Mobico is a leading international transport provider, diversified internationally with operations in North America, continental Europe, the UK, Middle East and North Africa.

2023 summary

Revenue (£m)

+12%

£3,150.9m

(2022: £2,807.5m)

Free Cash Flow (£m)

+2%

£163.7m

(2022: £160.5m)

Adjusted Operating Profit (£m)

-15%

£168.6m

(2022: £197.3m)

Statutory Operating Loss
+88%

£(21.4)m

(2022 restated: £(173.5)m)

Adjusted EPS (p)

4.5p

(2022: 15.0p)

Statutory EPS (p)

(30.2)p

(2022 restated: (41.4)p)

Covenant Gearing

3.0x

(2022: 2.8x)

Dividend (p)

1.7p

(2022: 5.0p)

- Revenue growth of 12.2%, with continued delivery on pricing and passenger volume increases across the Group, including record year at ALSA and driver & route recovery in North America School Bus
- Adjusted Operating Profit decreased to £168.6m (FY 22: £197.3m) as benefits of volume recovery and in-year benefit from pricing and Accelerate 1.0 cost reduction programme were offset by cost inflation, reduction in Covid subsidies and lower profitability in Germany
- Statutory Operating Loss of £21.4m (FY 22 restated: £173.5m loss, itself following significant ALSA impairment), impacted by £30m restructuring costs and £99m charge to the German Rail onerous contract provision
- German profitability impacted as a result of industry wide labour scarcity, productivity issues, market volatility in energy prices and persistent high inflation, with approximately £10m in year impact as a result of changes to forward looking assumptions
- Further pricing and restructuring benefits to come with 'Accelerate 1.0' delivering in excess of £30m annualised, and 'Accelerate 2.0' well underway targeting at least £20m annualised
- 43 new contracts won across the Group, worth over £1bn in total contract value and circa £126m in annualised revenue, at ROCE of 23%, in line with Evolve strategy. Group mobilised in new key target cities, including Porto, Seville and Charleston as well as multi-modal hub expansions in Madrid, Chicago, Boston and Geneva
- New management teams in US School Bus and the UK & Germany
- Significant progress on driver recruitment and route reinstatement in US School Bus with driver shortage now only 2%; albeit with a consequential impact on higher training and recruitment costs
- Average rate increases in School Bus of 13% achieved on the 40% of contracts renewed in the year, recovering increased driver costs, albeit with a timing lag
- Covenant gearing ratio of 3.0x, increased from 2.8x last year end
- Debt maturity and liquidity improved with new £600m Rolling Credit Facility (RCF) facility to 2028 and maturing £400m bond replaced with a €500m Eurobond issue maturing in 2031
- Fuel cost was 100% hedged for 2024 and around 50% for 2025
- Fleet decarbonisation accelerating and on track to reach our target of 1,500 ZEVs across the Group by 2024

To supplement IFRS reporting, we also present our results on an adjusted basis to show the performance of the business before adjusting items. These are detailed on pages 177 to 179 and principally comprise for the 12 months to 31 December 2023; intangible amortisation for acquired businesses, re-measurement of historic onerous contract provisions and impairments, re-measurement of the WeDriveU Put Liability, repayment of UK CJRS grant income ('furlough') and Group wide restructuring and other costs. In addition to performance measures directly observable in the Group financial statements (IFRS measures), alternative financial measures are presented that are used internally by management as key measures to assess performance. Further explanation in relation to these measures can be found on pages 251 and 252.

We provide safe, efficient, clean and reliable shared mobility solutions

to cities, businesses, education, healthcare and consumers around the world.

What we do

We design, mobilise, and operate high quality mass transportation services in and between cities across the globe. We have global standards that apply to how we operate, maintain and drive vehicles. The vehicles can be owned or leased. In Spain, Morocco, Portugal, Bahrain, North America and Germany, services are run typically under an exclusive contract. In the UK, our bus and coach services are not contracted.

Where we operate

We operate in more than 50 key cities in 12 countries across the world, providing services to cities, businesses, healthcare and education providers, and direct to customers.

We are internationally diversified and multi-modal.

We are the market leader in providing long haul coach transport in both Spain and the UK, and are one of the largest school bus providers in North America.

We deliver large-scale urban bus operations in the UK, Spain, Morocco, Portugal, Switzerland, Bahrain and the USA.

We provide accessible paratransit services in the USA, Spain and in the UK.

We are one of the leading corporate and university shuttle solutions providers in the USA.

We deliver large-scale rail operations in Germany.

The Group earns revenue across a broad range of transportation services.

Rail
£259.8m
German Rail

Charter, private hire and leisure
£296.2m
North America, ALSA and UK

Transit and Shuttle
£336.4m
North America

Student transport
£713.1m
North America School Bus

Urban bus
£587.1m
UK Bus/ALSA

Regional/long haul coach
£958.3m
ALSA regional and long haul, UK Coach

Per mile, bus travel is
10x
safer than driving a car

The cost of using buses is around
20%
of that of car ownership

5 things about Mobico Group and our operations:

01 **More than 1 billion passenger journeys were made on our services in 2023**

Read more on customer safety on page 84

02 **We operate in more than 50 key cities in 12 countries across the world**

Read more on divisional reviews on pages 23 to 33

03 **We operate 27,700 vehicles – with a strategy to transition to a fully zero emission fleet**

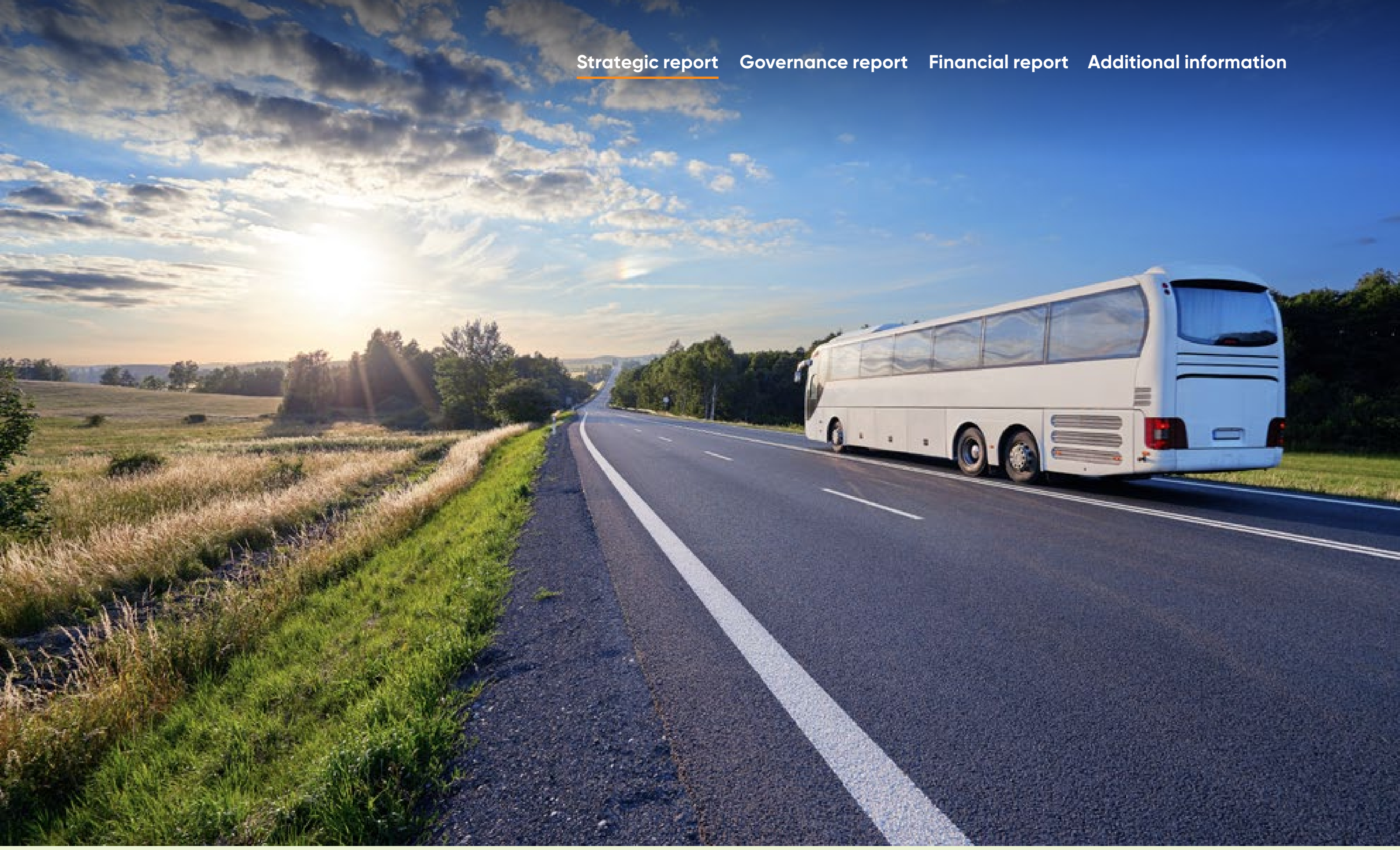
Read more on sustainability on pages 52 to 64

04 **67% of the Group's revenue is generated through multi-year contracts**

Read more on our Evolve strategy on pages 10 and 11

05 **We have a dedicated workforce of 47,700 across the Group**

Read more on our business model on pages 12 and 13



ALSA

- ALSA
- Sanir
- AlpyTransfers
- ALSA Morocco
- ALSA Portugal
- ALSA Switzerland
- SAT (SAPTCO ALSA For Transportation)

ALSA operates long distance, regional and urban bus and coach services across Spain, Morocco, Portugal, Switzerland and France.

Apart from its scheduled bus and coach services, ALSA offers mobility solutions to meet business, leisure and healthcare needs.

ALSA has significant operations in other markets, including urban bus operations in Bahrain. In Saudi Arabia, we are partners in operating intercity coach services.

37.0%
of business revenue

North America

- National Express LLC
- Durham School Services
- Petermann
- WeDriveU
- National Express Transit
- Stock Transportation

In North America, we are one of the largest school bus operators providing student transportation services in 33 US states and two Canadian provinces.

Our Transit & Shuttle division provides services for clients including paratransit and fixed route bus services, and corporate and employee shuttle solutions.

35.4%
of business revenue

UK and Germany

- National Express
- National Express West Midlands
- National Express Transport Solutions
- National Express Rail

Our National Express business in the UK and Ireland includes scheduled intercity coach services, urban bus operations in the West Midlands, corporate and private hire solutions and our services connecting Dublin Airport in Ireland.

With a total of seven lines, in Germany, National Express connects the major cities of North Rhine-Westphalia quickly, conveniently and reliably. We operate 5 Rhein-Ruhr Express routes as well as the RE7 and RB48 of the Rhine Munster Express.

27.6%
of business revenue

Sustainability is at the heart of Mobico Group

We are playing a significant role in accelerating modal shift, decarbonising travel, and building greener, more liveable cities.

Read more on customer safety on page 84

Read more on TCFD from page 65

Our sustainability strategy supports three of our six Evolve strategy outcomes.

We respect the planet

The single most important step the Group can take to deliver decarbonisation and clean air is to lead the modal shift from cars to public transport. Our increasing experience of operating a growing fleet of Zero Emission Vehicles (ZEVs) demonstrates that there are early indications people are more likely to take a trip on a ZEV versus a diesel vehicle, which in turn will enable us to accelerate the benefits of modal shift for both our business and the environment.

Our expertise in managing the transition to ZEVs for public transport will play a significant role in accelerating modal shift, decarbonising travel, and building greener, more liveable cities.

2.5%
Reduction in Scope 1 and 2 intensity emissions Group wide on prior year

915
ZEVs in service or on order (2022: 491)

1st
place ranking by Corporate Knights Sustainability Global 100 in the Transit and Ground Transportation Sector in the UK

We connect places and transform communities

Mobico Group is proud of the role it plays in local communities and encourages colleagues to participate in a wide range of activities that have a positive impact on the diverse communities that we serve. Each of the divisions undertakes a wide range of community programmes and initiatives supporting young people.

At the Group level, Mobico has been a partner to Transaid for over a decade. Transaid's mission, to transform lives through safe, available transport, sits at the heart of our purpose, to drive modal shift and key outcomes of the Evolve strategy. In particular, Transaid focus on road safety and aims to build employability and professional skills in local communities.

€1 million
Contributed to the Moroccan Earthquake Special Fund

1 billion +
Customer journeys provided

We move people safely and responsibly

As well as the role public transport plays to support decarbonisation, the industry also has a key role to play in driving social mobility. This has never been more important than in the current economic environment where public transport provides affordable access to work opportunities.

Committed to paying the living wage and employee engagement

During 2023, as part of our 'Your Voice Matters' campaign, we carried out our second global engagement survey across our 47,700 colleagues and achieved a 73% response rate.

The survey provided us with a benchmark against which we will drive future action. Key results included: 69% of colleagues agree we addess safety issues quickly and efectively; 77% of colleagues agreed that the organisation promoted DE&I and 70% of employees feel proud to work at Mobico.

Committed to our people

Delivering on our Vision and for our customers is only possible if Mobico is a good place to work.

Our commitment to our people includes our new People strategy, Be Part of the Future Today, has three main aims:

- Embraces diversity, equality and inclusion
- Helps us win the war for talent
- Enables our people to grow and develop in a high-performance culture.

Committed to transparency

We place strong value on Governance and aim to be open and transparent for all of our stakeholders. We are committed to being an employer of choice, with a genuine positive, safe and inclusive culture. Our employee value proposition reflects our commitment to support our colleagues to focus on their health and wellbeing, manage their careers and drive their personal development. We publish our gender pay gap reporting annually (https://www.mobicogroup.com/about-us/our-policies/gender-pay-gap-reporting/) and recognise the importance of D&I across the Group.

Chair's statement

A challenging year, but building for the future.

Helen Weir, Chair

Financial Performance and Dividend

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

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

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

Read more about our leadership on pages 82 to 87

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

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

Safety

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

Environmental Leadership

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

In terms of environmental reporting, we have received confirmation that in January 2024, our new environmental targets were formally verified by the Science Based Initiative Taskforce in line with best practice reporting and we will move to reporting against our new targets in next year's annual report. We continue to improve our environmental data reporting processes and I am pleased that we have, once again, achieved limited external assurance to ISO1 4064-3 Standard from Carbon Responsible Limited for our Scope 1, 2 and 3 emissions.

Employer of Choice

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

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

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

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

Group Name Change

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

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

Concluding Remarks

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

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

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

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

Helen Weir
Chair

21 April 2024

Read more about our governance from page 79

Read more about our Evolve strategy on pages 10 and 11

Our markets

Mobico Group is internationally diversified with operations in more than 50 key cities across 12 countries. We are a multi-modal business and currently deliver the following solutions in our markets:

Key

- New locations
- Contracted revenue
- Passenger revenue
- Multi-modal expansion

United States and Canada

Total revenue

£1,116m

Market size: £16.8bn

We are one of the largest school bus operators in the US and deliver student transportation in more than 33 US states.

In Canada, we deliver student transportation in the provinces of Ontario and Alberta, with large-scale school bus operations in Toronto.

We provide large-scale, accessible paratransit services and fixed route bus services in major cities connecting communities and helping people to access work, education, healthcare and leisure across the US.

Through our WeDriveU brand, we deliver corporate and university shuttle solutions to providing employee travel solutions, and campus parking access.

United Kingdom and Ireland

Total revenue

£610m

Market size: £5.9bn

In the UK, National Express is the market leader in the country's intercity coach market, connecting cities, towns and airports across the country.

In the West Midlands, we operate large-scale urban bus services centred around the city of Birmingham in the largest bus network outside of London.

Our National Express Transport Solutions business provides accessible transport, B2B private hire and corporate shuttle solutions to clients.

In Ireland, we currently operate the Dublin Express with plans to expand further in the near future.

Morocco

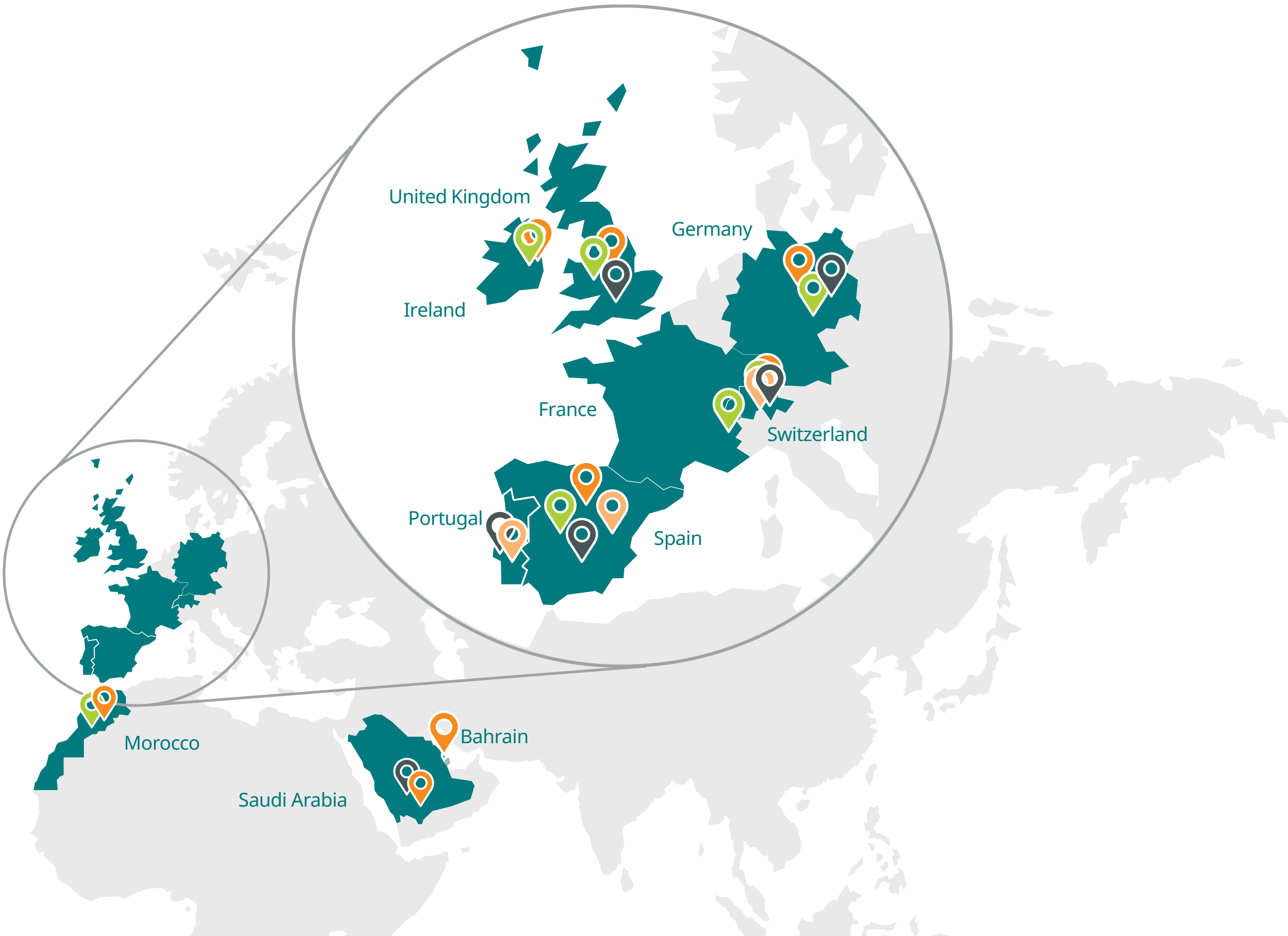
Total revenue

£146m

Market size: £0.2bn

We are the largest urban bus operator in Morocco, with our ALSA brand operating over 1,700 buses across six cities.

This includes operations across five of the country's six largest urban areas, with major operations in Casablanca, Rabat and Marrakech.



Portugal

Total revenue

£29m

Market size: £0.6bn

In Portugal, ALSA delivers urban bus operations in the country's two largest cities of Lisbon and Porto.

In December 2023, we mobilised a 200 vehicle operation in Porto following a successful launch in Lisbon during 2022.

Spain

Total revenue

£963m

Market size: £5.0bn

In Spain, our services, trading under the brand ALSA, include long-distance and regional coach services connecting cities, towns and regions.

We operate urban bus services, with major operations in Madrid and Bilbao. Across Spain, we manage 44 urban bus networks in different cities and metropolitan areas.

We provide emergency and non-emergency healthcare transportation services through public health and private contracts, with large operations in Madrid.

We deliver discretionary and tourism based services across Spain.

Germany

Total revenue

£260m

Market size: £5.0bn

In Germany, we operate seven suburban commuter railway lines in North-Rhine Westphalia, Rhineland-Palatinate and Hesse using 120 zero emission trains.

Rest of the World

Bahrain, France, Saudi Arabia, Switzerland

Total revenue

£27m

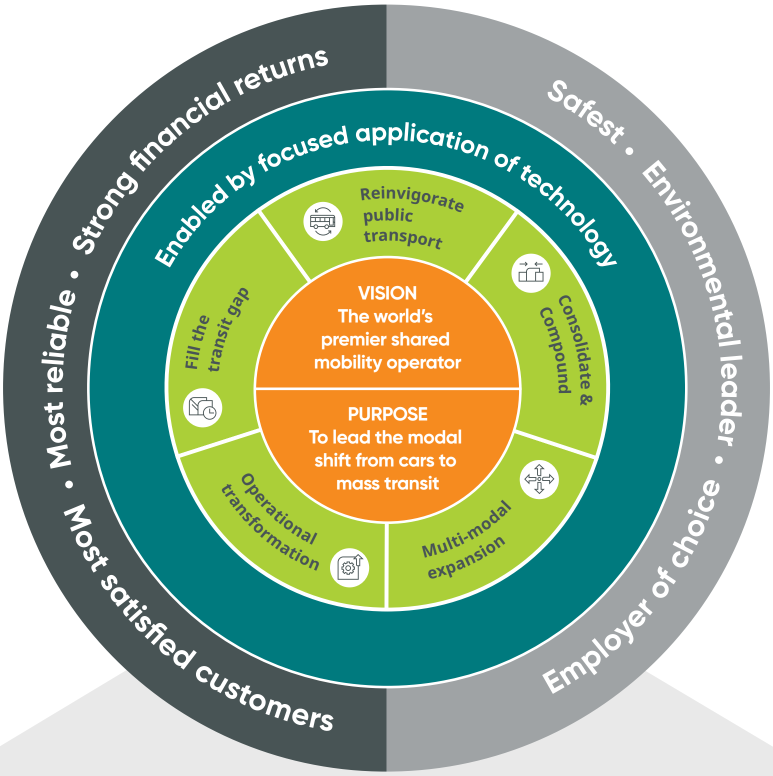
In 2023, we entered Saudi Arabia through a partnership with Saudi Arabia Public Transport Company (SAPTCO). Together, we operate intercity coach services connecting over 80 destinations in the south of the Kingdom.

In Switzerland, we operate urban bus services in Geneva and are continuing to grow in the region. Between Switzerland and France, our AlpyTransfers business operates cross-border tourism services connecting Alpine resorts with nearby airports.

In Bahrain, we operate the country's urban bus network in a joint venture with a local partner.

Our Evolve strategy

In order to protect and develop our market-leading positions, as well as generate sustainable, profitable growth and deliver value for all our stakeholders, the business targets the highest standards of operational performance and customer satisfaction. It achieves those by focusing on what we believe to be the fundamental characteristics and outputs of success, as described by the Evolve strategy.



Our vision and purpose

At Mobico, we strongly believe that de-carbonising our economies and our communities cannot be properly achieved without modal shift – particularly from cars to mass transit alternatives, such as what we and our partners provide. The more compelling our offering to customers, the more successful we are at delivering those, the greater influence we can have on people making bus, coach and other shared solutions their preferred mobility choice. Our purpose is to lead that shift towards greater social mobility with better access to healthcare, education, employment and leisure. Our vision is to be the world's best.

Our culture

It is our belief that commercial success and a good culture are inextricably connected. A large part of Evolve is concerned with encouraging an open and collaborative ethos where employees and partners can work towards our shared goals; where collaboration and sharing best practice is the norm, not the exception; and where the diverse, inclusive and supportive culture so necessary to success is nurtured and protected.

Our Five customer propositions

Reinvigorate public transport

Grow the use of public transport in cities suffering congestion by building partnerships with stakeholders who want sustainable solutions.

Consolidate & compound

Consolidate fragmented markets and create 'at scale' operations to drive operating efficiencies and better customer solutions.

Multi-modal expansion

Build more modal capability and city hubs from existing locations where we already have a physical footprint.

Operational transformation

Application of our processes and know-how to drive efficiency, operational improvement and lower costs.

Fill the transit gap

Encouraging modal shift away from private cars in areas that are poorly served by public mass transit.

Read more about the value we create on page 13

Our focused application of technology and innovation

The opportunities to apply technology to the Mobico business are widespread and care needs to be taken to invest in the right areas if it is to be effective.

Much of our investment into data insights is directed towards safety, quality of service, cost efficiency, automation and ultimately customer satisfaction.

Key targets for technology investment have included vehicle and driver monitoring – where systems enhance feedback and training for employees as well as safety for employees and passengers. Similar systems also provide data that enables vehicle fleets to be efficiently utilised, resulting in better on-time-performance and ultimately better value fares. Good data collection can also result in more effective maintenance schedules – meaning lower costs and improved service reliability.

Consumer, booking and ticketing systems are also being constantly upgraded to improve the quality of service that our customers have come to expect.

New technology is being deployed in our increasing adoption of Zero Emission Vehicles (ZEVs).

Finally – innovation isn't always about technology. Employing new ways of working, developing new best practices, can be just as valuable.

Our strategic outcomes

Strong financial returns

We utilise our resource and relationships to achieve strong financial returns. By growing revenue, converting into profit, and delivering cash flow, we are able to invest for growth, maintain a strong balance sheet and provide returns to shareholders.

Most reliable

We will lead the industry in reliability by striving for ever increasing levels of punctuality, and driving down cancelled services and lost miles. Through excellence in reliability we will meet customer expectations, deliver industry-leading services and be a recognised as a willing and constructive partner.

Most satisfied customers

Our customers will rate us the highest in the industry. Customers lie at the heart of our business, and maintaining their loyalty is key to our success. Everything we do focuses on exceeding our customers' expectations for safe, clean and reliable services at a fair price.

Routine surveys of customer views, and disciplined feedback and response processes, are key components of the Group's operations and planning processes.

Our sustainability strategy

We aim to be the safest, cleanest, most reliable, convenient and best value transport provider in the modes we operate.

Safest

We will lead the industry in safety by continually driving down accidents. More than anything else, we value the safety of our customers, employees and the public generally. This priority is reflected in our policies and behaviours – the way we do business.

Environmental leader

Today, we operate 27,700 vehicles, and although the majority are diesel, we have worked to reduce our emissions from our current fleet. We are also committed to improvement across a range of key environmental targets, which can also be found in more detail on page 76.

Employer of choice

To be the place to work in mass transit. We will embed a high-performance culture that attracts and retains the best people.

Delivering on our vision and for our customers is only possible if we are a good place to work. We recognise that our workforce is our greatest asset and we want each of our 47,700 employees to reach their full potential and to give their best.

Read more about our sustainability on pages 52 to 64

Read more about our governance on pages 79 to 141

Our business model

The resources we rely on

Vehicles
At December 2023, we operate around 27,700 vehicles of varying sizes, from sedans, minivans, cars and minibuses, to double decker buses and long haul coaches. The fleet is predominantly internal combustion engine (ICE) powered. As we drive towards net zero, we also operate alternative fuel technologies such as electric and hydrogen; we have 915 Zero Emission Vehicles (ZEVs) in operation or awaiting delivery. We have well-developed plans to transition the whole fleet to ZEVs.

Sites
Our services operate from hundreds of depots across 12 countries and more than 50 key cities. These depots are where we deliver training, embed our safety practices and manage the fleet with many depots equipped to support ZEVs.

Financials
Mobico Group focuses on securing long-term quality of earnings, a policy for margin improving and return-on-assets enhancement and has a track record of consistently generating cash flow from its operations.

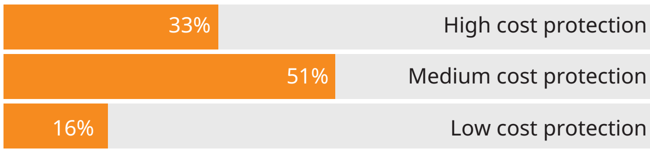
Colleagues
We have a diverse workforce and employ over 47,700 colleagues across our businesses around the world, the majority of whom are drivers. They deliver excellent customer service, and bring extensive technical skills and expertise in areas including operational excellence, route optimisation and vehicle technology.

Intellectual property
We continually develop and refine critical intellectual property, which allows us to design, mobilise and operate transport solutions that deliver on our Evolve ambitions.

Our relationships
Our relationships with our customers are fundamental to our success. We have extensive, long-term relationships at local and national levels of government, with city or regional transport authorities and with our local emissaries. We work with them to find solutions, and improvements, to their transport needs. We also enjoy productive relationships with our suppliers to develop innovative solutions and improvements to safety, reliability, customer satisfaction and environmental impact.

How we do it

Our global diversified contract models
67% of the Group's revenue is generated from contracts where customers pay us a fee to operate routes. The remaining circa 30% of revenue comes from passengers purchasing tickets from Group companies. 84% of our contracts have a high or medium level of cost inflation protection. Medium levels of protection often mean that we have a lag in recovering inflation, and sometimes rely on indices that may not be a perfect match for the underlying cost they are supposed to mitigate.



67%
of Group revenue is contracted

76%
of contracted revenue has high or medium level of certainty

84%
of contracted revenue has high or medium level of cost inflation protection

Our wide range of products

Urban bus
single and double decker bus services in cities and their suburbs.

Corporate shuttle
a range of services for transporting employees to work often funded by the employer. Includes full home to-work service and filling the "last mile" gap from mass transit hubs to the place of work.

Long haul coach
intercity routes, tourism and airport transfer services providing a cheaper and in many cases, a more convenient form of transport.

