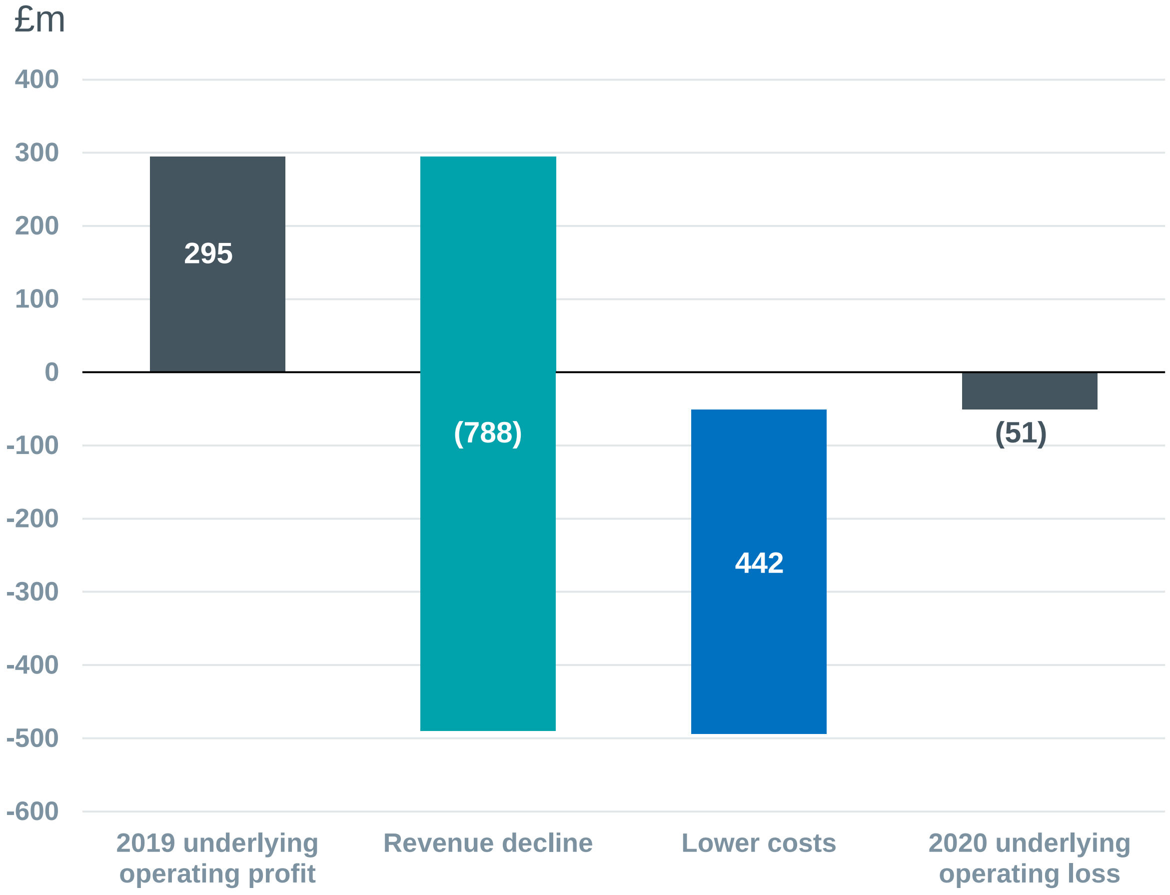


- Generated £187m EBITDA in the year
- EBITDA positive in each quarter but with greatest year-on-year decline in Q2
- Q3 is seasonally lowest EBITDA due to school holidays in North America
- Q4 was the strongest quarter, generating nearly 50% of EBITDA in the year
- Contributed to positive free cash flow in H2

