national express

Full Year Results

For the year ended 31 December 2019

27 February 2020

Cautionary statement

This Review is intended to focus on matters which are relevant to the interests of shareholders in the Company. The purpose of the Review is to assist shareholders in assessing the strategies adopted and performance delivered by the Company and the potential for those strategies to succeed. It should not be relied upon by any other party or for any other purpose.

Forward looking statements are made in good faith, based on a number of assumptions concerning future events and information available to Directors at the time of their approval of this report. These forward looking statements should be treated with caution due to the inherent uncertainties underlying any such forward looking information. The user of these accounts should not rely unduly on these forward looking statements, which are not a guarantee of performance and which are subject to a number of uncertainties and other facts, many of which are outside of the Company’s control and could cause actual events to differ materially from those in these statements. No guarantee can be given of future results, levels of activity, performance or achievements.

For a full list of definitions, please refer to the Glossary of Alternative Performance Measures on page 24 of the Full Year results statement.

Financial highlights

2019 at a glance

Financial highlights

Strong revenue growth

- Revenue up 10.2% at constant FX
- Robust organic growth boosted by bolt-on acquisitions
- Growth in all divisions

Record profits

- Normalised operating profit up 13.1% at constant FX
- Record statutory PBT of £187m
- Operating margin increased to 10.8%

Converted to cash

- Generated £179m of free cash flow
- Gearing at 2.4x, reduced by 0.1x on underlying basis[1]

Reinvested and returned

- Invested £166m in 9 acquisitions
- Acquisitions delivering returns of at least 15%
- ROCE at 12.4%, up 80 bps on underlying basis[2]
- 10% increase in full year dividend

1. Application of IFRS 16 increases gearing by 0.2x
2. Application of IFRS 16 reduces ROCE by 80 bps

Underlying performance
IFRS 16 impact

£m	Reported	IFRS impact	Old GAAP	2018
EBITDA	510.1	54.7	455.4	402.1
Operating profit	295.3	7.6	287.7	257.7
Interest	(55.7)	(7.6)	(48.1)	(38.6)
PBT	240.0	0.0	240.0	220.0
Operating margin %	10.8%	+30bps	10.5%	10.5%
ROCE %	12.4%	(0.8%)	13.2%	12.4%
Net debt	(1,241.5)	(213.4)*	(1,028.1)	(951.5)

**£213.7m in transition less £0.3m changes during the period*

2019 Financial highlights

Strong performance for the year

Continuing operations £m	2019	2018	Change	Change in Constant FX
Revenue	2,744.4	2,450.7	+12.0%	**+10.2%**
Group normalised operating profit	295.3	257.7	+14.6%	**+13.1%**
Group normalised PBT	240.0	220.0	+9.1%	**+7.8%**
Normalised EPS	34.5p	32.9p	+4.9%	

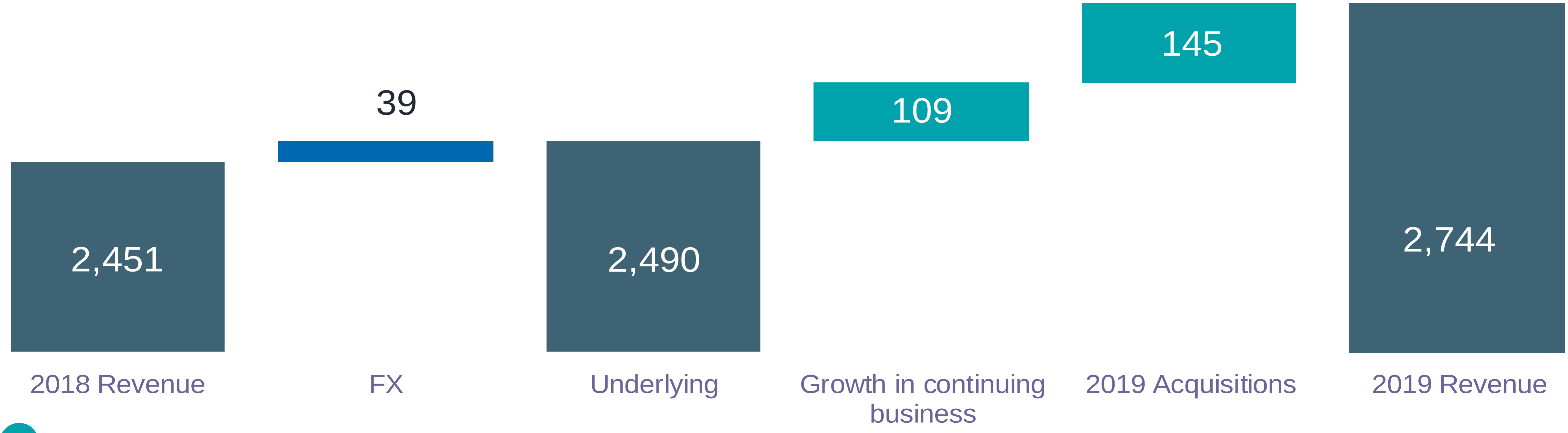
Statutory £m	2019	2018	Change
Group statutory operating profit	242.3	215.4	+12.5%
Group statutory PBT	187.0	177.7	+5.2%
Group PAT from continuing operations	148.3	138.7	+6.9%
Statutory EPS	27.6p	26.6p	+3.8%

Free cash flow	£178.7m	£198.6m	(£19.9m)
Net debt	£1,241.5m	£951.5m	+£290.0m
Full year dividend	16.35p	14.86p	+10.0%

Revenue

Balanced organic & inorganic growth

(£m)

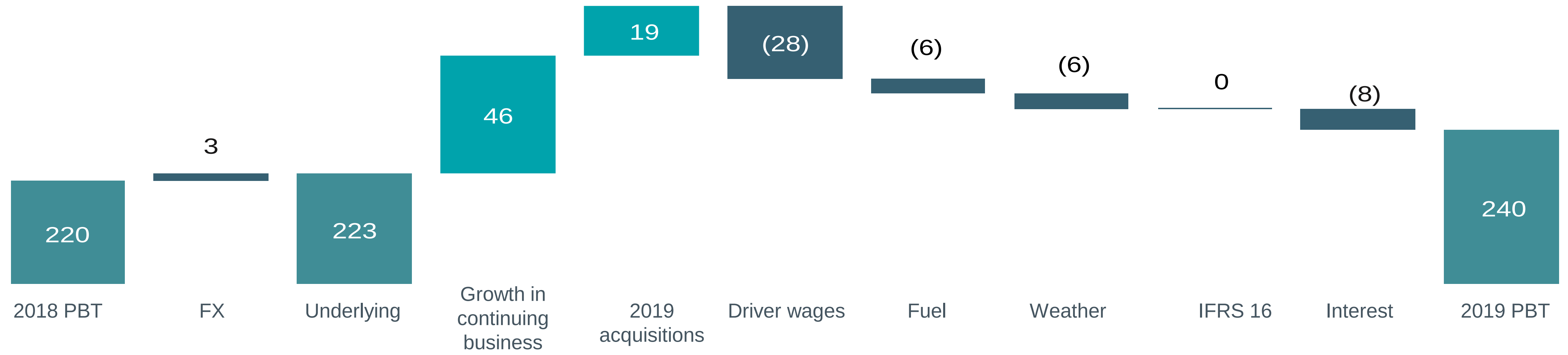


- Strong revenue increase, up 10.2% in constant currency
- Strong organic growth of 4.4% boosted by acquisitions in North America, Spain & the UK
- Benefit from currency, with £ weaker versus the US $

Profit before tax

Strong growth in continuing business

(£m)

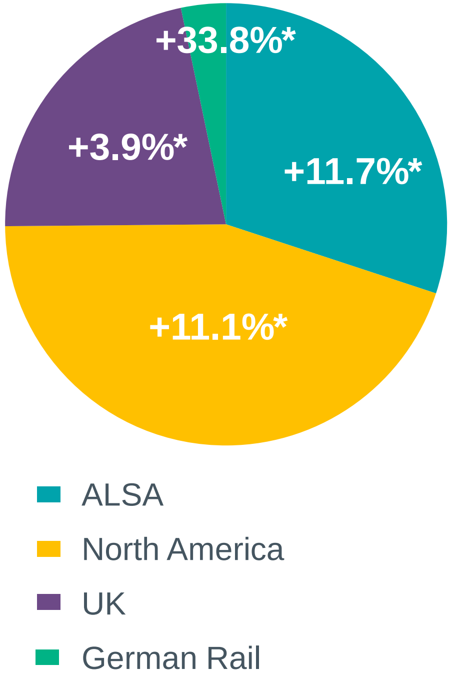


- Normalised profit before tax up 7.8% on a constant currency basis, and up 9.1% on a reported basis
- Solid organic growth, boosted by acquisitions
- Strong growth across all divisions
- Driver wage inflation, higher hedged fuel costs, adverse weather & higher interest costs partially offset growth
- Adoption of IFRS 16 – no impact on PBT

Divisional summary

Strong growth and double-digit margin in each division

Revenue (YOY change*)



ALSA
£825m

North America
£1,230m

UK
£600m

German Rail
£90m

Operating profit

	FY 2019	Change	Margin
ALSA	€124.9m	€5.8m	13.3%
North America	$157.0m	$27.7m	10.0%
UK	£85.0m	£5.1m	14.2%
Other	£(22.2)m	£2.2m	
Group	**£295.3m**	**£37.6m**	**10.8%**