Private hire
the provision of buses or coaches to individuals, employers, schools or other organisations for field trips, days out and holidays.

Student transportation
home-to-school transportation on behalf of school districts, enabling children to access education.

Healthcare
flexible and accessible solutions to passengers less able to use regular public transportation, including direct medical transportation.

Rail
we operate a number of lines in the west of Germany.

Benefits to Mobico Group

Sustainable long-term growth
Our strong relationships with customers, suppliers and government bodies, combined with experienced colleagues, in-depth knowledge and considerable scale in terms of resources and geographical spread, enable us to drive sustainable long-term growth. We take a long-term view to the planning and utilisation of our resources, and to organic and inorganic opportunities for growth.

Financial returns
By targeting revenue growth, converting it to profit and delivering cash flow, we provide the ability to invest for growth, maintain a strong balance sheet and provide returns to shareholders.

Key differentiators

Our processes and systems

Mobilising and managing complex transport systems successfully involves robust processes and systems that can deliver reliability, consistency, efficiency and flexibility where it is needed. Our four step quality improvement training programme, OPERATE, defines the methodology we use to deliver operational excellence. Such systems take time and expertise to develop and operate and Mobico's long and successful experience through continuous improvement is differentiating. Success is measured in customer satisfaction rates as well as financial KPIs.

Our partnerships

Acting in partnerships – with our customers, the transport authorities, suppliers, colleagues, and with industry and government bodies is a fundamental tenet of our strategy and philosophy. We have developed strong relationships in all of these areas. By doing so, we ensure our identity and values are aligned, and that we can deliver to the satisfaction of all.

Our knowledge

Our knowledge is embedded throughout the Group, with all of our employees in their respective roles. Whether it becomes apparent in route scheduling, network design, customer services, passenger care, marketing or revenue management – it collectively creates a competitive edge.

The value we create

Colleagues

We are an organisation that shares the values of our employees and partners. We provide attractive career opportunities, paying competitive wages and salary rates, and creating safe, enjoyable and inclusive working environments.

Passengers & customer

We provide best-in-class, value for money services that provide compelling transport options versus the private car. Our services enable passengers to connect with family, friends, and workplaces, and facilitate access to healthcare and education.

Suppliers

We support a wide range of suppliers, from individuals to large businesses. We develop rewarding partnerships with them, working collaboratively and honourably to deliver market leading services to our customers.

Equity and debt investors

We aim to provide attractive investment returns, both for our equity and our debt investors. We have strong long-term relationships with shareholders and lenders, utilising a variety of sources of funding.

Communities

Our services facilitate social mobility and promote economic activity; connecting people to jobs, education, healthcare and leisure. Our services can be critical for people without access to a car and we provide transport for vulnerable people. By encouraging modal shift from private car to public transport, we also play an important role in improving air quality in our communities.

Governments

We have strong relationships at local and national levels of government, which enable us to help shape public transportation policies. We are also able to bring transport solutions to local government bodies and transport authorities; transforming the services in their areas. The Group also generates significant tax contributions to public finances across employee, sales, corporation, property and other taxes.

The environment

A significant proportion of the world's CO_2 is generated by transport – a key target for decarbonisation. For every bus journey, up to 70 car journeys are removed from the road. By making such journeys more reliable, more enjoyable and often more convenient than alternatives, we help communities and the world to reduce emissions significantly and greatly improve social mobility.

Benefits to Society

Improved social mobility

Our services connect people to each other and to places of work, education and healthcare.

Someone choosing to swap a singular journey from an average diesel car to an average diesel bus can reduce their carbon footprint by 45%.

Read more on pages 59 and 60

Reduced pollution and improved air quality

Many of our existing diesel vehicles already emit lower emissions than the average family car. By driving modal shift from private car to public transport, as well as transitioning our fleet to zero emission vehicles, we can make a significant impact on reducing pollution and improving air quality.

Read more on pages 54 to 56

Measuring progress

Key

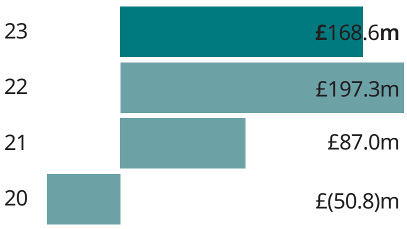
- Strong financial return
- Most reliable
- Most satisfied customers
- Safest
- Environmental leader
- Employer of choice

Financial

Adjusted Operating Profit (£m)

£168.6m

2022: £197.3m



KPI definition

Group Adjusted Operating Profit from operations. See glossary on page 252.

Relevance to strategy

A key measure of the overall performance of the business.

We are focused on driving growth in operating profit in order to generate higher and sustainable returns for our shareholders and providing the platform for further growth for all our stakeholders including our employees, our customers and our partners.

Performance

Adjusted Operating Profit decreased to £168.6m (FY 22: £197.3m) as benefits of volume recovery and in-year benefit from pricing and Accelerate 1.0 cost reduction programme were offset by cost inflation, reduction in Covid subsidies and lower profitability in Germany.

Remuneration linkage

Group Adjusted Profit before tax is one of three bonus inputs to the Executive Directors' and senior managers' annual bonus structure.

Link to strategy

Refer to page 252 for definition of adjusted.

Free Cash Flow (£m)

£163.7m

2022: £160.5m

KPI definition

Free cash flow is the cash flow available after deducting net interest and tax from operating cash flow. See reconciliation on page 253.

Relevance to strategy

Strong cash generation provides the funding to invest in initiatives to drive our strategy.

Our focus on cash generation ensures that we are running the business efficiently, converting profit to cash to enable investment into the business; reduction in leverage returns to shareholders; and providing the platform for further growth for all our stakeholders.

Performance

Free cash inflow of £163.7m represents strong Free Cash Flow conversion of 97% (2022: 81%). The improvement in Cash Flow Conversion is a result of lower net maintenance capital expenditure as the Group accelerated capital expenditure at the end of December 2022 to secure production slots, resulting in lower cash outflows in 2023.

Remuneration linkage

Free cash flow is one of three bonus inputs to the Executive Directors' and senior managers' annual bonus structure.

Link to strategy

Return on capital employed (%)

7.0%

2022 restated: 7.6%

KPI definition

Return on Capital Employed (ROCE) is Adjusted Operating Profit, divided by average net assets, excluding net debt and derivative financial instruments, translated at average exchange rates. See reconciliation on page 253.

Relevance to strategy

ROCE demonstrates how efficiently the Group is deploying its capital resources to generate operating profit.

A focus on ROCE ensures that we maintain a disciplined approach to capital investment and continue to invest in those areas in which we deliver the best returns. This ensures that we maximise returns to shareholders for the capital they invest.

Performance

ROCE of 7.0% remains below our targeted level and is reflective of the year-on-year reduction in Adjusted Operating Profit. During the year the Group invested £136 million of net maintenance capital, predominantly in replacing our fleet in our existing operations, and £18m in growth capital expenditure including vehicles to service new contracts in ALSA and North America.

Remuneration linkage

ROCE is one of the performance measures in the Long-Term Incentive Plan of Executive Directors and senior managers.

Link to strategy

Measuring progress continued

Non-Financial

Safety – Fatalities and weighted injuries (FWI per million miles)

0.006

2022: 0.003

KPI definition

The Fatalities and Weighted Injuries (FWI) Index weights injuries by severity to give an overall standard-based score which is normalised by miles operated.

Relevance to strategy

Safety is of paramount importance to a public transport operator and being the 'safest' is one of the five Evolve outcomes.

Safety is at the heart of our values and is our priority for both our customers and our employees.

High safety standards also help to drive sustainable growth through customer loyalty and new business wins.

Performance

The 2023 performance for FWI per million miles is in line with the Group target (0.006) for the year and was comparable to the results achieved in 2021, although below the performance in 2022. This is primarily because the 2023 result includes two fatalities, whereas there were no fatalities included within the 2022 result. These fatalities – as well as the other preventable injuries which are included within the result – have been investigated and appropriate actions have been taken.

Although the 2023 Group FWI target of 0.006 was achieved, there is no bonus pay out on this metric for the Executive Directors because of the fatalities.

Remuneration linkage

FWI per million miles is an input into the Executive Directors' and senior managers' annual bonus structure.

Link to strategy

Passenger journeys

1,074m

2022: 977.0m

KPI definition

Passenger numbers as measured by the aggregate of passenger journeys across each of our operating divisions. Our numbers for North America are estimated as our school bus and shuttle services are not paid on a per passenger basis.

Relevance to strategy

Growth in passenger journeys is a leading indicator for customer satisfaction and hence growth, and modal shift from cars to public transport. Having the 'most satisfied customers' is a key aim of the Evolve strategy.

Mobico is targeting increased passenger ridership as a longer-term driver of sustainable value for both the business and the environment, with public transport a key solution to lowering carbon emissions and easing travel congestion.

Performance

Passenger numbers have continued to grow strongly, rising 10% in 2023, surpassing 1 billion for the first time. Discretionary travel continues to grow with our UK Coach business growing patronage by 25% and our ALSA long haul business growing patronage by 28%. Our UK Bus business grew patronage by 8% and continued to recover throughout the year. Our Moroccan business had another record year with further passenger growth of 3%.

Remuneration linkage

The Executive Directors and senior managers' annual bonus scheme typically includes a component of personal objectives relating to business development metrics.

Link to strategy

GHG emissions: tCO_2e/mpkms

36.39

2022: 40.06

KPI definition

Tonnes of GHG carbon emissions for Scope 1, 2 and 3, per million passenger kilometer.

Relevance to strategy

Reducing the environmental impact of transport is core to our purpose and links to the Evolve strategy outcome: being the environmental leader.

Per passenger, train, bus and coach travel is significantly less polluting than cars and, as such, modal shift is the single most important thing we can do to drive the climate change and clean air agendas. We are also committed to making public transport itself greener and have adopted Science-Based targets.

Performance

Tonnes of carbon emissions for Scope 1 and 2 reduced by 2.5% per million passenger kilometer.

Total Scope 1, 2 and 3 absolute emissions reduced by 6.8% overall on prior year.

We expect to make further progress as we accelerate our transition to ZEVs over the coming years.

See more on environmental performance on pages 247 and 248.

Remuneration linkage

25% of the Executive Directors and senior management Long-Term incentive Plan is linked to reducing GHG emissions and transitioning to ZEVs. See our Remuneration Report commencing on page 111.

Link to strategy

Key
- Strong financial return
- Most reliable
- Most satisfied customers
- Safest
- Environmental leader
- Employer of choice

On-Time-Performance (OTP)

90.7%

2022: 91.1%

KPI definition

On-Time-Performance (OTP) measures the percentage of our services, weighted by mileage across divisions, that are arriving on time at intermediate (where relevant) and timing stops. The definition of on time varies by business, for example no more than one minute early or five minutes late for urban bus services. The OTP KPI excludes rail services, high frequency bus services (where frequency and actual vs scheduled waiting times is a more appropriate reliability measure), and services where we are currently not able to measure OTP accurately.

Relevance to strategy

Improving OTP is a key driver for customer retention and winning new contracts and links to the Evolve strategy outcome: most reliable. Our reputation for reliability, whether it be for fare paying passengers on our buses or with school boards and local passenger transport authorities, is vital to drive growth across the each of our businesses.

OTP is also a driver for achieving operating efficiencies across the Group, helping to improve financial returns.

Performance

In 2023, OTP was slightly lower than in previous years. Our ability to operate punctual services was impacted by increasing congestion and road traffic levels alongside driver shortages, particularly in our UK business. To combat these effects, we continuously focus on initiatives to improve punctuality. We have a relentless focus on driver recruitment and have introduced sophisticated digital scheduling platforms in our Bahrain and ALSA businesses to optimise network performance, whilst we actively monitor our UK networks to ensure efficiency and maximise OTP. In the West Midlands, we work closely with our partners, Transport for West Midlands, to jointly develop bus priority infrastructure. In our North America School Bus business, our focus on driver recruitment and retention, route restoration and optimisation, and ensuring operational excellence, meaning we delivered OTP performance ahead of 2022 levels, contrary to the overall trend.

Remuneration linkage

The Executive Directors' and senior managers' annual bonus structure typically includes a component of personal objectives relating to operational performance metrics.

Link to strategy

eNPS

+11

2022: +7

KPI definition

Employer Net Promoter Score, or eNPS, is a widely used scoring system designed to help employers measure employee satisfaction and loyalty within their organisations.

Relevance to strategy

The eNPS score is a key measure of how committed our employees are to the Group and is an indicator of areas of strength and also where we can improve in order to retain and grow our talent in the business, in order to support future growth. It links directly to our Evolve strategy outcome: employer of choice.

Performance

This measure was introduced in 2022 and is used as a base to measure our performance in the future and inform our action plan. Part of a suite of measures used to gauge employee sentiment, engagement across the Group also increased 4% to 59%. In 2023, we achieved 73% participation across the Group.

There has been significant improvements for ALSA (engagement +8 pts, eNPS +7 pts) and UK (engagement +7 pts, eNPS +10 pts). There was stability accross School Bus (engagement +2pts, eNPS +1pt, Shuttle & Transit (engagement +0, eNPS -2pts) and Bahrain (engagement -1pt, eNPS +9pts).

Remuneration linkage

Introduced into Executive Directors' and senior managers' bonus plans for the first time in 2023. eNPS is again included within their bonus structures for 2024.

Link to strategy

CEO's review

Our results for 2023 are below the expectations we set ourselves at the beginning of the year. I am encouraged, however, at the progress we have continued to make in transforming the business with decisive action to bring in new leadership in North America School Bus and the UK & Germany; focus on pricing and delivery of our restructuring programs.

Ignacio Garat, Group CEO

Read more about our business model on pages 12 to 13

Read more about our Evolve strategy on pages 10 to 11

Read more about our leadership on pages 82 to 87

Overview

2023 was a challenging year for Mobico Group. Profitability was affected by significant cost inflation (especially wage costs) and significantly reduced Covid subsidies. Structural issues in Germany (labour scarcity and energy price volatility), reduced expectations around the profitability of the UK private hire business, lower than expected growth in UK Bus passenger numbers, and higher driver recruitment costs in North America School Bus have also created a drag to our recovery in profitability. Decisive action has however been taken on pricing and restructuring which is expected to provide significant future benefits. This alongside good top line growth will help drive our recovery.

Mobico Group Revenue grew 12.2% on a reported basis and 10.9% on a constant currency basis. This reflects: (i) strong underlying growth in those businesses where revenue is driven by passenger demand and trip volumes; and (ii) continued recovery in North America School Bus through pricing and route recovery.

Adjusted Operating Profit decreased 14.5% and Group Adjusted Operating Margin decreased to 5.4% (FY 22: 7.0%), as the benefits of volume growth (+£88m), pricing improvements (+£114m) and the in-year impact of our Accelerate 1.0 restructuring initiative (+£15m) were not sufficient to offset:

- the impact of cost increases (£130m) of which approximately 55% was driver wage inflation, and 30% fuel and insurance costs,
- the lagged benefit from price rises in UK Bus and North America School Bus,
- a reduction in Covid subsidies of £105m (see strategic review section for more detail),
- the impact of lower expectations for energy subsidy recovery, higher costs, and the revised indices from the German Federal Statistical Office on profitability of our German rail contracts

Decisive action has been taken across the Group with the successful Accelerate program: Accelerate 1.0 delivered £15m in year savings (at least £30m on an annualised basis) and we have now launched Accelerate 2.0 (with a target of at least £20m annualised). Moreover, specific additional actions have been taken to i) recover cost increases in German Rail through ongoing contract renegotiation, ii) drive a recovery to profitability in National Express Transport Solutions (NXTS), and iii) further improve driver recruitment and training processes in North America School Bus.

ALSA continued to trade well with growth across all lines of business, delivering Adjusted Operating Profit up 31.7% as a result of strong revenue growth of 21.1%, with especially strong trading in Long Haul, where the business acted quickly to capture the benefits of government backed travel initiatives (multi-voucher travel and 'young-summer' discounts). The profit impact of pricing increases and volume growth amounted to £111m, more than offsetting cost increases of £68m.

North America grew revenues by 6.4% as routes were re-instated in North America School Bus, with pricing recovery on expiring contracts also contributing positively. Adjusted Operating Profit was down £41.3m (60.4%) mainly as a result of a reduction in Covid funding of £44m (principally Covid-related CERTS funding) and the impact of wage costs and investment in the recruitment process. However, pricing recovery delivered an increased contribution in the second half of the year. Transit and Shuttle delivered 14 new contract wins worth approximately £54m in annualised revenue, at a ROCE of 31%.

In the UK and Germany, revenues grew 9.2%, representing strong trading in UK Coach, and with UK Bus patronage reaching 98% of pre-Covid levels. However, the fall in Adjusted Operating Profit was principally as a result of the January 2023 16.2% pay settlement in UK Bus which was effective from January (the primary driver of a £23m increase in driver costs, with price rises only effective from July), a reduction in Covid funding of £30m, and lower profitability in Germany.

In Germany lower expectations for energy subsidy recovery as a result of volatility in energy markets, higher costs associated with industry-wide driver shortages and the impact of the revised indices from the German Federal Statistical Office, reduced the profitability of our contracts:

- For the contracts not covered by the onerous contract provision (RME and RRX 1) profits reduced by £17m compared to prior year (to £0.2m). Of this reduction, approximately £10m was due to a reduction in the IFRS15 contract asset (primarily reflecting lower expectations of future profitability) and £6m of in-year impact of higher penalties associated with driver scarcity and higher net energy costs.
- The onerous contract provision associated with RRX Lots 2/3 increased from £47m (restated, as of 31 December 2022) to £118m as of 31 December 2023. This liability will unwind over the remaining life of the contract through to 2033.

A focused action plan – working with our Passenger Transport Authorities (PTA's) – to recover the profitability of these contracts is underway.[1]

Balance Sheet, debt maturity and interest costs

The Group's covenant gearing ratio at 31 December 2023 was 3.0x, increased from 2.8x last year-end compared to a covenant test gearing limit of less than 3.5x. Free Cash Flow of £163.7m was slightly ahead of prior year (FY 22: £160.5m). However, cash outflows in respect of Adjusting Items of £71m (including cash costs of restructuring programmes and cash outflows relating to German onerous contracts) and dividend payments to equity shareholders of £41m (FY 22: £nil) resulted in covenant net debt broadly flat on prior year at £987.1m (FY 22: £985.8m) alongside slightly lower covenant EBITDA.

As of 31 December 2023, the Group had £2.0bn of cash and committed facilities. During the year, debt maturity and liquidity were improved with the £527m RCF (the majority of which would have matured in 2025) being replaced by a £600m RCF facility to 2028. We also refinanced the 2023 £400m bond with a €500m Eurobond issue maturing in 2031. Both the RCF and Eurobond were secured at competitive rates. As rates stand today, the anticipated net interest charge in FY 24 will be in the region of £85m to £90m (£75m in 2023). Approximately 80% of our debt is fixed, with the 20% that is swapped to floating rate due to revert to fixed in 2025.

Mobico has made clear its objective to reduce gearing. However, the lower than previously expected profits generated in 2023, increased costs associated with restructuring, and the German onerous contract cash costs means the timeline of that plan has been extended with the target range of 1.5x-2.0x now expected to be reached in 2027. The Group announced in October that it would look to accelerate the deleveraging (and reduce future capital intensity) with the potential disposal of NASB. Preparations for a potential sale continue to progress well and a sale at an appropriate valuation would accelerate the deleveraging timetable.

Dividend

On 12 October, the Board announced the suspension of the 2023 final dividend when it became clear that covenant gearing would not decrease in the year and in the light of the weaker than expected macro-economic environment and trading performance.

The Board will continue to monitor business performance and prospects and the associated pace of reduction in covenant gearing and will reinstate the dividend when it considers that sufficient progress is being made, targeting a 2x coverage ratio (EPS to DPS) once reinstated.

Outlook

Based on current market conditions Adjusted Operating Profit for FY 24 is expected to be within the range of £185m to £205m. Similarly to FY 23, we expect a greater bias to the second half of the year, given the phasing of cost reduction programmes and the timing of price increases.

Strategic commentary

2023 has been a year in which important underlying progress has been made in the context of an evolving market, where Mobico has:

- Adapted to the reality of a post-pandemic world and addressing notable external headwinds;
- Acted decisively to adjust the business model to be 'fit-for-the-future': addressing new patterns of demand, evolving requirements of the cost base, changing methods of delivery, and to capture new opportunities; and
- Positioned to capture future growth opportunities

[1] Opening balance restated £46.9m plus charge of £99m less utilisation to give closing position of £118m.

Adapted to external headwinds

2023 has been a year of continued progress in the face of notable external headwinds and an evolving market, including:

i. Reduced government funding

In 2023, we have offset a significant headwind from the £105.4m year-on-year reduction in Covid funding (FY 23: £26.3m; FY 22 £131.7m) with underlying improvements in trading.

Covid support	FY 23	FY 22
Revenue	**13.4**	56.7
Cost support	**12.9**	75.0
Total	**26.3**	**131.7**

It is a reality of many public transport systems that, if operated purely on a commercial basis, they would likely involve fewer routes and higher fares. It is therefore important to note that government support for transport services remains strong, and we continue to see evidence that governments around the world are increasingly aligned with our agenda and interested in driving the modal shift from cars to public transport.

ii. Markets undergoing continued evolution, both structural and cyclical

In ALSA, our Long Haul business grew significantly, despite the impact of high speed rail competition on some key corridors.

Elsewhere, five-day-a-week commuter travel has fallen as a result of increased hybrid working. This particularly impacted NXTS where the Private Hire and UK Holiday markets have also been slower to return to pre-pandemic levels of activity. The impact of lower commuter activity resulted in the decision to close two of our depots, with residual operations consolidated into a smaller depot footprint.

The impact of lower commuter activity on our Shuttle business in North America has been less pronounced as we are paid on a per-vehicle (rather than per-passenger) basis.

Acted to become fit-for-future

Throughout 2023 the Group has already taken decisive action to address these challenges, but also to create a business that is fit-for-future and well positioned to capitalise on future opportunities. This required change including:

- a sharper commercial focus of divisional leadership,
- driving further cultural alignment across the Group, and
- refining our business model.

i. Important leadership changes

In order to drive strong operational focus, the Group changed the leadership of two of the businesses: North America School Bus, with immediate impact (delivering one of the most successful school-year start-ups for several years); and the UK & Germany Division, to bring a sharper commercial focus and a fresh perspective on the operating model.

ii. Working with government partners to access continued funding

Throughout the year we continued to work with governments (regional and national) to access funding and create sustainable, long-term partnerships. Some notable successes in the year included:

- **ALSA:** integrating multi-voucher ticketing into our booking platform, gaining a significant competitive edge
- **North America:** accessed funding to purchase 143 fully electric school buses through the EPA Clean School Bus Program
- **UK:** funding package secured to the end of 2024 to allow the UK Bus business to maintain network coverage, with price rises implemented from 1 July 2023.
- **Germany:** secured funding to compensate for the impact of the €49 ticket on passenger revenues in our RME contracts (with the funding secured until the end of 2024 when the initiative is due to expire)

iii.Action to address structural changes

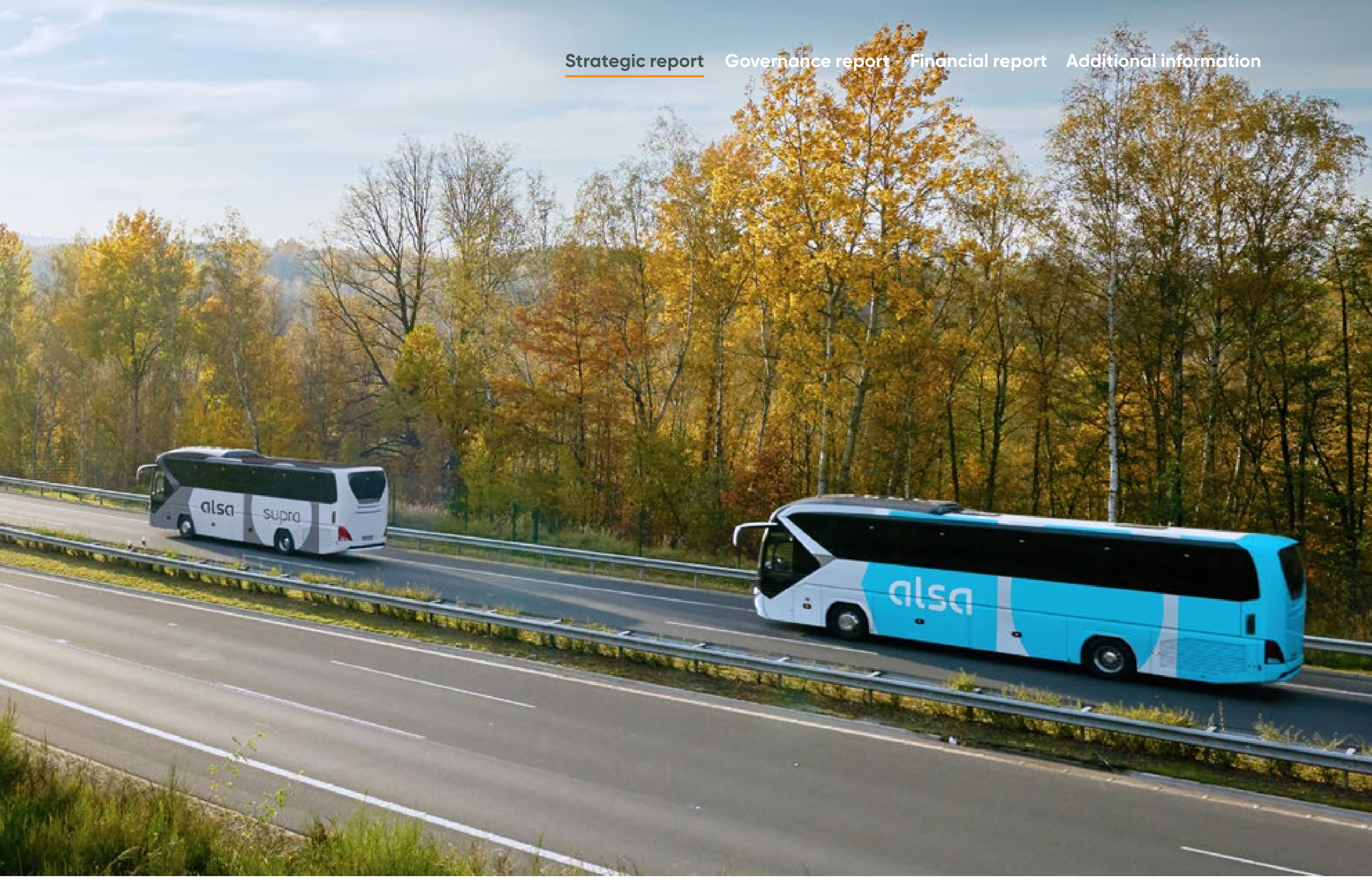
Across the Group we took action to combat structural change;

- **ALSA:** investment in innovative marketing and service delivery to optimise our proposition against High Speed Rail (HSR) helped to mitigate the impact of significant, discounted capacity on our major corridors.
- **North America:** in our Transit business we had already exited a number of loss making businesses where we deemed no recovery was possible through contract negotiation. In the remaining portfolio we have renegotiated a number of contracts to rebalance the fixed and variable components of income, and in 2023 we also retained two key contracts (Framingham and Tucson) with significant rate increases to restore profitability in the light of reduced volumes. An action plan is also in place to address remaining under-performance in six Customer Service Centres (CSCs) in Transit & Shuttle. The diversification strategy, taking Shuttle into new sectors and geographies, has delivered important gains for the business.
- **UK:** in response to the structural impact of increased home-working on our NXTS commuter businesses (Clarkes and Kings Ferry) we took action to close two depots and instigated a review of options across the remaining NXTS business, which is exposed to Private Hire demand.

iv.Combating the impact of inflation

2022 and H1 of 2023 saw a significant peak in inflation, particularly driver-related costs, which increased 2023 costs by £130m compared with prior year (which includes the impact of the full-year effect of the School Bus pay increase).

Recovering the impact of inflation has been a key priority for the Group and with significant progress having been made (typically with a lag between cost inflation and price rises). However, when inflation is high and persistent there is a need to act further which is why we have taken action on pricing and on the unit costs in the business.



During the year, we continued to make good progress on pricing:

- In School Bus we achieved price increases of 13% on the portfolio of contracts up for renewal at the beginning of School Year 2023/2024. This represented about 40% of our contracts, and comes on the back of the 10% rise achieved on a further 40% of the contracts in the prior year (noting, however, that there will be a lag before the price increases are annualised);
- In UK Bus we agreed a price rise of 12.5%, effective from July 2023; and
- In our Long-Haul Coach businesses we achieved full-year yield increases of 3.7% in the UK and 7.5% in ALSA.

However, recognising that there was a need to do more we have continued to address our cost base. We announced our Group-wide restructuring, cost and efficiency programme (Accelerate 1.0) in Q1 of 2023 with the stated aim of achieving £25m of annualised savings. That programme has delivered £15m of savings in FY 23 and is expected to deliver annualised savings in excess of £30m in FY 24. In Q4 2023 we announced a second cost and efficiency initiative (Accelerate 2.0) with a stated aim of unlocking a further £20m of annualised benefits (£10m targeted in FY 24). This programme is focused on fundamental organisational design, so that we have business models (and unit costs) that position the Group to be fit-for-the-future.

v. Solving driver shortages

Industry-wide driver shortages have been particularly acute in North America School Bus, UK Bus and, more recently, Germany.

In North America School Bus, there was a c.15 % driver shortage at the beginning of School Year 22/23 (i.e. September 2022). By December of 2023, we had reduced this to c.2%. This was achieved by overhauling recruitment processes, with a record net number of 990 drivers hired in the year (compared to 884 in FY 22 and a loss of 569 in FY 21). Although we did incur higher than expected recruitment costs in the second half of 2023 this represented necessary investment. As the pressure has eased, those costs are now significantly lower.