2020 full year financial review

Rapid and decisive action on costs

Underlying Operating profit bridge



Variable cost savings

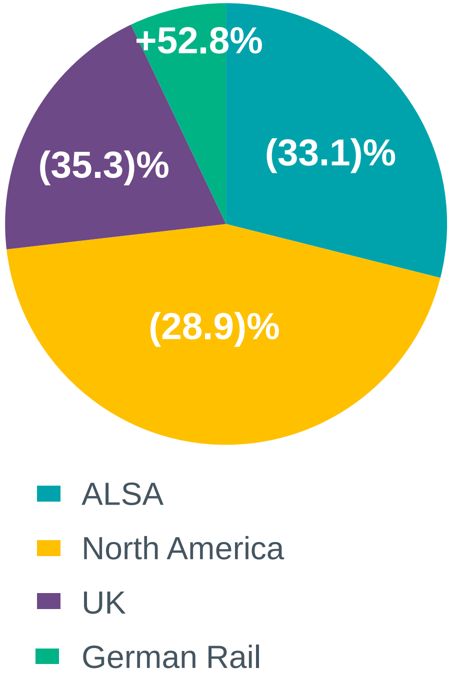
- All variable costs reduced in line with service reductions
- All discretionary expenditure halted
- Salary sacrifices for Board and senior management, with salary deferrals across the Group
- Temporary laying off of staff utilising government income protection schemes where available
  - At the peak 40,000 staff laid off or furloughed

Fixed cost savings

- c.£100m of cost permanently removed
  - Cost reduction plans implemented in H2 2020 with further initiatives in H1 2021
  - Principally from managerial / administrative / indirect headcount, but also savings in property costs, and efficiencies from process improvements

2020 full year finance review
Divisional summary

Revenue (YOY change*)



ALSA
£559m

North America
£869m

UK
£388m

German Rail
£139m

**Year-on-year change shown in constant currency*

Underlying operating profit/(loss)

	2020	Change
ALSA	€7.5m	(€117.4m)
North America	$15.9m	($141.1m)
UK	(£49.0m)	(£134.0m)
Other	(£20.9m)	£1.3m
Group	**(£50.8m)**	**(£346.1m)**

2020 full year finance review

Positive H2 cash flow

£m

	H1 2020	H2 2020	FY 2020	FY 2019
EBITDA	**88.3**	**98.3**	**186.6**	**510.1**
Working capital	(139.6)	61.3	(78.3)	(42.0)
Net maintenance capex	(113.0)	(102.9)	(215.9)	(211.4)
Pension deficit	(3.8)	(3.6)	(7.4)	(7.6)
Operating cash flow	**(168.1)**	**53.1**	**(115.0)**	**249.1**
Tax & interest	(24.9)	(38.8)	(63.7)	(70.4)
Free cash flow	**(193.0)**	**14.3**	**(178.7)**	**178.7**

- Improved EBITDA in H2 despite having 6 pandemic-affected months rather than 4 in H1
- Working capital outflow of £140m in H1 partially reversed with £61m inflow in H2
- Working capital outflow driven by a longer receivables cycle (passenger revenue replaced by Covid grants) and a decrease in payables
- Maintenance capex is principally payments for vehicles acquired in previous year
- Free cash inflow of £14m in H2

Net debt reduced by £300m

£m	2020	2019*
Cash flow available for growth & dividends	**(178.7)**	**178.7**
Net growth capital expenditure	(35.3)	(24.7)
Net acquisitions and disposals	(48.0)	(144.7)
Proceeds from equity issues	725.6	-
Dividends	-	(78.3)
Separately disclosed items	(126.9)	(7.2)
Other (mainly forex)	(54.3)	17.4
Net funds flow	**282.4**	**(58.8)**
Net debt	**(941.6)**	**(1,224.0)**

- Growth capex reflects new contracts in ALSA and North America, and mobilisation of RRX in German Rail
- Acquisitions put on hold to conserve cash through the crisis; £27m of deferred consideration paid in respect of prior year acquisitions
- Net proceeds of £230.1m from share placing and £495.5m through hybrid issuance
- £127m of cash costs in respect of separately disclosed items: costs associated with Covid-19 and restructuring activity

*2019 restated for the transfer of £17.5m out of net debt in respect of vehicle leases for contracts now deemed to be in scope of IFRIC 12