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

Income statement

One year impact of minority interests on EPS

£m

	FY 2019	FY 2018	Change
Operating profit	**295.3**	**257.7**	**+14.6%**
Share of results of associates & JVs	0.4	0.9	
Net finance costs	(55.7)	(38.6)	£17.1m
Profit before tax	**240.0**	**220.0**	**+9.1%**
Tax	(55.2)	(49.0)	
Profit after tax	**184.8**	**171.0**	**+8.1%**
EPS	**34.5p**	**32.9p**	**+4.9%**

- Finance costs higher, reflecting IFRS 16 & higher net debt
- Effective tax rate slightly higher at 23%, reflecting higher proportion of overseas profits
- 4.9% EPS growth, reflecting increase in minority interest
- Minority impact will reverse as WeDriveU options taken up

Superior cash and returns

Strong free cash flow of £179m

£m

	FY 2019	FY 2018
EBITDA	**510.1**	**402.1**
Working capital	(42.0)	(17.5)
Net maintenance capex	(211.4)	(123.9)
Pension deficit	(7.6)	(7.4)
Operating cash flow	**249.1**	**253.3**
Tax & interest	(70.4)	(54.7)
Free cash flow	**178.7**	**198.6**

- EBITDA includes £54.7m benefit from IFRS 16
- Free cash flow conversion of 97%
- Maintenance capex reverting to 1.1x depreciation, predominantly in fleet investment
- Increase in working capital principally reflecting a growing business, with large new contracts in Morocco & Germany
- FCF of £178.7m reflecting return to normalised level of maintenance capex

Superior cash and returns

Investing for future growth & increasing returns to shareholders

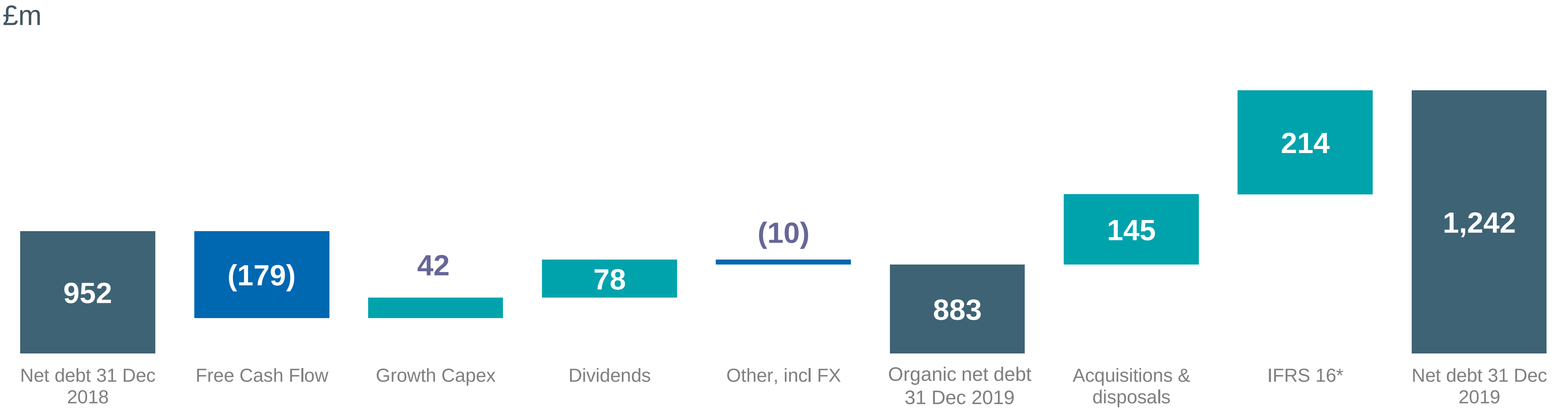
£m

	FY 2019	FY 2018
Cash flow available for growth & dividends	**178.7**	**198.6**
Net growth capital expenditure	(42.2)	(5.8)
Net inflow from discontinued operations	(1.2)	0.4
Acquisitions	(166.4)	(154.5)
Disposals	21.7	-
Dividends	(78.3)	(70.8)
Other, including forex	11.4	(31.5)
Net funds flow	**(76.3)**	**(63.6)**
Net debt	**(1,241.5)**	**(951.5)**

- Growth capex reflects new contracts in WeDriveU & Morocco, & mobilisation of RRX in German Rail
- Acquisition net expenditure of £166m across 9 deals, includes £107m for WeDriveU
- Disposal proceeds include divestment of Ecolane
- Net debt includes £214m on transition related to IFRS 16 operating leases – Gearing at 2.4x, IFRS 16 impact 0.2x

Net debt

Increase driven by IFRS 16



**On transition to IFRS 16*

– IFRS 16 added 0.2x to underlying gearing on adoption

Very successful 2020 refinancing

$500m US Private Placement

– 7-month delay draw to lock in rates and minimise carry cost

– Sterling, Euro and Dollar

– Matures 2027 to 2032, blended tenor c.9 years

– Blended rate 1.92%

£250m Sterling Bond

– Order book 7x over-subscribed

– Matures 2028

– Coupon below 2.375%

– Blended cost of borrowing reduced to 2.3%[1]

– £200m of additional liquidity secured in 2019 including the first ever loan facility priced over SONIA

[1]Excludes leases

2020 prospects strong

2020

- Strong revenue growth from robust organics & selective acquisitions
- Margin progression in each business line…but mix impact offsets at Group level
- Robust constant currency profit growth
- Net maintenance capital expenditure of around 1.1x depreciation – c.£230m
- Effective normalised tax rate 23% to 24%, normalised cash tax rate <15%
- Full year free cash flow of around £160m
- Dividend cover of at least 2.0x Group normalised earnings

Impact of FX

Effect of a 1% change in £

	USD	EUR
Operating profit (£m)	+/- 1.2	+/- 1.2
EBITDA (£m)	+/- 2.3	+/- 1.8
Debt	+/- (5.7)	+/- (4.6)

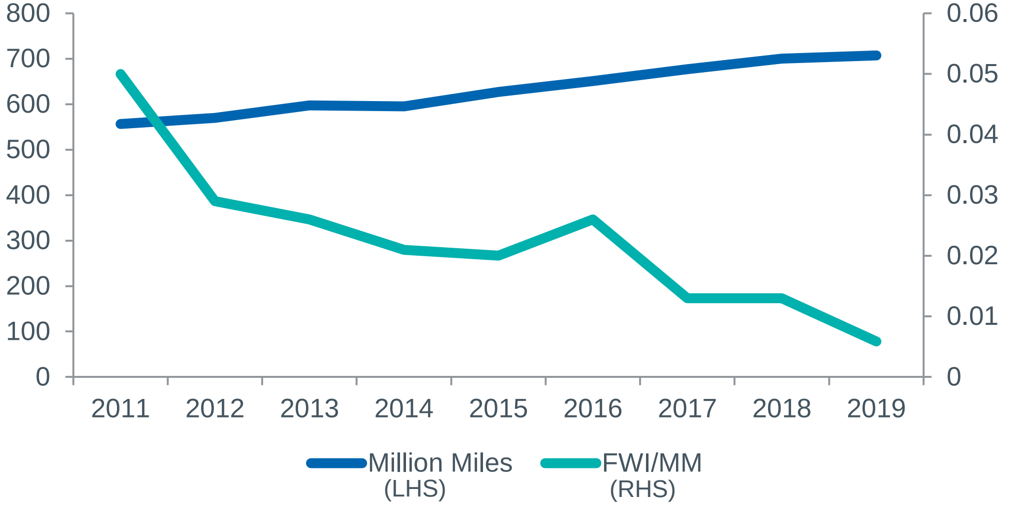
Impact calculated on 2019 full year results

Strategic review

Consistent strong delivery

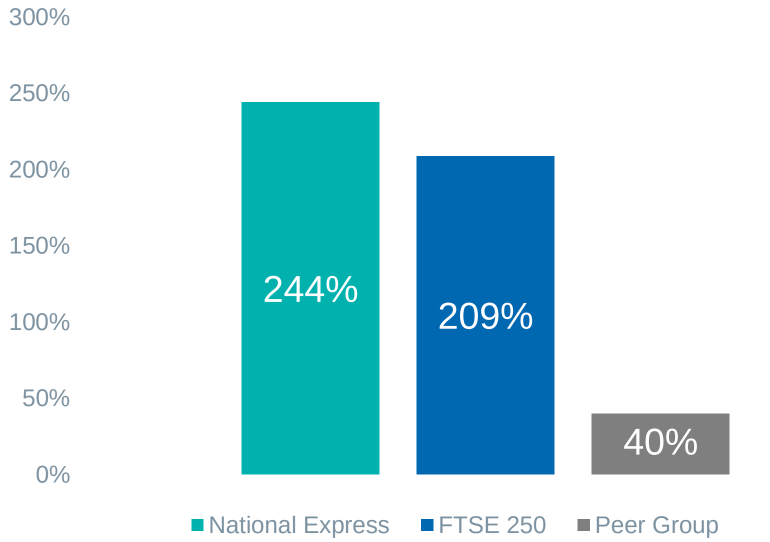
A decade of progress

Significant improvement in safety performance



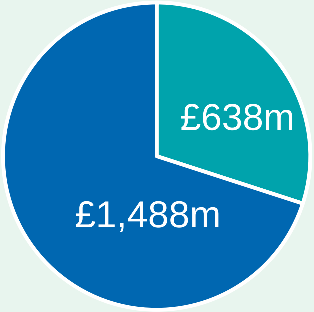
*FWI/MM has improved by 88% since 2011

TSR over 10 years



Source: PWC - 10 year total shareholder return to 31 Dec 2019

Group revenue in 2010

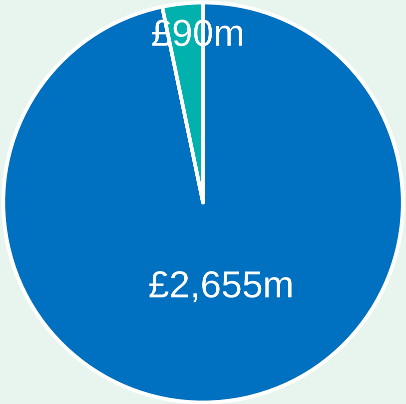


Bus & Coach

Rail

84% growth in Bus & Coach

Group revenue in 2019



UK revenue as a proportion of Group revenue: 2010 - 54%, 2020 - 22%

Shareholders have benefitted from compound annual growth of 13.2% over the decade

