



Capital Markets Day

18th October 2021

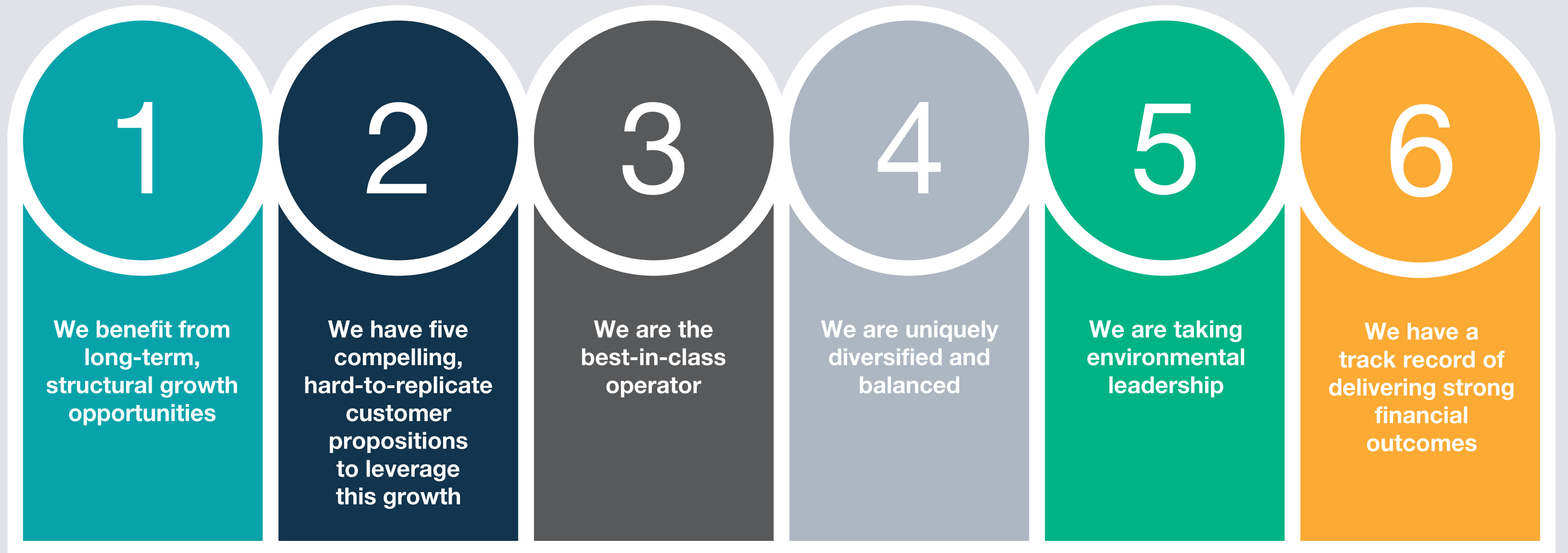
national express

Part 1

Introduction and Overview

Ignacio Garat Group Chief Executive

An attractive investment case



Video: The case for Modal Shift



national express

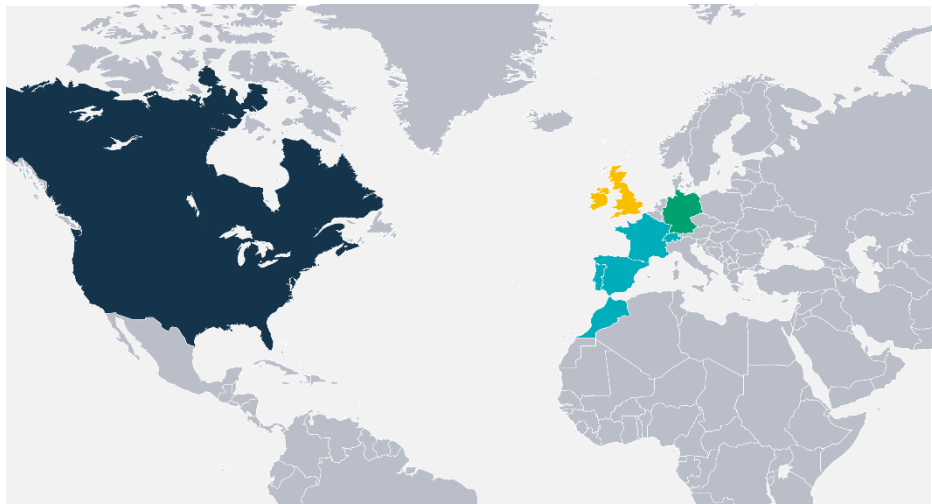
Please see our website at
<https://www.nationalexpressgroup.com/CMD21>
for our case study video on the case for Modal Shift

Agenda for the day

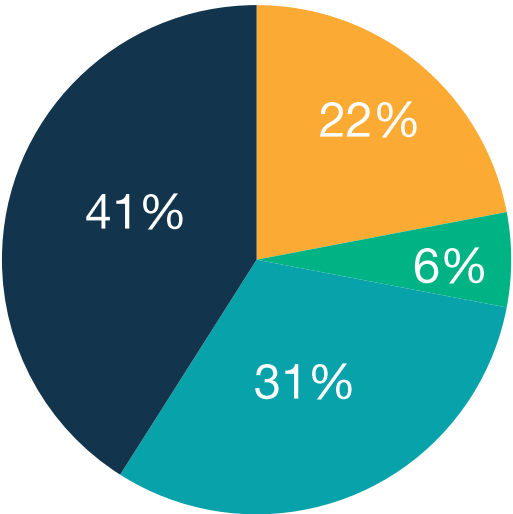
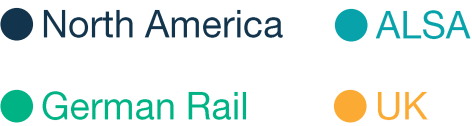
	London time
Part 1 Introduction	14:00
Part 2 The Evolve Strategy	14:05
Part 3 Divisional Overviews	14:45
Part 4 Financial Framework	15:25
Part 5 Summary and Close	15:40
Part 6 Q&A	15:45
Close	16:15

National Express is the only UK listed internationally diversified, multi-modal transport provider

