

# North America



**Tim Wertner**  
CEO North America  
School Bus



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CEO North America  
Shuttle and Transit

Our business in North America has two areas of activity - student transportation and transit and shuttle services. We operate in 33 US states and two Canadian provinces.

The North America business now operates in 33 states and two Canadian provinces (following the disposal of the Nova Scotia business in August 2023). School Bus operates through medium-term contracts awarded by local School Boards. Transit and Shuttle provides fixed route, paratransit (the transportation of passengers with special needs) and demand-responsive services on a contracted basis to both public and private entities from a range of sectors including Technology, Biotechnology, Manufacturing and Education.

## Results

Good constant currency growth with revenues up 7.0% on a constant currency basis (6.4% on a reported basis) and Adjusted Operating Profit of £27.1m. In School Bus, revenues were up 5.6% vs 2022, driven by price increases and route reinstatements, after the successful driver recruitment programme in the year (despite the circa \$8-10m higher investment made to achieve that). The business secured 97% of its maximum number of routes: ahead of what was expected earlier in the year. 990 net new drivers joined the business, compared with 884 hires in 2022. In Transit & Shuttle, revenues were up 10% but profits were down 34%, as a result of reduced government funding and decline in volumes with Technology customers, offset by 14 new contract wins, worth over £50m of annualised revenue.

## Highlights

Following the withdrawal of Covid funding, Operating Profits reduced in the year. Nonetheless, the main operating highlights of 2023 year included:

- Significant progress with School Bus driver recruitment and retention resulting in route reinstatement at 97.3% of contractual maximum by December 2023
- Significant progress with School Bus pricing achieving 13% on the renewing portfolio
- Building upon the strength of our driver recruitment and active partnership in staffing routes with our customers, our school start-up in September was the best for some years
- Early contract wins for school year 24/25 to deliver over 450 new routes (which means we are well placed to achieve net route growth in the school year)



School Bus



Transit and Shuttle

Revenue (£m)  
+6.4%

**£1,115.6m**

(2022: £1,048.2m)

Adjusted  
Operating Profit (£m)  
-60.4%

**£27.1m**

(2022: £68.4m)

Statutory  
Operating (Loss)/Profit (£m)  
-155.4%

**£(7.1)m**

(2022: £12.7m)

Adjusted  
Operating Margin (%)  
-4.1%

**2.4%**

(2022: 6.5%)



## North America continued

- Revenue growth in Transit & Shuttle driven by 14 new contract wins with circa £54m annualised revenue, partly offsetting a volume reduction in some large corporate shuttle contracts in the Technology sector
- Retention of key contracts for Transit & Shuttle in the San Francisco Bay area, expanding the area as a key multi modal transport hub
- Acquired final 20% of WeDriveU on 7 July 2023 for \$57m, in-line with expectations

Mobico's North America businesses entered 2023 facing significant challengers to recover pricing and routes in School Bus and the impact of job reductions in the technology sector in Transit & Shuttle. As set out below, significant progress has been made in the year.

In June 2023 Tim Wertner joined the Group to lead the North American School Bus business to refocus efforts on driving both operational excellence and growth. Tim brings more than 30 years of significant and relevant leadership experience in transport and complex logistics, having served in various senior roles at FedEx.

School Bus entered the financial year with the legacy from chronic industry shortage of drivers which had caused significant challenges for school year 22/23 (beginning in September 2022). Changes to the recruitment process resulted in a material improvement in the number of drivers hired, and a reduction in the time taken to hire them. Although there were some additional, unforeseen costs involved in some of those improvements, we believe that this will be recovered over time (as the market returns to normal, our recruitment processes are streamlined and pricing recovery is delivered).