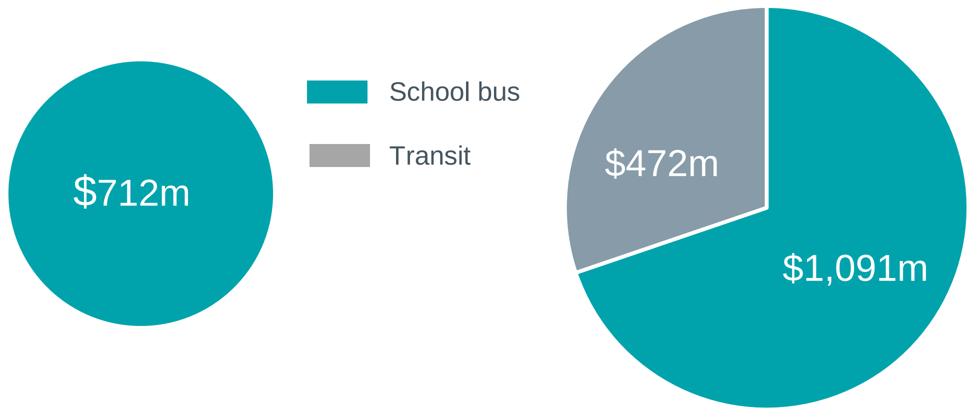
*FWI (fatalities and weighted injuries index) is the leading safety metric used in the transport industry. More details: www.nationalexpressgroup.com/our-way/safety/

North America

Transforming the business for sustainable growth

NA revenue in 2010

NA revenue in 2019



Diversifying the business – now c.1/3 revenue from Transit

In last 10 years:

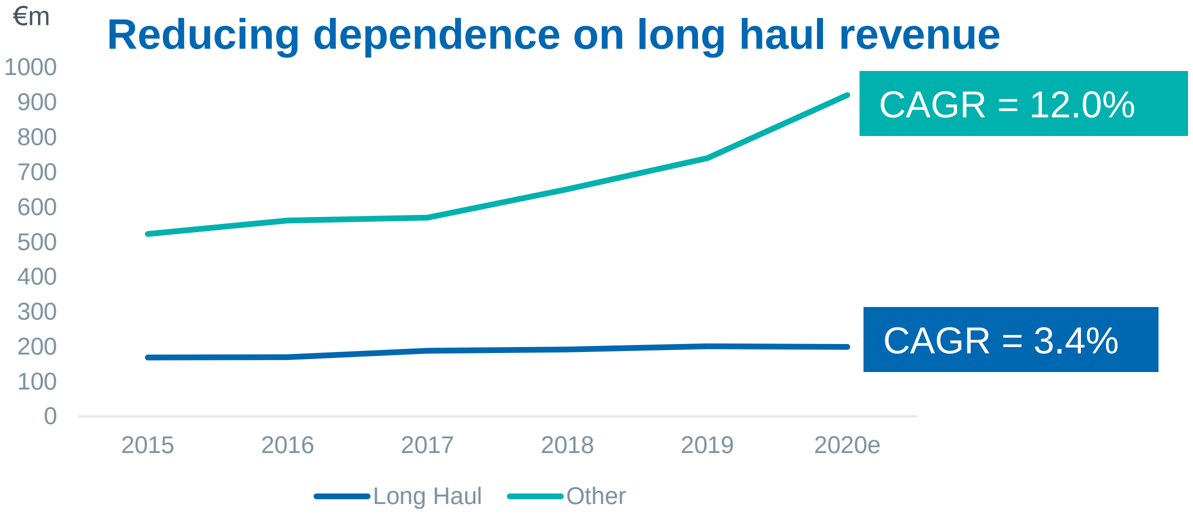
- Significant diversification of revenue & profit
- Invested $900m in 36 acquisitions, delivering 15% returns
- Grown Transit and Shuttle to >$0.5bn annualised revenue
- Developed hub strategy: multi-modal services in major cities like New York, Chicago & Boston
- Nearly 21,000 DriveCam units installed: improving safety & lowering costs

Key highlights in 2019:

- Significant acquisition of WeDriveU: meeting its ambitious targets, with nearly 40% growth
  - Growth in every market & expansion into university & non-emergency medical shuttle
- Renewal of our 2 largest transit contracts on improved terms with higher market share
  - CDT in Chicago: renewed for at least 7 years; $400m revenue over contract life
  - MBTA in Boston: renewed for 7.5 years; revenue nearly doubling to $420m over contract life
- Continuing to increase the proportion of customers rating us at 5 star: 2019: 55.5%, from 2017: 32%
- Master Scheduling programme: forensic schedule analysis, delivering cost savings & better service
- Insurance: fewer open claims; ave. cost/claim c.50% peers
- Operating margin now at 10%: up 90bps in the year

ALSA
Transforming the business for sustainable growth

Reducing dependence on long haul revenue



In just 5 years, 25% reduction in the proportion of revenues from LH

In last 10 years:

– Significant diversification of revenues & profits
- LH decline as proportion of ALSA rev: 2010: 2/3rds; 2020: 18%
- Grown revenues in Spanish regional, urban & ancillaries
- Now in 6 cities in Morocco; from just Marrakech in 2010
- Built a business in Switzerland

– Significantly enhanced fares, yields & occupancy with introduction & increasing sophistication of RMS

– Digital revenues now represent 45% of sales

Key highlights in 2019:

– Record revenue & passenger journeys

– Very strong & broad based organic growth

– Successful mobilisation of 2 large contracts in Morocco
- Rabat: 22 year life
- Casablanca: 15 year life; largest single contract in Morocco

– Renewal of Bilbao: our largest Spanish urban contract, for 10 years

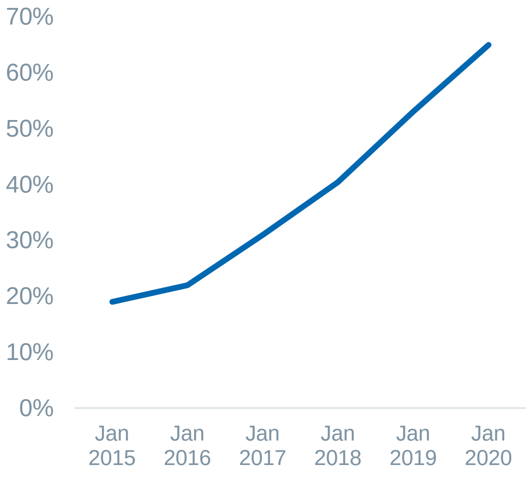
– Renewal of Madrid Consortium contract for a further 5 years
- €500m revenue over life of contract

– 3 acquisitions; entering 2 new regions: Aragon & Canary Islands

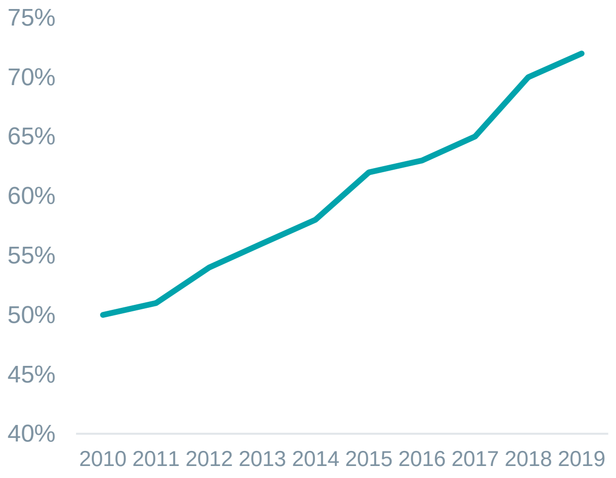
– ALSA now a €1bn annualised revenue business

Transforming the business for sustainable growth

% of digital journeys in Bus



% of digital revenues in Coach



In last 10 years:

- Strategic exit from UK rail: removed earnings volatility & political risk
- Improved convenience: rapid rollout of digital sales channels
- Improved pricing: RMS in coach & sophisticated bus fares
- Improved safety: complete roll out of DriveCam
- Improved margin: significant growth even after absorbing £14m profit hit from removal of CSOG in 2012

Key highlights in 2019:

- Largest operator in fastest growing city region
  - Nearly 1m more West Midlands commercial bus passengers
- UK bus: highest ever score by BSC & their safest public transport operator audited in the world
- Entry into West Midlands accessible transport market
- First ever overseas contract for UK coach, to operate Dublin Airport services
- Record passenger numbers for Coach
  - Over 25m passenger carried
  - Largest single day ever on Boxing Day
- Now 139 retail partnerships in Coach
- Strengthening partnership with TfWM and mayor
- First electric buses arriving imminently
- Operating margin now at 14.2%

Stepping into the new era

Strong platform; raised ambitions

national express

Strong platform built over last 10 years; constant focus on operational excellence driving progress e.g.:

- 2019 - first year of zero responsible fatalities
- First UK transport group to pay real Living Wage
- All main European businesses have 5 star EFQM* accreditation
- Sustainalytics: rated 4th percentile for ESG out of >12,000 co's

New era, new ambitions:

- Environmental & social concerns increasingly more important
  - Carbon, clean air, congestion, inclusive growth
- Requires high quality public transport
  - National Express to be the trusted partner
  - Double decker removes 75 cars; coach a mile of traffic
- Renewed Vision & Purpose

Cities around the world committing to changes with local & central government support:

- 25% increase in demand expected in wealthy cities by 2030
- UK Government £5bn fund for regional public transport
  - Funding for 4,000 EV buses
- Birmingham draft transport policy:
  - Prioritising public transport over cars
- Birmingham Clean Air Zone 2020; Commonwealth Games 2022
- Barcelona: Low Emission Zone 2020; & car free zones
- Marrakech: Bus Rapid Transport system with EVs

*EFQM – European Foundation for Quality Management

Stepping into the new era

Renewed Vision & Purpose

Vision

The world's premier mass transit operator: leading safety, reliability & environmental standards that customers trust and value

Belief

Driving modal shift from cars to quality mass transit is fundamental to a clean, green & prosperous future

Purpose

To help lead this modal shift by making 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-modal services on clean and green vehicles

Approach

We seek social and environmental leadership to ensure we are a good employer and partner, while using technology to make our services increasingly easier to access, safe and efficient. It is this model of progressive partnership that: delivers industry leading services for our customers and communities; secures rewarding careers for our people; and, generates sustainable returns for our shareholders

Leading in the new era: the environment

Committing to a cleaner, greener future as a trusted partner

– Good progress in last decade, but a determination to do more

– Signed up to the UN Sectoral Decarbonisation Approach

Lead the industry in a clean & green switch, committing to:

– Never buy another diesel bus in the UK

– Lead the transition to zero emission coaches, with a target for our first electric coaches in service next year

– Ambition for UK bus to be zero emissions by 2030

– Ambition for UK coach to be zero emissions by 2035

– Consider similar appropriate targets across the Group

– Including environmental targets as 25% of LTIPs

– Each bus takes up to 75 cars off the road

– Each coach takes up to a mile of traffic off the road

Future prospects
Growth in every division

North America
- Continuing strong growth in Transit & Corporate Shuttle
  - Full year benefit of Boston & Chicago; & WeDriveU
- Master Schedule & driver training: helping drive margin improvement
- Strong pipeline: ambition to grow to €1bn revenue Transit & Shuttle

UK
- New commercial routes & services in both Bus & Coach
- Growing our contracted revenues in both Bus & Coach
- Leading the transition to EVs & Birmingham CAZ driving modal shift

ALSA
- Continuing organic growth especially in regional, urban, ancillary revenues & mini cabs
- Expanding our footprint in newly entered regions such as Galicia, Aragon & Canary Islands
- Further strong growth in Morocco, full benefits of Rabat & Casablanca to come

A trusted partner: our vision in action

national express

A Moroccan case study

ALSA: our history in Morocco

MARRAKECH 1999 - 2021	AGADIR 2010 - 2025	TANGIER 2014 - 2024	KHOURIBGA 2015 - 2020	CitySightSeeing MARRAKECH 2016 - 2022	CitySightSeeing TANGIER 2019 - 2024	RABAT 2019 - 2034	CASABLANCA 2019 - 2034



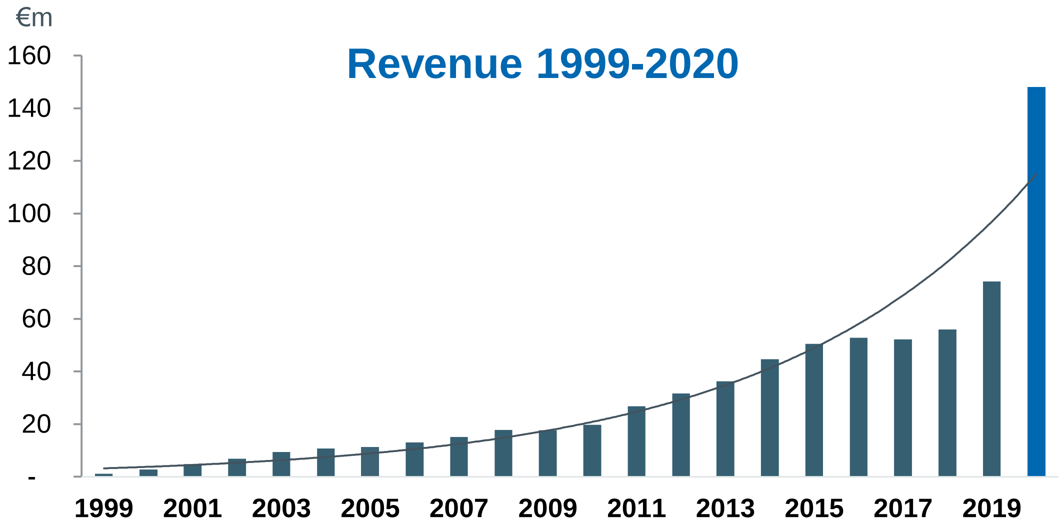





Urban & commuter transport

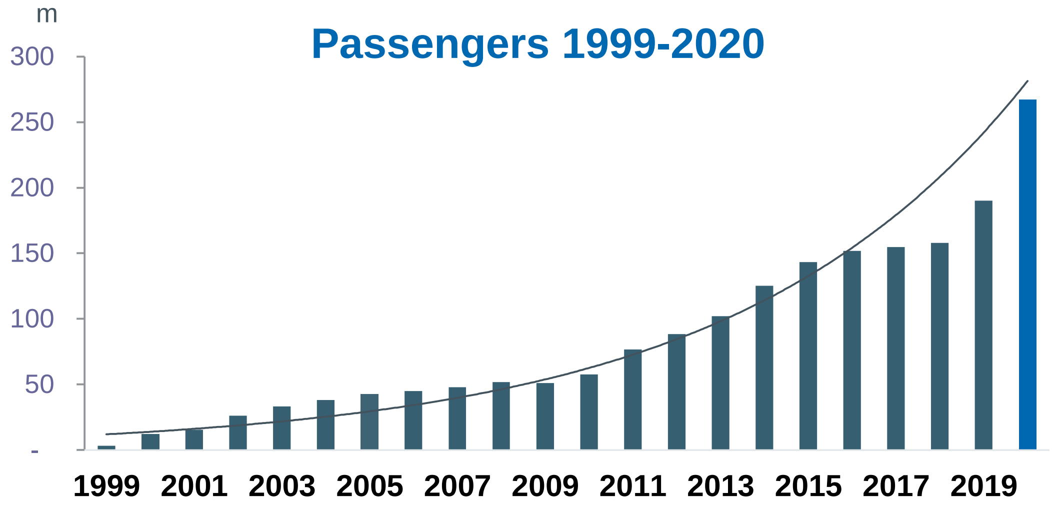
Tourist transport EV in Marrakech & Hybrid in Tangier

Urban transport



+18% CAGR over last 20 years

Annualised revenue nearly x3 in the last year



+15% CAGR over last 20 years

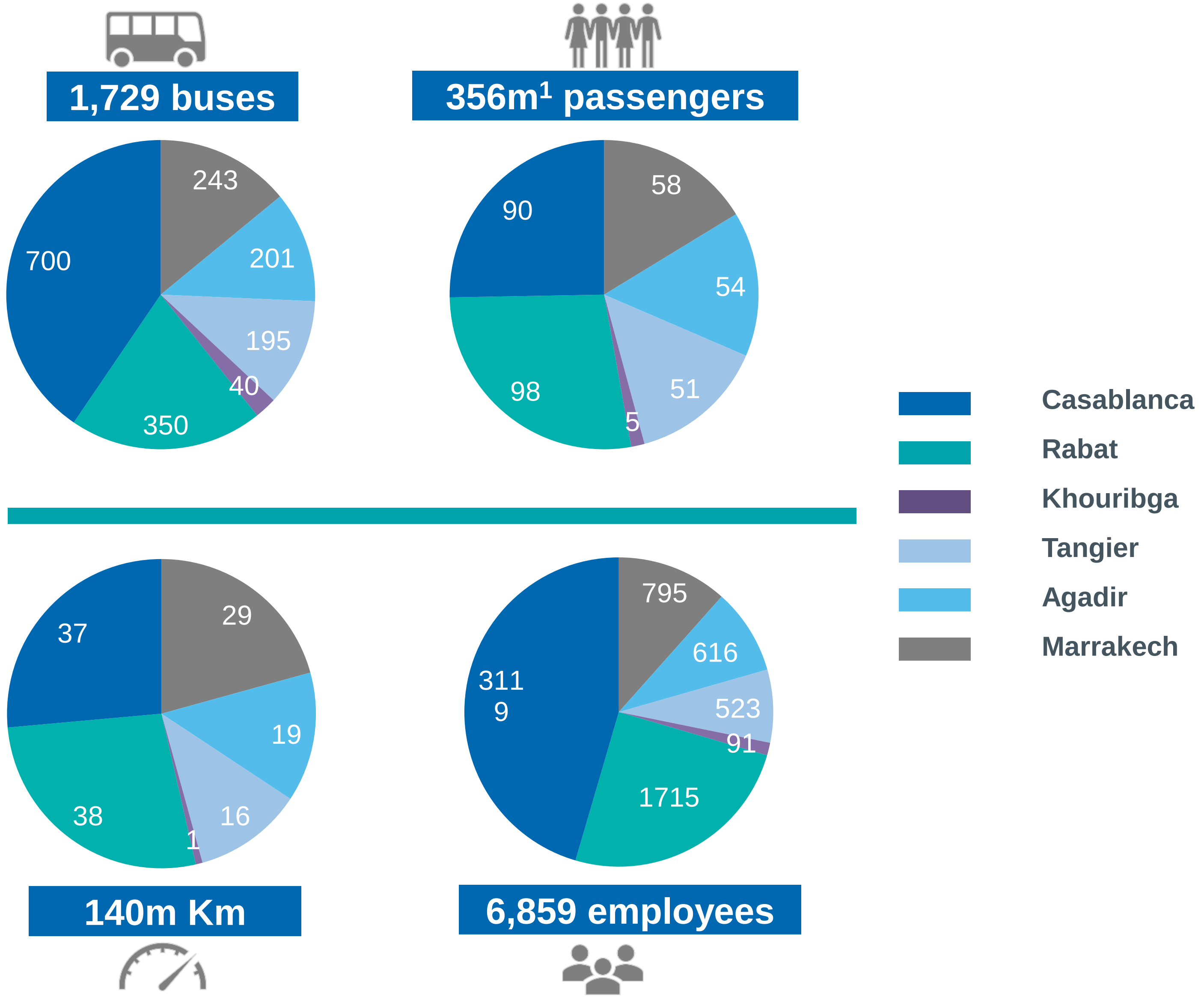
Passenger numbers up 20.3% in the last year