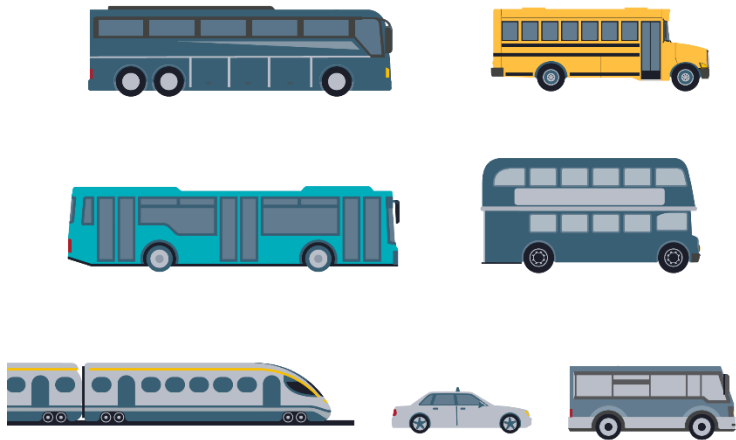
Internationally diversified



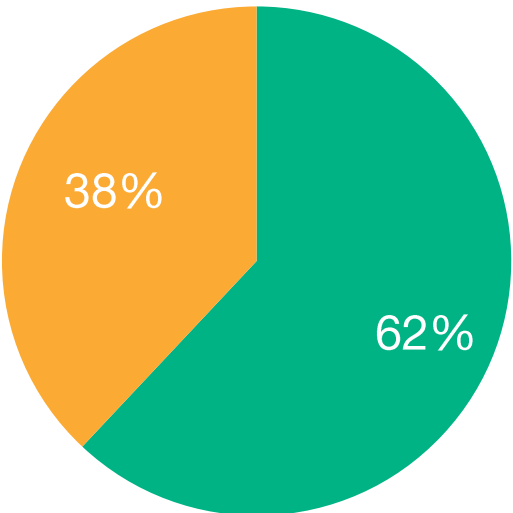
Geographically well balanced revenues



Multi-modal



High proportion of revenue is contracted



The Group at a glance

51,000
employees

11
countries

939 million
annual passenger journeys

1/2 billion
annual car journeys avoided

50
cities

32,000
vehicles operated

An industry-leading team

Presenting today



Ignacio Garat
Group CEO



Chris Davies
Group CFO



Francisco Iglesias (Paco)
ALSA CEO



Gary Waits
North America CEO



Tom Stables
UK & Germany CEO



Kevin Gale
Group Operations
Director



Alison Forster
Group Safety
Director



Karen Myers
Group HR & Corporate
Communications
Director



Jennifer Myram
Company
Secretary



Dorothy Capers
Group Legal
Counsel



Debbie O'Shea
Group CIO



James Stamp
Group Commercial
Director

Part 2

The Evolve Strategy

Ignacio Garat Group Chief Executive

An exciting time to be in public transport

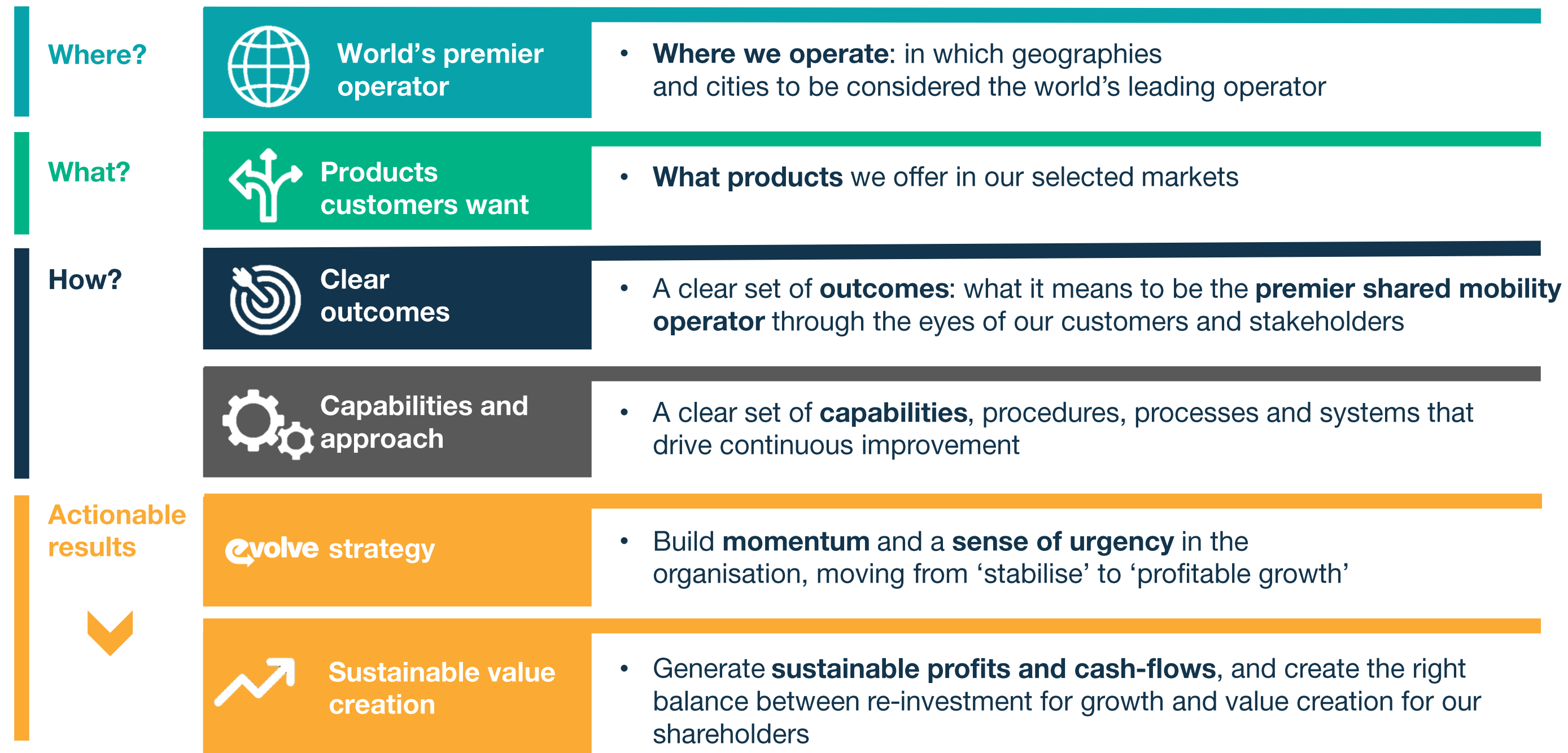
- Favourable demographics
- Public transport supports social mobility
- Pent-up demand for travel
- Government support is better than ever
- Modal shift is key to decarbonisation

national express

UK Prime Minister, Boris Johnson, at the National Express Coventry depot to launch the government's National Bus Strategy