The division also demonstrated good pricing power in the market in order to continue to recover the investment in driver wages made in 2022. Prices for contracts due for renewal in the current school year (approximately 40% of the portfolio) have been increased by an average increase of 13%. This followed price increases for approximately 40% of contracts of circa 10% in the previous year. There remains a block (circa 20%) to be re-priced in 2024, and we are confident that similar levels of price increase will be delivered. The very successful, dependable 23/24 school year start-up will certainly help support that pricing process. Mobico retained circa 97% of its School Bus customers, in an already highly competitive SY23/24 bid season, and in the context of significant price increases.

In Transit & Shuttle, new contract wins in sectors outside Technology, including in Manufacturing and Education, helped to offset the Technology sector's cyclical weakness. In the meantime, revenue from key Technology sector customers appears to have stabilised. In addition, service levels and passenger volumes continued to increase, when compared with 2022. Services in Transit were up 16% in 2023, while passenger numbers in Shuttle were up 38% in the same period.

### Contract wins/renewals and mobilisations

#### North America School Bus:

- Business retention rate of 97% (excluding exits from loss-making contracts)
- 12 new contract wins with approximately £46m of annual contract value included success at West Ada (Idaho) and Duval (Florida) which represents over 400 new routes for School Year 24/25 on contracts with a five year base term (with potential five year extension)

#### Transit & Shuttle:

- 14 new contract wins delivering £54m annualised revenue and 31% ROCE. The most significant wins included:
  - Charleston, South Carolina: Asset light fixed route and paratransit contract with 133 vehicles for up to 10-year term
  - Charlotte, North Carolina: Management contract for fixed route urban services with >300 buses (3+2-year contract)
  - North Cook County, Chicago: Asset light paratransit contract with 92 vehicles for up to 10-year term, expanding existing multi-modal city hub
  - University at Buffalo, NY: 10-year university shuttle contract with 28 vehicles
  - New corporate shuttle work, expanding our multi-modal city hubs in Chicago, Austin and San Francisco

#### Disciplined capital allocation

In the School Bus 2023 bid season, we won 121 routes from new bids that required no capital as we fully utilised cascaded fleet. Retention bids are all priced centrally with rigorous review aimed at maximising capital efficiency across the portfolio to limit maintenance capex spend, and with a retention rate of 97%. The 2024 bid season wins to date were at returns in excess of our return targets.

In Transit & Shuttle there is continued focus on limiting capital demands by focusing predominantly on a large pipeline of Asset-Light opportunities. In addition, cascading unutilised fleet to serve contract expansions, extending the useful life of assets, and the utilisation of variable leases where appropriate all contributing to more efficient use of capital. In 2023 actual capital expenditure was lower than expected – without sacrificing growth – largely through these measures.

#### Evolve outcomes

The main objectives of the Evolve strategy remain key business priorities. In each, further progress has been made:

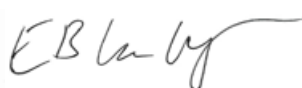
- **Safest:** FWI per Million Miles was 0.011 in School Bus (FY 22: 0.001) with the deterioration caused by six major injuries in 2023. Transit & Shuttle achieved a FWI of 0.003 (FY 22: 0.001), as a result of one major injury in 2023.
- **Most satisfied customers:** Average CSAT score of 4.2/5.0 in School Bus (+0.2 from 2022) driven by improved scores across communication, responsiveness, and partnerships. Transit 2023 average CSAT was 3.8/5 and NPS 22%,.
- **Employer of choice:** eNPS of +10 in School Bus (+1 on FY 22), and +8 in Transit & Shuttle (-2 on FY 22). Transit & Shuttle staffing levels increased by 14% and the number of School Bus drivers improved 12% in 2023, helping delivery, retention and morale. The eNPS reduction in Transit & Shuttle is associated with the restructure of that division.
- **Most reliable:** The new management teams are having a positive impact on reliability. OTP (On-time performance) was 92.4% in School Bus (FY 22: 89.9%) with a very successful school year start-up despite the significant operational challenges. Shuttle OTP was 97.4% (FY 22: 97.6%) with H2 OTP at 98.8%.
- **Environmental leader:** Shuttle operates Princeton University campus' 100% electric fleet, launched during the year, which will save up to 500 metric tons of CO<sub>2</sub> emissions per year. School Bus has been awarded a total of \$56m through the EPA Clean School Bus Program. The awards will provide 143 fully funded electric school buses to 16 school district customers.