Morocco in 2020

Impact of new contracts

- Increase in volume in Morocco by +50% due to the new contracts in Rabat & Casablanca
- The new contracts have a significant impact in terms of volume on the Moroccan figures
  - c.1,700 buses at the end of 2020
  - c.7,000 employees
  - c.350m[1] passengers
  - c.140m kilometres
  - c.€150m Revenues

[1]Annual passenger journeys in 2021 after full mobilisation of Rabat & Casablanca



Trusted partner: what we deliver to cities

- Integrated safety system in all contracts
- Network restructuring adapted to local needs
- Pricing policies adapted to the local demographics
- Flexibility to adapt the contract to the city's needs
- Guaranteed stable social/labour conditions on transition
- Win-win partnership with authorities
- Implementing state of the art technologies (bus control, traffic control & fleet monitoring via GPS, CCTV, etc.)

What we do when a new contract starts

TRANSFORMING THE RABAT CONTRACT

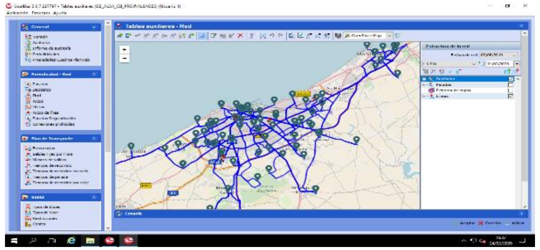
IMPROVING SERVICES

PREVIOUS STATUS		BEST PRACTICES	
Poor quality buses		The ALSA technical teams work together with the suppliers during the bus manufacturing processes	
High level of failures causing poor levels of service		The maintenance programme enables fleet availability over 95%	
No training plans for employees		Training is one of ALSA's priorities: 7,000 hours in 2019	

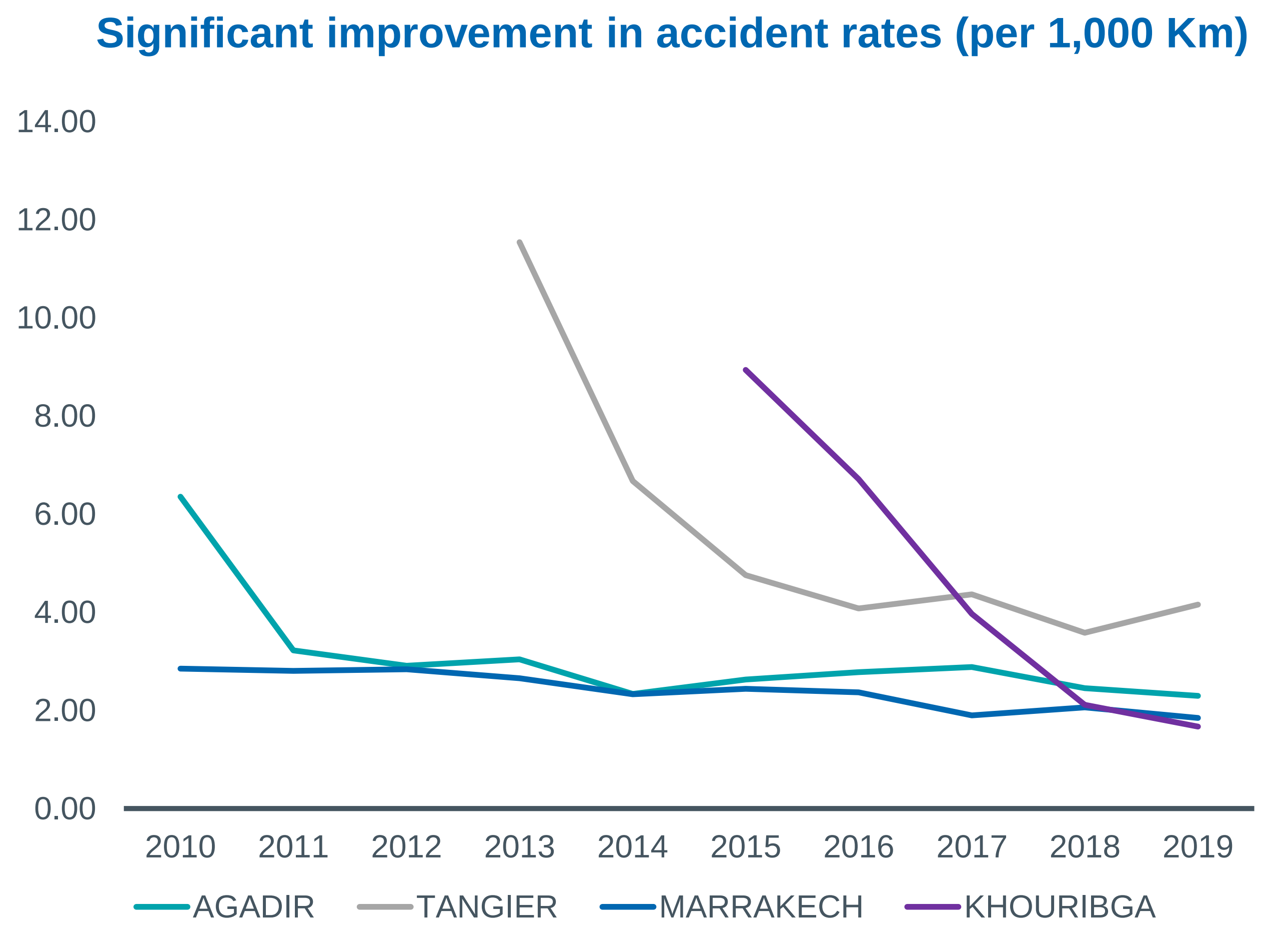
How we elevate to our standards

TRANSFORMATION OF THE RABAT CONTRACT

SAFETY - THE ALSA STANDARD

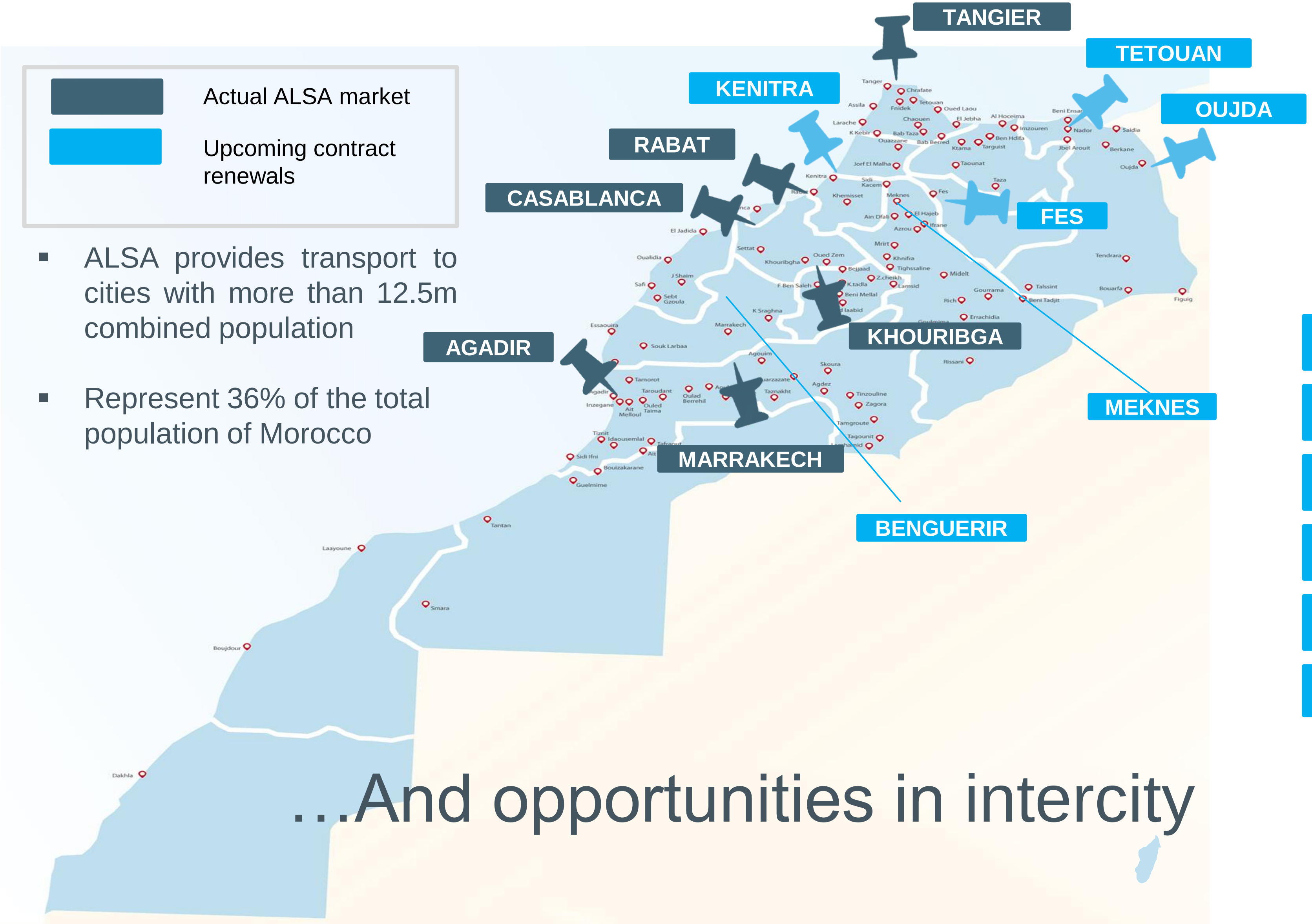
PREVIOUS STATUS		BEST PRACTICES	
High number of accidents		Safety is ALSA’s main priority – DOH programme implemented, in line with Group global standards	
Inefficient network with reduced capacity & poor frequency		Network design balancing customers’ needs & route efficiency	
Disaffected employees, with inherited problems from the former operator		New deal with employees, new relationship, salary linked to productivity, prospects for career progression	