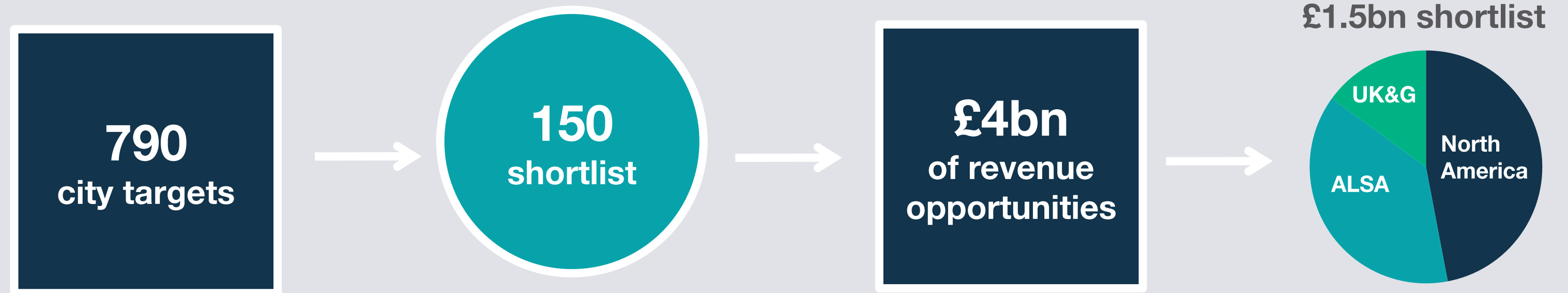


Business Review – The strategic review process



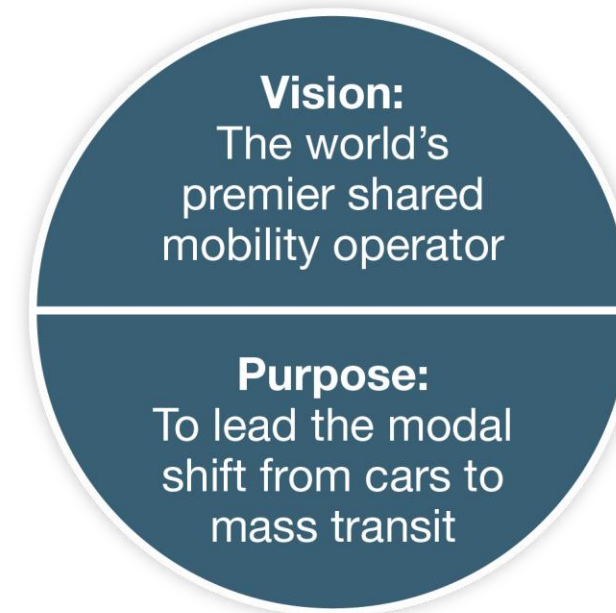
Business Review – The strategic review process