Balance sheet

Covenants waived, ratings intact

Gearing Ratios	2020	2019
Net debt/EBITDA	5.1x	2.4x
Interest cover	2.7x	9.6x

Ratings	Grade	Outlook
Moodys	Baa2	Negative
Fitch	BBB	Negative

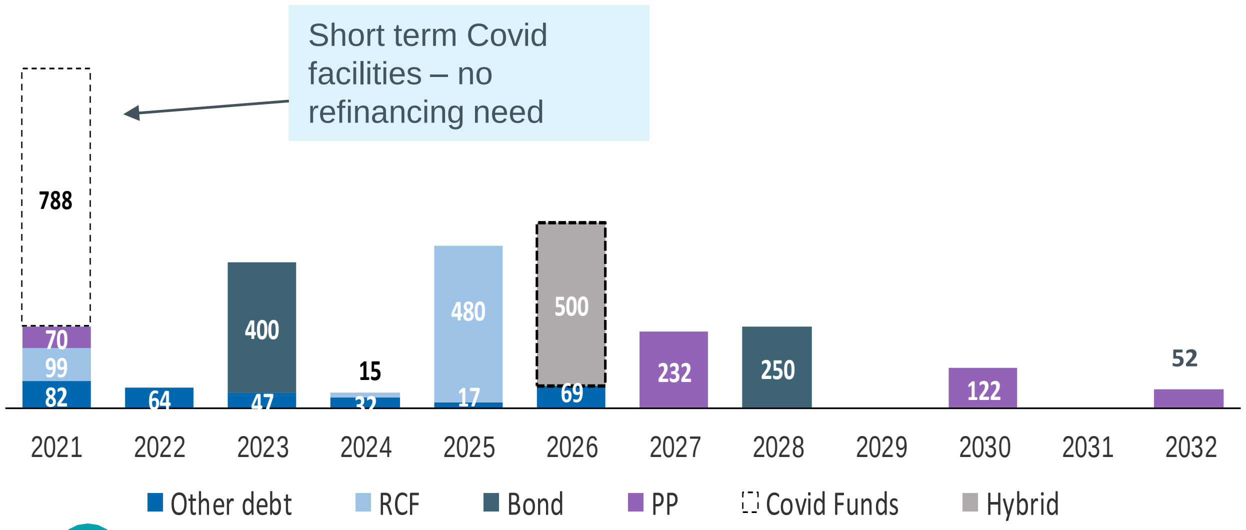
- Pre-emptive covenant amendments and waivers in place:
  - Gearing covenant has been waived until June 2022
  - Interest cover covenant has been amended to 1.5x for December 2020 and June 2021 and 2.5x for December 2021
  - Quarterly liquidity tests and bi-annual maximum net debt tests for next 12 months
  - No dividend to be paid if gearing exceeds 3.5x or interest cover is below 3.5x

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

2020 full year financial review

Significant liquidity headroom

Extended debt maturity profile



- £1.9bn cash and committed headroom:
  - RCF undrawn £0.8bn (of which £0.2bn Covid facilities maturing by April 2021)
  - Cash £0.5bn
  - CCFF unutilised £0.6bn (available to re-draw until March 2021)
- Average maturity extended to 5.2 years[1]

1. Excluding short term Covid facilities

Financing activity

- Secured £600m CCFF and £188m additional RCF as "insurance" at the start of lockdown in March 2020
  - £300m Commercial Paper issued in April ahead of USPP funding and repaid in December. Full £600m available to re-draw if needed until March 2021
- USPP drew down in Q2 providing £406m maturing between 2027 and 2032
- £500m Hybrid Instrument launched in November 2020 with a first call date of February 2026
- No requirement to refinance short-term Covid facilities under base case or reasonable worst case scenarios
- No material refinancing requirement before 2023

Guidance

2021 a ‘transition year’

- Difficult to forecast exact timing of recovery given continuing uncertainty of Covid impact across our businesses
- Anticipate macro situation to be similar in H1 2021 to H2 2020; with varying levels of lockdowns and mobility restrictions remaining in place
    - ➢ Anticipate performance in H1 2021 to be similar to that achieved in H2 2020
- Base case scenario assumes vaccines will reduce infection rates by the summer, with lifting of mobility restrictions allowing steady recovery in revenue in H2
    - ➢ By December 2021 Group revenue recovers to close to what it was in December 2019
- Anticipate robust positive free cash flow in 2021 as EBITDA improves through the year and capex reduction actions in 2020 take effect on maintenance capital outflows

Outlook and Priorities

Ignacio Garat
Group Chief Executive

How I hope to evolve National Express

- We will continue to provide the safest, most effective, and efficient public transport solutions….
- ….and be the partner of choice for public administrations and discretionary travellers
- The existing platform is a strong one to build from, with further organic growth potential
- It can be made more efficient, leveraging international best practice but retaining local accountability
- There are numerous operational and regional adjacencies to be exploited
- We will run a conservative balance sheet and still provide generous income to our shareholders
- Our people will think like owners, focus on the long-term and be proud to work for NEX