Significant improvements in safety



A model that works: authorities want a trusted partner

national express



- ALSA provides transport to cities with more than 12.5m combined population
- Represent 36% of the total population of Morocco

…And opportunities in intercity

	End of Contract
BENGUERIR	2020
KENITRA	2020
FES	2022
MEKNES	2022
TETOUAN	2022
OUJDA	2026

Summary: A trusted partner in Morocco

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- Good country to invest in, stable currency & fast growing cities
- We look for long-term relationships with both the authorities & passengers
- ALSA Morocco – we adhere to the same National Express Group global standards: quality of service, safety, fleet, compliance, etc.
- We solve the authorities' most pressing problems (smooth transition period, network, quality of transport, issues with other operators)
- We have a significant community impact: most recent example, the creation of a road safety education school in Marrakech
- Continued innovation & strong green credentials: e.g. electric vehicles coming in Rabat & Casablanca
- We have not lost a contract in 22 years. Excellent reputation among authorities & customers
- We are replacing big international transports companies: RATP (Casablanca), Veolia (Rabat), Grupo Ruiz (Tangier)

Case study: WeDriveU

WeDriveU®

2019 results

Grew faster than expected

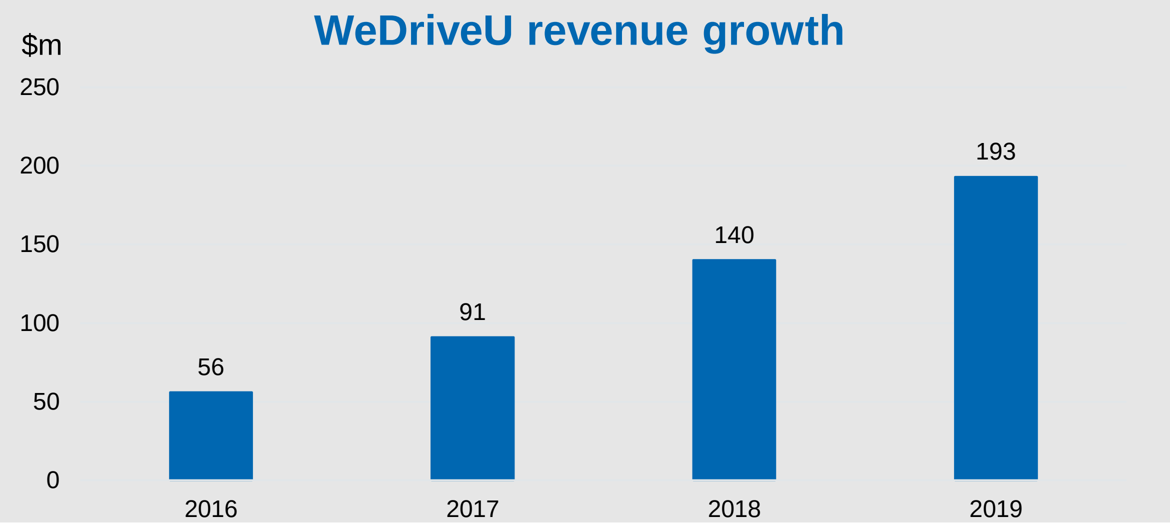
– Revenue up 38% from $140m to $193m
– Growth in every location
– 84% satisfaction on customer survey
– Renewed Facebook, largest contract

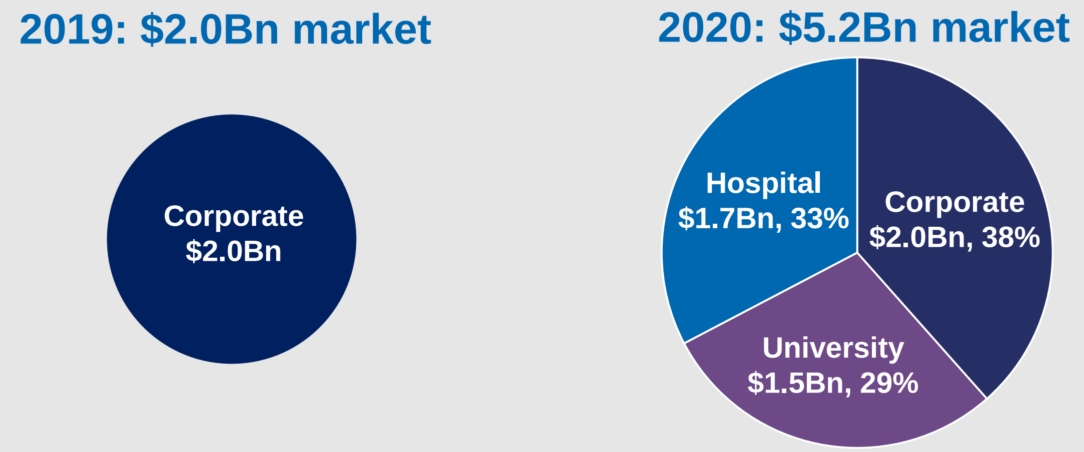
Entered 2 new markets

– Expanded into University & Hospital shuttles
  - Closed acquisition, now running Northwestern University & Hospital systems

End the year with strong pipeline

– Over $200m of revenue opportunities
– Broader base of targets than last year





Growth in addressable market since NX's investment

In good shape to go after the opportunities

Synergies make us leaner

– Back office (legal, recruiting & IT)
– Broader corporate relationships (insurance, banking)
– Fleet & maintenance support
– Existing National Express locations as base for new work (hub strategy)

Standards make us stronger

– Best-in-class safety programme
  - Safety-first focus, metrics driven
  - Driver gamification & coaching

Scale opens opportunities

– Expands WeDriveU's footprint in East & Midwest
– Charter cross-selling opportunities
– University market domain expertise
– New customer bidding proposal processes

Appendix


BULLRING
national express
national express
MoneyGram
money transfer
SEND MONEY ANYWHERE,
FROM ANYWHERE
WITH MONEYGRAM.CO.UK
national express West Midlands
times, fares & latest info nxbus.co.uk
evening5
unlimited travel up to 5 people together from 6pm
£5
4528
SUMMER
SOLVED
national express West Midlands

Strong environmental credentials

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

– Investing in electric 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 80% Euro VI compliant by year end; 100% by April 2021

– Our West Midlands bus fleet is the largest certified low-carbon fleet outside London

– Early adopter of the UN's Sectoral Decarbonisation Approach climate science based targets

Sustainalytics Rating

– National Express rated 'low risk' for ESG overall – and 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

Full year
Summary divisional figures

2019 (£m)	ALSA	N America	UK	German Rail
Revenue	824.7	1,230.1	599.7	89.9
Depreciation	62	101	37	2
Capex	82	129	24	15
Vehicle age (years)	7.2	8.4	8.8*	n/a
Normalised op. profit	109.5	123.0	85.0	5.0
Driver wages(1)	28%	51%	24%	6%
Fuel(1)	12%	4%	6%†	6%

[1]As a percentage of revenue
** Bus operations only*
† Excludes Third Party operators