Near term pipeline of £1.5bn bidding opportunities in existing footprint



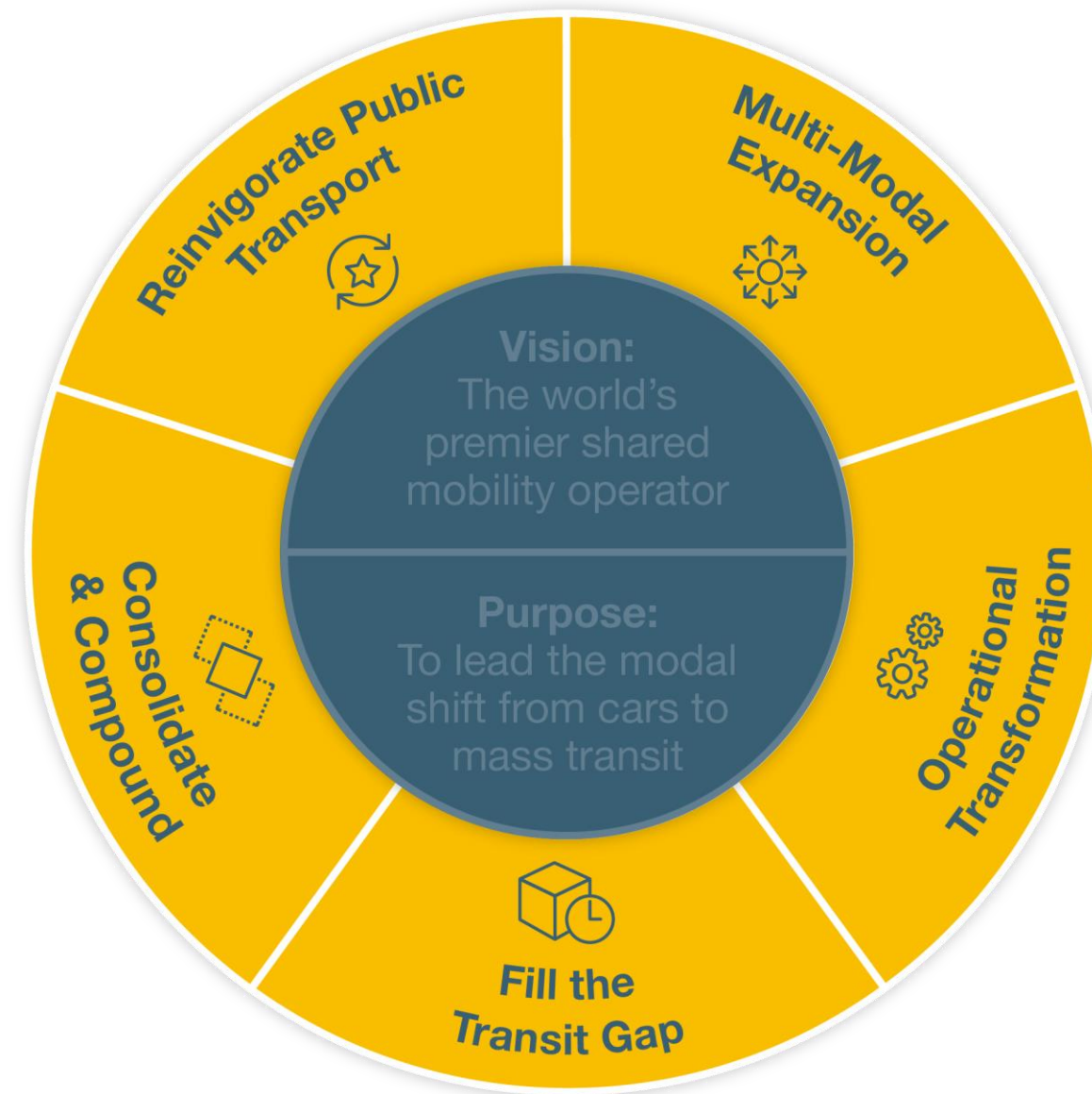
The **evolve** strategy

We have a clear vision
and purpose, which drives
everything we do...



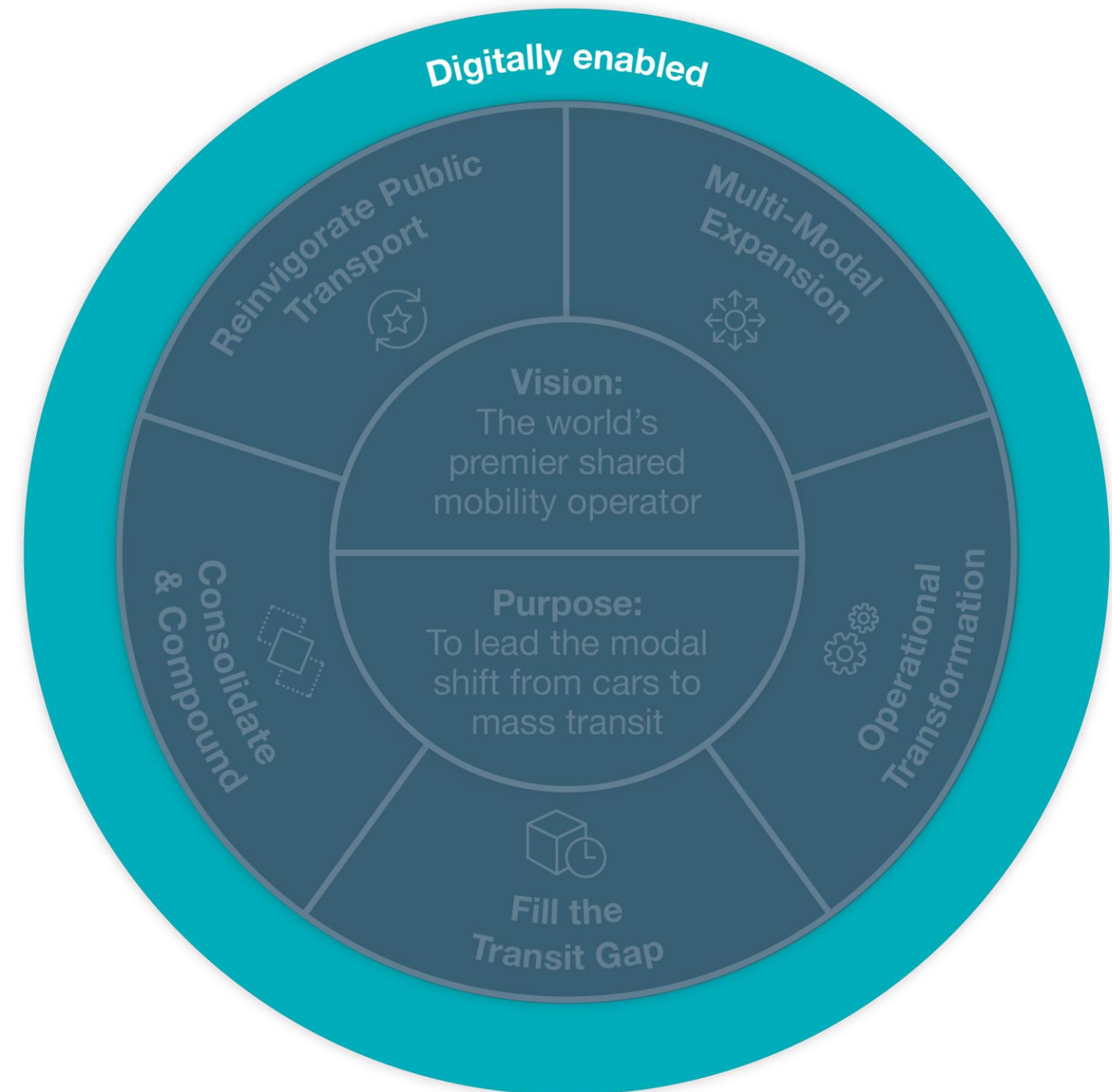
The **evolve** strategy

...We deliver this
through five customer
propositions...