Outlook and priorities

Key actions in 2020 creating a strong platform

North America

- Continuing to win new business:
    - Bus contracts in Idaho, Alaska, California, Connecticut and Missouri
    - $160m of contracted revenue in WeDriveU
    - ‘Driving Excellence’ in School Bus began
- Great growth prospects, particularly in Shuttle and Paratransit

ALSA

- Continuing to win new and retain existing contracts and expand our footprint:
    - Two 7-year urban bus contracts in Lisbon and Porto, worth €300m
    - Retained CalPita for 10 years
    - Strong growth prospects in Morocco with Casablanca fully mobilised in 2021
    - Continuing organic growth especially in Regional, Urban and ancillary revenues

UK

- More agile Coach business with newly designed, more efficient network
- New services and routes in Bus
- Launch of more contactless products in Bus, making it easier and cheaper to travel
- Leading the transition to EVs in Coventry and Birmingham

2021 ‘big deltas’ to position us for recovery

North America

- ‘Driving Excellence’ programme to optimise operating processes
- Complete Transit portfolio and operational review
- Accelerate Transit & Shuttle growth plans

ALSA

- Transformational plan to reduce central costs – leaner organisation structure, digitally-enabled
- Complete Rabat & Casablanca mobilisation
- Mobilise Lisbon & Porto

UK & Germany

- Dynamic Coach restart – optimising network
- Deliver on the promise of the new businesses - NETS and NEAT
- Capitalise on our competitive position in German Rail

Outlook and priorities

Further opportunities to leverage our footprint….

End market	Examples		UK	ALSA	North America	Group
B2B	Corporate shuttle					
Retail and Charter	Coach (passenger revenues					
Education	School Bus/Universities					
Health and Mobility	Paratransit					
Tourism and Leisure	Holidays, trips and tours					
PTA/City	Urban/regional bus/Commuter rail					

Key (% of revenue)

- <5%
- 5-10%
- 10-25%
- 25-50%
- >50%

Outlook and priorities

…..supported by a balanced financial approach…..

- Focus on maintaining our strong free cash flow from existing businesses
- Capital allocation policy provides framework for prudent utilisation:

  1. **De-lever**: Medium-term net debt/EBITDA range 1.5-2.0x
  2. **Grow**: Reinvest targeting 15% ROCE
  3. **Return**: Dividend to be reinstated as soon as it is prudent to so

…..and a compelling sustainability agenda

- What we do has a major part to play in creating social mobility and cutting emissions

- However, how we do it is just as important:

  - Our services need to be safe and reliable for our customers…
  - ….especially the children who are trusted to our care
  - Our staff should be awarded similar protection….
  - ….as well as being motivated by our meritocratic and collaborative culture
  - Our fleet, run efficiently, can have a substantial effect on total net emissions….
  - ….but we must invest in technology to bring down our own gross emissions as well

- Reward structure linked to emissions reduction and maintaining industry-leading safety outcomes
- The commitment to move to a zero carbon fleet in the UK will be matched by ambitious targets in ALSA and the US
- Work on Diversity and Inclusion to ensure we attract and retain the best people to deliver great results

Outlook and priorities

This is a strong business with an exciting future

national express

- Our approach to public transport changes lives:
  - We are essential for social mobility and local economic growth….
  - ….while providing solutions to the problems of air quality and congestion
- We have clear priorities for recovery in 2021…..
- ….and strong organic and inorganic growth opportunities in every division
- We are a trusted partner with strong customer and stakeholder relationships….
- ….and continue to win new, and retain existing contracts – c.£900m of contracted revenue in 2020
- Our robust financial position supports our growth aspirations, with strong liquidity, renegotiated covenants and a strengthened balance sheet

Appendix

North America
Contracted revenue providing support despite low activity levels

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Summary

– Strong start: revenue +16% in Jan/Feb driven by Transit & Shuttle
– Closure of schools from late March onwards with only 26% coming back fully in H2
– Significantly reduced service levels in Transit (61%) & Shuttle (24%)
– Strong support from customers: 73% of revenue in school bus; 80% in Transit & Shuttle
– Significant cost savings through temporary laying off of staff where not receiving customer support & $20m permanent cost reductions
– Significant contract wins in school bus & shuttle including: two 10-year contracts in Alaska; & Gilead Sciences & Princeton University