In UK Bus, we exited 2022 with a driver shortage of 11%. As a result of actions taken, this had reduced to 6% by the end of 2023. Actions taken include an overhaul of the candidate attraction process, standardised medical and interview procedures, updated onboarding processes, and improving the time taken to make offers to candidates. This resulted in an increase in offers (from application) from 14% to 17%, a reduction in onboarding "no shows" from 20% to 15% and a significant reduction in the time taken to gain the PCV licence.

In Germany, we have a plan that is well underway to reduce the driver gap including increasing drivers trained from 39 in 2022 to 70 trained in 2023, with this higher level continuing through 2024. We are also working with the PTAs to significantly increase capacity in Government sponsored courses.

Positioned to capture future growth opportunities

Opportunity pipeline remains attractive; conversion is strong; retention is high

Since it was launched in 2021, the Evolve strategy has been crucial in building a robust business model that will capture sustained future growth. For example, we have taken further action in the past year to put the Group on a firm foundation for the future including leadership changes and the launch of our Accelerate restructuring programmes. We have also reinforced Business Development and Sales functions across the Group. While doing so, Mobico's conversion of opportunities has been strong with 43 new contracts won in the year, worth over £1bn in total contract value and c.£126m in annualised revenue, at average ROCE of c.23%. ROCE will improve as we continue to favour Asset-Light opportunities. The new contracts won provide the platform for delivering our revenue growth targets.

Revenue growth has been good and the pipeline of opportunities – both organic and through M&A – remains well populated. That pipeline currently represents c.£2.5bn of annualised revenue (as compared with the equivalent £2.5bn at 31 December 2022). In 2023, we also closed a number of small, but strategically important acquisitions.

Debt reduction remains a priority

The Group enjoys excellent liquidity and very clear sight of interest costs given that circa 80% of such costs are fixed with weighted interest costs on our bonds of 4.0%, and a margin of 0.55% above SONIA on our RCF. Nonetheless, it is clear that the Group's debt (which increased as a consequence of Covid) and gearing is an issue that needs to be addressed. Mobico remains confident that it can reduce leverage through Adjusted EBITDA growth over the medium term. However, reduced expectations about the rate of profit recovery and increased cash costs associated with restructuring and German onerous contracts in the near term have delayed plans for full recovery and debt reduction; we now expect to achieve the target covenant gearing range of 1.5x-2.0x in 2027.

In October 2023, we announced the potential sale of the North America School Bus business on which preparations are progressing well. If a sale at an appropriate valuation is concluded, the proceeds will make a significant contribution to debt-reduction ambitions.

Zero emissions vehicles as a catalyst for change

The Group is moving at pace to evaluate, adopt, and mobilise ZEVs in fleets across our businesses. Mobico has a crucial role to play in planning and facilitating the transition to ZEVs, while remaining vigilant regarding the risks of decarbonisation and the commercial viability of solutions. We have previously set out and now reconfirm zero emission fleet targets, to hit net zero by 2040 (based on Scope 1 and 2 emissions). We continue to make excellent progress on our ZEV transition plan and remain on track to secure (operating and on-order) 1,500 ZEVs by the end of 2024 and 14,500 by 2030.

Updated long-term financial ambitions

In 2021, Mobico published financial ambitions as part of the launch of its Evolve strategy. In light of recent performance and the current trading environment, these have now been updated as follows:

- FY 27 revenue of at least £3.8bn (£1bn above FY 22)
- Sequential growth in Adjusted Operating Profit with FY 27 Adjusted Operating Profit of approximately £300m (circa £100m above FY 22)
- Cumulative Free Cash Flow (after growth capex and M&A) for FY 23 to FY 27 of around £300m
- Covenant net debt/covenant EBITDA of between 1.5x to 2.0x by FY 27
- Paying a dividend targeting 2.0x cover (once re-instated)

* NB our definition of Free Cash Flow (now after growth capex and M&A) has been changed to reflect the ongoing discipline in the re-investment of cash flow to drive growth in revenue and profitability. Cumulative Free Cash Flow (prior to growth capex and M&A) and which previously had been guided to be £1.25bn between FY 23 and FY 27 would now be over £1bn).

Ignacio Garat

Ignacio Garat
Group CEO

21 April 2024

Case study

Key Luton Airport Coach contract retention reflects values of Evolve

Winning new contracts is important. Retaining them? Even more so. Delivering the Evolve strategy is about providing the best experience, delivering the safest and most reliable service, and being the most efficient and highest quality provider that we can be. So, when we believe we have delivered against our own exacting expectations, it is particularly rewarding to have customers renew their partnerships with us – and especially when those decisions rely on such qualitative, as well as financial, criteria.

One such instance has been the retention of two key lots for Luton Airport, one of London's fastest growing hubs, where Mobico has been successful in retaining contracts to deliver coach operations. One for the core London–Luton Airport lot, and the other, a regional services lot, that integrates Luton Airport as a stop on our intercity network. National Express already ran frequent coach services between Central London and London Luton Airport – 24 hours a day, seven days a week – with four departures an hour during the daytime.

When the contract was up for tender, a competitive submission was made to deliver the airport and National Express' shared vision of providing a green, affordable transport option for customers travelling to and from the airport and giving a seamless customer experience. In December 2023, National Express was re-awarded the five contract.

As if emphasising that truly committed service is a continuous process, when a recent, significant fire destroyed a car park, the National Express Luton team went above and beyond to support passengers through the night and ensure people could get to where they needed to go safely.

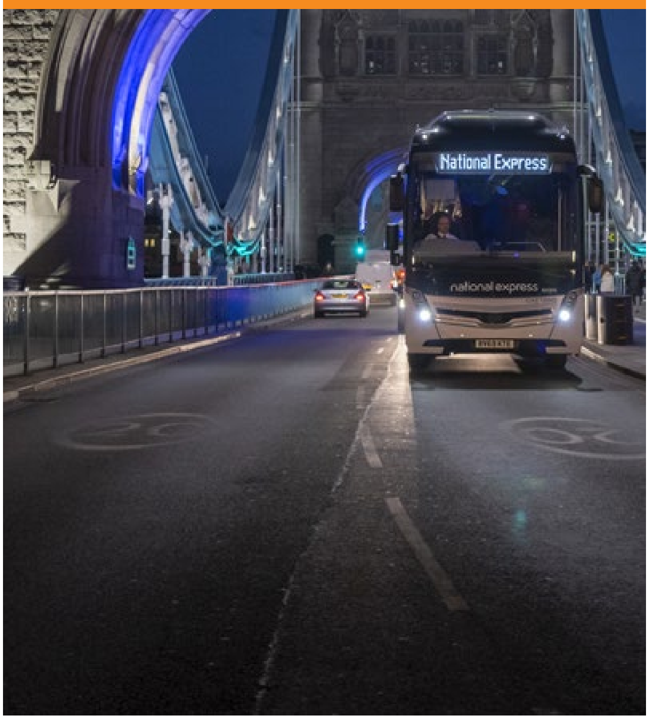
Performance reviews

Highlights and achievements over the year.

ALSA

North America

UK



Germany

ALSA

Francisco Iglesias

CEO: ALSA

With 100 years' experience, ALSA operates long distance, regional and urban bus and coach services across Spain, and in Morocco, Portugal, Switzerland France and the Middle East. Apart from its scheduled bus and coach services, ALSA offers mobility solutions to meet business, leisure and healthcare transport needs.

Urban bus | Long distance coach | Private hire | Healthcare

Revenue (£m)
+21.1%
£1,165.4m
(2022: £962.5m)

Adjusted Operating Profit (£m)
+31.7%
£136.8m
(2022: £103.9m)

Statutory Operating Profit/(Loss) (£m)
+171.1%
£121.0m
(2022: £(170.2)m)

Adjusted Operating Margin (%)
+0.9%
11.7%
(2022: 10.8%)

ALSA is the leading company in the Spanish road passenger transport sector. It has, over a number of years, significantly diversified its portfolio away from Long Haul to having a multi-modal offering, which today also spans Regional and Urban Bus and Coach services across Spain, Morocco, Switzerland, Portugal, France and – since October 2023 – Saudi Arabia (via a 15% minority holding).

Results

In its centenary year, ALSA delivered a record year for revenues which exceeded £1bn for the first time with revenues up 21.1% (18.7% on a constant currency basis) and Adjusted Operating Profit growth of 31.7% (29.2% on a constant currency basis). This was the result of strong passenger growth and significant pricing actions across all of its lines of business, and a diverse, growing portfolio.

Long Haul revenues were up 37.1% driven by passenger volume growth up 27.5% and yields up 7.5%, compared with 2022. Long Haul occupancy ratios were 5.5% better than FY 22. There was continuing growth in Regional and Urban business with revenues up by 14.9% and 7.3% respectively. Morocco delivered a robust performance, particularly after taking into account the earthquake in September, with revenue for 2023 growing 2.1% versus last year. The International business (including Portugal) delivered strong revenue growth of 61.2%. There were also some modest but strategic acquisitions in Spain in FY 23, providing entry to new targeted markets and further diversification of business lines, and in early FY 24 ALSA completed the acquisition of CanaryBus, the leading operator in the Canary Islands, strengthening our position in this important tourism market.

Statutory Operating Profit of £121.0m represented an increase of £291.2m versus 2022, principally due to the £260.6m non-cash impairment charge taken in 2022.

Highlights

The main highlights of the year included:

- Record Revenue and Adjusted Operating Profit performance in 2023, driven by highest ever passenger numbers reaching 589m in 2023 (+13% vs 2022)
- Retention of all key material domestic contracts that were bid including Aragon and Valencia, with total contract value of >£120m, and the renewal of BBVA, Caixabank, Arcelor and Metro private contracts with £20m contract value
- Expansion of our key Madrid multi-modal hub with important contract wins, including a healthcare transport contract strengthening our position in this key market (the original platform having been established by the acquisition of Vitalia – since renamed Sanir)
- Successful mobilisation of three significant international contracts: Porto (200 buses) and Geneva (35 buses) started in December and Saudi Arabia (129 coaches) launched in October
- New digital centre of innovation established as digital sales are now >65% of revenues.

In almost every respect, ALSA has delivered an improved performance over the same period last year. It has also improved its operation and its offering, whether through evolving use of technology or its relentless focus on the customer. It has long been the strategy of ALSA to diversify away from its original Long Haul business, while continuing to grow it. As a result of continuing diversification, including growth in Spain, Urban and Regional, international expansion into Morocco, Portugal and Switzerland, and growth in paratransit, cruise line transfers and other services, Long Haul now represents only 17% of ALSA's revenues from 25% in 2016.

In the Long Haul business, passenger numbers were up 27.5%, average ticket prices were up 7.5% and occupancy was up 5.5% driven by the nine main corridors. Indeed, occupancy levels in these key corridors reached a record in July at 77.1%. Increasingly sophisticated marketing strategies and network management tools contributed to this strong performance and helped capitalise on the positive impact of the Spanish Government's 'young summer' incentive in Long Haul (offering a 90% discount to people aged 18-30), which concluded in September. The scheme yielded good sales results with approximately 1.3m tickets sold for travel between 15 June to 15 September. Since the end of that scheme, ticket sales have stabilised. Nonetheless, it is estimated that approximately one-third of new customers brought into coach travel by the scheme have returned to travel by coach again.

While performing strongly, the Long Haul business faced continuing challenge from High Speed Rail (HSR) train corridors (including Madrid-Murcia, Madrid-Barcelona and Madrid-Alicante). Madrid-Asturias launched a HSR service in November 2023 but ALSA is responding with innovative marketing and revenue management plans as well as being more sophisticated in timing of routes and adapting to offer better origin-destination points for customers. The long-speculated potential change in the Long Haul Coach market, which could involve a change from the current structure, remains a possibility at some point in the future. ALSA's credentials as the best provider in its region, its extensive customer relationships, strategic assets and powerful brand means that it will remain well placed to prosper in any eventuality.

In the portion of the Regional business that is exposed to demand risk (i.e. those with net-cost contracts), passenger numbers were up 28.6%, with average ticket prices up 4.0%, both when compared with FY 22.

In Morocco, after the earthquake of 8 September there was some slowdown in activity, particularly in Marrakech and Agadir, where revenues fell 20% for one week when compared with the prior year. However, in subsequent weeks, business gradually recovered. In response to the tragedy, ALSA donated €1m to the 'Special Fund for Earthquake Management' created by the Kingdom of Morocco to support the reconstruction of the impacted area. The business also offered free travel for a period, to assist the affected communities.

Contract wins, renewals, and mobilisations

ALSA won 12 new contracts in 2023 with an annual contract value of circa £25m and an average ROCE of 46%. The Regional business successfully retained some important contracts in Aragon and Valencia, with total contract value of >£120m. Notable new contract wins included a five-year healthcare transport agreement using 175 vehicles in Madrid, expanding the existing important multi-modal hub in that city. Further, a number of significant contracts were successfully mobilised in the year, including Porto (Urban Bus – 200 buses), Geneva (two new Urban Bus contracts bringing our total operations to over 200 buses in Switzerland), and with our partners in Saudi Arabia (10 year Intercity Coach contract – 129 coaches), strengthening our reputation as the most reliable operator to manage contract transition.

Focus on efficiency and cost of delivery

ALSA has an excellent track record of delivery, established over many years. Nonetheless, it is not exempt from the need to constantly improve, and it has made significant further gains in efficiency through 2023. Examples include: deployment of Accelerate savings initiatives in depots (spare parts, brands and fleet availability optimisation), fleet productivity (maintenance, engine replacement and fuel consumption programmes), staff costs, procurement and digital. This resulted in further improvement in FY 23 with digital sales reaching 65.4% of total sales vs 55.8% in 2022 and fleet activity ratios improving to 76.2%, up 1.8% versus 2022.

Disciplined capital allocation

ALSA continues to deliver a high ROCE of circa 20% and maintains a highly disciplined approach to capital allocation, while also investing both organically and through M&A. ALSA completed four small but strategically important acquisitions in 2023 including Ibercruises (serving the leisure cruise industry), which completed in November. In March 2024 the acquisition of CanaryBus was formally completed significantly increasing our presence in the Canary Islands, which has a significant tourism market. Each acquisition offers access to attractive market adjacencies for ALSA at investment multiples that allow for excellent returns potential.

Evolve outcomes

ALSA continues to focus on the Evolve strategy with progress in the year:

- **Safest:** FWI (Fatalities Weighted Index) per Million Miles of 0.005 (FY 22: 0.005). New DriveCam IA technology is to be installed across 2,200 buses in 2024
- **Most satisfied customers:** Passenger growth of +12.9% vs 2022. Key initiatives in the year included improved passenger information and onboarding, and a B2B CRM Project Sales network 'Transform'. Ratings in December for NPS (Net Promoter Score) were +30% (+46% vs FY 22) representing significant progress against 2022 and 2019
- **Employer of choice:** eNPS of +24 (+7 on FY 22). As well as a tight control of absenteeism in the year, ALSA also secured Top Employer 2023 certification for ALSA Spain being the first transport company in Spain to achieve it, recognising organisations that stand out for their good practices in people management. Good progress in 2023 on our Diversity & Inclusion policy promoting equality with the creation of global and local committees and with a plan in course and dedicated resources
- **Most reliable:** OTP (On Time Performance) 94.9% (FY 22: 98.1%) as a result of increased congestion as traffic volumes return. Successful mobilisations in Porto and Geneva
- **Environmental leader:** Total ZEVs grew from 128 in service at December 2023 to 224 expected to be in service at December 2024 and are now >3% of the fleet. ALSA has begun operating six new lines on the 'Transports Publics Genevois' (TPG) network in Geneva, Switzerland, with a fleet of 100% electric buses.

Francisco Iglesias
CEO: ALSA

Case study

ALSA's successful expansion in healthcare further strengthens multi-modal credentials

Over many years, ALSA has been successful in expanding its operations and diversifying into adjacent markets – capitalising on its strengths, enhanced through Evolve principles and objectives. In partnership with Transinsa, ALSA acquired Vitalia (later renamed Sanir) in 2022 as its entry into the attractive healthcare transport market. During 2023, the business has won an important new contract in Madrid that simultaneously expands the healthcare business and also strengthens ALSA's multi-modal credentials in that valuable strategic hub.

The key drivers that make the healthcare transport business attractive include: the expectation of continuing market growth; the ongoing consolidation across ground medical transport companies; and the increasing demands of professionalism expected by customers from their suppliers. In the last instance, the experience of ALSA as a supplier of complex solutions across different markets, and for a varied range of exacting customers, provide differentiating credentials.

The new contract, operated as a joint venture, is for a five year term, and is worth a total of over €160m. Not only does it make ALSA the leading such provider in the region, but it will also provide an opportunity to leverage that position by bidding for opportunities in other regions (including Catalonia).

North America

Tim Wertner

CEO North America School Bus

Erick Van Wagenen

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%)

- 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_2 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.

UK and Germany

Alex Jensen

CEO: UK and Germany

Our National Express business in the UK and Ireland had five areas of activity through the year, scheduled coach, bus services in the West Midlands, corporate and private hire, and services in Ireland. In Germany, we operate 5 Rhein-Ruhr Express routes as well as the RE7 and RB48 of the Rhine Munster Express.

Urban bus

Long distance coach

Rail

Revenue (£m)
+9.2%

£869.9m

(2022: £796.8m)

Adjusted Operating Profit (£m)
-45.1%

£23.7m

(2022: £43.2m)

Statutory Operating Profit/(Loss) (£m)
-1,059.2%

£(98.8)m

(2022 restated: £10.3m)

Adjusted Operating Profit Margin (%)
-2.7%

2.7%

(2022: 5.4%)

In the UK Bus sector, Mobico is the market leader in the West Midlands – the largest UK urban bus market outside London. UK Coach is the largest operator of scheduled coach services in the UK, and also serves the fragmented, corporate shuttle, private hire and accessible transport markets.

In Germany, Mobico is the second-largest rail operator in North Rhine-Westphalia and one of the top five operators in Germany.

Results

Good constant currency growth with Divisional revenues up 8.4% on a constant currency basis (9.2% on a reported basis) but a decline in Adjusted Operating Profit of £19.5m (45.1%). In UK Bus, revenues were down 1.7% vs 2022. In UK Coach, revenues were up 30.5% vs 2022. In Germany, revenues were down 3.2% vs 2022 (5.1% at constant currency), although this mainly reflects lower "pass-through" costs in our contracts.

Highlights

In July 2023, the UK Bus and Coach businesses were combined into a 'one-UK' structure to drive efficiencies and best practice across the division. In September 2023, Alex Jensen was appointed as the new Divisional CEO, together with a new CFO. As with the North American division, new leadership was deemed necessary to bring sharper commercial focus to the business. The immediate focus has been in three areas: (i) driving performance through tighter operational control, optimising networks and driving volumes and yields; (ii) transforming the business models to improve the risk and reward balance and rebase costs; and (iii) building organisational capability and discipline, including around capital and cost allocation.

Although both UK businesses have delivered good passenger and revenue results, they share a common challenge in their respective cost bases which have risen sharply since 2019 on a unit-cost basis relative to unit-revenues (i.e. when looked at on a per passenger or per mile basis). Work is underway, at pace, to determine the optimum cost structure.

UK Coach

- Strong growth in UK Coach core scheduled coach revenue resulting from good passenger recovery (+25.4%) and yields (+3.7%) vs 2022; including an estimated £15m profit benefit from rail strikes
- National Express's UK scheduled coach network growth in 2023 has significantly outpaced our main competitors, with 6.4m seats added over the year
- 15% of first-time users on a rail strike day have since used National Express again.

UK Bus

- UK Bus was significantly impacted by the drivers' strike in Q1 and associated wage settlements which added £23.3m of incremental cost. The cost of the strike itself (from lost revenue net of saved variable costs) was £2.4
- Significant funding from West Midlands Combined Authority to protect the bus network of £47.0m (FY 2022: £50.7m). While this funding is important, it is not sufficient to cover the cost increases or deliver an attractive return, and the team is working to reset this in January 2025 when the current funding deal ends
- 12.5% fare increase implemented from July 2023, lagging but assisting in mitigating cost increases (the pay award was effective 1 January 2023)
- Customer complaints reduced by 28% year on year reflecting an increased focus on lost mileage, punctuality, driver recruitment & retention and customer response
- Reduced the driver vacancy gap from 11% to 6%.

German Rail

- Lifetime profitability of contracts adversely impacted by industry-wide disruption in the train driver market, lower labour productivity, volatility in energy costs and energy cost recovery indices, and persistent levels of inflation
- Increased onerous contract provision for RRX Lots 2&3 to £118.3m (FY 22 restated: £46.9m)
- Active discussions with PTA to renegotiate contracts and minimize disruption to passengers.

UK Coach

UK Coach delivered strong passenger growth of 25% in 2023 from a network that grew by 29%. Yields increased by 3.7%, and occupancy was marginally down at 69.7% as airports built back up.

National Express coaches provided significant support to customers during the repeated rail strikes through the year, which generated an estimated 615,000 additional passengers, and £17m revenue. Excluding strike impacts in 2022 and 2023, estimated underlying passenger growth in 2023 was 24%.

Overall, the growth in active online customers registered with National Express was circa 43%. This includes new customers who switched to our service, due to the disruption caused by continued rail strikes in 2023 and who we have subsequently retained.

In October, a review of the loss-making NXTS business resulted in a decision to close two depots (Gillingham and Sydenham) which have been impacted by a reduction in daily commuter traffic as a result of the working-from-home trend. The rest of the NXTS business has a significant dependence on the UK private hire and charter market which has been slow to recover post Covid. All potential options are being considered, including further rationalisation and rightsizing.

UK Bus

In FY 23 commercial passenger numbers were up 8.2% and exited the year at 98% of 2019 levels on a smaller network (at the end of 2023, the network was operating at 89% of 2019 mileage levels).

The drivers' strike in Q1 2023 resulted in a wage settlement of 16.2%, backdated to 1 January 2023 with the total cost of driver pay awards being £23.3m. The net cost of the strike itself, including lost revenue and other business interruption costs, but after savings, was £2.4m. While this is unwelcome, settlements that are above inflation are unsustainable and we have taken the action necessary to maintain the business on a sustainable and strong footing. In response to the pay increase, National Express increased ticket prices in July 2023 by circa 12.5%, with the average day ticket increasing from £4.00 to £4.50.

During the year, we continued to receive government funding support to deliver customer growth and to maintain those parts of the bus network that are not commercially viable (£47.0m of funding was received in FY 23, compared with £50.7m in FY 22). This contribution reduces to £38.7m in FY 24, after which time the current agreement ends. The reduction mainly reflects the end of specific support received for the fare freeze in FY 23 (£3m) and a £5m reduction in support received under the Bus Recovery Grant. Discussions are underway to secure further funding, and alternative network cuts (removal of non-profitable routes) have already been identified which would act to bridge any remaining funding gap.

Contract wins, renewals and mobilisations

Late in the year, the UK Coach business successfully retained its Luton Airport contract after a competitive process, extending a very effective and collaborative partnership exemplified by the response to the major fire at the airport parking facilities in October 2023. This new contract (five-year plus two-year extension option) continues a successful partnership that has run since 2013 serving circa 1.5 million passengers per year.

Our Ireland operations, operating as Dublin Express, continue to grow and expand. In January 2024, we successfully retained the contract in a competitive tender process to operate Airport to City services from the premium departure slots until 2027. We see further growth in this buoyant market both in terms of ongoing airport growth and expansion of Dublin Express' reach, starting with launch of an additional service to southern Dublin in H1 2024. Overall passenger numbers grew from 1.2m in FY 22 to 1.7m in FY 23 (+48%). This growth was driven by ongoing recovery in Dublin Airport air passenger numbers, further embedding of the Dublin Express brand in the Irish market and a focus on partnerships, such as our exclusive ticket sales arrangement with national rail operator, Irish Rail. To meet this demand, we increased our overall seat capacity between Dublin and Dublin Airport by 94% over the course of the year.

In parallel, we launched the Dublin to Belfast route on 18 July 2023. Comprising 16 round trips per day, this route has already gained a significant foothold in the market and was profitable after just three months. We have now carried 150k passengers and believe that this will grow to over 0.5m passengers per annum over the next two years.

We continue to build our reputation for quality and reliability, enjoying an NPS on Belfast routes of over 70 (and over 40 on high frequency Airport-Dublin routes), demonstrating the quality of service being delivered hand in hand with the significant growth over the period.

Focus on efficiency

Through the year, the UK Coach operated network has grown – with operated mileage in 2023 at 61.3m miles, 29% higher than in 2022 with seat utilisation at 70%, 6% above 2019 levels (64%). This growth has been added quickly but in an efficient and sustainable manner, without sacrificing punctuality or customer satisfaction. Absolute growth in the National Express network has significantly exceeded that of our two largest competitors combined.

During 2023, UK Bus placed a strong focus on driver recruitment and retention, investment in new more reliable fleet, and proactively working with local authorities to limit highway disruption. The launch of 'Project Clockwork' is designed to deliver a significant improvement in bus punctuality and further improvement in lost mileage by the end of 2024.

Disciplined capital allocation

During the year, the business undertook a commercial review of a project to bring 100 Hydrogen Fuel Cell ZEVs into UK Bus operations, as part of the ZEBRA (Zero Emission Bus Regional Areas) Government funding scheme. The review drew on insight gained in running a fleet of 20 buses in Birmingham in partnership with Birmingham City Council. Given what we learnt from this small trial, we made the decision to move away from the hydrogen element of the ZEBRA scheme. We are in discussions with TfWM and DfT about next steps. Hydrogen may become viable for longer distance Coach operations in the future, and that will be further evaluated as the technology evolves.

Germany

In Germany we face pressure on profitability of our contracts mainly as a result of three key structural issues: firstly, costs associated with industry-wide disruption in the train driver market and lower productivity; secondly, lower expectations for net energy cost recovery relating to volatility in energy costs and associated energy cost recovery indices (including the impact of the revised indices from the German Federal Statistical Office); and finally, persistent levels of inflation.

Driver scarcity

Driver scarcity in Germany is an industry-wide issue caused by an increasingly competitive market for driver recruitment. Supply of drivers has traditionally been dominated by Deutsche Bahn's own workforce planning (and where state-backed retirement benefits are very attractive to the older members of the workforce). It is estimated that 40% of drivers will retire by 2027. In context, a typical driver training program requires 12-18 months to complete. This scarcity has recently been compounded by three key structural issues:

i. Continuing pressure on labour productivity by the unions who are seeking a reduction in productive working hours of 8% (to 35 hours a week). As a result, the driver establishment in North RhineWestphalia (NRW) for all train operating companies (TOCs) has increased significantly and it is expected that there will be a recruiting requirement of nearly 1,000 new drivers in the region.

ii. In late Summer and Q4 of 2023, we saw higher than anticipated resignations as drivers left to join agencies (where they could be re-employed on significantly higher pay). This has been a significant and rapid change for the industry. When we mobilised the RRX Lot 1 emergency award in February 2022 only 20 agency drivers were employed representing 5% of our driver workforce. By January 2024, in contrast we were running with an agency driver quota of 12%.

iii. Significant network upgrade work with almost 1,000 construction projects planned for the NRW region. Major projects include RRX expansion and the remodelling of the Cologne junction and affects around 30 per cent of daily journeys in NRW, this results in longer journeys and a higher driver requirement.

As a result of the issues outlined above, at the end of FY 23 we had an overall driver gap of circa 9%, (after the utilisation of 41 agency drivers). While a driver gap of 5-10% can be managed in the short term (with higher penalties and overtime costs), this level of gap is not sustainable over the medium term, and management have put in place an action plan to address:

- Agreed mileage reductions with our PTAs to minimize disruption to passengers and associated penalties (although with a reduction in subsidy) over the next 12 months
- Increased the number of our own driver training courses from 39 in 2022 to 70 in 2023 and a similar number planned in 2024, in order that we recover the driver shortage by 2025/26
- Amended our workforce plans to take account of lower productivity

Energy subsidy

Energy subsidies are received to compensate operators for volatility in energy prices, and are calculated by reference to specific indices published by the German Federal Statistical Office, DeStatis. The way that indices relevant to our RME and RRX 2&3 contracts are compiled is not transparent.

However, historically the way in which these indices had behaved was relatively predictable: tending to increase as wholesale prices increased (and decrease as market prices fell) but in a less pronounced way. For example, energy prices for short-dated energy purchases peaked in August 2022 at over 500% of August 2021, the energy compensation index only increased 250%. During 2023 the index started to behave in a different way from this previous experience giving us a greater exposure.

As a result, we have revised our forecasts for long-term cost recovery under the contracts.

Revised Indices

In addition to the issues described above, in early March 2024 DeStatis republished values for the index used in our contracts, replacing previous data for the 38 months from January 2021 to February 2024. This revision required us to re-evaluate our forecasts for how the energy subsidy index will behave relative to our assumptions about the cost of energy.

Financial impact

Although we are involved in constructive ongoing dialogue with our PTAs to rebalance contracts for the structural issues that are outside of our control, the impact on our German operations prior to mitigation is as follows:

- Adjusted Operating Profit on our RME and RRX Lot-1 contracts reduced by £17m (compared to prior year) in 2023 to £0.2m. Of this change, approximately £10m is due to the IFRS15 contract asset, principally reflecting lower expectations of future profitability, with the balance of £6m representing the in-year impact of lower net energy costs, lower subsidy and the costs associated with driver shortages
- We expect that the RME and RRX Lot-1 contracts will generate future profits (through Adjusted Operating Profit) of approximately £20m over the remaining contract lives, but with a loss of approximately £5m in FY 24 as the driver issues are resolved, and we transition to operating RRX Lot-1 on a permanent basis (compared to an emergency award basis between February 2022 and December 2023)
- As a result of the issues described above, the onerous contract provision in respect of our RRX Lots2/3 contracts (which recognises all of the expected losses on that contract over its contract life) increases to £118.3m (FY 22 (restated): £46.9m), with an expected cash outflow of approximately £30m in FY 24, and an average cash outflow of £10m p.a. for the remainder of the contract lives.