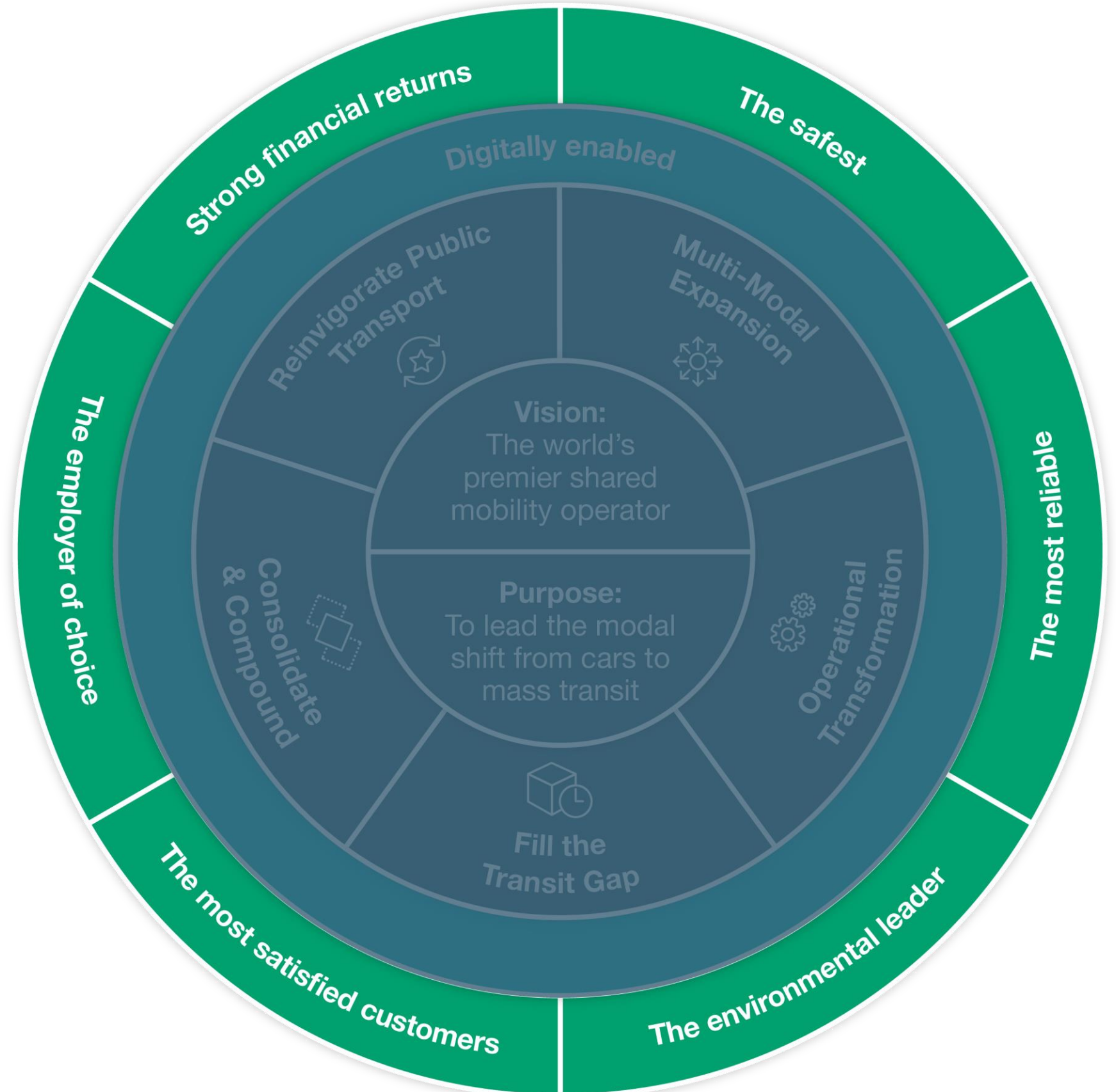
The **evolve** strategy

...Which are enabled
by focused application
of technology...