### Focus on efficiencies

In School Bus our digital operating platform was rolled-out across a further 34 sites during 2023 for a year-end total of 144 sites. This platform allows the business to control schedule compliance (which is a key driver of labour productivity) and creates a direct link between scheduled activity, payroll, and billings. In addition, we began rolling out the Maximo maintenance management platform across 10 School Bus sites and 2 Transit sites in 2023, with the remaining sites planned to be deployed in 2024. The Maximo maintenance management platform will enhance the effectiveness of our fleet maintenance capabilities through improved asset management and utilisation. In Transit & Shuttle, the combination of the two businesses to improve efficiencies continues to deliver cost benefits. In addition, the operations continue to eliminate loss-making business either by improving contract terms or exiting at routine option dates.



**Tim Wertner**  
CEO: School Bus



**Erick Van Wagenen**  
CEO: Transit and Shuttle

### North America School Bus launches most successful school year start-up

The whole school bus industry in North America has been under considerable pressure over recent times, not least from a severe shortage in drivers being available to run services. This has affected operators across the industry, so it has not been an easy issue to address. Nonetheless, after the new leadership mobilised resources and invested in a more effective driver recruitment and training programme, the situation was significantly improved. The business was then able to launch the most successful school year start-up (for school year 23/24) that it has launched for many years.

Much of this recovery can be attributed to even tighter adherence to Evolve strategy values and principles, as embraced and directed by the new CEO of the business appointed in July, Tim Wertner. Following his arrival there has been a considerable focus on driver hiring, training and retention. As a result, by the end of 2023, the business had successfully re-instated 96% of maximum available routes.

Such has been the success with route reinstatement, we have already won significant new contracts that will deliver circa 400 routes in total for the school year start-up season 24/25, well ahead of the time such bids are normally decided.

## Case study



### WeDriveU acknowledged as provider of best commuter transport programme

WeDriveU – part of the Shuttle and Transit business owned by Mobico – is proud to operate TigerTransit on the Princeton University campus. The University's 100% EV transit service is free and accessible to students, faculty, staff and visitors. WeDriveU manages an on-site operations team of 30 professional bus drivers (including hiring, training, and scheduling), safety managers, dispatchers, and fleet maintenance technicians. In addition, we utilise technology innovations to support operational excellence and increase safety for passengers and drivers, including charge management systems to monitor efficiency and stage of charge.

The services encompass 37,000 service hours annually. WeDriveU's Customer Service Center runs out of two satellite yards with 10 electric bus chargers and now 17 EVs. WeDriveU facilitates safe, convenient, and reliable transportation for over 600,000 annual passengers while supporting Princeton's fully electric fleet.

In all respects, the contract reflects the principle and values of Mobico's Evolve strategy, including technology. Innovative technologies include onboard video with Artificial Intelligence (AI) capability for real time driver monitoring and coaching, Driver Vehicle Inspection Reports (DVIRs) to facilitate preventative maintenance and increase efficiency, and a real time multi-modal trip planning mobile app for added passenger convenience.

Although selected in 2021 to operate the services, 2023 has proven a notable year for the business, and its relationship with Princeton, with significant awards reflecting both the quality of service provided and strong, collaborative relationship.

- 2023 Best Universities for Commuters award.
- 2023 Association for Commuter Transportation (ACT) Commuting Options – Best Overall Program.
- In Autumn 2023, WeDriveU co-hosted Princeton's electric Transit Event, a peer exchange with over 70 attendees from over 20 organisations, including universities, transit agencies and utilities.