Evolve outcomes

- **Safest:** UK FWI per Million Miles of 0.001 (FY 22: 0.002) reflecting the launch of an enhanced suite of 'Golden Safety Rules', expert coaching, and continued deployment of driver simulator in UK Bus. Germany had an FWI of 0.047 (FY 22: 0.000) as a result of a fatality of a track worker which is still under investigation.
- **Most satisfied customers:**
  - **UK Bus:** Passenger volume growth of 8.2%. Punctuality & reliability complaints, the biggest satisfaction driver for our customers, reduced by 48% year on year.
  - **Coach:** Passenger volume growth of 25%. Customer satisfaction for National Express (Coach) remains strong with an NPS of 36.8, flat on 2022, despite the impact of a significant number of rail strikes resulting in much busier services and increased traffic congestion.
  - **German rail:** Passenger volume growth of 13% stimulated by subsided fares in the form of the €49 ticket.
- **Employer of choice:** UK eNPS of -28, although disappointing, represents a significant improvement on prior year (+10 on FY 22), which was impacted by industrial relations issues and management change. In our drive to become Employer of Choice, we launched our National Express Inclusion Playbook for managers and colleagues, which is a toolkit for managers and their teams to navigate and nurture an inclusive culture.
- **Most reliable:**
  - OTP (On Time Performance) of 80.8% (FY 22: 85.6%) in UK Bus, and 86.9% (FY 22: 88.9%) in UK Coach: A key controllable driver of reliability for our customers is lost mileage (defined as the difference between our scheduled mileage and operated mileage, reflecting services which have not been delivered) across both our Bus and Coach operations. In a period of rail strikes, growing demand for our services and the impact of increased traffic and roadworks, this metric has improved by circa 35% in both businesses. Despite this OTP has declined as a result of increased congestion and driver shortages.
  - OTP of 60.9% (FY 22: 64.3%) in German Rail: with the fall due to significant network infrastructure upgrades and route diversions, compounded by the scarcity of drivers. As discussed above, we are working with the PTAs to minimize the impact of disruption to customers.
- **Environmental leader:** Our UK Bus business now has 159 electric buses in operation (79 as at December 2022) meaning that 10.1% of our operated network that is fully electric, with further ZEVs already on order that will take that proportion significantly higher. In Coventry we are leading the UK's first 'All Electric Bus City' project, which is on schedule to be completed by 2025.

Alex Jensen
CEO: UK and Germany

CFO's review

Strong passenger growth and demand in the period resulting in a 12.2% increase in Group revenue to £3.2bn. £168.6m Adjusted Operating Profit and a £162.7m statutory loss after tax and adjusting items. £163.7m of free cash flow, representing 97% conversion, with £0.9bn in cash and undrawn commitments.

James Stamp, Group Chief Financial Officer

Summary Income Statement

	Year ended 31 December					
	Adjusted result[1] 2023 £m	Adjusting items[1] 2023 £m	Statutory Total 2023 £m	Adjusted result[1] 2022 £m	(Restated) Adjusting items[1, 2] 2022 £m	(Restated) Statutory Total 2022[2] £m
Revenue	**3,150.9**	**–**	**3,150.9**	2,807.5	–	2,807.5
Operating costs	**(2,982.3)**	**(190.0)**	**(3,172.3)**	(2,610.2)	(370.8)	(2,981.0)
Operating profit/(loss)	**168.6**	**(190.0)**	**(21.4)**	197.3	(370.8)	(173.5)
Share of results from associates	**(0.5)**	**–**	**(0.5)**	(0.4)	–	(0.4)
Net finance costs	**(75.2)**	**(1.2)**	**(76.4)**	(51.0)	(0.4)	(51.4)
Profit/(loss) before tax	**92.9**	**(191.2)**	**(98.3)**	145.9	(371.2)	(225.3)
Tax	**(42.5)**	**(21.9)**	**(64.4)**	(30.3)	24.4	(5.9)
Profit/(loss) for the year	**50.4**	**(213.1)**	**(162.7)**	115.6	(346.8)	(231.2)

1 To supplement IFRS reporting, we also present our results on an adjusted basis to show the performance of the business before adjusting items. These are detailed on pages 177 to 179 and principally comprise for the 12 months to 31 December 2023; intangible amortisation for acquired businesses, re-measurement of historic onerous contract provisions and impairments, re-measurement of the WeDriveU Put Liability, repayment of UK CJRS grant income ('furlough') and Group wide restructuring and other costs. In addition to performance measures directly observable in the Group financial statements (IFRS measures), alternative financial measures are presented that are used internally by management as key measures to assess performance. Further explanation in relation to these measures can be found on pages 251 and 252.

2 Restated for a correction to the German Rail onerous contract provision; please refer to Note 2 of the Financial Statements section for more information.

Read more about our leadership on pages 82 to 87

The Group has seen strong passenger growth and demand for its services in the period resulting in Group revenue increasing by 12.2% to £3,150.9m (FY 22: £2,807.5m), with topline revenue growth across all operating segments, driven by overall passenger growth of 9.9%.

The table below illustrates the levels of passenger and revenue growth during the year in the key parts of the business that are exposed to passenger volume-related revenues[1].

	2023 vs 2022 passenger growth %	2023 vs 2022 revenue growth %
UK Bus commercial	8%	14%
ALSA urban bus	22%	7%
UK scheduled coach	25%	30%
ALSA long haul	28%	37%

1 We have not included the RME contract in German Rail in the table above as revenues are covered by subsidies relating to the €49 ticket.

In addition to strong passenger growth, we also delivered good route recovery in North American School Bus and prices increases in a number of areas, including:

- The 40% of School Bus contracts that were up for renewal in this bid season had price increases of 13%, effective September 2023 (beginning of School Year 23/24);
- Price increases in UK Bus of 12.5% were implemented from 1 July 2023;
- Effective yield management in our UK and Spanish long-haul coach businesses increased average yields by 3.7% and 7.5% respectively.

These gains offset a £105.4m year on year reduction in Covid-related grants.

Covid-related grants	Revenue Support £m	Cost Support £m	Total £m
ALSA	11.5	–	11.5
North America	–	4.2	4.2
UK	1.9	8.7	10.6
German Rail	–	–	–
Total – Year ended 31 December 2023	**13.4**	**12.9**	**26.3**
Total – Year ended 31 December 2022	56.7	75.0	131.7

However, we also saw significant inflation and increased driver related costs which were not able to be fully offset in the year. Notwithstading good progress on Accelerate 1.0, which delivered £15m cost savings during the year, Group Adjusted Operating Profit fell to £168.6m (FY 22: £197.3m), a reduction of £28.7m. We expect the impact of run-rate benefits from our cost saving initiatives; the full year impact of pricing increases implemented during FY 23; further price increases to be implemented in FY 24; and further route recovery in North America School Bus to benefit FY 24.

After £190.0m (FY 22 restated: £370.8m) of adjusting items (described in further detail below) the statutory operating loss was £21.4m (FY 22 restated: £173.5m loss).

Net Finance Costs increased by £25.0m to £76.4m (FY 22 restated: £51.4m) due to both the refinancing of the £400m bond, which carried a 2.5% interest rate, with a €500m bond at a 4.875% interest rate; and the impact of higher interest rates on the Group's floating rate debt.

Adjusted Profit Before Tax was £92.9m (FY 22: £145.9m) and Statutory Loss Before Tax was £98.3m (FY 22 restated: £225.3m loss).

The Adjusted effective tax rate of 45.7% (FY 22: 20.8%) resulted in an Adjusted tax charge of £42.5m (FY 22: £30.3m). The effective tax rate has been impacted by an interest disallowance in the UK due to the Corporate Interest Restriction Rules (restricting interest deductions to 30% of EBITDA) and higher interest rates.

The statutory tax charge was £64.4m (FY 22 restated: £5.9m), with an Adjusting tax charge of £21.9m (FY 22 restated: £24.4m credit). The adjustment relates to: (i) the write-off of UK and North America deferred tax assets on tax losses which are either restricted in their use or have expired of £27.2m; (ii) a further £51.3m write-off of deferred tax assets on tax losses in Germany; (iii) a £46.2m credit relating to tax on adjusting items; and (iv) a tax credit of £10.4m on intangible assets.

The Statutory Loss after tax was £162.7m (FY 22 restated: £231.2m loss).

Adjusting items

Adjusting operating items were £190.0m (FY 22 restated: £370.8m), of which £71.0m (FY 22: £49.3m) resulted in cash outflows in the period.

Adjusting items debit/(credit)	Income Statement 2023 £m	(Restated) Income Statement 2022[1] £m	Cash 2023 £m	Cash 2022 £m
Goodwill impairment of ALSA	**–**	260.6	**–**	–
Intangible amortisation for acquired businesses	**35.3**	37.2	**–**	–
Re-measurements of onerous contracts and impairments resulting from the Covid-19 pandemic	**2.1**	7.6	**7.1**	17.0
Re-measurement of the Rhine-Ruhr onerous contract provision	**99.2**	24.3	**27.9**	9.6
Re-measurement of onerous contract provisions and impairments in respect of North America driver shortages	**12.0**	31.4	**9.8**	11.7
Final re-measurement of WeDriveU put liability	**2.4**	–	**–**	
Repayment of UK Coronavirus Job Retention Scheme grant ('Furlough')	**8.9**	–	**–**	
Restructuring and other costs	**30.1**	9.7	**26.2**	11.0

Adjusting items debit/(credit)	Income Statement 2023 £m	(Restated) Income Statement 2022[1] £m	Cash 2023 £m	Cash 2022 £m
Adjusting operating items	**190.0**	370.8	**71.0**	49.3
Unwinding of discount of the Rhine-Ruhr onerous contract provision (c)	**1.2**	0.4		
Total Adjusting items before tax	**191.2**	371.2		
Tax charge/(credit)	**21.9**	(24.4)		
Total Adjusting items after tax	**213.1**	346.8		

1 Restated for a correction to the German Rail onerous contract provision; please refer to Note 2 of the Financial Statements section for more information.

Following the impairment of goodwill in ALSA in 2022, no further goodwill impairment has been recorded.

Consistent with previous periods, the Group classifies £35.3m (FY 22: £37.2m) amortisation for acquired intangibles as a Adjusting item.

Re-measurements of onerous contracts which arose following the Covid-19 pandemic of £2.1m (FY 22: £7.6m) relates only to re-measurements in respect of contracts previously classified as onerous, and where we are still operating the contract. No new contracts became onerous in 2023. The cash outflow of £7.1m was higher than the income statement charge as it relates to the utilisation of onerous contract provisions recognised in previous years. We do not expect further Adjusting items in respect of new onerous contracts (with any remeasurements only in respect of those contracts previously recorded as onerous).

The Rhine-Ruhr (RRX) onerous contract (which relates to lots 2&3), and which runs to 2033, has been re-measured based on the latest forecasts of losses anticipated under the contract, resulting in a £99.2m charge to the income statement. The industry-wide disruption in the train driver market, lower labour productivity, volatility in energy costs and energy cost recovery indices, and persistent levels of inflation are key contributing factors to a significant increase to the RRX onerous contract provision as at 31 December 2023 compared to prior year.

The Group undertook a detailed review of the associated critical accounting judgements made relating to the contracts (and the associated key sources of estimation uncertainty identified) in relation to its German Rail business. The review also considered the calculation of the onerous contract provision as at 31 December 2022 and 31 December 2021 considering information that was or should have been available at those times following which the Group has determined that the German onerous contract provision was under-stated at each of those dates as set out in the notes to the Financial Statements. As a result the income statement charge for the year ended 31 December 2022 within adjusting items was restated to £24.3m (previously reported: £9.3m).

The provision at 31 December 2023 is £118.3m for the remainder of the contract term until 2033, following utilisation during the year of £27.9m and £1.2m unwinding of discount.

In US School Bus, an additional £12.0m charge was recorded in respect of onerous contracts and associated impairments which continued to be impacted by the post-covid market wide issues of driver shortages. This charge relates only to contracts which were previously considered to be onerous; no further such contracts have become onerous in 2023.

The WeDriveU put liability charge of £2.4m represents the final true-up payment in respect of the final 20% tranche of shares purchased and the Group now owns 100% of that business, with no further adjustments required.

Repayment of the UK Coronavirus Job Retention Scheme grant of £8.9m reflects the commitment made to voluntarily repay furlough funding at the time a dividend was paid to shareholders. This was subsequently paid in early 2024.

Restructuring and other costs of £30.1m includes the impact of Group wide strategic initiatives and restructuring, which includes one-off costs relating our cost saving programmes, and costs relating to preparation for the previously announced sale of US School Bus.

The Adjusting tax charge of £21.9m (FY 22 restated: credit £24.4m) is made up of a tax credit on amortisation of acquired intangible assets £10.4m (FY 22: £9.1m), a tax credit on Adjusting costs of £46.2m (FY 22 restated: £19.4m) and a deferred tax charge associated with de-recognition of tax losses of £78.5m (FY 22 restated: £4.1m).

Segmental performance

	Year ended 31 December					
	Adjusted Operating Profit/(Loss) 2023 £m	Adjusting items 2023 £m	Segment result 2023 £m	Adjusted Operating Profit/(Loss) 2022 £m	(Restated) Adjusting items 2022[1] £m	(Restated) Segment result 2022[1] £m
ALSA	**136.8**	**(15.8)**	**121.0**	103.9	(274.1)	(170.2)
North America	**27.1**	**(34.2)**	**(7.1)**	68.4	(55.7)	12.7
UK	**23.5**	**(22.2)**	**1.3**	25.6	(7.5)	18.1
German Rail	**0.2**	**(100.3)**	**(100.1)**	17.6	(25.4)	(7.8)
Central functions	**(19.0)**	**(17.5)**	**(36.5)**	(18.2)	(8.1)	(26.3)
Operating profit/(loss)	**168.6**	**(190.0)**	**(21.4)**	197.3	(370.8)	(173.5)

1 Restated for a correction to the German Rail onerous contract provision

ALSA Adjusted Operating Profit has increased by £32.9m to £136.8m driven by robust passenger growth and improved yields compared with FY 22. The Regional and Urban business has also seen continuing growth boosted by increased mobility and network increases. The Statutory Profit has increased by £291.2m to £121.0m, due to the impairment of goodwill in FY 22.

North America Adjusted Operating Profit has decreased by £41.3m to £27.1m, with revenue growth of 6% as services rebuild, partly offsetting a £51.7m reduction in Covid-related cost support. While the business has faced higher operating costs due to driver shortages during the year, there has been significant progress in School Bus, with driver recruitment and retention resulting in route reinstatement at near to its contractual maximum, and with price increases for expiring contracts at 13%.

Revenue growth in Transit and Shuttle has been driven by new contract wins in the year, offsetting some of the volume decrease that we have seen in some of our large corporate shuttle contracts.

The statutory operating loss of £7.1m for the North America division as a whole is £19.8m down on prior year despite a £21.5m reduction in Adjusting items (as a result of a lower charge associated with the re-measurement of onerous contracts as the driver-gap and number of onerous contracts has reduced) because of the reduction in Adjusted Operating Profit noted above.

In the UK, Adjusted Operating Profit reduced by £2.1m to £23.5m. UK Bus revenues were helped by commercial passenger numbers increasing by 8% versus 2022 and a 12.5% price increase in July 2023. These helped to mitigate the impact of the drivers' strike in the first quarter of 2023 and the associated 16% wage settlement which was effective from 1 January 2023. During the year we continued to receive grants and subsidies to operate services. UK Coach revenues were supported by strong passenger growth of 25%. Passenger revenues were boosted by rail strikes through the year which generated an estimated 600,000 additional passengers. UK Coach operating profit was impacted by the continued disappointing performance in NXTS, the private hire and contracts business. Two loss making depots (Gillingham and Sydenham) were identified for closure in the year. The increase in Adjusting items of £14.7m reflects the commitment to repay the UK Coronavirus Job Retention Scheme grant and also restructuring costs.

German Rail Adjusted Operating Profit is down £17.4m to £0.2m. Of this reduction, approximately £10m is due to the IFRS15 contract asset adjustments associated with the RME contract. This movement includes approximately £8m of adjustments to reflect the impact of lower future profit expectations over the remaining contract life. The balance of the reduction in profitability (approximately £6m) was a result of higher penalties (and lower subsidies) caused by driver shortages, and the in-year impact of lower recovery of energy costs due to index ineffectiveness and rebasing on RME and RRX1.

RRX Lots 2 and 3 contributed £nil to Adjusted Operating Profit as they are covered by the onerous contract provision noted above. The segment result was impacted by a £99.2m charge relating to the increase in the onerous contract provison reflecting the latest view of profitabiliity of the RRX Lots 2 and 3 contract over the remaining contract life to 2033.

Cash management

Funds flow	2023 £m	2022 £m
Adjusted Operating Profit	**168.6**	197.3
Depreciation and other non-cash items	**217.4**	220.8
Adjusted EBITDA[1]	**386.0**	418.1
Net maintenance capital expenditure[2]	**(135.7)**	(184.5)
Working capital movement	**9.1**	(1.1)
Pension contributions above normal charge	**(7.5)**	(7.4)
Operating cash flow	**251.9**	225.1
Net interest paid	**(61.0)**	(47.0)
Tax paid	**(27.2)**	(17.6)
Free cash flow	**163.7**	160.5
Growth capital expenditure[2]	**(17.9)**	(93.1)
Acquisitions and disposals (net of cash acquired/disposed)	**(59.6)**	(29.5)
Adjusting items	**(71.0)**	(49.3)
Payment on hybrid instrument	**(21.3)**	(21.3)
Dividend	**(41.1)**	–
Other, including foreign exchange	**53.4**	(105.4)
Net funds flow	**6.2**	(138.1)
Net Debt	**(1,201.7)**	(1,207.9)

1 Adjusted EBITDA is defined in the glossary of Alternative Performance Measures on page 251.

2 Net maintenance capital expenditure and growth capital expenditure are defined in the glossary of Alternative Performance Measures on page 251.

The Group generated Adjusted EBITDA of £386.0m in the period (FY 22: £418.1m).

Net maintenance capital expenditure of £135.7m is principally related to asset purchases in North America and ALSA and is £48.8m less than FY 22 as the Group accelerated capital expenditure in FY 22 to secure production slots, resulting in a lower cash outflow in FY 23. Working capital was well controlled with an inflow of £9.1m including the collection of amounts from public bodies in the UK and Morocco and the adjustment to the RME IFRS15 contract asset discussed above (the reduction in the asset which forms part of working capital offsets the non-cash charge associated with the reduction included in Adjusted EBITDA, hence is cash-neutral within FY 23).

Consistent with previous periods, the Group makes use of non-recourse factoring arrangements.

These take two forms:

a. typical factoring of receivables existing at the balance sheet date (principally utilised for School Bus in North America and ALSA), for which there was £74.9m (FY 22: £62.5m) drawn down at year end and which is recognised as a reduction in receivables and recorded within operating cash flow; and

b. advance payments for factoring of divisional subsidies, for which £83.8m (FY 22: £50.2m) was drawn down at the end of the year, of this, £66.4m (FY 22: £50.2m) is in Germany where the cash flow profile of the RME contract is such that it creates a working capital requirement over the first half of the 15 year contract, and we factor certain of the subsidies due in order to ensure that the contract has a cash neutral impact on the Group; £17.4m (FY 22: £nil) was also factored in ALSA in relation to urban bus consortium arrangements. The amounts drawn down on these arrangements are classified as borrowings.

Net interest paid increased by £14.0m to £61.0m reflecting the increase in central bank base rates during the year on the floating component of our debt and the refinancing of the £400m bond, at 2.5% interest rate, with a €500m bond at a 4.875% interest rate.

Tax paid increased by £9.6m to £27.2m due to higher taxable profits in ALSA, as well as a temporary rule introduced by the Spanish tax authorities, limiting the amount of tax losses which can be utilised during the current year (with the restriction only impacting current year).

Free cash inflow was £163.7m (FY 22: £160.5m), representing strong conversion of 97% (FY 22: 81%).

Growth capital expenditure of £17.9m in the period (FY 22: £93.1m) primarily relates to assets purchased for new business in North America and ALSA partially offset by a funding receipt from the local authority of £11.9m relating to the new Casablanca fleet. The decrease from 2022 is due to significant payments for the new fleet in Casablanca and Rabat that were made in the prior year.

Acquisition costs of £59.6m (FY 22: £29.5m) relate mainly to the £46.1m purchase of the final 20% share in WeDriveU, which is now a 100% subsidiary; a £6.1m deposit related to the Canarybus acquisition in ALSA; as well as several smaller acquisitions in ALSA and earn-out considerations being paid for previous acquisitions.

A cash outflow of £71.0m was recorded in respect of Adjusting items as explained above. £21.3m of coupon payments on the hybrid instrument were made in the period and £41.1m in respect of the 2022 full year and 2023 interim dividend was paid to shareholders. Other inflows of £53.4m principally reflect the movement in exchange rates and settlement of foreign exchange derivatives as a result of our hedging strategy which seeks to protect covenant gearing from foreign exchange rate volatility.

Net funds inflow for the period of £6.2m (FY 22: £138.1m outflow) resulted in Net Debt of £1,201.7m (FY 22: £1,207.9m).

Please see page 253 for a reconciliation to the statutory cash flow statement.

Dividend

On 12 October, the Board announced the suspension of the 2023 final dividend when it became clear that covenant gearing would not decrease in the year and in the light of the weaker than expected macro-economic environment and trading performance. It is not expected that an interim dividend for FY 24 will be paid.

The Board will continue to monitor business performance and prospects and the associated pace of reduction in covenant gearing and will reinstate the dividend when it considers that sufficient progress is being made, targeting a 2x coverage ratio (EPS to DPS) once reinstated.

Treasury management

The Group maintains a disciplined approach to its financing and is committed to an investment grade credit rating. Our Moody's and Fitch ratings are Baa2/negative and BBB/stable respectively.

The Group has two key bank covenant tests; being a <3.5x test for gearing and a >3.5x test for interest cover. At 31 December 2023, covenant gearing was 3.0x (FY 22: 2.8x) and interest cover was 5.2x (FY 22: 8.6x). The increase in the covenant gearing ratio is attributable to the reduction in Adjusted EBITDA, with covenant net debt broadly consistent with FY 22.

At 31 December 2023, the Group had utilised £1.4bn of debt capital and committed facilities. At 31 December 2023, the Group's RCFs were undrawn and the Group had available a total of £0.9bn (FY 22: £0.8bn) in cash and undrawn committed facilities. The table below sets out the composition of these facilities:

Funding facilities	Facility £m	Utilised at 31 December 2023 £m	Headroom at 31 December 2023 £m	Maturity year
Core RCFs	600	–	**600**	2028
2028 bond	232	**232**	–	2028
2031 bond	428	**428**	–	2031
Private placement	405	**405**	–	2027–2032
Divisional bank loans	164	**164**	–	Various
Leases	181	**181**	–	Various
Funding facilities excluding cash	2,010	**1,410**	**600**	
Net cash and cash equivalents		**(294)**	**294**	
Total		**1,116**	**894**	

The Group completed two significant refinancing activities successfully during the year, which has improved the debt maturity and liquidity profile.

In July 2023, the Group completed the refinancing of its Core RCF facility, with the signing of a new £600m, 5 year committed revolving credit facility, with options to extend for two further years.

In September 2023, the Group issued a new €500m bond, maturing in 2031 and with a fixed interest coupon of 4.875%. This refinanced the maturing £400m bond which was repaid in November 2023.

The result of these two activities is an extension to our average debt maturity to 5.4 years, up from 3.7 years at FY 22.

To ensure sufficient liquidity, the Board requires the Group to maintain a minimum of £300m in cash and undrawn committed facilities at all times. This does not include factoring facilities which allow the without-recourse sale of receivables. These arrangements provide the Group with more economic alternatives to early payment discounts for the management of working capital and, as a result, are not included in (or required for) liquidity forecasts.

At 31 December 2023, the Group had foreign currency debt and swaps held as net investment hedges. These help mitigate volatility in the foreign currency translation of our overseas net assets. The Group also hedges its exposure to interest rate movements to maintain an appropriate balance between fixed and floating interest rates on borrowings. At 31 December 2023, the proportion of Group debt at floating rates was 21% (31 December 2022: 19%).

Return on capital employed

ROCE is a key performance measure for the Group, guiding how we deploy capital resources and as such is a key component of executive incentives. ROCE for the year was 7.0% (FY 22 restated: 7.6%), as result of the lower EBIT in the year.

Group tax policy

We adopt a prudent approach to our tax affairs, aligned to business transactions and economic activity. We have a constructive and good working relationship with the tax authorities in the countries in which we operate and there are no outstanding tax audits in any of our main three markets of the UK, Spain and North America. The Group's tax strategy is published on the Group website in accordance with UK tax law.

Pensions

The Group's principal defined benefit pension scheme is in the UK. The combined deficit under IAS 19 on 31 December 2023 was £32.6m (FY 22: £42.1m), with the IAS 19 deficit for the Group's main scheme, West Midlands Bus being £30.0m (FY 22: £39.7m).

The agreed deficit repayments on the West Midlands Bus plan are £7.5m, £7.7m and £7.8m per annum for the three years from 1 April 2023.

Fuel costs

Fuel cost represents approximately 9% of revenue (FY 22: 8%). At 31 December 2023 the Group is fully hedged for 2024 at an average price of 51.6p per litre; around 50% hedged for 2025 at an average price of 51.1p; and around 17% hedged for 2026 at an average price of 47.8p. This compares to an average hedged price in 2022 and 2023 of 37.5p and 48.5p respectively. This increase in hedged rates will add approximately £5m to gross fuel costs by FY 24 compared with FY 23.

Going concern

The Financial Statements have been prepared on a going concern basis as the Directors are satisfied that the Group has adequate resources to continue in operational existence for a period of not less than 12 months from the date of approval of the financial statements. Details of the Board's assessment of the Group's 'base case', 'reasonable worse case', and 'reverse stress tests' are detailed in note 2 of the Financial Statements on pages 159 to 161.

Risks and uncertainties

The Board considers the following are the principal risks and uncertainties facing the business:

- **Unprecedented external factors threatening the resilience of the business:** The resilience of the business can be challenged from major incidents such as a future pandemic, a financial crisis or extreme weather. If the Group is not able to identify and prepare appropriately, it might lead to significant financial, operational and reputational damages.
- **Adverse economic conditions affecting our speed of recovery:** Declining economic conditions and very high inflation rates can impact demand for travel.
- **Adverse political and policy environment affecting funding:** Political and geopolitical events such as trade tensions and regional conflicts can bring change. Those changes may impact government policy and funding for transport, which may impact the Group's operations.
- **Regulatory landscape and ability to comply:** Changes in current regulations and newly introduced regulations can impact the cost structure and operational procedures in our business as we strive to remain compliant.
- **Climate changes (physical):** We see increased frequency and intensity of extreme weather events such as hurricanes, floods and heatwaves that can lead to extensive damage to infrastructure, loss of lives, and disruptions to communities. The Group can lose key locations or suffer severe asset damages, or operations can be interrupted and cause revenue loss even if the Group's assets are undamaged.
- **Climate changes (transitional):** The transition to zero emissions mass mobility is driven by regulatory changes, market demands, and Group's commitment to reducing its carbon footprint. The successful and sustainable transition poses a number of challenges due to significant changes required to infrastructure and changes to the risk profile associated with owning and operating the assets.
- **Implications of new technology in our business model (ZEV transformation):** Transition to ZEV means introducing new technology that involves changes impacting across the business model including financing, contracting, maintaining and operating of the assets.
- **Competition and market dynamics in a digital world:** The evolving digital landscape in the transportation sector brings a number of challenges and opportunities including: i) shifting consumer preferences towards digitalisation; ii) alternative revenue structures which may disrupt traditional fare structures; iii) structural transformation which could cause unforeseen disruptions or affect productivity.
- **Shortages of drivers and frontline employees:** A tightening labour market leads to a combination of higher turnover and lower numbers of new recruits. A material shortage of drivers, engineering and maintenance employees impacts our ability to effectively deliver services and impact profitability, operations and reputation.
- **Industrial action:** Industrial action can impact the delivery of service, revenues and damage our brand and reputation, along with employee engagement and morale.
- **Cyber attack:** Major IT failure could disrupt operations and lead to loss of revenue. Data compromise involving a loss of customer information could result in reputational damage and significant remedial costs.
- **Safety incidents, litigation and claims:** Major safety-related incident could impact the Group both financially and reputationally. Higher than planned claims or cash settlements could adversely affect profit and cash outflow. Non-compliance with regulations can create legal and financial risk. A security incident (e.g. terrorism) would have a direct impact through asset damage, disruption to operations and revenue loss.
- **Credit/financing:** A material increase in interest rates would increase the Group's cost of borrowing, albeit around 80% of our debt is now at fixed rates following refinancing in FY 23. Constrained equity and/or debt markets increase the costs of capital and debt financing. Regulation of debt providers and macro political and economic events can impact access to and/or cost of capital.
- **Attraction and retention of talent and succession planning:** Risk of not being able to attract or retain talented individuals with key skills needed to deliver the Evolve strategy.

J. Stamp

James Stamp
Group Chief Financial Officer

21 April 2024

Risk management

Committed to managing risk effectively

The Board of Mobico Group recognises the importance of effective risk management in the successful achievement of its strategic objectives. Positioned as a global leader in the transportation industry, Mobico is exposed to an evolving landscape of risks, which could potentially impact performance or reputation negatively, as well as positively. The Board remains ultimately responsible for the effective management of risk in the Group, and is committed to driving continuous improvement and adopting best practice in this crucial area. In addition to the broad strategic responsibilities, the Board:

a. approves the Group Risk Appetite Statement;

b. reviews and approves the Group Emerging Risks;

c. reviews the Principal Risks faced by the Group and approves the Group Risk Register.

The Audit Committee reinforces the process further by conducting 'deep dive' reviews, either on specific risks or through discussions with divisional leadership teams to challenge their divisional risk registers.

a. Group Risk Appetite Statement

The Board recognises that in continuing to deliver Mobico's strategy and achieve our objectives we need to take some calculated risks. However, Mobico will tolerate a level of risk that is consistent with our core purpose and values, can be managed effectively and be in line with the expectations of our shareholders and other stakeholders to offer superior returns. The acceptable level of risk is reviewed on an annual basis, which defines the appetite and tolerance level against key risks by analysing the mitigation actions in place and what additional measures might be needed. This ensures alignment between our view of acceptable risk exposure and the strategic priorities of the Group.