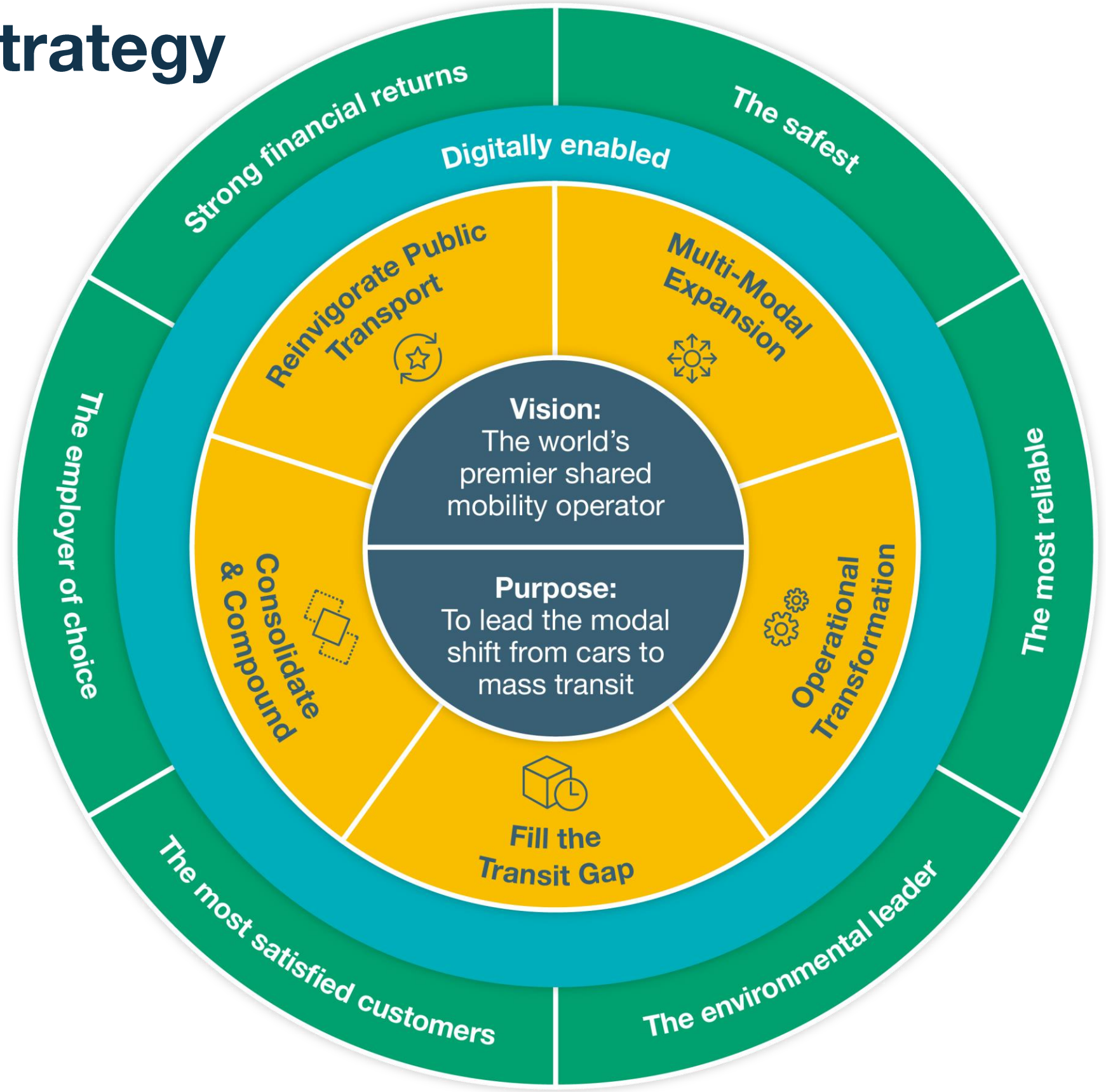


The **evolve** strategy

...To deliver superior outcomes for all our stakeholders



The **evolve** strategy



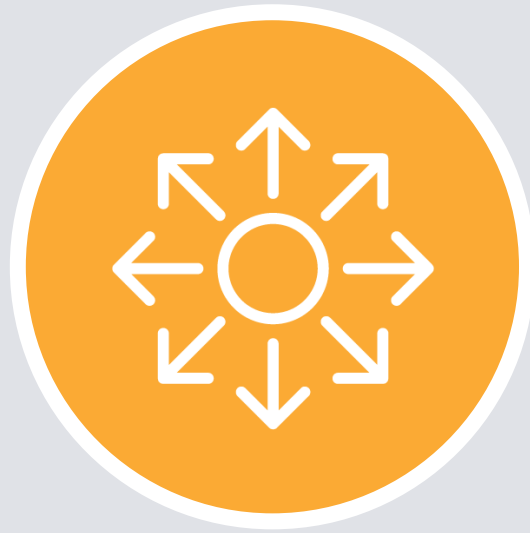
The **evolve** strategy

We have five compelling,
hard-to-replicate propositions



Reinvigorate Public Transport

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



Multi-Modal Expansion

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



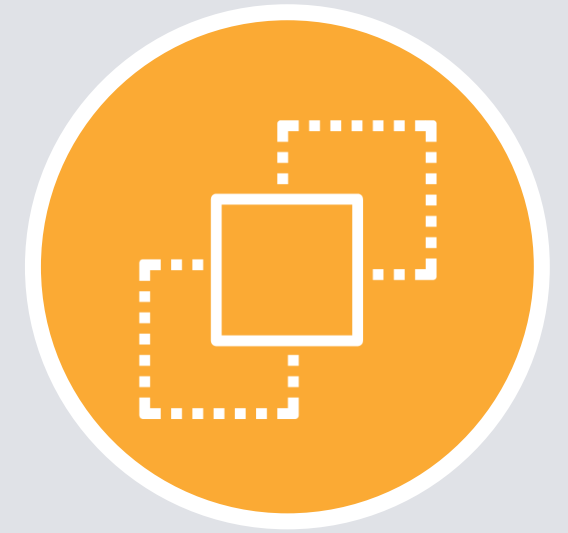
Operational Transformation

Application of our best-in-class 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 not well served by public mass transit



Consolidate & Compound

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



Reinvigorate Public Transport is... rebuilding confidence in the public transport system by offering high-quality operations that passengers want to use

- We have consistently demonstrated our ability to reverse declining passenger trends when we have taken over troubled contracts
- We enhance social mobility in the communities we serve
- Strong pipeline of opportunities worth c.£400m of revenue
- We grow use of public transport by building partnerships with authorities that want sustainable solutions to congestion and pollution

Agadir



- Commenced urban bus services in 2010
- Passengers increased six-fold from 8m to 48m
- Accident rate reduced by 90%

Tangier



- Commenced urban bus services in 2012
- Passengers nearly quadrupled from 15m to 55m
- Accident rate reduced by 80%

The **evolve** strategy Multi-Modal Expansion



Multi-Modal Expansion is...
expanding the breadth of our product offering, based on global know-how and local relationships

- There are opportunities to “land and expand” as we enter new cities
- We have already implemented this in cities such as Birmingham, Chicago, Coventry, Madrid, Marrakech and New York
- We will build more modal capability and city hubs from existing locations
- Strong pipeline of opportunities worth c.£300m of revenue

national express





Operational Transformation is...
driving growth by delivering transport solutions more efficiently than our competitors through processes enabled by technology

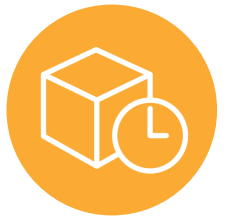
- Operations playbook - the NX way: globally consistent processes with ability to rapidly implement and scale
- Opportunities to drive change:
 - Implement operational blueprint at scale
 - Turn round under invested operations
 - Modernise
- Strong pipeline of opportunities worth c.£200m of revenue

Route planning technology used on our paratransit vehicles in the US and UK



national express
Accessible Transport

The **evolve** strategy Fill the Transit Gap



Fill the Transit Gap is...

helping businesses and cities transition from the private car in places that are not well served by existing public mass transit

- \$2 billion US corporate shuttle market growing at over 4% CAGR
- WeDriveU serves many of the largest businesses on the West Coast and is expanding across the US
- We are seeing increasing demand globally for B2B services
- Opportunities to expand throughout our existing footprint
- Strong pipeline of opportunities worth c.£300m of revenue

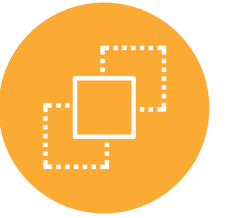
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Corporate shuttle services that enable employees to use their commute time productively



The **evolve** strategy Consolidate & Compound



Consolidate & Compound is... the consolidation of fragmented markets to bring the benefits of scale and consistent service

- US School Bus: acquire 'bolt ons' at attractive multiples, drive c.15% returns
- Spain: consolidate regional and urban services from initial acquisition point
- UK: demand aggregation of fragmented private hire and accessible transport markets
- Selective, larger acquisitions to step-change / accelerate capabilities
- Strong pipeline of opportunities worth c.£300m of revenue