New opportunities

– M&A paused/focus on organic
– Potential market share gains from weaker operators
– Potential for growth from customers looking to outsource
– Employee & universities shuttle opportunities

Risk

– Delay to schools coming back fully & shorter school terms
– Further lockdowns
– WFH in Shuttle
– Reduced discretionary travel in Transit

Returns

	2020	2019
Revenue	$1,116.0m	$1,569.7m
Underlying Op profit	$15.9m	$157.0m
Underlying Op margin	1.4%	10.0%

Revenue: Down 29% in constant currency, reflecting school closures & lower service levels post-Covid, mitigated by strong customer support

Profit: Down $141m reflecting revenue decline of over $450m – partially mitigated through cost actions, predominantly in payroll

ALSA
Contracted revenue providing support & growth in Morocco

Summary
– Strong start in first 2 months: Pre-Covid revenue up 23%
– Long haul significantly impacted - passenger journeys down 62%
– Urban revenue protected – largely on a per Km basis: over 40% of revenue protected across ALSA
– Strong revenue growth in Morocco, up over 30%, driven by Casablanca & Rabat, more than offsetting reduced service levels
– Significant payroll cost savings through use of the ERTE scheme
– Significant contract retentions & wins: retained CalPita regional concession for 10 years; 2 contract wins in Portugal – a new market
– Restructuring programme to deliver €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 and France

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

Returns

	2020	2019
Revenue	€629.3m	€940.6m
Underlying Op profit	€7.5m	€124.9m
Underlying Op margin	1.2%	13.3%

Revenue: Down 33% at constant currency with long haul revenue particularly badly affected, down 63%

Profit: Down €117m reflecting the revenue decline of over €310m, partially mitigated through cost savings predominantly in payroll.

UK
Government support for Bus demonstrating essential service

Summary
– Good start for first 2 months: Pre-Covid revenue up 5%
– Discretionary travel hit hardest with:
  – Coach revenue down 67%, passengers down 71%
  – Operations mothballed in Q2, services flexed up & down in H2 with subsequent lockdowns and staff furloughed
– Bus patronage down 47%, services at pre-Covid levels from July
– Protection of EBIT in Bus through CBSSG
– £30m of annualised cost savings initiatives
– Contract wins in NEAT & NETS, & strong start to holiday bookings
– Coventry first electric bus city & hydrogen buses in Birmingham

New opportunities
– Launch of NETS – private hire, holidays & corporate contracts
– Network optimisation
– Birmingham CAZ 2021
– Accessible transport market
– ‘Staycations’

Risk
– Further lockdowns
– Advanced fare discounting in rail
– Concession income
– WFH
– Online shopping

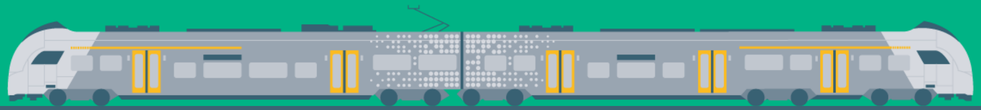
Returns

	2020	2019
Revenue	£388.2m	£599.7m
Underlying Op profit	£(49.0)m	£85.0m
Underlying Op margin	-	14.2%

Revenue: Revenue down 35%, with almost all the decline seen in Coach, down 67%, with Bus down 0.4%

Profit: Profit down £134m reflecting the £210m decline in revenue, partly mitigated by payroll savings through the use of the CJRS, together with other cost actions

German Rail
Strong growth with the start up of new services



Summary
– Strong revenue growth reflecting start-up of 2 new services in the RRX contract in 2019
– Services at 70% in March & April, 100% of pre-Covid levels thereafter
– Revenue partially protected: RRX contract being a gross cost contract
– Successful mobilisation of 3rd service in RRX contract in December
  – Building 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

	2020	2019
Revenue	€156.6m	€102.5m
Underlying Op profit	€(5.5)m	€5.7m
Underlying Op margin	-	5.6%

Revenue: Up 53% reflecting the mobilisation of 2 new services in 2019

Profit: Down €11.2m – driven by contract accounting with positive full lifetime contract adjustments made in 2019 offset by similar sized reductions in 2020 to reflect impact of the pandemic