Mobico's strategy and objectives, including the focus on the Evolve strategy outcomes are reflective of its risk appetite. Mobico has:

- A strategy to create value for shareholders and society in a sustainable way;
- A clear understanding of its risks and opportunities in the transport industry across all geographic regions the business operates in (with any future expansion into new regions being subject to deep and rigorous country risk reviews) ensuring that the appropriate governance arrangements are in place aligned with the Group's strategy and values; and
- No appetite for risks impacting the safety of our employees, customer or general public, brought on by unsafe vehicles or actions.

Mobico is exposed to a universe of risks for which it has a varying degree of appetite and tolerance. In determining its appetite and tolerance for specific risks, the Board and Audit Committee ensures that:

1. Risks are consistent with Mobico's core purpose and values, strategy and financial objectives;
2. Risks are tolerated only when high standards of control and mitigation have been implemented and appropriate review and approval has been attained through the Risk Management Framework and improvement and reward is achievable; and
3. Risks are actively reviewed and monitored through the appropriate allocation of resources.

The Board remains ultimately responsible for determining the nature and extent of the risk it is willing to take to achieve strategic objectives, ensuring an effective management of those risks in the Group, and is committed to driving continuous improvement and adopting best practice in this important area.

b. Group Emerging Risks

Emerging Risks are reviewed and approved by the Board. The Group considers an emerging risk to be one that cannot yet be fully assessed and is not currently having a material impact on the business, but has a reasonable likelihood of impacting future strategy or operations. The Group's approach to identifying and managing emerging risk exposure is to:

- identify a wide universe of potential emerging risks using horizon scanning techniques, published external research and peer/competitor review;
- preliminarily assess these risks, taking into account our industry sector and market position, and our strategy, to determine broad relevance;
- consider the potential impact of each risk on the Group's strategy, finances, operations and reputation, taking into account the likelihood of the risk occurring, and the speed with which it may manifest; and
- develop actions to address the risks where appropriate.

From a very wide universe of potential emerging risks, the Group has, through the above process, identified a number of risks that warrant closer review. Based on the rate of development of the risk, they have been further segregated into those requiring only a monitoring approach at present and those where actions are being developed alongside the principal risks. The majority of the emerging risks identified relate to frontier technologies such as:

- disruptive new technologies and use of AI, and the ethical aspects of AI use; and
- autonomous vehicles and their impact in the industry.

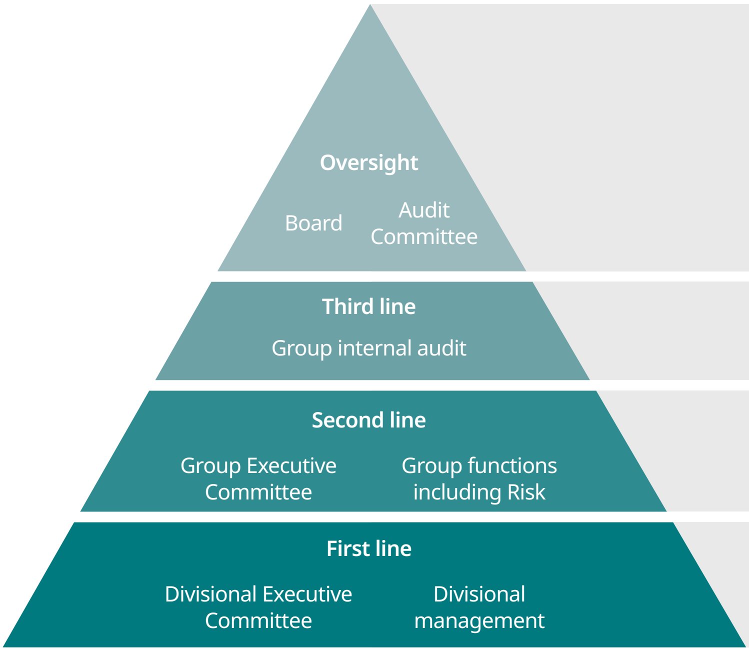
In addition, we continue to evaluate potentially disruptive operating models arising from ZEV transformation and are closely monitoring macroeconomic and geopolitical developments and the varying impact to our geographical regions. It should be noted that the Group considers some of these areas to bring risks as well as opportunities.

c. Group Principal Risks

The management of risk is embedded in the day-to-day operations of divisional management teams. A key element of this is the regular review and update of detailed risk registers in each division, in which risks are identified and assessed in terms of both the probability of the risk occurring and its potential impact. Group-level risks are derived from a combination of a "top-down" and "bottom-up" approach, and either from the divisional risk registers, because the risk either affects multiple divisions, or is of a materiality in itself that is considered of Group significance. Each of these Group-level risks is then assessed by the Board in terms of its potential impact on the Group and its key stakeholders. The Group prioritises risk mitigation actions by considering risk likelihood and impact.

Risk management framework and lines of assurance

In our continuous review of best risk management processes and governance models to apply to Mobico, we continue to use the "Three Lines Model" as the one which provides an optimal structure with clear roles and oversight that work together to achieve good assurance. The "Three Lines Model", is summarised below.



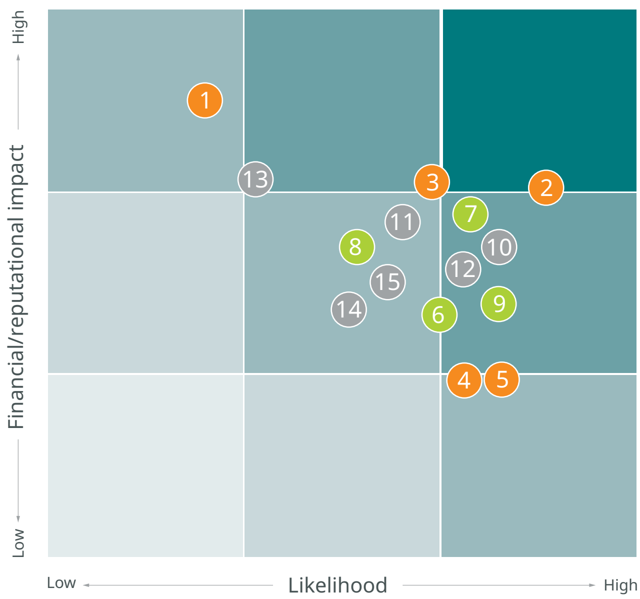
- Sets strategic objectives
- Determines overall risk culture and appetite
- Establishes delegated authorities and clear operating processes
- Reviews and approves Group Risk Register, Risk Appetite Statement and Emerging Risk
- Conducts 'deep dive' reviews of divisional risk registers, or specific Group risks

- Provides reasonable assurance that systems of risk management, internal control and governance are effective

- Support divisions with 'first line' responsibilities
- Coordinate and report on Group-level risks
- Build risk capability and understanding

- Identify, assess and report key risks
- Regularly review and update divisional risk registers
- Implement risk mitigation plans

Group principal risks



Macro/external risks

1. Unprecedented external factors threatening the resillience of the business
2. Adverse economic conditions affecting our speed of recovery
3. Adverse political and geopolitical environment affecting funding
4. Regulatory landscape and impact on compliance
5. Climate changes (physical)

Strategic risks

6. Climate changes (transitional)
7. Implications of new technology in our business model (ZEV transformation)
8. Competition and market dynamics in a digital world
9. Organisational transformation and growth

Operational risks

10. Shortages of drivers and frontline employees
11. Industrial action
12. Cyber attack
13. Safety incidents, litigation and claims
14. Credit/financing
15. Attraction and retention of talent, and succession planning

Principal risks and uncertainties

Macro/external risks		Potential impact
1 **Unprecedented external factors threatening the resilience of the business**	Risk movement – Risk appetite M	The resilience of the business can be challenged from major incidents such as a future pandemic, a financial crisis or extreme weather. If the Group is not able to identify and prepare appropriately, it will not be able to act and manage the situation that might lead to significant financial, operational and reputational damages.
2 **Adverse economic conditions affecting our speed of recovery** Read more about signficant challenges on page 20	Risk movement – Risk appetite M	Declining economic conditions and very high inflation rates can impact demand for travel and put pressure on our profitability.
3 **Adverse political and policy environment affecting funding**	Risk movement – Risk appetite M	Political and geopolitical events such as trade tensions, regional conflicts, changes in governments can bring change. Those changes may impact government policy and funding for transport, which may impact the Group's operations.
4 **Regulatory landscape and ability to comply** Read more about market and regulatory factors on pages 50 and 51	Risk movement – Risk appetite M	Changes in current regulations and newly introduced regulations can impact the cost structure and operational procedures in our business as we strive to remain compliant. • Continued intensification and tightening of environmental regulations are creating changes in emissions regulations, restricting operations through clean air zones. • New regulations in the cyber security and cyber resilience areas. • Introduction of more sanctions and the need to perform due diligence to our supplier base. • More scrutiny and new requirements on companies' governance (UK Corporate Governance Code 2024).
5 **Climate changes (physical)** Read our TCFD on pages 70 and 71	Risk movement – Risk appetite M	We see increased frequency and intensity of extreme weather events such as hurricanes, floods and heatwaves that can lead to extensive damage to infrastructure, loss of lives, and disruptions to communities. The Group can lose key locations or suffer severe asset damages, or operations can be interrupted and cause revenue loss even if the Group's assets are undamaged.

Risk appetite

H High risk M Moderate risk L Low risk

Change from previous year

Increase Decrease No change N New/change in scope

Management Mitigation/ Actions	Opportunity	Change in risk in the year
• Refresh business continuity procedures for different types of incident scenarios • Review of resources needed (material and human resources) • Lessons learned and root cause analysis to continuously learn and improve resilience • Sharing best practices across divisions in different geographic regions • Review contracts to ensure they have appropriate exemptions or protection for events of such scale and nature.	• Being quickly adaptable to manage unpredicted situations enabled the ALSA team in Morocco to respond the effects of the 2023 earthquake and offer help and support to the local communities impacted the most.	• The likelihood of the risk has increased based on the extreme weather phenomenon seen during 2023, combined with severe macroeconomic and market volatility. • Volatility in the electricity market triggered by the Russian invasion of Ukraine has led to unexpected changes in the behaviour of the energy indices used in Germany to calculate recovery of energy cost subsidy. • The overall risk remains high and unchanged from the previous year.
• Strategic plans are stress tested for differing economic scenarios • "Accelerate" programmes drive efficiencies and cost control • Strong leadership leading business restructure and simplification further supporting cost control • Increasing focus on gross cost contracts that offer greater downside protection • Negotiate long term framework agreements with key suppliers • Wider diversification of customers, industry and geographic regions.	• Despite a generally unsettled economic outlook demand for public transport continue to be strong • Due to high fuel prices and economic conditions globally, rail strikes in the UK, and government incentives to drive modal shift, an increasing number of passengers are shifting from the use of personal cars and rail to coaches and buses.	• Economic pressures will continue during 2024 although there are signs that inflationary pressures are beginning to ease.
• Monitoring of the political landscape and focus on effective stakeholder management • Group raises awareness on the importance of public transport to central and local governments • Focus on operational excellence and delivering value in our franchises and contracts, and to our fare paying customers • Political risk carefully assessed when considering bids or new market entry.	• Political and social pressure continues to reduce congestion and improve air quality, which favours public transport • Increasing investment in public transport and increasing adoption of franchising models (especially in the UK and ALSA).	• The effects of the new law in Spain (Spain Sustainable Mobility Plan) and the Mayoral elections in West Midlands in 2024 impacting the bus franchising position might bring risks and opportunities.
• Regulatory horizon scanning to proactively identify new regulations or when considering new market entry. • Awareness raising and communication supporting Group's position in key regulatory changes. • Comprehensive third party due diligence process to help us identify, manage and mitigate risks. • Continuously improve our compliance programme with the right governance structures in place to ensure oversight and progress in achieving our targets and good quality reporting.	• Increased legislation at local or national level to drive modal shift and to reduce environmental impact • Funds committed to drive public transport projects and modal shift in the UK, the USA and the EU to combat pollution and congestion.	• More scrutiny and more requirements on companies' compliance programs is seen across all geographic regions we operate.
• Geographical diversification of the Group provides a natural hedge to this risk • Established emergency and continuity plans in each division • Physical risk rating across Group locations • Insurance coverage is available and in place for some hazard-related risks • Comprehensive environmental risk assessment, climate change scenario modelling.	• Increased legislation at local or national level to drive modal shift to reduce the environmental impact • Political and societal desire to reduce emissions to tackle the risks posed by climate change	• Continued increase in extreme weather events around the globe, including hurricanes, storms, floods and wildfires confirms a high likelihood, albeit specifically for Mobico the impact is yet to be significant and many mitigating actions are in place.

Strategic risks		Potential impact
6 **Climate changes (transitional)** Read our TCFD on pages 70 to 75	Risk movement – Risk appetite H	The transition to zero emissions mass mobility is driven by regulatory changes, market demands, and Group's commitment to reducing its carbon footprint. The successful and sustainable transition poses a number of challenges due to significant changes required to infrastructure and changes to the risk profile associated with owning and operating the assets.
7 **Implications of new technology in our business model (ZEV transformation)** Read our TCFD on pages 70 to 75	Risk movement N Risk appetite M	Transition to ZEV means introducing new technology that involves changes impacting across the business model including financing, contracting, maintaining and operating of the assets. • Asset ownership and availability risk associated with new financing models • Technology and safety-specific risk (for example increased risk of thermal events in electric vehicles) requiring mitigation • Changes to driver and maintenance training requirements • Infrastructure challenges including the suitability of existing depots for ZEVs • Performance risk, particularly for new technologies
8 **Competition and market dynamics in a digital world** Read more about digitalisation on pages 17 and 25	Risk movement – Risk appetite M	The evolving digital landscape in the transportation sector brings a number of challenges and opportunities. • Consumer preferences are shifting towards digital booking, payment, and real-time tracking. • Digital innovations raise the bar for customer experience. • Dynamic pricing models or subscription models offer alternative revenue structures that may disrupt traditional fare structures. • Digital technologies may lower barriers to entry, allowing new players enter the market or existing ones heavily invested to win a competitive edge (direct price competition; inter-modal). Failure to develop applications and digital channels that meet these increasing expectations could affect profitability, customer satisfaction and the business' ability to capitalise on valuable customer data to enable commercial initiatives.
9 **Organisational transformation and growth** Read more about our business model on pages 08 to 13	Risk movement N Risk appetite M	Structural transformation (particularly with organisational design and business model transformation) can affect productivity in the short term, bring unforeseen disruptions, misalignment of goals and resistance to change.

Risk appetite

H High risk M Moderate risk L Low risk

Change from previous year

Increase Decrease No change N New/change in scope

Management/Mitigation	Opportunity	Change in risk in the year
• Environmental leadership with pledge to never again buy a diesel bus in the UK. Ambition to reach zero emissions in UK Bus by 2030; UK Coach and Spain bus by 2035; and Spain coach, North America and Morocco by 2040 • Cross-division executive leadership of ZEV strategy • Close engagement with new and existing original equipment manufacturers.	• ZEVs present potential opportunities to reduce the cost base of the business, while helping cities solve the challenges of the drive for a cleaner air environment • Opportunity to fulfil our vehicle requirements through changing ownership model which require less capital expenditure and reduce technology infrastructure risk, enabling a faster transition • North America School Bus received an additional funding for 53 more ZEVs and associated infrastructure and an additional 91 in January 2024. Distribution is continuing to be announced.	• Increased ZEV fleet to 915 in operation or awaiting delivery of.
• Comprehensive planning outlining the phased implementation of ZEVs in the business model, considering operational, technological, and financial aspects • Frontline employee trainings to adapt to new technologies and operational procedures associated with ZEVs • Thorough financial assessments to understand the short-term and long-term costs and benefits of transitioning to ZEVs • Collaborate with technology providers, infrastructure developers, and other stakeholders to build a supportive and sustainable ecosystem for a ZEV business model • Implement a robust monitoring system to track the performance and challenges associated with the ZEV transformation, allowing for timely adjustments to the business model.	• Increasing political and customer demand for operators who understand the risks and opportunities associated with ZEVs.	• n/a
• Assess market trends, customer preferences and emerging technologies to adapt strategies and invest in the right technology. • Developing our technology strategy to allow us to use and surface data via internal and third-party customer-facing digital channels. • Commitment to service excellence, providing the best solutions to our customers and value for money • Developing demand responsive services and close monitoring of the effectiveness of various digital channels • Targeted acquisitions and growth in the most attractive markets.	• Millennials and younger generations are an increasingly important target market and more inclined to use public transportation if the service is right. • Continuing urbanisation drives cities to partner with high quality transportation operators • Weaker transport operators become targets for acquisition or contracts being re-tendered.	• Continued increases in bookings through online and digital mobile platforms • Industry consolidation creating stronger competition.
• Clear strategy and goals communicated and reinforced • Strong senior management with experience in leading transformational projects successfully • Attracting, retaining, and developing a workforce to handle the evolving demands.	• Increased efficiency, innovation, customer satisfaction, and profitability • Proposed disposal of Mobico's North American school bus business accelerating capacity for growth and other key investments.	• n/a

Operational risks		Potential impact
10 **Shortages of drivers and frontline employees** Read more in our CEO review on page 21	Risk movement: ▲ Risk appetite: L	A tightening labour market leads to a combination of higher turnover and lower numbers of new recruits. A material shortage of drivers, engineering and maintenance employees impacts our ability to effectively deliver services and impact profitability, operations and reputation.
11 **Industrial action**	Risk movement: N Risk appetite: M	Industrial action can impact the delivery of service, revenues and damage our brand and reputation, along with employee engagement and morale. • Increase wage costs • Reduced productivity as a result of unfavourable T&Cs • New unfavourable regulations for employers leading to increase in union activity • Strikes can disrupt operations and lead to lost revenue and reputational damage.
12 **Cyber attack**	Risk movement: ▲ Risk appetite: L	• Major IT failure could disrupt operations and lead to loss of revenue • Data compromise involving a loss of customer information could result in reputational damage and significant remedial costs • Breach of the UK Data Protection Act (DPA), EU General Data Protection Regulation (GDPR) or the US California Consumer Privacy Act (CCPA) could result in a regulatory investigation and financial losses.
13 **Safety incidents, litigation and claims** Read more on page 84	Risk movement: – Risk appetite: L	• Major safety-related incident could impact the Group both financially and reputationally • Higher than planned claims or cash settlements could adversely affect profit and cash outflow • Non-compliance with regulations can create legal and financial risk • A security incident (e.g. terrorism) would have a direct impact through asset damage, disruption to operations and revenue loss • Potential indirect impact from a general reduction in the public's appetite to travel reducing demand and revenue.
14 **Credit/financing** Read more on note 30 in the accounts	Risk movement: ▲ Risk appetite: L	• A material increase in interest rates would increase the Group's cost of borrowing • Constrained equity and/or debt markets increase the costs of capital and debt financing • Regulation of debt providers and macro political and economic events can impact access to and/or cost of capital.
15 **Attraction and retention of talent and succession planning** Read more about our People Strategy on pages 62 and 63	Risk movement: – Risk appetite: M	Risk of not being able to attract or retain talented individuals with key skills needed to deliver the Evolve strategy. Due to the organisational changes the business is undergoing (especially in UK and North America) the likelihood is increased. This may a diversely affect our ability to operate and grow effectively.

Risk appetite

H High risk M Moderate risk L Low risk

Change from previous year

Increase Decrease No change N New/change in scope

Management/Mitigation	Opportunity	Change in risk in the year
• The Group is committed to employee engagement and invests in a number of retention programmes • Reward and recognition programmes are established to further enhance employee engagement • Streamlined recruitment process to allow a higher volume of candidates • Key partnership with employment agencies as well as direct targeting strategy • Creation of "driver academy" and engineering apprenticeship programme.	• Minimising labour-related disruption improves our reliability relative to other operators which can drive contract change.	• Although the risk remains high due to the volatility of the job market currently, North America School Bus and UK Bus have significantly reduced the driver gap over the past 12 months. • Significant industry-wide deterioration in driver availability in Germany.
• Focus on the effective communication and management of stakeholder and union relationships, and the advice of specialist outside counsel is sought where necessary • Timely dialogue and prompt resolution on pay negotiations • Regular reporting of union activities across division to the Group Executive teams and close oversight by the Global HRD • Detailed review of the Employee Satisfaction Survey results to identify improvement opportunities • Foster a culture of open communication and dialogue with all employees.	• Rail strikes in the UK has seen an increasing number of passengers shifting from the use of personal cars and rail to coaches and buses.	• In North America the National Labor Relations Board (NLRB) issued a decision (CEMEX) in 2023 which enforces increased administrative procedures to employers on how to manage the unionisation • An agreement was quickly reached during the UK strikes • Significant union activity in Germany leading to high industry-wide wage settlement and reduced productive hours.
• A cyber security strategy led by an experienced team that is aligned with the threat landscape • Ongoing investment in education of staff on cyber awareness as a first line of defence • Investment in organisational and technical measures to protect data assets and improve defences against cyber breaches • Regulatory compliance plans in place, tailored to each division's exposure (DPA, GDPR or CCPA) • Improve our compliance programme with reviews from the second and third line, supported by external experts.	• Strengthened resilience against cyber threats increases awareness and leverage of technology across the Group.	• Increase in prevalence and sophistication of ransomware attacks across the globe targeting all industries • Cyber security investment continuously supporting further resilience and risk management.
• Very strong safety culture • We train our employees to offer great service • Invest in leading safety technology, data collection optimisation systems • Appropriate insurance coverage for terrorism and accident-related claims to employees and third parties with experienced claims management and legal teams • All divisions have developed emergency plans and established safety audit programmes, validated by Group internal audit.	• Relentless focus on safety and investment in technology should facilitate risk and cost reductions and enable differentiation in our customer offering • Transitioning to ZEVs is further improving safety.	• Mobico has a very strong safety culture and in 2023 we achieved our safety targets at a time of an increasingly challenging urban environment and growing volumes of traffic.
• Strong relationships with a number of key relationship banks • Continued monitoring and scenario analysis over covenants • Appropriate liquidity maintained through committed bank facilities, finance lease programmes and debt capital market issuances • Close monitoring of receivables and appropriate provisions made for possible non-collection.	• Investment grade rating and proven track record give efficient access to credit markets enabling investment in growth • Investors' increased focus on ESG should increase the demand for quality public transport stocks • Cost and access to debt capital should favour purpose-led companies with positive environmental impact.	• Sustained high interest rates, but successful extension of our RCF and raise of our inaugural Euro bond • Announced the plan to dispose Mobico's North American school bus business accelerating capacity for growth and other key investments.
• The Group is committed to employee engagement and invests in a number of retention programmes • Appropriate training and development is provided for managers and supervisors • Mentoring and coaching programmes • Reward and recognition programmes are established to further enhance employee engagement • Focus on improving core recruitment and retention process.	• Partnership with universities offer great opportunities for students and recent graduates by gaining experience or securing a work position early in their careers.	• Organisational changes in two of our divisions present both opportunity and risk.

Viability statement

Assessment of prospects

The Board continues to believe that the Group's prospects are positive in the medium to long term.

We are diversified:

- No one contract contributes more than 4% to revenue;
- The Group operates in over 50 cities across 12 countries and across multiple modes or usages of transport, most recently into healthcare transport.

We are positioned to benefit from the future trends in transportation:

- Transport demand continues to grow;
- Public transport is fundamental to the long-term solution for the urban challenges of congestion and poor air quality; our ambition to be an environmental leader places us at the forefront of this opportunity.

We invest in the business to secure its future:

- We invest in technology to allow customers to access our products at competitive prices and to deliver our services safely and efficiently;
- We continue to selectively bid for and win new business, with over 40 contract wins in 2023 including Charleston in our Transit business and Serveo in ALSA as well as other wins across our Transit, Shuttle and School Bus businesses in North America and in the UK Coach business;
- We also continue to employ disciplined capital allocation to invest in inorganic opportunities, such as the acquisition of Ibercruises in 2023, solidifying our footprint in the Portuguese tourism market.

The Group has strong liquidity, with £0.9 billion of cash and undrawn facilities available as at 31 December 2023. The Group's credit rating remains investment grade.

We acknowledge that the Group has remained loss-making on a statutory basis in 2023, however this is not considered representative of the trading prospects of the Group, since i) the statutory result was significantly impacted by the £99.2m onerous contract re-measurement in German Rail, as a result of non-recurring, industry-wide factors; iii) adjusting items also related to restructuring costs, which will enable achievement of significant cost savings in the future, improving both adjusted and statutory profitability.

Principal risks and assessment period

The Board reviewed the Group's principal risks (pages 41 to 47, looking at each risk's impact, likelihood and the timeframe over which the risk was likely to reduce Group cash flows. On this basis, the highest impact and highest likelihood risks were considered in modelling a severe but plausible downside to assess the Group's future viability: the specific risks modelled are outlined below. While there are other principal risks included in the Group's risk matrix, these are not considered to have a material financial impact over the assessment period.

The Board concluded that three years continues to be an appropriate timeframe over which to assess the Group's ongoing viability on the basis that the impact and/or likelihood of a number of risks was expected to reduce during that period, including the following:

- Regulatory: after repeated delays to the process, the majority of the major Spanish concessions renewals that we intend to participate in are expected to have been concluded within three years.
- Financing: the first call date of the Group's hybrid instrument is in 2025. We also expect to begin preparations for refinancing of the USPP in 2026, ahead of its first maturity in 2027.

Assessment of viability

In assessing viability, the Directors have considered the Group's long-term financial projections (the base case, aligned with the Group's long-term strategic plan) and have then applied stress tests.

These stress tests have been derived from the Group's principal risks and uncertainties, including the Group's estimates of the impact of climate change (informed by the climate change scenario modelling), using external forecasts (such as those published by the IMF and OECD) to help inform the shape of these assumptions.

Climate change

Utilising the Group's climate risk assessment process, which is a very granular risk assessment that has been built up by division, the Board has also considered how climate risks could impact the Group's viability.

More detail on the Group's assessment of risks and opportunities from climate change is contained in our TCFD disclosures on pages 65 to 76. The key conclusions pertaining to the viability assessment were as follows:

- Given the Group's geographic diversity, operating from hundreds of depots in around 50 cities across 12 countries, the financial impact of extreme weather events over the three-year viability period was not likely to be material. Nonetheless, for stress test purposes, the financial projections include some level of impact from disruption caused by extreme weather events.
- Risks arising from governments taking concerted action to accelerate reduced emissions were unlikely to cause any material adverse impact over the viability period given that, while the vast majority of the Group's emissions are from vehicles, the Group is already targeting industry-leading timescales for transitioning its vehicles to zero emission. Furthermore, the Group is rapidly increasing its expertise in procuring and operating zero emission alternatives to diesel vehicles, and is gaining further operational evidence that such vehicles are economically viable.

All other stress tests

The following theoretical downsides were derived from the Group's principal risks and uncertainties and were evaluated and modelled as occurring simultaneously:

Economic conditions and driver shortages:

Cost inflation is more persistent and prolonged, with lower pass-through to customers than assumed in the base case despite the protection embedded in many of the Group's contracts. Customer demand is negatively impacted as a result of reduced disposable income, without any corresponding upside from customers swapping cars for public transport. Interest rates increase, causing an impact on the cost of variable rate debt facilities. Driver shortages increase and take longer to resolve, resulting in lost service days.

Competition and market dynamics:

New contract wins assumed across the Group are heavily reduced. The School Bus bid season ends unfavourably compared to central case, with further route losses and lower bid wins modelled in addition to assuming that rate increases may be lower than expected as a result of further competition. There is additional competition in the UK long haul coach market as a result of aggressive pricing strategies by emerging competitors.

Transformation:

A material delay to the ramp up of savings under the second phase of the Accelerate programme is modelled, in addition to further non-delivery risk in the outer years of the assessment.

Political/geopolitical/regulatory landscape:
Industrial relations with drivers deteriorate, resulting in additional industrial action and higher pay demands, leading to lost service days and higher costs. Meanwhile, relations with local government deteriorate, resulting in less support for further price rises to recover inflationary cost increases in the UK Bus business.

Cyber/IT failure/data protection:
IT system failure and data loss following a cyber attack causes significant revenue loss and financial penalties.

Safety, security incident, litigation and claims:
Following a major safety/terrorism-related incident, either on board our vehicles or in the wider markets in which we operate, there is a reduction in demand for discretionary travel.

Financing

There is limited financing activity planned within this viability assessment period, with the recent refinancing of the RCF and £400m Sterling bond (with Nov-23 maturity) completed in the year. With the exception of the £250m interest rate swap (which ends in 2025) the rates of all our bonds are fixed, and therefore visibility of interest costs is high. Covenant compliance with comfortable levels of headroom on adjusted EBITDA, interest expense and net debt is forecast throughout the period under the base case, improving progressively over time, albeit when stress tests are applied, mitigating actions would be required such as those described below in the Conclusion.

In making the viability assessment the Board has assumed that these facilities can all be replaced or added on appropriate, market-rate terms. The first call date on the £500m hybrid bond is November 2025. The second call date is November 2030. The hybrid bond is structured as a perpetual bond callable at Mobico's discretion and hence is classified as equity from an accounting and covenant perspective. In our viability assessment, we have considered a coupon reset which would apply regardless of whether the bond is called and refinanced, or not called.

Conclusion

In the unlikely event of a concurrence of events set out above, the Board would mitigate through reduced operating costs (through cuts in discretionary spending) and capital expenditure (through freezing non-committed, non-fleet expenditure and/ or through disposal of assets). During assessment, the Group's continued cash generation, access to liquidity and funding, and mitigation actions demonstrated that it could tolerate the impact of the risk scenarios without exhausting liquidity or breaching covenants.

Viability statement

Based on the results of the analysis, the Board has a reasonable expectation that the Group will continue in operation and be able to meet its liabilities as they fall due over the three-year period of assessment.