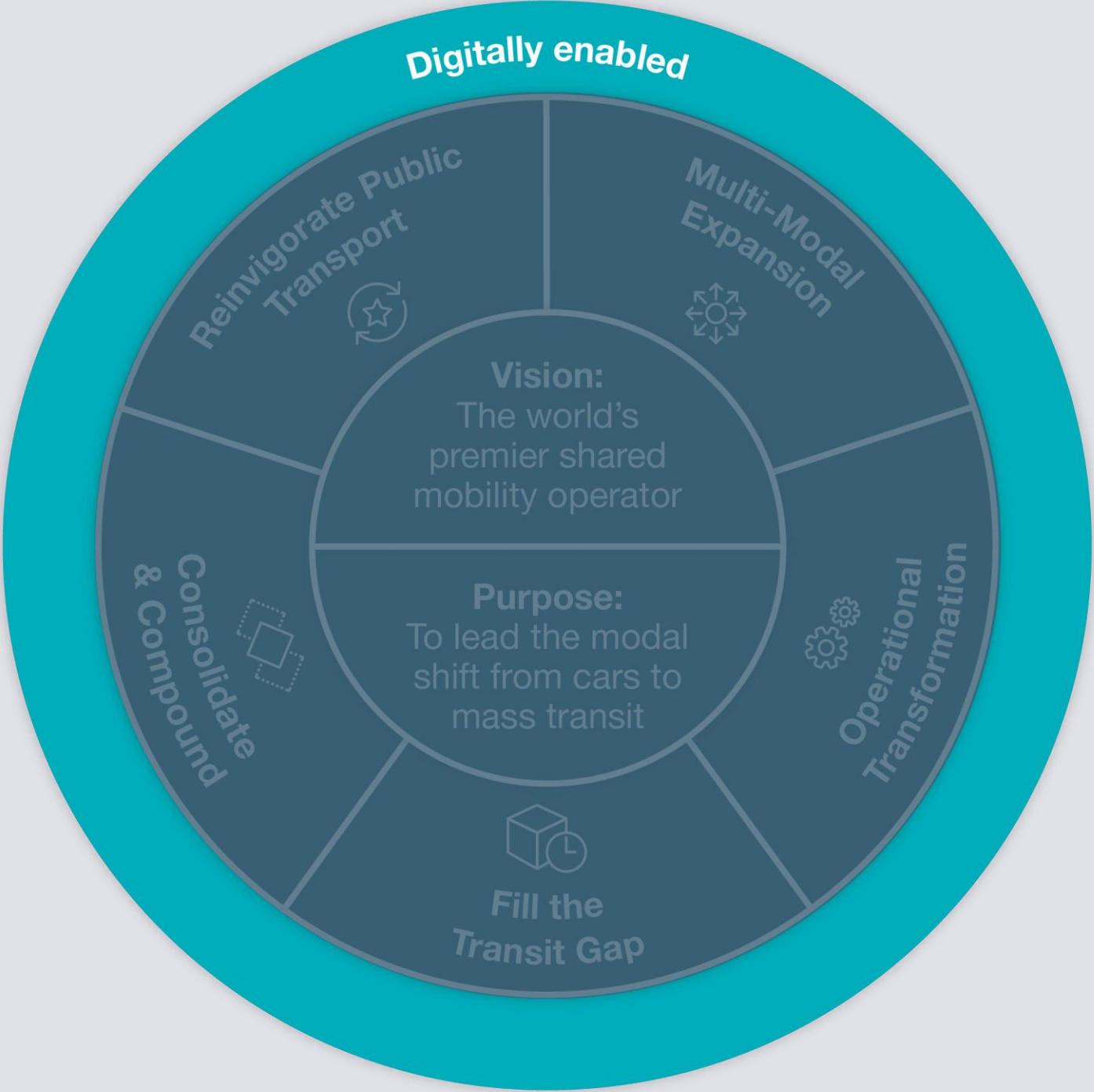
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The **evolve** strategy Digitally enabled