Fuel risk largely fixed until 2021

Fuel hedging

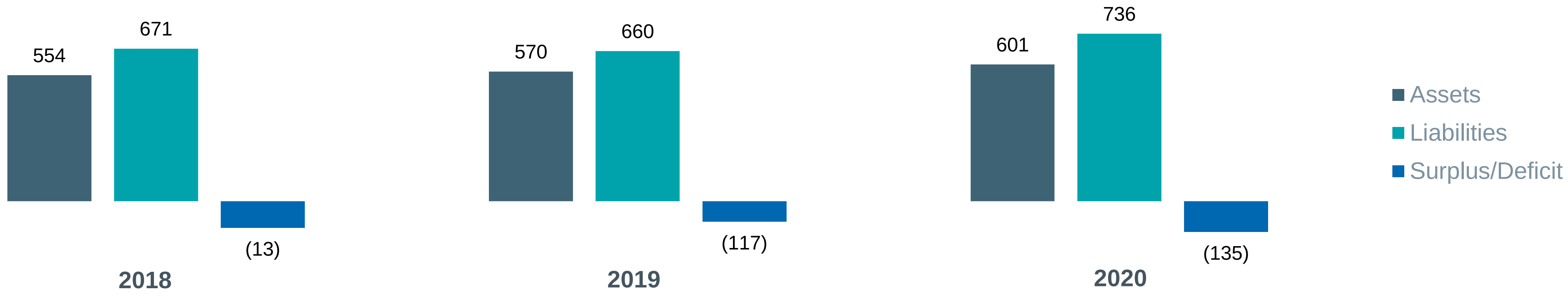
	2020	2021	2022	2023
% hedged*	100%	99%	60%	26%
Price per litre**	37.6	36.5	30.2	29.9

- 2020 fuel costs broadly flat year-on-year on a like-for-like basis
- 2021 fuel cost benefit forecast c.£2m on a like-for-like basis

*Of addressable volume
** ‘Normalised ’hedge price (i.e. excluding the cost of hedge reversals)

Pension deficit – payments agreed through to 2026

Pensions £m (IAS19)



£m	Surplus /(Deficit) 31 Dec 2020	Surplus /(Deficit) 31 Dec 2019	Charge 2020	Charge 2019
UK Bus	(141.6)	(99.1)	(4.5)	(3.5)
UK Group	12.3	14.2	(0.8)*	(0.4)

*Past service charge for GMP equalisation, included in exceptional items

ESG

Our approach – beyond the numbers

Public transport has a vital role to play: in tackling the global challenge of climate change with the provision of high quality, cleaner and greener buses and coaches; and in enabling social mobility

Biggest challenges we face are:

- Carbon reduction
- Improving air quality - clean air
- Reducing traffic congestion
- Inclusive growth for all people

The solutions to these challenges all require high quality public transport

But its more than the 'E'

- Safety is already deeply embedded in our culture and remains an ongoing priority
- Our People are our biggest assets: NX was first public transport operator to become a Living Wage employer and we need to continue to provide well paid and rewarding careers to our staff
- We continue to work on Diversity and Inclusion as part of a wider focus on employee engagement, and in attracting, developing and retaining the best people

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 & speeding up journey times
  - Euro VI bus less polluting than Euro 6 car on an absolute basis

Our commitment

– Investing in zero emission vehicles across each of our businesses
  - 29 new electric buses in UK in 2020
  - Commitment not to buy another diesel bus in the UK

– UK fleet over 80% Euro VI compliant

– Looking to set ambitious target for all parts of the Group in 2021

– Our West Midlands bus fleet is the largest certified low-carbon fleet outside London
  - Coventry first electric bus city and hydrogen buses in Birmingham

– 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, Sustainalytics & LSE Green Economy Mark

MSCI*

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

Sustainalytics

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

– Rated in the top percentile of all transport companies (320) in the Sustainalytics global universe

– Rated 4th percentile of over 12,000 companies in the Sustainalytics global universe

London Stock Exchange Green Economy Mark**

– National Express recently awarded the London Stock Exchange’s Green Economy Mark, recognising London’s issuers with green revenues of over 50%. @LSEplc #LSEGSF

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**The Green Economy Mark (above) identifies London-listed companies and funds that generate between 50% and 100% of total annual revenues from products and services that contribute to the global green economy.

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National Express Group PLC