Sustainable compounding growth

£510m EBITDA

Less

£211m CAPEX

Less

£120m tax, interest & working cap

£179m FCF

Invest in the business at 15% ROIC

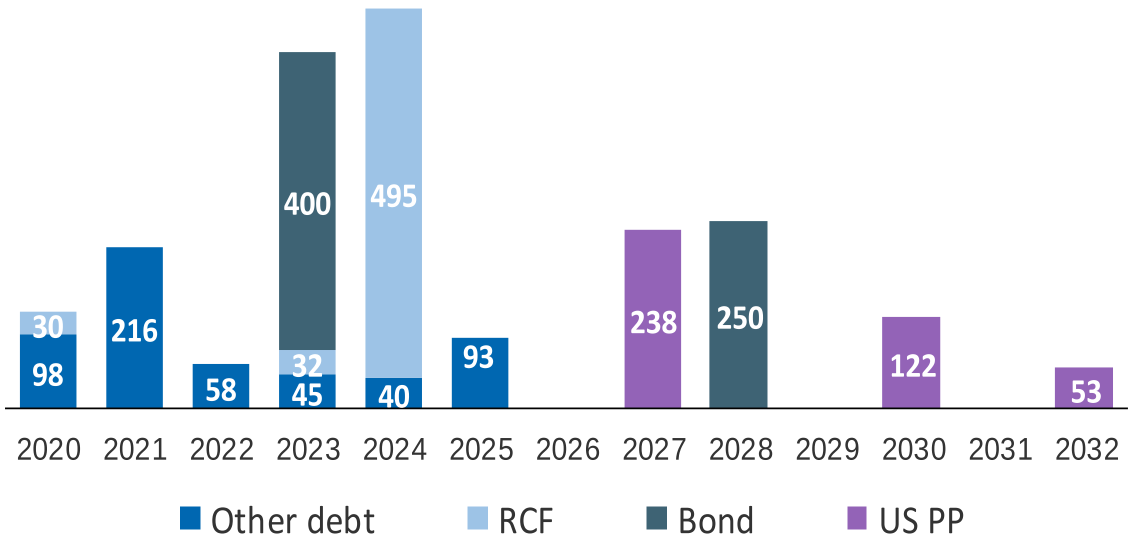
Manage gearing (2.5x → 2.0x)

Return to shareholders at 2.0x cover

Financial strength

Robust financial strategy

Extended debt maturity profile[1,3]



- £1.0bn cash & committed headroom[2]
- Average maturity extended to 5.5 years

1. Shown from June 2020 when existing 2020 facilities mature
2. Available cash and undrawn committed facilities at 31 Dec 2019
3. Other debt includes £213m of leases on adoption of IFRS 16

Prudent balance sheet management

- Strong commitment to investment grade rating
  - Fitch rating upgraded to BBB/Stable in 2019
- Gearing & interest cover well within covenants
  - Net debt/EBITDA <3.5x (frozen GAAP)
  - Interest cover >3.5x (frozen GAAP)
- Minimum cash & committed facility headroom of £300m
- Rolling 3-year fuel hedge
- De-risked pension
- No single contract material to Group

Balance sheet

Gearing at 2.4x post IFRS 16 impact

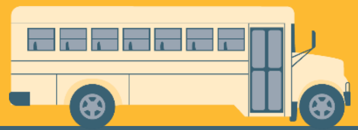
Gearing Ratios	2019	2018	Covenant
Net debt/EBITDA	2.4x	2.3x	<3.5x
Interest cover	9.6x	10.5x	>3.5x

Ratings	Grade	Outlook
Moodys	Baa2	Stable
Fitch	BBB	Stable

- Gearing increased to 2.4x after absorbing impact of IFRS 16 & M&A
  - IFRS 16 added 0.2x
  - Underlying gearing down 0.1x
- Remain committed to a robust financial strategy:
  - Strong commitment to Investment Grade debt rating – Fitch upgrade
  - Gearing & interest cover remain well within covenants (covenants tested on ‘Frozen GAAP’ basis)
  - Prudent risk planning – fuel mostly hedged to 2020 & pension deficit plan in place
  - No change to gearing policy post absorption of IFRS 16:
    - 2-2.5x EBITDA

North America
Record year with further diversification into fast growing markets

national express



Delivering operational excellence

– Disciplined bid season for 2019/20
  - Average price increase of 3.9% across portfolio, up 5.9% on our contracts up for bid & renewal
  - Prioritising protecting returns – contract retention rate of 92% on contracts up for renewal
– Acquisition of WeDriveU progressing to plan
– Successfully renewed 2 largest paratransit contracts – growing market share & at higher margin
– Transit & shuttle now >$0.5bn, providing further diversification

New opportunities

– 5 acquisitions in 2019: building on & providing entry into new/fast growing market segments
– Strong pipeline

Risk

– Driver wage inflation of 3.4% in 2019

Generating superior cash & returns

	2019	2018
Revenue	$1,570.6m	$1,413.6m
Op profit	$157.0m	$129.3m
Margin	10.0%	9.1%

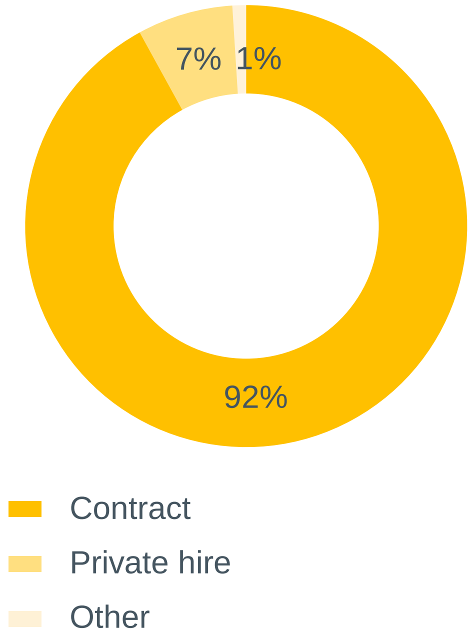
Revenue: +11.1% in constant currency – growth augmented with select acquisitions, notably WeDriveU

Profit: +21.4% in constant currency – revenue growth & favourable price increases versus driver wage increases, offsetting higher fuel costs & adverse weather

North America
Drivers of revenue and profit

Drivers of operating profit

Revenue 2019



ALSA
Record revenue, profit & passengers

Delivering operational excellence

- Increasingly sophisticated RMS driving revenue, volume & yield
  - Record passengers in both Spain & Morocco, up 12.8% to 368m
  - Growth across each segment & ancillary revenues up 13.9%
- Effectively tripled the size of Morocco, with start up of operations in 2 new cities – Rabat & Casablanca
  - Annualised revenue in Morocco now around €150m
- Successful renewal of Bilbao – our largest Spanish urban contract
- Concession renewal process restarting in Q1 with 2 small contracts
- Annualised revenue for ALSA > €1bn

New opportunities

- 3 acquisitions: 2 businesses providing entry into new regions - Aragon & the Canary Islands; 1 providing expansion of footprint in Galicia

Risk

- Further competition from rail
- Intercity concession renewal (no impact in 2020)
- Driver wage pressure

Generating superior cash & returns

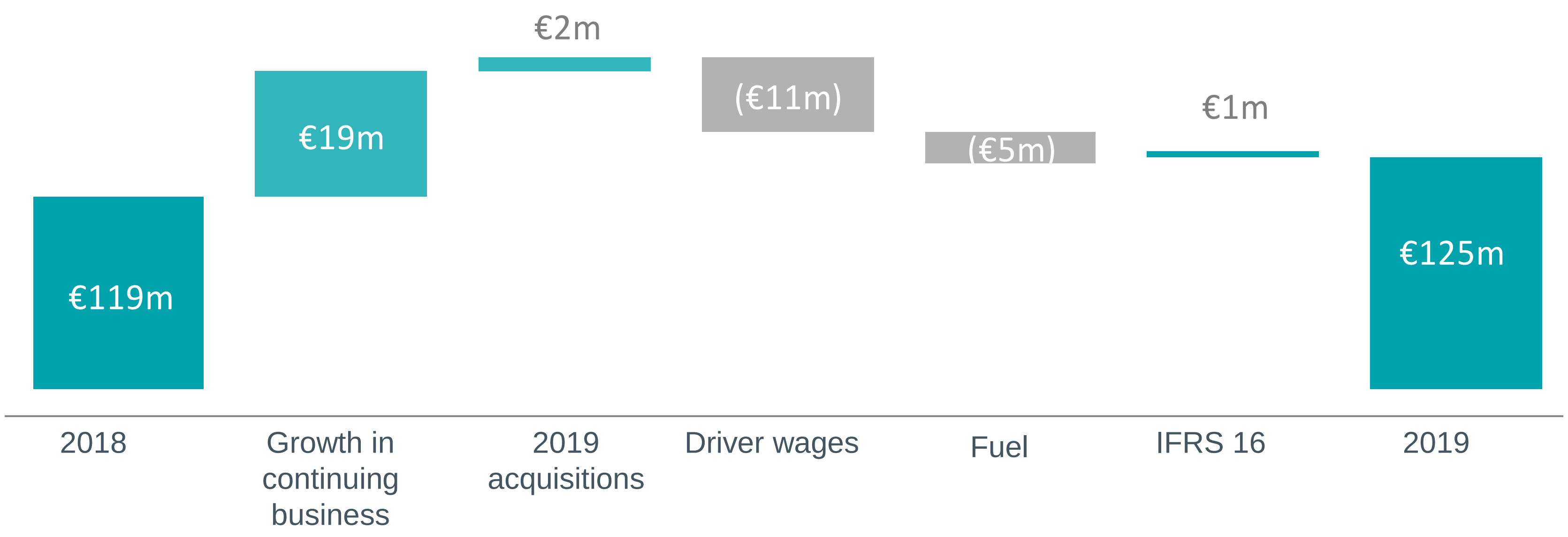
	2019	2018
Revenue	€940.6m	€842.3m
Op profit	€124.9m	€119.1m
Margin	13.3%	14.1%

Revenue: +11.7% at constant currency - organic growth of 10.8%. Benefitting from RMS, acquisitions & 2 new cities in Morocco