Non-financial information statement

The new non-financial reporting requirements contained in Sections 414CA and 414CB of the Companies Act 2006 require us to provide information to help stakeholders understand our position on non-financial matters.

The table below sets out a summary, with all the policies described at https://www.mobicogroup.com/about-us/our-policies/.

Requirement	How we govern our approach	Further information
Environment	• Group Environmental Policy • Health & Safety Policy	• Environmental leadership page 55 • Sustainability Committee Report pages 109 and 110 • Environmental performance data pages 247 and 248 • www.mobicogroup.com/sustainability
Employees	• Human Rights and Diversity Policy (including Workplace Rights) • Whistleblowing Policy	• Your Voice Matters survey page 110 • Our colleagues page 50
Human rights	• Human Rights and Diversity • Policy – Modern Slavery Statement • Whistleblowing Policy • Privacy Policy	• Colleague's rights page 91 • Sustainable Development goals page 54 to 59
Social matters	• Rather than a specific policy, our approach to social matters is framed by our Community and Environment Value	• We move people page 59 to 64 • We connect places pages 57 to 59
Anti-corruption and anti-bribery	• Anti-bribery and Policy (including Gifts and Hospitality) • Procurement Policy	• Our culture page 91 • System of internal control page 108
Policy implementation, due diligence and outcomes	• Policy Compliance Framework (second line assurance programme)	• Corporate Governance pages 79 to 141 (including Board activity during the year page 83) • Audit Committee Report pages 102 to 108
Principal risks and impact on business activity	• Risk Management Framework	• Risk management pages 40 to 47 • Audit Committee Report pages 102 to 108
Description of business model		• Our business model pages 12 and 13
Non-financial key performance indicators		• Key performance indicators pages 15 to 17 • Environmental performance data pages 247 and 248

Our 2023 Strategic Report, from the inside front cover to page 78, has been reviewed and approved by the Board.

Ignacio Garat

Ignacio Garat
Chief Executive Officer
21 April 2024

Engaging our stakeholders

Colleagues

Why they are important to strategy
Our people are the heart of our business. They are at the front line of executing strategy, ensuring that our services are the safest and most reliable and that our customers are the most satisfied

How we engage
- Open lines of communication with both Group and divisional management including regular updates and newsletters
- Two-way dialogue with the Board through employee engagement forums
- Constructive dialogue with trade unions
- CEO meetings with SLT
- Employee engagement surveys, including the annual 'Your Voice' global engagement survey

What they value
Our colleagues expect us to look after their safety, health, and wellbeing. They expect a workplace that values diversity and champions inclusion, and an employer that respects their rights. Fair reward and recognition for their work and opportunities for progression are important to them as well as regular and clear communication

Delivering for them
- We maintain the highest safety standards protecting our colleagues' health and wellbeing
- We were the first transport company to adopt the real Living Wage or equivalent
- We have increased investment in development programmes
- We actively promote diversity and inclusion

Links to KPIs:
FWI, eNPS, OTP

Market and regulatory factors
- Labour laws can impact working conditions and cost of employment
- Qualification and training regulations can impact recruitment time
- Macro-economic conditions and immigration laws can impact access to labour pools
- Competitor pay and working conditions can impact recruitment and retention
- Flexible working conditions and benefits can attract and retain a more diverse workforce

Opportunities
- An engaged workforce will better support delivery of strategic goals
- Knowledgeable and well-trained colleagues can help us innovate and identify new opportunities
- Favourable workplace conditions can attract and retain talent

Risks
- Labour shortages hinder our ability to deliver reliable services
- Discontent can lead to strikes or attrition

Passengers and customers

Why they are important to strategy
Our ability to win passenger and customer loyalty and satisfaction in both our B2B and B2C businesses by the provision of safe and reliable services is central to our continued growth

How we engage
- Local relationships guided by common standards across the Group
- Intuitive and highly rated websites, apps and social media, and easily accessible customer service centres
- Direct dialogue with transport authorities, school boards and corporate customers
- Passenger feedback and customer satisfaction surveys
- High quality bidding and engagement through the bid process

What they value
Our passengers and customers want safe and reliable services. They value consistent service delivery that generates trust. They expect prompt and pragmatic responses to changing demands, and open and honest communication. Increasingly they also want to engage with socially responsible and sustainable companies

Delivering for them
- Safety is a cornerstone of our culture, and we invest heavily in our safety programme to ensure it remains a priority
- We train our employees to offer great service
- We adapt our services, develop operational initiatives and invest in technology, to best meet our passengers' and customers' needs

Links to KPIs:
Passenger journeys, FWI, OTP, GHG emissions

Market and regulatory factors
- Macro political and economic events can change travel behaviours and funding, which may result in new opportunities and risks
- Regulation to achieve better air quality in cities can increase the relative attractiveness of shared mobility for passengers and prompt B2C customers to seek shared mobility solutions
- The de-regulation or re-regulation of certain markets can create new opportunities and risks

Opportunities
- More optimised transport networks, and greener fleets, can attract more passengers
- Increased or new institutional requirements can create new customer opportunities
- Increased congestion and clean air charging, as well as rising fuel costs, may increase the relative attractiveness of shared mobility

Risks
- Increased competition can erode market share and reduce our profitability

Suppliers

Why they are important to strategy
Our suppliers partner with us to supply the resources we need to deliver our services, and innovative solutions to continuously improve those services. Their success is important to our success

How we engage
- Local divisional relationships supplemented by oversight from the Group centre
- Regular discussions with suppliers about evolving market places, opportunities and collaborating with them to innovate
- Considering suppliers importance to our strategic success when tendering contracts and engaging in contract negotiations
- Direct dialogue with Board members

What they value
Our suppliers want to work in partnership and collaborate with us, investing in relationships over the long-term to achieve mutual benefits. They value good line of sight on placement of orders and fair engagement and payment terms

Delivering for them
- We invest in long-term supply relationships and look to provide good visibility on orders. We have a particular focus on long-term relationships with suppliers of zero emission vehicles and alternative energy supplies
- We contract on mutually acceptable commercial terms and meet our payment obligations

Links to KPIs:
ROCE

Market and regulatory factors
- Component shortages and labour shortages can disrupt the supply chain
- Increased regulation affecting suppliers, such as changes in import/export rules and charges, can impact the cost and speed of the supply chain

Opportunities
- Our relationships can give us access to more competitive pricing and shortened delivery times
- Investing in long-term relationships can aid our transition to a zero emission fleet by giving suppliers confidence to invest in developing innovative solutions with us

Risks
- Poor quality control or financial difficulties faced by suppliers can compromise their ability to support us

Our section 172(1) statement

The Board of Directors has had regard to the stakeholders' interests as described on these pages, and the other matters set out in Section 172(1) (a) to (f) of the Companies Act 2006, when making decisions during the year under review. Examples of this are set out on pages 88 and 89 and are incorporated into this statement by reference.

	Equity and debt investors	Governments	Communities
Why they are important to strategy	Our equity and debt investors provide access to the capital necessary to fund the delivery of our strategy	Central and local government authorities set transport policies and provide funding for transport initiatives, which can create favourable conditions for the delivery of our strategy	The communities in which we operate drive the demand for transport services that underpins our strategy as well as being where our colleagues live and work

How we engage	• Market announcements, financial results presentations and investor roadshows
	• Direct engagement by the CEO, CFO, Chair and our Investor Relations function
	• Ongoing engagement via our brokers and other advisers
		• Inviting key government stakeholders to present to the Board
		• Local relationships guided by common Group standards
		• Formal alliances, such as the Bus Alliance in the West Midlands and the American Public Transportation Association in North America
		• Industry groups and associations
		• Senior management metings with Government representatives
			• Each division has well established community support programmes:
			  • The Youth Promise in the UK
			  • Partners Beyond the Bus in North America
			  • The Integra Foundation Partnership in ALSA

What they value	Investors value clarity of strategy and business model and consistent financial performance and returns. They expect strong risk management and internal controls, and compliance with listing obligations and debt terms. They increasingly expect commitment to sustainability objectives	Governments want safe, reliable, and good value passenger transport services for the benefit of the communities they serve. They seek partners who will work with them to solve the challenges of clean air and traffic congestion	The communities in which we operate look to us for safe, clean, reliable, and affordable transport services and opportunities for rewarding employment. They also value companies which give back to their communities, and which keep people connected
Delivering for them	• Through our regular meetings and calls we deliver clear, consistent, and high quality data and trading commentary • We strive to deliver financial returns in-line with our own and our investors' expectations • We maintain an investment grade debt rating Links to KPIs: Adjusted Operating Profit, Free cash flow, ROCE, GHG emissions	• We invest consistently in the safety and operational reliability of our services • We keep service standards high while keeping prices fair on services that generally serve communities • We are working towards ambitious fleet decarbonisation targets across our markets Links to KPIs: Passenger journeys, FWI, OTP, GHG emissions	• We offer attractive employment opportunities in local communities by investing in colleague health and wellbeing, paying a fair wage, investing in training and development, and promoting diversity and inclusion • We support our communities through keeping people connected Links to KPIs: Passenger journeys, FWI, OTP, GHG emissions
Market and regulatory factors	• Macro political and economic events (including greater inflation, increasing interest rates and changing customer behaviour) can impact our operations and financial performance, which can affect our share price • Regulation relating to our equity listing can increase our costs • Regulation of debt providers and macro political and economic events can impact access to and/or cost of capital	• Governments can provide or reduce funding for transport • Laws and regulations on driver licensing and training, vehicle condition and testing, directly impact our economics • Increased regulation to reduce carbon emissions can create demand for green technologies but make older technologies obsolete	• Macro political and economic events can change travel behaviours of local communities • Increasing regulation such as Low Emission Zones and Clean Air Zones will help drive modal shift to public transport
Opportunities	• Investors' increased focus on ESG should increase the demand for quality public transport stocks • Cost and access to debt capital should favour purpose-led companies with positive environmental impact	• Bus franchising and re-regulation present opportunities in existing and new markets • Increased grant funding to support transition to zero emission fleet can improve our economics	• Increased congestion and clean air charging, in addition to the rise in fuel prices, increases the relative attractiveness of shared mobility • Increasing awareness of global warming and air quality issues creates demand for alternatives to the car
Risks	• Constrained equity and/or debt markets increase the costs of capital and debt financing • Capital is diverted towards 'moon shot' disruptors impacting fundamental valuations	• Reduction or withdrawal of government support for bus transport can worsen our economics	• Community confidence in using public transport may not return, and/or travel behaviours by members of the community may not revert to pre-pandemic norms

Sustainability at Mobico Group

We are playing a significant role in accelerating modal shift, decarbonising travel, and building greener, more liveable cities. Our culture and purpose-led approach is at the heart of our ESG commitments.

We respect the planet

Link to Evolve strategy:
Environmental leadership

Our work so far:
- Zero emission fleet target page 55
- Sustainability Committee report page 109
- New Science-Based Targets page 76
- TCFD pages 65 to 78

We connect places and transform communities

Link to evolve strategy:
Most reliable
Most satisfied customers

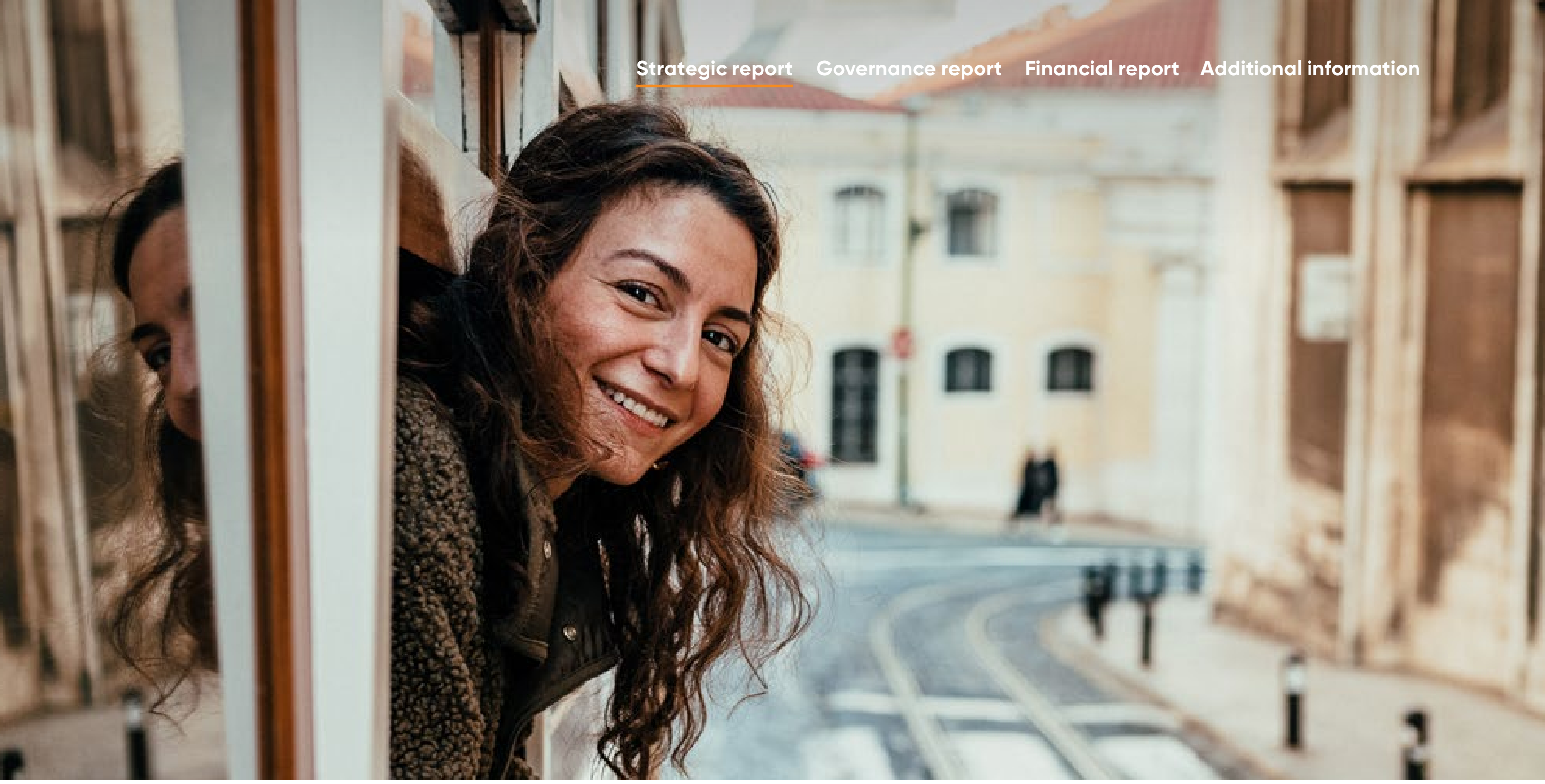
Our work so far:
- Connecting communities for the future page 58
- On Time Performance page 17

We move people safely and responsibly

Link to evolve strategy:
Most satisfied customers
Safest

Our work so far:
- People strategy pages 62 and 63
- Policies page 49
- Safety page 84

Read more on Principal Risks on pages 42 to 47



Planet

EVs currently on Order

264

Total ZEVs in operation

651

Places

1 billion

Passenger journeys in 2023

1 million

euros donated to Moroccan earthquake disaster fund

People

Engagement survey participation rate

73%

eNPS

+11

Rethinking transportation

At Mobico, we believe our mission: to drive modal shift from private car to mass transportation, is key to managing climate change and delivering cleaner, more workable, liveable cities.

Leading modal shift

We are committed to our purpose of leading the modal shift from cars to shared mobility, which is central to our business model, our Evolve strategy, our approach to sustainability and to our engagement with our stakeholders.

Modal shift is about choice- choices that respect the planet, connect places and move people.

Sustainably driven

Sustainability at Mobico is about respecting the planet, connecting places, moving people and acting responsibly.

Our Evolve strategy sets out our Mobico vision, to be the world's premier shared mobility operator.

This means that we are committed to being the best: leading in safety, reliability, environmental leadership, customer satisfaction and – in the eyes of our 47,700 colleagues – to being the employer of choice.

Mass transportation has many benefits over using a private car

The benefits to people, places and planet, from mass transportation over using a private car, are well researched and documented, these include:

- **reductions in air pollution** with positive impacts on health;
- **reductions in GHG emissions** per passenger kilometer;
- **improvements in congestion** with positive impacts on economic productivity;
- **improvements in wellbeing as congestion,** particularly in large cities, has a very negative impact on people's wellbeing, and on stress. Increases in time taken to travel leads to less time for families, leisure and social connections; and
- **improvements in social mobility**, when our services connect people to each other and to the places they need to travel to – places of work, education and healthcare, there are connected improvements in social mobility, reductions in inequality.

We respect the planet

Our purpose, to drive modal shift, is at the heart of the Evolve strategy and is a key differentiator with our customers.

We have continued to make excellent progress on our ZEV transition plan during the year. Each of the Mobico Operating Divisions are focused on leading ZEV migration in each of our markets. Plans are in place to secure 1,500 ZEVs by 2024, increasing to 14,500 by 2030.

Sustainable Development Goals (SDGs) that align with our priorities:

Progress against our targets

Global trends	Definition	Our response
Air quality/GHG emissions	**Sustainable cities and communities** **SDG 11** 11.2 – as most reliable 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and other waste management. **Responsible production and consumption** **SDG 12** 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse. **Climate action** **SDG 13** 13.2 Integrate climate change measures into national policies, strategies and planning.	• Our On Time Performance result is 90.7% • Our waste reduction target has been met

Environmental leadership

Modal shift to mass transportation helps improve air pollution and the climate crisis.

We are also committed to our own climate action plans and improvements.

Today we operate 27,700 vehicles, and although the majority are diesel, we have worked to reduce our emissions from our current fleet. Today, most of our existing diesel vehicles already emit lower emissions than the average family car, and we have clear targets and a roadmap to transition the fleet to ZEVs.

While our performance in the shift to zero emission vehicles is gaining momentum, we still have a long way to go. However, we have clear net zero fleet targets and a roadmap cascaded to our divisions, which is set out below.

We have set KPIs on traction energy usage, traction carbon emissions and total Scope 1 and 2 carbon emissions, all on a per million passenger kilometer basis for the period 2019 to 2025, from a 2018 baseline using the Sectoral Decarbonisation Approach (SDA) methodology. We stated at the time, our intention to review these targets on a regular basis as climate science, technology and forecasting methods improved. We recognise that best practice reporting has since moved on and we have therefore submitted revised targets, aligned to the Paris Agreement to control the increase in global warming to below 1.5 degree celcius, to the Science Based Target Initiative (SBTi) for validation. These include a near-term emissions reduction target for Scope 1, 2 and 3 and a net zero target and were approved in January 2024. Our commitment is set out on page 76. These targets have subsequently been validated by SBTI.

We are also committed to improvement across a range of key environmental targets, which can also be found in more detail on page 76.

Zero emission fleet target

2030	2030	2035	2035	2040	2040	2040
North America Transit & Shuttle	UK Bus	Spain Bus	UK Coach	North America School bus	Spain Coach	Morocco

Our Group target is 100% Net Zero fleet by 2040

We participate with ...

TCFD – Task Force on Climate-Related Financial Disclosures

S&P Global

CDP

We are preparing to be compliant with ...

Corporate Sustainability Reporting Directive

TPT Transition Plan Taskforce

IFRS Sustainability

We have verified targets from ...

Science Based Targets

We are proud to be ranked by ...

Sustainalytics

MSCI

We also won these in 2023 ...

Corporate Awards 2023 ESG Investing – Best Company for Climate Transition – Small Cap: Runner-up

Corporate Awards 2023 ESG Investing – Best Company for Climate Reporting – Small Cap: Runner-up

Case study

All-Electric Bus City Coventry

We are constantly striving to innovate and share knowledge across the Group.

Our Coventry depot will operate an entirely electric bus fleet by the end of 2025. National Express Coventry received a batch of 130 new double decker zero emission buses, which were fully operational by September 2023, in addition to the 10 buses delivered previously. In 2024, we are looking forward to procuring the remaining vehicles to fully electrify the depot.

All 140 Enviro400 electric buses are UK-built in Falkirk by Alexander Dennis. The buses produce zero carbon emissions at the tailpipe and are powered by renewable energy thanks to solar panels, a second-life battery and charge-point infrastructure installed at National Express Coventry's bus depot by electrification specialist Zenobē. The electric buses take four hours to charge and can run for up to 175 miles depending on the time of year.

The transition to an entirely electric operation has required close partnership between teams both within the business and with external stakeholders. The transition has involved infrastructure adaptations, including upgraded electricity capacity and new chargers, as well as significant operational changes to our business. Our focus on mandatory driver training for the new ZEVs has led to benefits of improved range, extended battery life and slower battery degradation, while also improving our safety performance.

To date, National Express Coventry's electric buses have operated over 2.5 million miles since their first introduction in August 2020, saving 4,000 tonnes of carbon dioxide and contributing towards the achievement of Coventry Council's objectives to reduce vehicle emissions within the city.

The vehicles have telematics for driver continuous improvement and battery charging and degradation has so far been better than expected.

130

new double decker zero emission buses

20%

of vehicles in UK Bus will be ZEV when the current orders are delivered

We connect places and transform communities

The Evolve strategy commits us to being the safest, being the most reliable and having the most satisfied customers.

Sustainable Development Goals (SDGs) that align with our priorities:

11 SUSTAINABLE CITIES AND COMMUNITIES

Progress against our targets

Global Trends	Definition	Our response
Car pooling and using public transport instead of private	**Sustainable cities and communities SDG 11** 11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.	• In 2023, the number of customer journeys we provided hit a record high of over 1 billion • In 2023, we won 43 new contracts to help expand public transport networks

We connect places

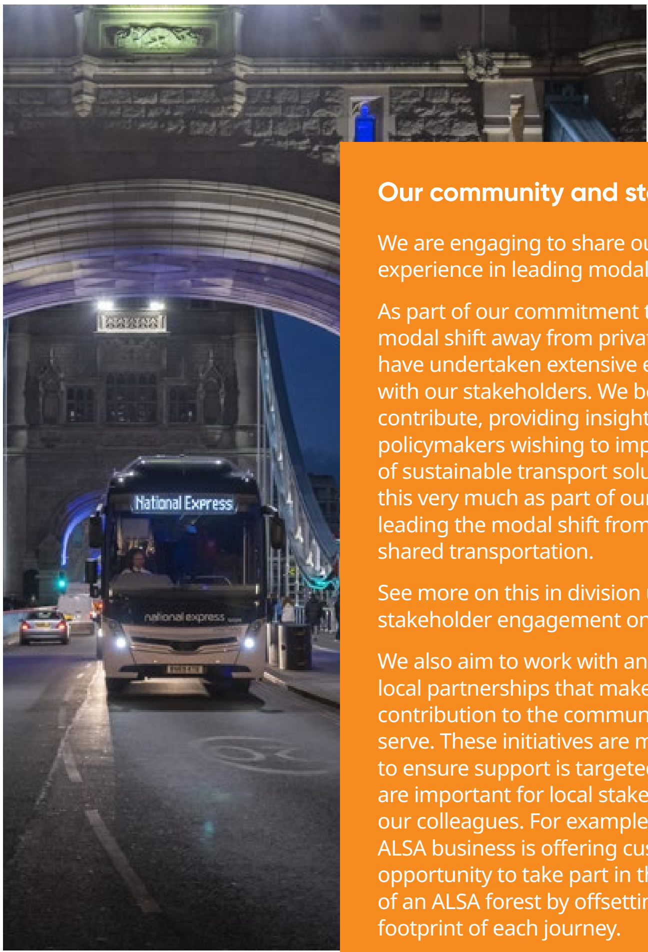
Our services connect places improving social mobility. Our services provide access to a range of workplaces, healthcare, education providers or social connections that they need or want to have access to. When people can't get to a job interview, or to a place of work via mass transportation and have no other way to get there, they often take lower paid work locally, or face unemployment.

Our Evolve strategy focuses on leading modal shift through improving the services we offer and the places we connect. We develop new ways to reinvigorate, innovate and improve transport services.

We have a strong reputation for successful mobilisation of new contracts and services and are recognised by local passenger transport authorities in our markets.

To an individual, the cost of using the bus is around 20% of that of car ownership. That is why, during the current cost of living crisis, we are engaging with supportive governments internationally to develop sustainable transport solutions in the most effective and cost efficient way.

This year highlights in our progress in diversification by mode and location, which is covered in more detail in the divisional updates in pages 24, 27 and 30.



Our community and stakeholder engagement

We are engaging to share our skills and experience in leading modal shift.

As part of our commitment to leading the modal shift away from private cars, we have undertaken extensive engagement with our stakeholders. We believe we can contribute, providing insight and guidance to policymakers wishing to improve provision of sustainable transport solutions. We see this very much as part of our commitment to leading the modal shift from private cars to shared transportation.

See more on this in division updates and in stakeholder engagement on page 50.

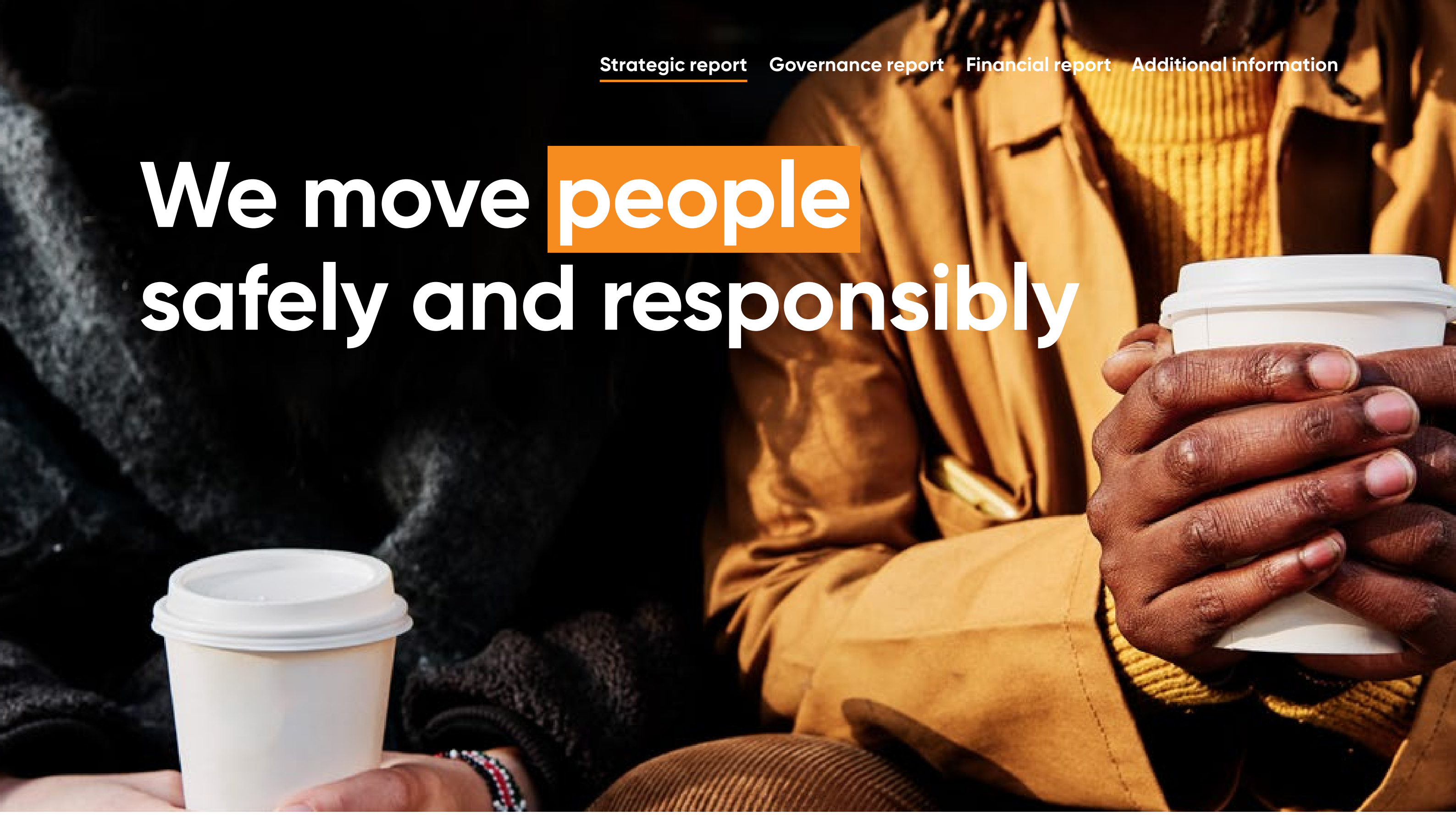
We also aim to work with and develop local partnerships that make a positive contribution to the communities that we serve. These initiatives are managed locally to ensure support is targeted to areas that are important for local stakeholders and our colleagues. For example, in Spain, our ALSA business is offering customers the opportunity to take part in the development of an ALSA forest by offsetting the carbon footprint of each journey.

This is helping ALSA to reforest in Palencia, Spain, an area of high ecological value that suffered deforestation after a fire in 2020. To date, more than 53,000 trees have been replanted across almost 60 hectares, with an estimated 82,000 tonnes of life-cycle CO_2 absorbed, on completion of the project.

In North America, our businesses support a diverse range of local partnerships including 'Partners beyond the Bus' a volunteering initiative that saw 70% of customer service centres participating in one or more community outreach programmes. The School Bus business also continued its practice of donating buses to the community, most recently to Hutchinson Community College which will use the donated bus for driver training.

At the Group level, we once again supported Transaid, which has been a long-standing partnership since 2012. In the UK, the National Express Foundation has provided more than £1.5 million of funding to community organisations that work alongside young people, helping them to develop key skills and gain valuable life experiences. The Foundation's grant programme for 2023 received over 600 applications, with 32 being successful. ALSA has continued with a range of community activities including the flagship reforestation programme as well as supporting the Moroccan earthquake disaster fund.

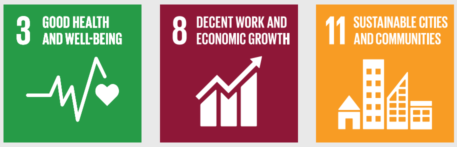
We move people safely and responsibly



As well as the role public transport plays to support decarbonisation, the industry also has a key role to play in driving social mobility.

This has never been more important than in the current economic environment where public transport provides affordable access to work opportunities, healthcare and leisure. A previous review undertaken for the Department of Transport (DfT) noted that transport is an important facilitator of social inclusion and wellbeing which can affect social and economic outcomes and therefore inequality. Mobico is proud of the role it plays in local communities.

Sustainable Development Goals (SDGs) that align with our priorities:



Progress against targets

Global trends	Definition	Our response
Access & affordability/ Quality & safety Employee H&S Critical incident risk management	**Sustainable cities and communities SDG 11** 11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons. **Good Health and Wellbeing SDG 3** 3.6 By 2020, halve the number of global deaths and injuries from road traffic accidents.	• Zero responsible fatalities • FWI/million miles • Leading safety credentials in each market
Labour practices/ Employee H&S	**Decent Work and Economic Growth SDG 8** 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. 8.8: Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	• Commitment to real Living Wage (or 10% above national minimum wage where Living Wage does not exist) • FWI/million miles

We move people safely and responsibly continued

We move people

We moved over 1 billion people where they want to go in 2023.

We put our customers at the heart of what we do to provide safe, reliable, clean, accessible and affordable mass transit services for them.

Clearly, responsibility for moving people is key to our approach to sustainability and central to our business model. To achieve our vision and be the world's premier shared mobility operator we need to look after our passengers on their journeys with us and provide them with the best possible experience.

We do this with our partners well before the first passenger has even stepped foot on one of our vehicles. We work to design, mobilise and operate safe, reliable transport networks as a trusted partner, everywhere we choose to compete.

Once we have operationalised our services, we aim to have the most satisfied customers, to provide the most reliable service, to be the safest, enabled by the best use of technology. We have strong processes and systems in place in each of our businesses to achieve these outcomes.

We continually invest in safety, reliability and customer satisfaction and have clear KPIs and standard operating procedures in place, aligned to global policies and governance to ensure we deliver on our Evolve outcomes.

Our services are for all. We aim to provide access to those in vulnerable circumstances, women, children, persons with disabilities and older persons.

We act responsibly

Our people

We want to be an employer of choice for all our 47,700 colleagues.

As an international and growing business, we know how critical our people are to the delivery of our performance and the achievement of our Evolve ambitions. How we treat our people is a cornerstone of our business and our approach to sustainability.

This year we have continued to work on our journey to becoming a high trust, listening culture, as reflected in our new People strategy, Be Part of the Future Today, highlighting the pillars of Embrace, Energise and Elevate, underpinned by great processes and policies (see People section on page 62 and 63).

Our people are proud of their contribution to their local community and are committed to engagement and support for community activities.

Safest

Safety remains our number one priority and is a key outcome of the Evolve strategy: To be the Safest.

The Group FWI result has increased from 2022. This is primarily because the 2023 result includes two fatalities (versus zero fatalities in 2022). These fatalities – as well as the other preventable injuries which are included within the result – have been thoroughly investigated and appropriate actions have been taken. As a result, the Group FWI bonus metric for Executive Directors will not pay out. See more on page 84.

The Company has a robust range of safety systems that are anchored in our 'Driving Out Harm' safety programme which was put in place in 2011 and is continually updated.

Examples of how we continue to refresh and innovate include: in the UK, the introduction of new Golden Safety Rules, which puts greater emphasis on looking after physical and mental wellbeing and on speaking out if something doesn't feel right. National Express West Midlands is the first company in to the UK to invest in four driver simulators and has seen a 20% reduction in preventable accidents and a 75% reduction in risk. In Portugal, where we introduced new services, we implemented a comprehensive safety induction programme resulting in a 50% reduction of traffic accident rates in 2023 compares to 2022.

We incorporated 44 electric buses into the Lisbon fleet requiring the adoption of new safety measures. In our new partnership in Saudi, KSA, the focus has been on defensive driver training to more than 425 drivers and the certification of 200 drivers in high altitude driving through mountain routes. In the 2.5 months of operation in 2023 we had zero casualty accidents.

The Board believes that the Group's approach to safety and commitment to continually learning and improving through innovation, ensures it will continue to meet its overall strategic ambition to be the safest operator in the industry.

Safety is in our DNA

We are proud to be externally recognised for our approach to safety.

In North America School Bus, our operating authorities have maintained the highest safety rating. ALSA once again achieved the AENOR certification for road safety for the 11th year.

Employer of choice

The Group launched its diversity and inclusion strategy in 2020, which included the incorporation of the Company's Global Diversity & Inclusion Council. As part of this, there were three strategic ambitions:

1. Reflecting the communities we serve by increasing those in underrepresented groups at all levels of the workforce, with a key emphasis on those in management roles, in order that we better reflect the communities we operate in
2. Creating inclusive and accessible working environments, free of racism or any other form of discrimination, where people respect and value each other's diversity and the contribution they make
3. Driving a culture of empowerment by empowering leaders at all levels to take effective ownership of diversity and inclusion and deliver demonstrable change

- Embraces diversity, equality and inclusion
- Sets the tone for us as a purpose-led organisation
- Helps us win the war for talent
- Enables our people to grow and develop in a high-performance culture.

The strategy is organised around three pillars and underpinned by Essentials; colleagues are encouraged to participate in a wide range of community activities that have a positive impact on the diverse communities that we serve.

See the Your Voice survey results for 2023 on page 110.

Mobico Group was the first UK private transport group to become an accredited Living Wage Foundation employer and continue to be; we are conscious that the cost of living continues to pose challenges for our colleagues in 2023.

73%
Response rate

66%
I can get the training and development I need to do my job

+11
eNPS

70%
Colleagues are proud to work for Mobico Group

Equal Opportunities

The Company and all members of its Group are equal opportunities employers and are committed to ensuring that all members of staff in the Group are treated fairly and are valued irrespective of disability, race, gender, sexual orientation, marital status, nationality, religion, employment status, age or membership or non-membership of a Trade Union. Please see our Human Rights and Diversity Policy (available on our website https://www.mobicogroup.com/about-us/our-policies/) for further information. For the avoidance of doubt, this also applies to, and therefore sets out our policy in respect of, disabled employees.

Employer of choice

People strategy

Our Evolve strategy commits us to being the employer of choice. This year we have taken the time to work with the divisional representatives to put in place the foundations to create a high trust, listening culture. Our new People strategy, Be Part of the Future Today, has three pillars underpinned by 'Essentials':

Being part of the future today

embrace

- Inclusive Environment & Culture
- Diverse workforce
- Meaningful external impact & social change

energise

- Values
- Recruitment & EVP
- Engagement
- Wellbeing
- Community

elevate

- Performance Management
- Talent Management
- Succession
- Leadership development
- Learning

essentials

Recognition
Policies
Benchmarking
Data

Induction
HR Admin
Systems
MI/Reporting

Payroll
Channels
ER
Reward

As noted in the Sustainability Committee Report (page 109), we are pleased to have made good progress under each of our People Strategy pillars during 2023 summarised below.

embrace

During the year the focus has been on improving female representation across the business.

Since last year at executive level this has increased from 28% to 30%. Female leadership has increased across the senior leadership team across North America from 18% to 26% and in ALSA from 25% to 33%. A D, E & I census was undertaken covering 95% of the senior leadership population and a D&I task force has been established to drive further improvements. Other initiatives included the introduction of an Inclusion 'Playbook' in the UK, the continued support of Pride in Germany and the UK, and Black History month under the theme of Saluting our Sisters and the celebration of the second year of the Women's Inspiration Network in North America.

energise

We undertook our second global employee survey in 2023.

Specific initiatives under this pillar included a new recruitment campaign in North America that resulted in 34% more applications and a 16% increase in driver training hires over the prior year. In the UK the introduction of a GP Hero – a free consultation service for all employees. A new reward and recognition initiative was put in place to supplement extensive local front-line recognition schemes.

ALSA became the first Spanish mobility company certified as a Top Employer in 2023 and Bahrain gained a Great Place to work certification.

Top Employer
Europe 2023
Certified excellence in employee conditions

elevate

There has been a focus on talent development during the year with 139 talent assessments undertaken across the senior leadership and business critical roles.

As a result 38 new successors have been identified since last year. Over the last year 36% of the Group Executive team and 20% of the wider leadership team have been replaced to further strengthen the capability of our business. We have put in place a senior leadership academy and introduced training in change management as well as establishing a global talent taskforce.

essentials

Essentials underpins the pillars and is focused on putting in place the foundations required to optimise our processes and policies.

Enhancements this year include: the creation of a global people dashboard to enable us to track and monitor across a arrange of metrics; the implementation of a new mobile application in North America to support the recruitment drive and the launch of a global intranet MobiconX, connecting 300 senior leaders across the Group to improve communication, cross functional collaboration and productivity and efficiency.

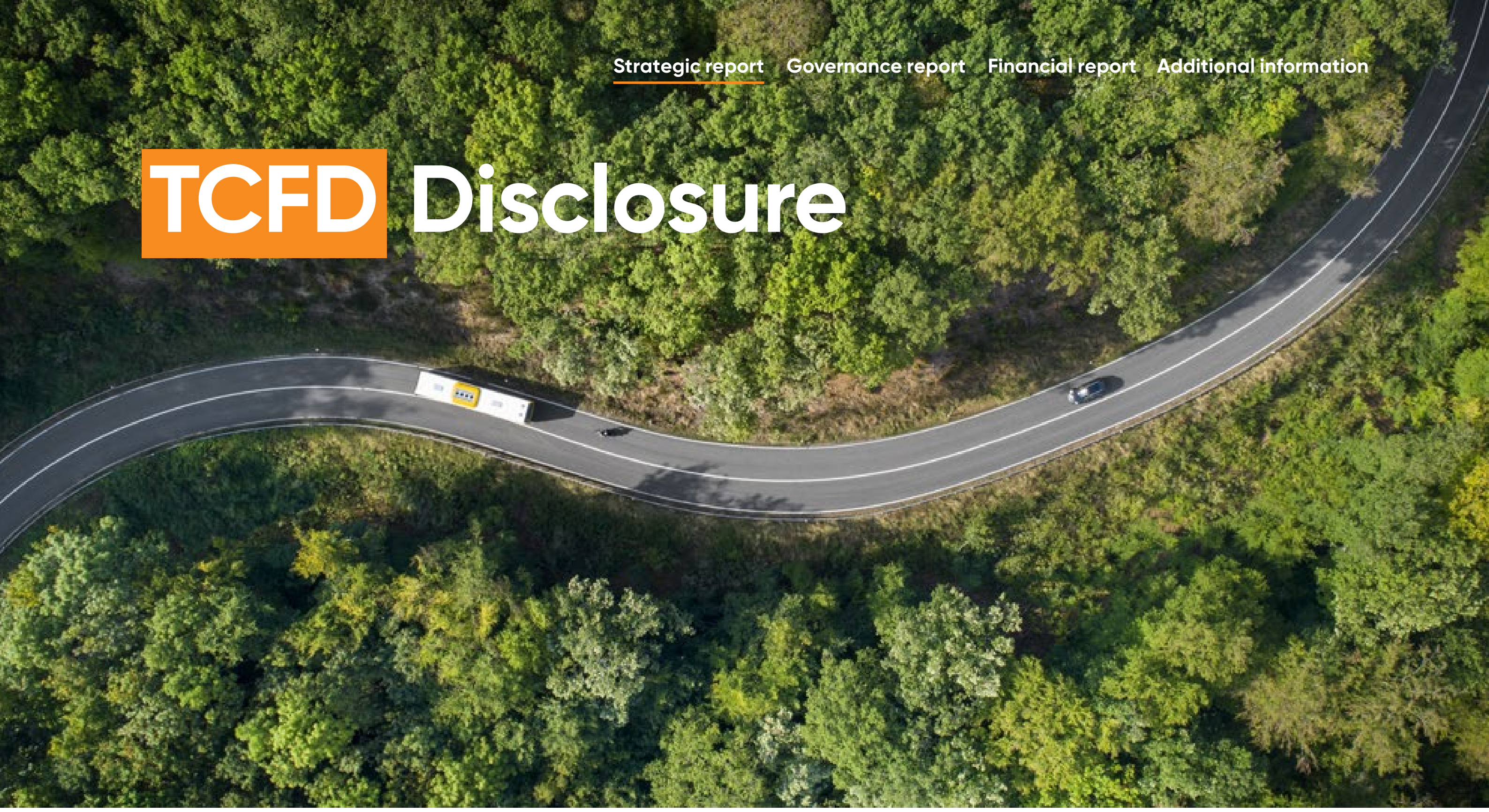
Case study

National Express to deploy new electric school buses across the US through EPA clean school bus grants

Our School Bus business is proud to announce that its school district partners have been named recipients of the 2023 US. Environmental Protection Agency (EPA) Clean School Bus Grant Program Round Two Award. These newly awarded grants will allow NEXS to add 141 new electric school buses to our growing fleet of zero-emission vehicles and further bolster our goal of achieving 100% zero emission vehicles by 2035.

The new electric vehicles will begin to be deployed this year across Florida, Illinois, Louisiana, Michigan, Mississippi, Ohio, Tennessee, and Washington.

We are thrilled by the grant awards, as the funds will greatly assist us in providing our partners with best-in-class "clean-fuelled" vehicles," said the Senior Director of Electric Vehicles, National Express LLC. "As we continue to shift our focus towards electrification and sustainability initiatives, the positive outcomes of zero emissions school buses are both inspiring and reinforced by a growing wealth of supportive data and studies. As such, we are excited to embark on these new journeys with our partners and look forward to the healthier and more sustainable futures we are building for our students and communities."



TCFD Disclosure

The Task Force on Climate-related Financial Disclosures

The Group has complied with the requirements of LR 9.8.6 R by including climate-related financial disclosures consistent with all 11 of the TCFD recommendations and recommended disclosures. These disclosures also incorporate the new mandatory climate-related financial disclosure requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 issued by the Department of Business, Energy and Industrial Strategy ('BEIS').

TCFD Recommendation	Recommended disclosures	Further information
Governance	a. Describe the board's oversight of climate-related risks and opportunities.	See pages 66 and 67 See also our Sustainability Committee Report on page 109.
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	
Strategy	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	See pages 70 to 75
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	See pages 70 to 75
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	See page 75
Risk Management	a. Describe the organisation's processes for identifying and assessing climate-related risks.	See page 68 See more detail in our Group Risk Management disclosures from pages 40 to 47.
	b. Describe the organisation's processes for managing climate-related risks.	
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	
Metrics and Targets	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	See page 76
	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	See pages 77 and 78 See more detail in our Environmental Performance Report on page 247
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	

Governance

Board's Oversight and Review of Climate-Related Risks and Opportunities

The Board's oversight of climate-related risks and opportunities is through its dedicated Sustainability Committee, with a remit to cover the governance of environmental and sustainability matters. The Sustainability Committee met three times during 2023. The terms of reference can be found on the Company's website at https://www.mobicogroup.com/about-us/corporate-governance/committees/. The key activities of the Sustainability Committee during 2023 can be found on page 109. On behalf of the Board, the Committee also monitors progress against our goals and targets, primarily through monitoring and reviewing a KPI dashboard.

During the year, a new director with significant environmental experience and CEO of Good Energy, Nigel Pocklington, was appointed to the committee.

One of the key outcomes of the Group's Evolve strategy is to be an Environmental Leader, by delivering our fleet transition to Zero Emission Vehicles (ZEVs). To monitor operational progress against this strategy and the related financial impact, the Board performs an annual review of both the long-term strategic plan, of which the latest runs until 2028, and the annual budget, the most recent of which is for FY 24. Both exercises consider the transition to a low carbon economy and the potential impact of physical risks from climate change, which are discussed in detail in the Strategy section of this disclosure. Please refer to the Risk Management section of this disclosure for how the Board exercises oversight regarding incorporating climate-related issues into the risk management processes.

Board Reporting

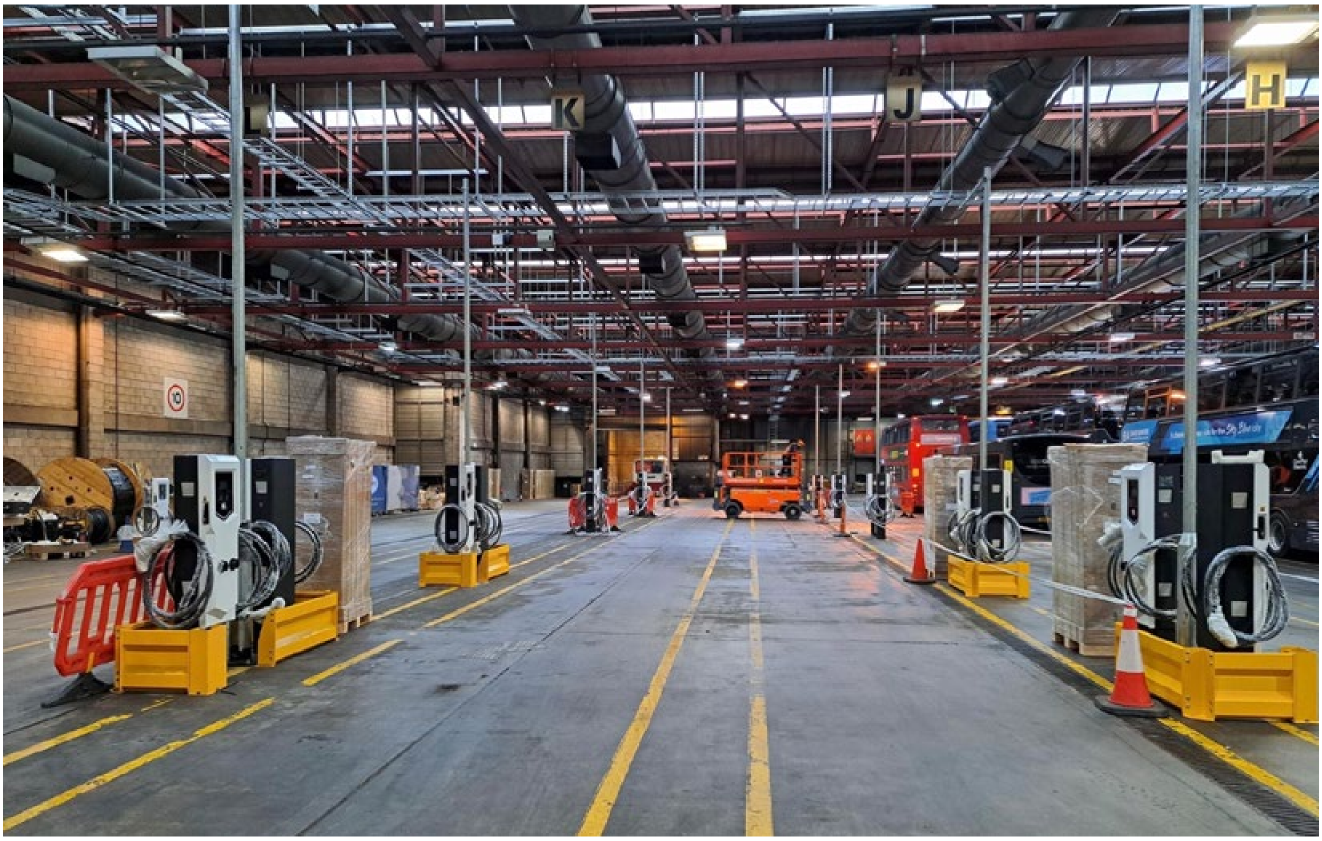
The Sustainability Committee reports to the Board of Directors, with the Committee Chair providing updates to the Board after each Committee meeting on the matters discussed. Climate risks and opportunities form part of the Group's overall risk management process, which the full Board is specifically updated as described in the Risk Management section. The Sustainability Committee also produces a formal written report each year to the Company's Shareholders, which is approved by the Board. This year's report is set out on pages 109 and 110 of this Annual Report.

Board Training and Development

To assist them in both discharging their oversight responsibilities on the Group's Environmental Leader strategy and having the ability to give direction and raise challenges, the Committee received a Future Reporting Landscapes presentation from Ernst and Young's ESG specialists during 2023. Individual Committee members have also participated in training webinars provided by Deloitte Global Board Training Program. Additionally, Committee members can access to climate- related resources, including Chapter Zero.

Management's Role in Assessing and Managing Climate-Related Risks and Opportunities

The Company's Executive Directors are responsible for the delivery of the Group's "Environmental Leader" strategy (see pages 54 to 56 for more information) and are the sponsors of its overall 2040 ambitions to achieve net zero for Scope 1 and 2 emissions.



The below diagram explains the role both Board committees and different senior leaders play in having oversight of assessing and managing climate-related risks and opportunities:

Board of Directors
Responsible for reviewing the Group's strategy and its management of risk and ensuring that there is a robust system of internal control in place, including for climate risks.

Sustainability Committee
A remit to cover the governance of environmental and wider sustainability matters. Key activities in the year are set out on page 109.

Audit Committee
Reviews the Annual Report and TCFD disclosures each year

Nominations Committee
Considered and recommended the appointment of a Director, Nigel Pocklington, to the Sustainability Committee, who brings significant ESG experience

Remuneration Committee
Reviewed and approved the inclusion of ESG targets within the Executive Directors' and senior management remuneration to ensure alignment with strategy and performance, the progress of which is discussed twice a year.

Company Executive Management (Group CEO & CFO)
- Delivery of the Group's overall strategy, including its ZEV fleet transition strategy and management of other climate- related risks and opportunities
- Ensure effectiveness of the Group's risk management system, including for climate-related risks at least twice annually

Group Sustainability Director
Supports Company Executive Management in developing and delivering a sustainability strategy, consistent with the Evolve strategy, all year round

Group Head of Compliance and Risk
Supports Company Executive Management in ensuring there is an effective risk management system throughout the year

Functional Managers
Assist with identifying and managing climate-related risk, for example by:
- Group General Counsel: advising on regulatory changes driving net-zero transitional risks throughout the year
- Group Insurance Manager: securing insurance coverage, including for physical climate risks
- Group Maintenance and Operations Director: devising new safety policies and procedures to mitigate physical climate risks when necessary
- Group Procurement Director: negotiating and building partnerships with ZEV manufacturers for the best obtainable terms for each contract throughout the year. Additionally, works closely with infrastructure and power utility organisations regarding cost and availability of powering new ZEVs
- Group Head of Internal Audit: providing independent assessment of the effectiveness of climate-related risk management activities and of other functions' climate-related activities at least every three years, but as requested

Global Sustainability Steering Group (GSSG)
Attendees include the Group Sustainability Director, Group Procurement Director, and representatives from each division who are primarily responsible for environmental and sustainability matters.

Company ZEV Steering Group
Membership: Group CEO, Group CFO, Divisional CEOs, Divisional ZEV Leads, Group Procurement Director, Group Commercial Director. The steering groups are tasked with:
1. Setting the global strategic framework for our sustainability strategy
2. Establishing how to communicate our ESG strategy, vision, and purpose externally
3. Sharing best practice and collective learning, including mitigation plans
4. Communicating our successes to our stakeholders – particularly shareholders

Divisional Executive Management (Divisional CEOs and CFOs)
- Build climate-related risks and opportunities into divisional business plans, allocate resources for their delivery, and manage and track their delivery
- Build the financial implications of climate-related risks and opportunities into divisional budgets and track these through forecasts

Divisional Commercial and Operations/Service Delivery Managers
- Develop and implement contingency plans to mitigate physical risks
- Deliver commercial arrangements to capitalise on climate-related opportunities, for example, by arranging road services to cover disruption caused by physical risks to rail infrastructure
- Assist in identifying new climate-related risks and opportunities

Divisional ZEV Steering Groups (x3)
Membership: Divisional CEOs, Divisional ZEV Leads, Divisional Procurement Directors, Divisional Commercial Directors. Climate-related activities:
- Develop and track progress against divisional ZEV transition plans and financial impact of ZEV initiatives
- Review customer (passenger and contract counterparty) demand for ZEVs, ZEV supply chain relationships, ZEV funding options, technological advancements

Divisional Risk Owners
Assists in identifying and reporting climate-related risks and opportunities all year round

Risk Management

Identifying and Assessing Climate Risks within the Overall Risk Framework

The Group applies a two-pronged approach to identifying and assessing climate-related risks and opportunities. Firstly, climate risks are considered as part of the Group's risk management system to identify and assess on all business risks (see pages 40 to 47 for more detail), which is presented to the Board at least twice annually. These risks are cascaded from down to divisional Executive Management. Both existing and emerging transitional and physical climate-related risks, like any principal risks, feed into the divisional and Group risk registers. They are assigned to risk owners, who are responsible for continuously capturing and reporting any developments to the Group risk register, from which a register is made of the most significant risks with the support of Group. Any necessary actions required to respond to climate-related risks (for example increased investment or other actions to mitigate the risks) are discussed and approved as per the Group's delegated authority framework in the diagram shown on the next page and those most significant are discussed at Board meetings per the Governance section above (frequently ZEV transition and infrastructure). Deep dives into specific topics within the divisional risk registers and their mitigations are conducted by the Board every year.

Secondly, in 2021, a specific climate-related risks and opportunities divisional self-assessment was introduced for the first time, which was re-performed fully in 2022 and reported up to and rereviewed by Group for any material changes by all the Group's operating divisions during 2023. This process enabled the Group to assess the potential size and scope of climate-related risks and opportunities identified across the Group. It is the Group's intention to re-perform the scenario modelling at least every three years, in line with the suggested cadence within the UK Climate-related Financial Disclosure regulations. The outcomes are presented in the strategy section on the next page.

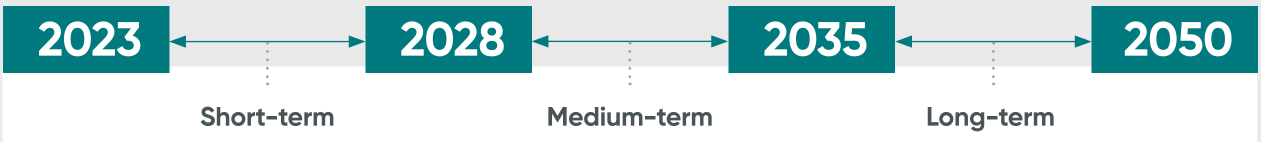
The key features of the specific climate-related risk assessment were as follows:

- The assessment consisted of two components: physical risks (such as extreme weather events); and risks related to the transition to a lower carbon society (such as the operational challenges with transitioning rapidly to a ZEV fleet).
- Divisional teams assigned both a probability of occurrence and an estimated financial impact score against each of the risks and opportunities identified, in order for the Group to assess the priority and materiality of each climate-related risk.
- For each risk and opportunity, divisional teams assessed the expected frequency of occurrence, the activities and controls in place to mitigate the risk, and the effectiveness of those controls.
- The risk assessments were reviewed by the Group Financial Controller, Group Head of Compliance and Group Sustainability Director, with a summary presented to the Board, who duly challenged the conclusions, enabling an assessment of the relative significance of the risks posed by climate change compared to other risks.

There is a clear interrelationship between addressing climate-related risks and Group strategy, primarily through the transition to ZEVs. As a further control over the completeness and accuracy of the divisional and Group risk registers, a cross-check is performed from the detailed climate-related risks self-assessment exercise to ensure it is consistent with the risk register process.

Time Horizons

In order to assess the impact of climate-related risks over time, the Group has set short, medium and long term time horizons as set out in the diagram below.



The short-term time horizon to 2028 aligns with the five-year forecast period used for the Group's strategic financial planning process. The medium-term end date of 2035 aligns with the assumed ban on use of diesel vehicles that we have applied in the 'extreme transition' scenario (as described below), and is also a key milestone date for the Group's zero emission targets. The long-term assessment considers a period to 2050, to align with the Paris Agreement Net Zero Goal.

Please refer to page 55 for our net zero goals, timeline and plan.

Materiality

In assessing these risks and opportunities, we have set materiality thresholds in line with TCFD guidance. For short to medium-term risks, we have applied a level of materiality consistent with the approach of our Financial Statement audit (the higher of (i) 5% of the Group's Adjusted Operating Profit in the respective year of the Group's long term strategic plan; or (ii) £10 million). For longer-term risks, we apply a higher materiality of 10% of a long-term estimate of the Group's Adjusted Operating Profit, as the risks are less certain, and the Group has longer to develop mitigation plans.

We applied this assessment to both the climate change scenario modelling analysis and the divisional assessments, to determine material risks and opportunities arising from climate change.

Strategy

Two climate scenarios were selected for modelling. The rationale for selecting these two scenarios was in order to model the potential impacts at the opposite end of the spectrum of likely outcomes: the extreme transition scenario (consistent with significant, co-ordinated intervention) increases transition risk, but minimises physical risks associated with climate change, whereas the opposite can be said for the extreme physical climate change scenario. We also analysed a third scenario (based on the IPCC's 'RCP 4.5' scenario) to confirm that it sat within the spectrum of outcomes of our two extreme scenarios.

A summary of the two scenarios is set out in the table below.

Extreme physical climate change scenario	Extreme transition scenario
Scenario outline An extreme physical climate change scenario assuming a lack of co-ordinated governmental action and intervention to reduce emissions, ultimately resulting in more extreme weather events. This scenario assumes the current warming rate continues unabated; rising to c.+4°C by the end of the century, as forecast by the Intergovernmental Panel on Climate Change (IPCC) in its worst case 'RCP 8.5' scenario.	**Scenario outline** An extreme transition scenario, including an assumed ban on internal combustion engines to limit the global temperature increase to 1.5°C above pre-industrial levels, as projected by the IPCC's 'RCP 2.6' scenario.
Physical climate change pathway RCP 8.5 degrees celsius	**Physical climate change pathway** RCP 2.6 degrees celsius
Modelling approach In this scenario, we assumed a range of extreme weather events occurring with increasing frequency through the time horizons under consideration, which included damage to depots from flooding or fires and business disruption from extreme heat or cold. We considered the impact of these before and after mitigations.	**Modelling approach** We considered the risk of regulatory change requiring a transition to zero emission public transport in a shorter period of time. Specifically, assuming a global ban on the use of internal combustion engine vehicles from 1 January 2035, and the Group's plans to transition to a low carbon economy to address the Group's existing net zero targets.