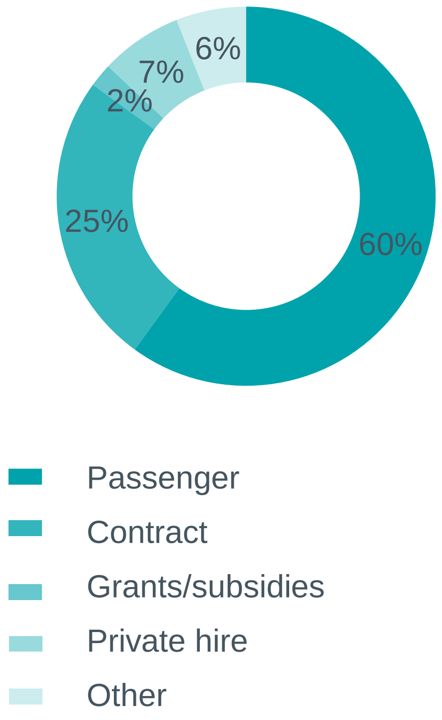
Profit: +4.9% at constant currency – strong underlying growth, but higher hedged fuel prices & lower profitability during mobilisation in Morocco

ALSA – operating profit bridge

Drivers of operating profit



Revenue 2019



UK
Record passengers in core coach driving strong growth

Delivering operational excellence

– Record performance in core coach for revenue & passengers – core revenue up 3.6% & passengers up 4.0%
– RMS & targeted marketing campaigns driving occupancy, up 2.4%
– Strong growth in commercial partnerships & ancillary revenues
– Bus continuing to grow revenue & passengers, with commercial revenue per mile up 3.2%
– Continued expansion of low fare zones & strong uptake of digital tickets – now around 2/3s of journeys
– UK bus achieved highest ever score by British Safety Council & named the world's safest public transport operator

New opportunities

– 20 new commercial partners
– NEAT – entry into accessible transport market
– New routes & services
– Birmingham CAZ 2020

Risk

– Advanced fare discounting in rail
– Concession income

Generating superior cash & returns

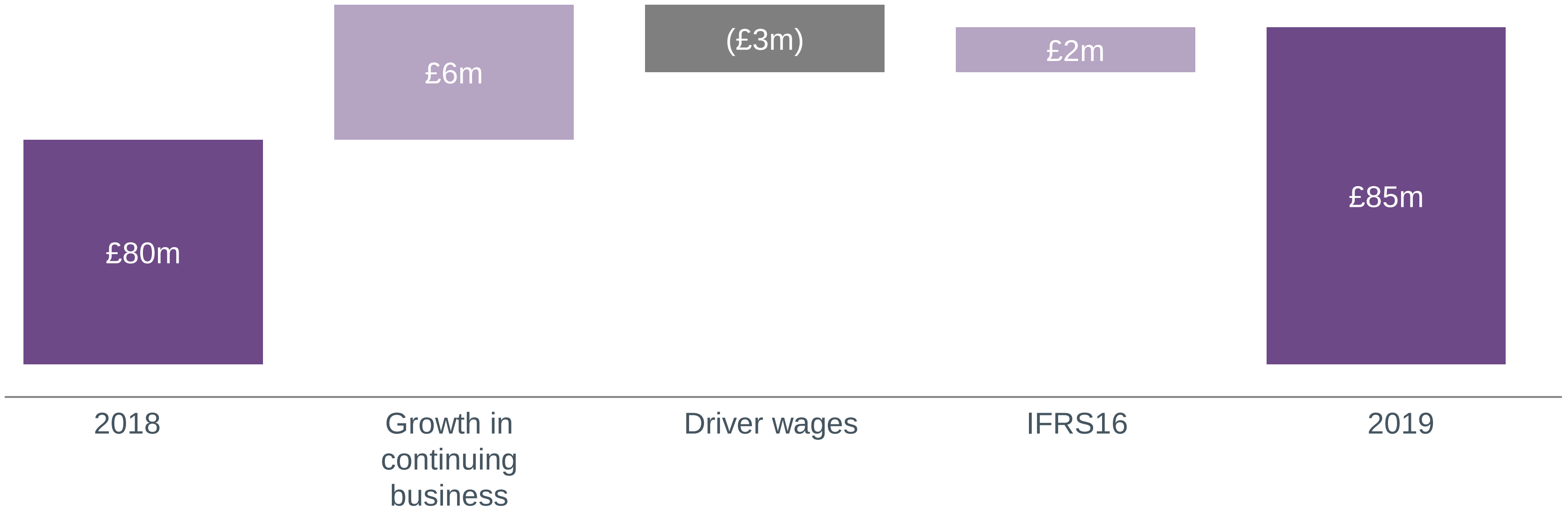
	2019	2018
Revenue	£599.7m	£577.0m
Op profit	£85.0m	£79.9m
Margin	14.2%	13.8%

Revenue: Revenue up 3.9% – strong growth in core coach revenues, up 3.6% & commercial bus revenues up 0.8%

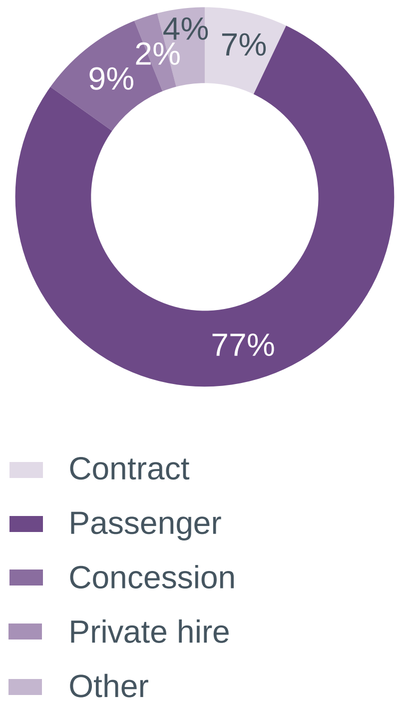
Profit: Profit up 6.5%,reflecting revenue growth, continuing cost efficiencies, offset by higher fuel costs & driver wages

UK – operating profit bridge

Drivers of operating profit



Revenue 2019



German Rail
Strong growth with the start up of new services

Delivering operational excellence

– Strong revenue growth reflecting mobilisation & start-up of 2 new services in the RRX contract
– Element of catch up revenue & profit through improved performance in RME
  – Higher than expected passenger revenues
  – Agreements with PTAs on penalty exemptions
– Stabilised profit stream
– Progressing with the third contract to mobilise in RRX, with services to commence in December 2020

New opportunities

– Pipeline of German rail opportunities
– Looking to submit further bids over next 12 months
– Looking at other international rail opportunities

Risk

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

Generating superior cash & returns

	2019	2018
Revenue	€102.5m	€76.6m
Op profit	€5.7m	€3.4m
Margin	5.6%	4.4%

Revenue: Up 33.8% reflecting underlying growth & the mobilisation of 2 new services

Profit: Up €2.3m driven by higher revenues & a number of cost improvements

More detail on acquisitions in 2019

9 acquisitions in the year

– Combined total net consideration of £162m of which £11m is deferred consideration; options to purchase the remaining 40% of WeDriveU valued at £97m

– **5 in North America:**
- 60% stake in WeDriveU – providing access to the fast-growing corporate shuttle market in Silicon Valley, with strong potential to grow across North America
- 2 smaller transit businesses giving entry to new markets – university shuttle & non-emergency medical transportation markets
- A charter coach services business in Boston & a school bus business in Baltimore

– **3 in Spain:**
- 1 chauffeur services business, further expanding our position in Galicia
- 1 tourist charter business providing entry into Aragon
- 1 urban bus business providing entry to the Canary Islands

– **1 in the UK:** an accessible transport services business in the West Midlands

Fuel risk largely fixed until 2020

Fuel hedging

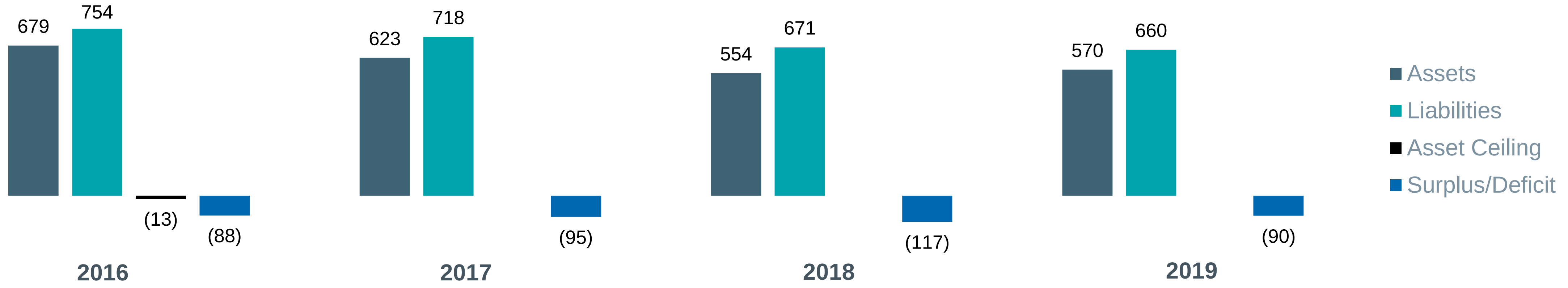
	2019	2020	2021	2022
% hedged*	100%	100%	73%	13%
Price per litre	37.3p	37.2p	36.5p	33.9p

– 2020 fuel costs flat year-on-year on a like-for-like basis

** Of addressable volume (c.255 million litres)*

Pension deficit reducing

Pensions £m (IAS19)



£m	Surplus /(Deficit) 31 Dec 2019	Surplus /(Deficit) 31 Dec 2018	Charge 2019	Charge 2018
UK Bus	(99.1)	(127.3)	(3.5)	(4.2)
UK Group	14.2	14.9	(0.4)	(1.1)

National Express Group PLC