The output of the climate scenario analysis was the identification of climate-related risks and opportunities by time horizon, as defined in the Risk Management section above. The table below summarises these, together with their impact on the Group's strategy and resilience thereof, and the impact on financial planning.

Physical risks

Risk	Unmitigated risk	Time horizon and impact: Short	Medium	Long	Divisions most affected
Disruption from extreme weather events	Extreme weather events have historically always had some impact on our operations; in 2023, the financial impact from extreme weather events was £3m (2022: £5m), mostly being disruption from snow fall in North America and this was broadly consistent with that experienced in prior years. Under the extreme climate change scenario, our climate modelling showed that the financial impact caused by an increased magnitude and severity of extreme climate events will grow, and from 2028, before any offset from mitigating actions and modal shift opportunities that would arise under this extreme scenario, could be in the order of c.£50m annual profit, **as calculated by our modelling exercise**. A physical risk assessment of approximately 200 of the Group's major locations performed in 2022 identified that sites in central USA, largely from drought and high temperatures; and southern Spain, from extreme rainfall, are the sites at the highest risk of impact from climate change in 2030 and 2040, using both RCP 2.6 and RCP 8.5 scenarios. Detailed results of this are available in 2022 TCFD at https://www.mobicogroup.com/sustainability/task-force-on-climate-related-financial-disclosures/.				North America, ALSA

Transition risks

Risk	Unmitigated risk	Time horizon and impact: Short	Medium	Long	Divisions most affected
Availability of zero emission vehicles	Whether there will be sufficient volume of vehicles available in the market to achieve our divisional ZEV target dates. Some locations are already experiencing longer than usual lead times. Similarly, in particular for our long haul operations, having a suitable zero emission vehicle in the marketplace in time to transition the full fleet is a risk.				School Bus – North America Long-Haul Coach – UK and ALSA
Commercial viability of zero emission vehicles	Unfavourable changes to market prices for vehicles. Funding arrangements being available and changes to input costs such as electricity or hydrogen fuel costs and/or operational maintenance costs could affect the commercial viability of zero emission vehicles.				School Bus – North America Long-Haul Coach – UK and ALSA

Key

Low	Medium	High
Potential for a <£10m financial impact and/or requiring minor adjustments to our strategy	Potential for a £10m – £30m financial impact and/or requiring moderate adjustments to our strategy	Potential for a £30m+ financial impact and/or requiring significant adjustments to our strategy

Mitigating actions as part of our strategic planning and financial impact	Metrics to track progress
Mitigation plans include: • Maintaining a diverse portfolio of geographical locations across the globe, providing a natural mitigation from having a large number of individual locations, reducing the impact that any single weather event has on the Group reducing the likelihood of a material financial impact, post mitigations; • Relocating assets away from localised affected area; • Adjustments built into our contracts, meaning we have access to reimbursement of infrastructure costs and penalty reductions, as is the case in Germany; and • The Group continues to evolve insurance policies to cover many of the risks of physical damage, as well as the cost of business interruption. We already operate vehicles in both the coldest large city in the USA (Fairbanks, Alaska, with a mean January temperature of -22°C), and Bahrain, which has an average high temperature of 38°C in the summer. As a result, we are already prepared to operate in extreme weather conditions, and have the accumulated experience to manage it. Whilst based on calculated materiality, a £50m annual profit impact from 2028 would represent a material impact on Group profit, it would not affect our ongoing viability nor cause any issue for our key lender covenant tests, based on our latest five-year strategic plan; and in any case, the £50m amount is calculated before any mitigations. In reality, storms and other weather events often come with advanced warning, so mitigating actions can be implemented to reduce the impact, and the Group already has various other general mitigations as described above.	Annual financial impact from extreme weather events

Mitigating actions as part of our strategic planning and financial impact	Metrics to track progress
There is good supply of suitable vehicles in many of the areas in which we operate in order to enable the transition, particularly for those divisions with the earliest net zero target. In some divisions the transition will take longer. North America School Bus is seeing some short-term delays in the supply chain arising from very significant sums of grant funding for vehicles becoming available in a short time frame, stimulating high demand. Nonetheless, we have been able to secure orders for over 141 electric school buses from the first two tranches of funding awards,. For our long haul operations in the UK and ALSA, there is not currently a suitable vehicle on the market but we are proactively working very closely with our vehicle suppliers to have prototype hydrogen coach vehicles available. There is a clear direction of travel within the vehicle manufacturing industry to develop hydrogen powered coaches suitable for the long distance range many of our services operate. We are confident there will be suitable vehicles coming onto the market to enable us to transition these operations to zero emission. In the meantime, hybrid vehicles are a successful solution to temporarily lower emissions.	Number of zero emission vehicles in service or on order % of total fleet that is zero emission vehicles (including on order)
The pipeline of new ZEVs over the next five years has been reflected in the financial forecasts within the Group's latest strategic plan, which runs to 2028. A combination of funding models, from outright capital purchase and on balance sheet leasing, to new ownership models (including variable leasing) and the availability of funding are expected to hold replacement costs down.	Number of zero emission vehicles in service or on order % of total fleet that is zero emission vehicles (including on order)

Transition risks

Risk	Unmitigated risk	Time horizon and impact: Short	Medium	Long	Divisions most affected
Infrastructure requirements to enable operation of zero emission vehicles	Group's reliance on the required infrastructure being in place in each locality that we operate, to enable us to operate our services using zero emission vehicles, including electricity availability and speed for charging, and supply of hydrogen.				Long-Haul Coach – UK and ALSA
Requirement for an accelerated transition due to increased regulation	If there is significant intervention from governments and other public bodies to restrict or ban the use of diesel and other emitting vehicles, the Group may need to transition faster to ZEV to comply with local and national regulations, which could have implications for the net book value of existing diesel vehicles.				All except German Rail

Opportunities

Opportunity	Opportunity explained	Time horizon and impact: Short	Medium	Long	Divisions most affected
Modal shift: driving customers to use public transport	An increase in government and other public bodies' intervention to introduce congestion and/or pollution measures to disincentivise or even ban the use of private transport could enable modal shift by increasing users of public transport in the future. For example, the California Climate Act disallows the purchase of some diesel vehicles from 2024. This presents us an enhanced opportunity to become an Environmental Leader per our Evolve strategy on page 10.				All
Operational efficiency	Increased operational efficiencies (both planned and reactive) from operating zero emission vehicles perpetuate or grow from the early experience we have seen across the Group. The customer experience is much better in ZEVs than diesel vehicles.				All

Key

- **Low** – Potential for a <£10m financial impact and/or requiring minor adjustments to our strategy
- **Medium** – Potential for a £10m – £30m financial impact and/or requiring moderate adjustments to our strategy
- **High** – Potential for a £30m+ financial impact and/or requiring significant adjustments to our strategy

Mitigating actions as part of our strategic planning and financial impact	Metrics to track progress
We have a significant level of engagement with public bodies to help drive the agenda forward, particularly with regard to hydrogen infrastructure. In 2023, the UK Government launched an open call for evidence regarding infrastructure for zero emission heavy goods vehicles and coaches, thus including the Coach operation in the wider Government plans for zero emission transport. A full updated strategy is expected to be published in 2024 including refuelling and recharging requirements. The Group is proactively engaging with external stakeholders to make beneficial changes, such as looking to reduce the costs of hydrogen supply, and exploring alternative supply options such as on-site hydrolisers. We will be closely following emerging solutions for the considerably larger haulage industry, which will likely accelerate the emergence of technology and infrastructure solutions into the market. The Group will continue to take mitigating actions where we can, primarily via engagement with a wide range of stakeholders and seeking a wide range of possible different solutions, in particular for long-haul services. However, the Group will be reliant on a number of factors outside of our control, including the need for local and national government policies to drive forward the availability of infrastructure through policy action and making funding available, and for the wider industry to be able to support this through provision of the required infrastructure. Please refer to the transition plan section below for our long haul operations for further detail.	Number of zero emission vehicles in service or on order % of total fleet that is zero emission vehicles (including on order)
We have already set out our divisional net zero target dates which range from 2030 to 2040. In that regard we therefore expect to be very well progressed in the transition by 2035, which was the year in which we modelled the impact of a ban on the use of diesel vehicles in our climate modelling. We consider this the main mitigation by being a leader in the transition such that the financial and operational impact of any regulation being introduced on our existing transition plan is relatively minimal. Some ZEV suppliers are actively buying back diesel vehicles to accelerate the introduction of electric vehicles. There is also a secondhand market (especially large in the North America Transit business) enabling recovery of any net book value of diesel vehicles. The net book value of diesel vehicles at 2035, would be £18m, and so the impact of accelerated depreciation on annual profit from 2024 would be c. £1.5m if there was a ban on the use of diesel vehicles from 2035 as assumed in our modelling scenario; an immaterial amount. Please refer to note 15 in the Notes to the Consolidated Accounts for further information. Similarly, the impact of this on impairment assessments is set out in note 14 to the Consolidated Accounts.	Number of zero emission vehicles in service or on order % of total fleet that is zero emission vehicles (including on order) Net book value of diesel vehicles at 2035 and 2040

Strategic and financial impacts	Metrics to track progress
It is likely that local government authorities or transport authorities would unilaterally impose measures to address congestion and pollution in cities (to help the drive for a clean air environment) and simultaneously meet their countries' own carbon reduction targets, particularly under the extreme transition scenario which we have modelled. Our shorter routes and School Bus business model perfectly lends itself to ample mid-day or overnight charging. The UK's Climate Change Committee predicts that 9-12% of car journeys could be switched to bus by 2030, with 17-24% being switched by 2050. According to our analysis of the Department for Transport's 'Passenger transport by mode' 2019 statistics, a modal shift of 1% from car to bus would result in an increase of 23% bus passenger kilometres. We see that the benefits of modal shift far outweighs the costs of having to comply with new regulations.	Million passenger kilometres
There are several operational benefits from using ZEVs, including the ability to optimise maintenance (both planned and reactive), and experience to date has shown further operational benefits such as fewer breakdowns. Our investment in driver training is enabling high quality driving of the vehicles, which in turn is generating benefits such as lower maintenance and repair spend and also higher regenerative braking, resulting in lower energy use. There is the opportunity to see further operational benefits and battery performance to the business as the transition progresses and we gain more experience in operating the vehicles.	Group operating expenses

The Group Transition Plan

The Group's ability to transition the fleet to ZEVs to meet our own net zero targets, and to mitigate risk in the extreme transition scenario, is dependent on the ability to transition to and operate ZEVs across all divisions, with the exception of Germany, which already operates a fully electric fleet of trains. Vehicle emissions currently represent 93% of Scope 1 emissions and therefore transitioning the fleet to ZEVs is the key driver of achieving our net zero target. We therefore currently anticipate that carbon offsetting will represent only a minor part of the strategy to reach net zero. We recognise that as part of an industry sector with currently high emissions, delivery of this strategy is critical to significantly reducing our contribution to the current level of global emissions, in addition to contributing to avoided emissions by providing public transport services.

As noted in the risks table above, one of the most significant priority risks, amplified by our goal to be the Environmental Leader in our sector, is the Group's ability to manage this transition. The Group has a proactive approach to transition challenges and we continuously engage with our suppliers, partners and customers to drive the agenda.

A summary of each divisional transition plan is set out in detail below.

Urban Bus – UK

The Group is most progressed in the UK Bus division with 20% of the fleet already zero-emission or with a zero-emission replacement on order. Our experience from operating electric vehicles has been extremely positive to date, with lower maintenance costs (both planned and reactive) and running costs. We have also seen significantly fewer breakdowns than on a diesel bus, and lower energy usage than expected thanks to the increased regenerative braking and our significant investment in driver training.

We are able to mitigate the small remaining technology transition risks by negotiating with supply chain partners and West Midlands Combined Authority, by obtaining extended warranties on battery performance, for example. Secondly, the Office for Zero Emission Vehicles is accelerating the ease of installing charging points for businesses. Lastly, we have three depots fully designed to accommodate ZEVs already, and have a pipeline of future redesigns in place for more depots. We do not expect our vehicle purchasing requirements to comprise a significant portion of the market capacity for the manufacture of these vehicles, and electricity network connections in our depot locations have been strong enough for our needs.

Urban Bus – Spain and Morocco

In Spain and Morocco, we expect our Urban Bus operations to transition on a slightly longer timescale than in the UK as a result of three key factors: (i) operating conditions, including route length, and ambient temperatures being more challenging than in the UK; (ii) the contracted nature of the services means that the transition timetable needs to be agreed with the contract counterparty; and (iii) the extent to which electricity is available to power entire depots' charging points. While there is more uncertainty than in the UK, the availability of suitable vehicles in the market is more than sufficient to meet our transition plan and the support for vehicles and infrastructure is high on the agenda of the public authorities. We expect to see similar operational benefits to those we have seen in the UK as the transition progresses. In the meantime, hybrid vehicles and a range of alternative fuel types are used to lower emissions on the diesel fleet.

School Bus – North America

School bus operations are well suited to ZEVs given relatively short operating distances and ample time for mid-day recharging. However, the longer transition target date in North America is reflective of two key factors: (i) ZEVs for the school bus market are currently expensive, reflecting the short-term impact on market prices from high levels of funding being made available; and (ii) contracted procurement practices at school board level needing to adapt to accommodate ZEV introduction.

Nevertheless, we are seeing increased demand for ZEVs (particularly as parents embrace the clean air agenda), and funding is becoming increasingly available, such as winning $31m in grants last year from the $5bn Clean School Bus programme, which has enabled the funding of 53 electric school buses and the required infrastructure, which will be delivered in early 2024. In early 2024, funding for 91 more electric school buses was granted. While the availability of 100% funding for both vehicles and infrastructure is clearly an enabler of the transition, it is to some extent currently having a negative effect on the market price of a ZEV, which remains high compared to the equivalent diesel vehicle, and limiting other market options. This is expected to reduce over time as the initial effects of launching the large funds programme on the market starts to recede.

Additionally, our own assessment shows that the market capacity for ZEVs that we expect to consume is not notably larger than our proportionate market share and there is a significant second-hand market for the sale of diesel vehicles before their useful life expires.

Transit and Shuttle – North America

Introduction of future regulations such as the Clean Air Act in California is expected to drive the need for change by phasing out the sale of diesel vehicles through increased regulation. We lead a Zero Emission Leadership Coalition (ZELC) that brings together a number of our key customers, industry experts and vehicle providers to share knowledge and experience to also help to drive the transition agenda. Although lead times for vehicle delivery are currently longer than in other areas of the business, there is ample capacity in the vehicle market to enable transition by the target date.

Long haul coach – UK and ALSA

The vehicle replacement cycle in coach operations is much faster, due to the intensive operational nature of the vehicle. For example, in our UK Coach division, each vehicle is typically used for 5 to 7 years before being replaced, meaning there is a longer time window from now in which to develop a ZEV solution for this market and ensure the necessary infrastructure is in place to achieve the ZEV target date.

Our UK suppliers are working on a hydrogen coach vehicle that meets our specification requirements which we are expecting to see the first of in 2024. However, while hydrogen power produces a better range than battery ZEV, the technology is less developed, and fuel costs are currently too high to compete economically with diesel or electric power, making the solution more uncertain as we have reliance on the required infrastructure being in place to support our vehicle operations. In the meantime, while battery ZEV may be impractical for long distance journeys, it is likely to be the ideal solution for shorter coach services like our airport operations, and we are already using electric vehicles on a private hire contract in the UK.

In ALSA, we are exploring options for electric superchargers at stations to coincide with mandatory driver breaks. The Confederation for Passenger Transport (CPT) ZEV taskforce in UK and the International Federation of Public Transport (UITP) are working on further solutions.

Ultimately, we anticipate that we will be able to procure ZEVs suited to short and long- distance journeys to enable us to achieve full transition by the target date, given our progress in engaging with suppliers and the wider industry thus far. We would expect that, particularly under the extreme transition scenario, a combination of government support and private investment would ensure the requisite infrastructure was in place to enable the wider use of hydrogen vehicles, including with the UK's updated ZEV HGV Infrastructure Strategy expected to be published in early 2024.

German Rail

While German Rail already operates a full electric fleet of trains, plans are ongoing to reduce energy usage and hence Scope 2 emissions in the future, for example the development and planned deployment of a driver assistance system which gives recommendations for energy-optimised driving behaviour.

Resilience of the Group's strategy

Collectively, across governments, our customers and the general public, there is a desire and a need to reduce emissions to tackle the risks posed by climate change. We believe this will accelerate both modal shift into public transport and the need to transition away from diesel vehicles; and that this would happen more quickly under the extreme physical climate change scenario. As we have set out, although physical risks from climate change will undoubtedly provide more challenges to the business, we see greater opportunities from the vehicle transition and modal shift which are both key to our strategy. Therefore, we believe our strategy is resilient to these likely challenges, and we do not foresee having to adjust the operations of the business in the future due to climate risks.

Metrics and Targets

In 2019, the Group was an early adopter of a set of intensity-based metrics which were measured year-on-year and were used as the basis for a set of emission reduction targets, using the Sectoral Decarbonisation Approach (SDA) methodology. These targets were chosen to meet the then-prevailing IPCC goal of controlling the increase in global warming to below 2 degrees, and were based on intensity metrics widely used in the transport industry, and aimed to be achieved over a seven-year performance period, 2019 to 2025, with 2018 being the baseline year. These are shown in the table below.

During 2023, the Group submitted new near-term carbon reduction targets covering Scope 1, 2 and 3 emissions to the Science Based Targets Initiative ('SBTi') in order to both obtain external validation of our targets and most critically, to ensure alignment with the Paris agreement of controlling the increase in global warming to below 1.5 degrees. The SBTi completed their validation process in January 2024 and the approved targets are as follows:

Mobico Group PLC commits to reduce absolute Scope 1 and 2 GHG emissions 55% by 2033 from a 2022 base year.

Mobico Group PLC commits to reduce absolute Scope 3 GHG emissions 33% by 2033 from a 2022 base year.

The target boundary includes biogenic land-related emissions and removals from bioenergy livestocks.

The Group will commence reporting against the new targets from 2024.

The Group already has incentives in place across all divisions to lower our carbon footprint in our operations, for example being embedded within bonus targets and employee objectives. In addition to this, capital investment requests and bid models are already scrutinised for their environmental impact. Given that these processes already meet the aim of using a carbon price, we are not currently utilising one in our internal reporting at this stage; however, this will be kept under review.

The Group has reviewed the full list of metrics in tables A1.1, A1.2 and A2.1 in the TCFD guidance and set out the relevant metrics and KPIs,which the Group will use to track climate-related risks and opportunities in the following table. Please refer to the climate-related risks and opportunities table in the Strategy section for which risk and opportunity each metric is linked to. The Group considers the remaining metrics to not be relevant nor meaningful to the Group at the current time, but the Group will continue to monitor this. The Group monitor progress against these metrics by the way of quarterly reporting of Scope 1 and 2 emissions from each of our operating divisions.

Metrics and Targets Dashboard

	Base year		Target year		2022 Result (PY)	2023 Result (CY)	% change from base year	% change YOY (2022-2023)	% change to meet target
	Year	Result	Year	Result					
Scope 1 & 2 absolute carbon emissions (tCO_2e) (our net zero tracking metric)- SBTi approved target	2022	913,864	2033	411,239	913,864	**913,937**	0.01%	0.01%	-55.0%
Scope 3 absolute carbon emissions (tCO_2e)- SBTi approved target	2022	600,400	2033	402,268	600,400	**497,280**	-17.2%	-17.2%	-19.1%
Traction Energy: (vehicle fuel and electricity) MWh/mpkm*	2018	66.92	2025	58.72	83.82	**85.50**	27.8%	2.6%	-31.3%
Traction Carbon Emissions (Scope 1 & 2) tCO_2e/mpkm*	2018	17.67	2025	15.45	23.38	**22.84**	29.3%	-2.3%	-32.4%
Total Scope 1 & 2 Emissions tCO_2e/mpkm*	2018	19.26	2025	16.45	24.17	**23.57**	22.4%	-2.5%	-30.2%
Site Scope 1 & 2 Emissions (building use only) tCO_2e	2018	41,656	2025	38,199	29,839	**28,165**	-32.4%	-5.6%	Met
Landfill Waste Disposal tonnes	2018	7,711	2025	5,783	4,215	**883**	-88.5%	-79.0%*	Met
Water consumption m^3	2018	478,956	2025	439,209	429,170	**411,692**	-14.0%	-4.1%	Met
Number of zero emission vehicles in service or on order	n/a	n/a	2024 2030	1,500 14,500	491	**915**	86.4%	86.4%	64%
% of total fleet that is zero emission vehicles (including on order)	2023	2%	2040	100%	2%	**3.3%**	1.3%	1.3%	96.4%
Scope 1 and 2 emissions (in kg CO_2e) per £ revenue	n/a	n/a	n/a	n/a	0.3264	**0.2891**	-11.4%	-11.4%	n/a
Impact on operating profit from extreme weather events					£5m	**£3m**			
Net book value of diesel vehicles at 2035					£14m	**£18m**			
Net book value of diesel vehicles at 2040	No specific targets set currently				£0m	**£0m**	No specific targets set currently		
Proportion of LTIP remuneration targets based on ESG metrics (see page 121 for more detail on ESG Directors Remuneration)					25%	**25%**			

* mpkm: million passenger kilometres is defined in the Glossary to this annual report

Scope 1, 2 and 3 emissions

We measure and report our Scope 1, 2 and 3 greenhouse gas emissions in line with the GHG protocol methodology which are summarised in the table below and split by division on the Environmental Performance Report on page 247.

Reporting Boundaries & Recalculation Policy

The Group applies an operational control approach to reporting emissions for collecting this data, thereby covering 100% of our business activities. A regular review is undertaken to ensure any changes to the Group structure are reflected in capturing emissions data. The Group's GHG Emissions Recalculation Policy was approved by the Board Sustainability Committee during the year and can be found at https://www.mobicogroup.com/about-us/our-policies/.

tCO_2e emissions by scope	2017	2018	2019	2020	2021	2022	2023	% change YOY (2022–2023)
1	801,061	808,650	823,582	514,106	657,239	830,287	**834,815**	0.5%
2 (location based)	60,682	48,583	49,938	67,879	73,649	83,577	**79,122**	-5.3%
3**	6,127	7,627	8,221	8,641	5,762	600,400	**497,280**	-17.2%
Total Scope 1, 2 and 3 (location based)	867,870	864,860	881,741	590,626	736,650	1,514,264	**1,411,217**	-6.8%

**The Group completed a full baseline assessment of Scope 3 emissions in 2022, including all relevant categories. Prior to 2022, Scope 3 included only business travel, waste, water and certain other upstream emissions.

Scope 1 emissions (from combustion of fuels, and use of natural gas and refrigerant gases) represent the largest category for emissions, with vehicle emissions representing 93% of Scope 1 emissions. Scope 2 emissions (from electricity usage) represent energy usage both in our buildings, in our German Rail operations and electric vehicles in operation in other divisions.

An increase in electricity consumption, particularly in our German Rail operation due to the award of new contracts, drove an increase in the Traction Energy metric. Whilst we remain adrift of the 2025 targets for traction energy and carbon emissions, as can be seen in the table below, Traction Carbon Emissions and Total Emissions both improved year on year per million passenger km, as both patronage improved over the year and starting to see the positive impact of the ZEV transition achieved. As we expect the growth in ZEVs to gain pace in future years, there remains potential for material improvement in these intensity metrics as this progresses.

The remaining three metrics for Site Emissions, Water Consumption and Landfill Waste Disposal had already been met in previous years but it was pleasing to see that all three metrics improved on last year. It should be noted that the majority, but not all of the reduction in Landfill Waste Disposal, was from revising the methodology for calculating waste in our North America division, which is described in more detail below.

Scope 1 emissions were broadly flat on 2022, a good result considering the increase in operations in 2023 and the increase in million passenger kilometers as a result. The scope 1 performance was benefitted by an over 10% decrease in emissions year on year in our UK Bus business, which is seeing the benefit of being most progressed in ZEV transition.

Scope 2 emissions decreased by 5.3%, as an increase in electricity consumption in our German Rail operation was more than offset by a lower emissions factor for 2023 for Germany electricity compared to 2022.

A breakdown of Scope 1, 2 and 3 by division is included in the Environmental Performance Report on page 247.

Scope 3 emissions have been calculated based on the guidance in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Standard.

For categories 1 and 2 (purchased goods and services and capital goods), the calculation methodology is based on actual spend data, which was then applied to emissions factors by spend category, as supplier-specific data is not yet available. The same methodology was used within category 8 for emissions from the manufacture of leased vehicles, which includes the optional disclosure of life cycle emissions associated with manufacturing leased assets.

We aim to transition to a supplier-specific approach over time, starting with the most material suppliers, for example the companies who manufacture and produce our vehicles, some of which have committed to Scope 1 and 2 Science-Based Targets already. The UK division is actively engaging with an initial six suppliers, selected based on spend and size of carbon footprint in order to obtain supplier-specific emissions data and embed climate elements into contracts and policies. We will continue to improve the methodology for calculating supplier emissions, and therefore, category 1 may see more significant year-on-year movements in the future. Additionally, following feedback from the SBTi received during our validation process, we will also work towards being able to disaggregate the transportation and distribution element of Category 1 Scope 3 in future reporting, to enable disclosure of these emissions under category 4.

For category 5, actual data is used where available, and if not, a best estimate is made. The methodology used in previous years for estimating waste in our North American division, where actual waste data is not currently available, was significantly revised in 2023, as the previous methodology based on estimated waste per employee was found to result in an overestimate of total landfill waste. A new methodology, using actual data available in other divisions and applying this to the size and operation of the North America division has been utilised in 2023 and has resulted in a significant year on year reduction in the amount of landfill waste disposal in both the division, and also the total Group, in 2023.

For employee commuting (category 7), reasonable assumptions have been made around commuting patterns applied to the actual number of employees at each location. This category includes the optional emissions arising from home working.

For investments (category 15), the 'average data' method is used, based on the sector the investee company operates in, which drives the sector specific emission factor used, applied to revenue data, and our proportional share of equity held.

For all other Scope 3 categories (3, 4, 6 and 13), actual usage data has been obtained.

A breakdown of scope 3 tCO_2 emissions by category is shown in the following table:

Category	2023	2022	% change YOY
1. Purchased goods and services	**138,835**	221,783	-37.4%
2. Capital goods	**92,435**	92,680	-0.3%
3. Upstream fuel and energy production and distribution	**201,723**	214,893	-6.1%
4. Upstream transportation and distribution	**n/a**	n/a	n/a
5. Waste and water	**683**	1,967	-65.3%
6. Business travel	**2,390**	2,349	1.7%
7. Employee commuting	**43,062**	41,819	3.0%
8. Upstream leased assets	**15,533**	10,543	47.3%
9. Downstream transportation and distribution	**n/a**	n/a	n/a
10. Processing of sold products	**n/a**	n/a	n/a
11. Use of sold products	**n/a**	n/a	n/a
12. End-of-life treatment of sold products	**n/a**	n/a	n/a
13. Downstream leased assets	**1,194**	1,118	6.85%
14. Franchises	**n/a**	n/a	n/a
15. Investments	**1,425**	13,248	-89.2%
TOTAL tCO_2e	**497,280**	**600,400**	**-17.2%**

Scope 3 emissions decreased by 17.2% primarily driven by a 37.4% reduction in category 1, purchased goods and services. This was a result of lower 2023 emission factors applied to the spend across the Group in this category, and Group-wide spend reductions, particularly in higher emitting activities such as vehicle repairs and maintenance, mostly within the North America division.

Category 5, waste and water, decreased significantly in percentage terms; albeit a low absolute reduction, due to lower water usage and the methodology for estimating waste in our North American division being revisited in the year, as explained above.

Category 8, upstream leased assets, increased by 47.3% year on year due to an increase in the number of new leased vehicles procured in the year, mainly in our UK Coach division, as category 8 includes the optional upstream emissions from the manufacture of leased vehicles.

Data Quality and Assurance

We recognise the importance of emissions data, and the quality of data underpinning it. Accordingly, we have continued to enhance our approach and processes in line with expectations by continuing to utilise external support in the calculation and compilation of the Group's emissions.

Additionally, external assurance from Carbon Responsible Limited has been obtained over the Group's 2023 environmental data underpinning absolute Scope 1, 2 and 3 emissions, to a limited level of assurance to the ISO14064-3 standard. The 2023 assurance report can be found at https://www.mobicogroup.com/sustainability/performance-reports-and-data/.

Future developments

The Group continuously monitors future regulation and reporting requirements affecting all territories that it operates in. The most significant future requirements that we expect to impact on the Group are described below:

- During 2023, the International Sustainability Standards Board ('ISSB') published its first two IFRS Sustainability Disclosure Standards, which are effective 1 January 2024, and at the time of writing awaiting formal adoption by the UK. These are:
  - IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*; and
  - IFRS S2 *Climate-related disclosures*

  The requirements in IFRS S2 are consistent with the four core recommendations and 11 recommended disclosures published by the TCFD. There are some additional reporting requirements in IFRS S2 over and above the existing TCFD requirements and the Group will focus on these areas in order to prepare for the required disclosures.
- The UK Transition Plan Taskforce ('TPT') published its final disclosure framework on climate transition plans, setting out good practice for robust and credible transition plans as part of a company's annual reporting. The expectation is for new requirements in relation to transition plan disclosures to be effective 1 January 2025, thus first being applied in the Group's FY 25 Annual Report. The Group will commence preparatory work during 2024.
- The Corporate Sustainability Reporting Directive ('CSRD') was adopted by the European Parliament and European Council in December 2022. The Group is in scope for this legislation due to our subsidiary operations in the EU, principally in Spain and Germany. The scope and impact of the CSRD is complex and the Group plans to perform a detailed assessment of the impact on the Group and its subsidiaries in 2024 and thereafter establish a Group-wide working group to plan for and deliver compliance with the reporting requirements.