DriveCam safety technology
deployed on one of our vehicles

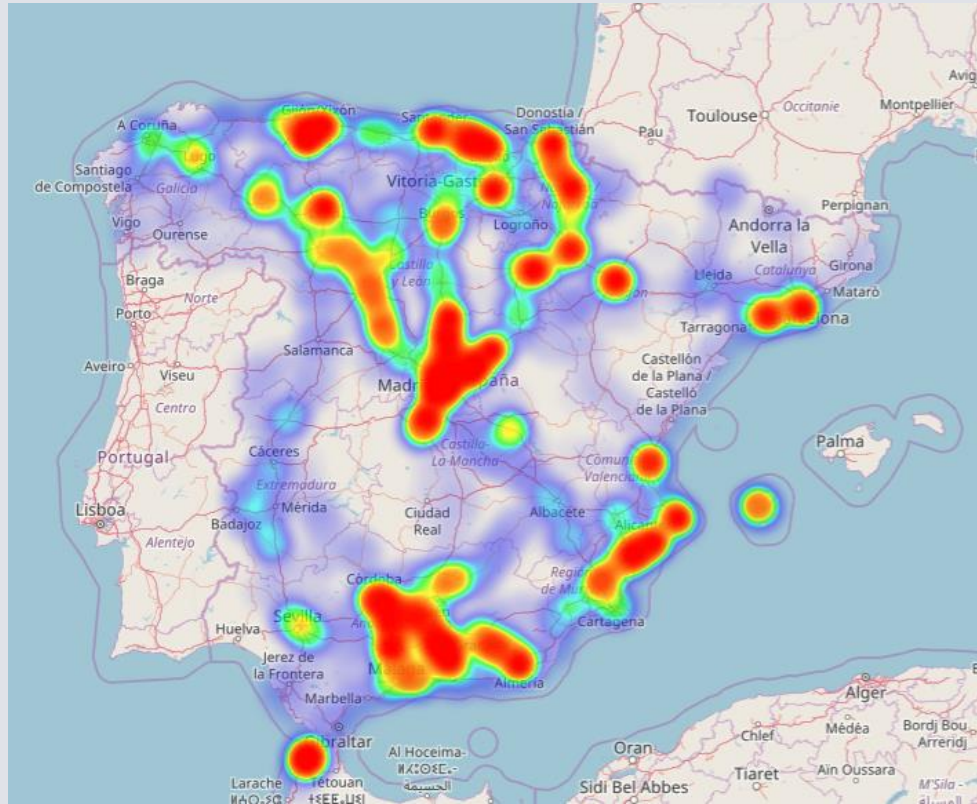


Reviewing DriveCam footage
showing driver behaviour

The **evolve** strategy Digitally enabled: Two examples

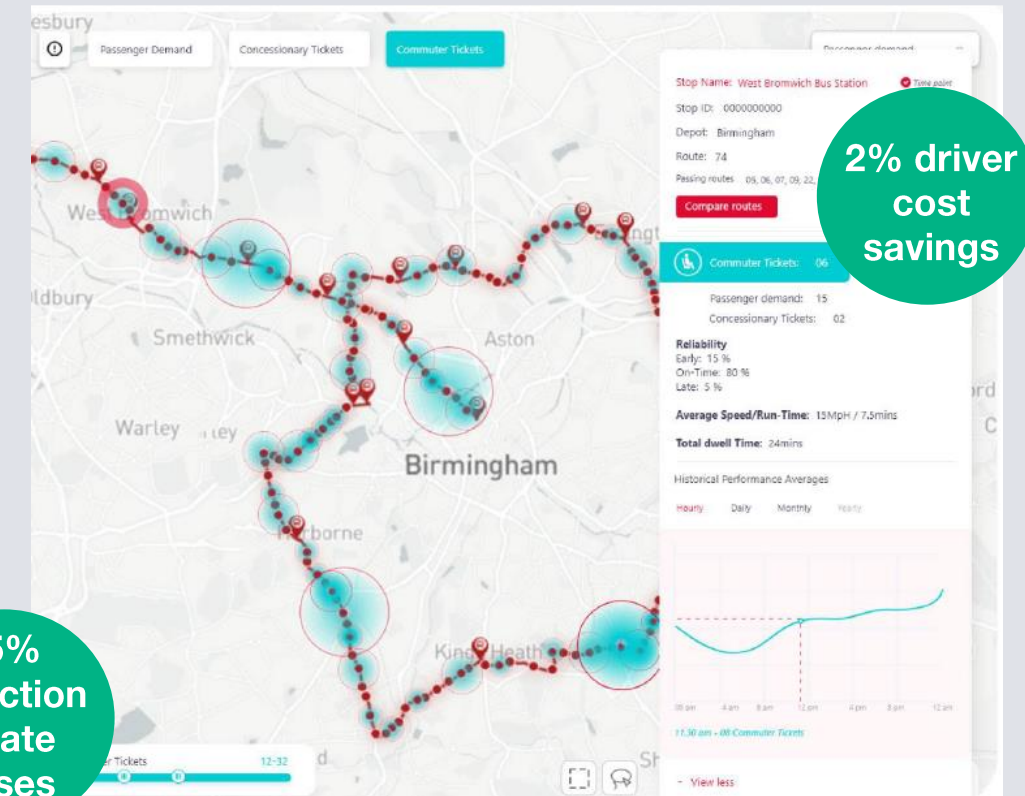
The safest

Speeding control technology linking data and telematics to give us real-time information to monitor and improve safety



The most reliable

Network optimisation software to cut costs, grow revenue and improve the customer experience



The **evolve** strategy



The **evolve** strategy

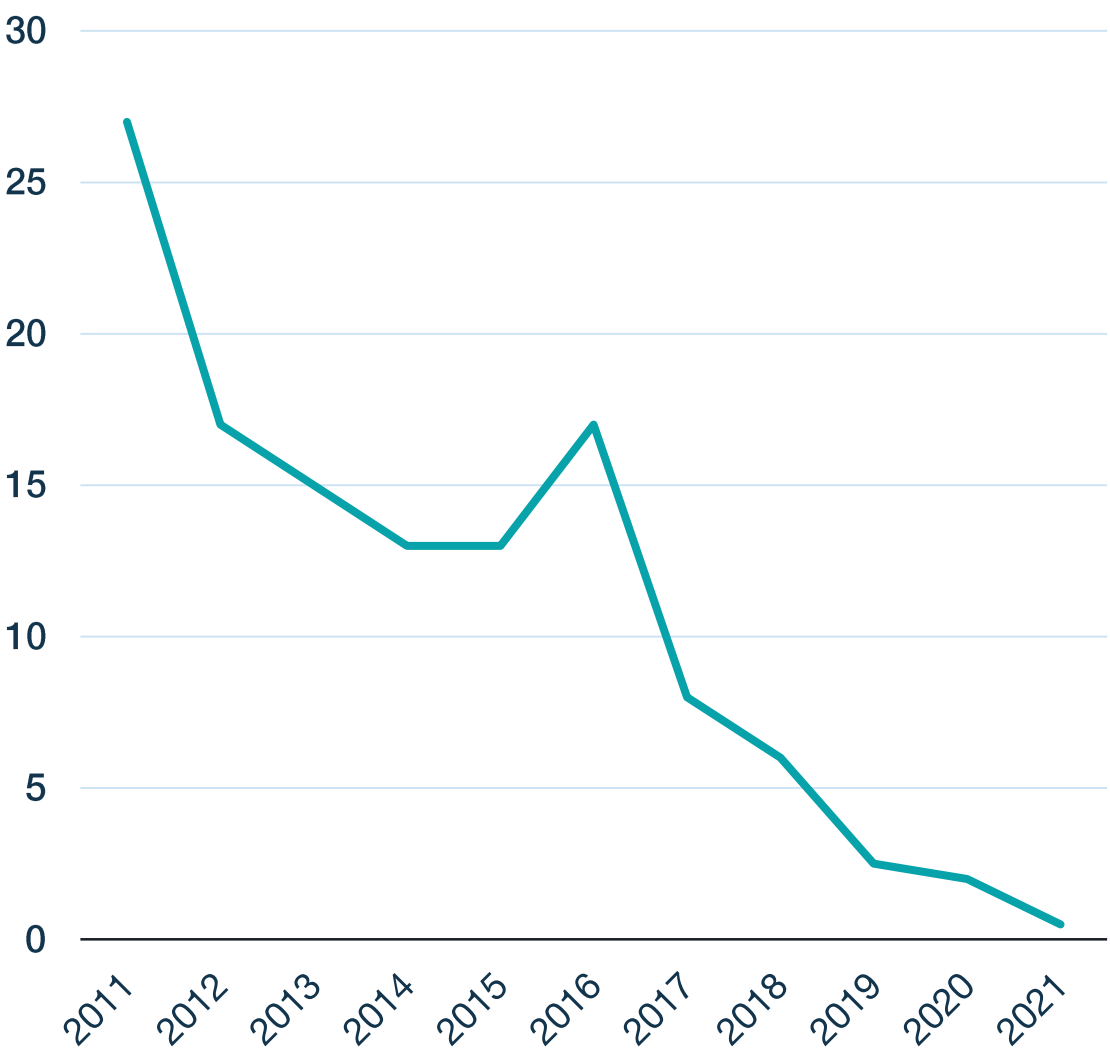
Please see our website at
<https://www.nationalexpressgroup.com/CMD21>
for our case study video on Safety



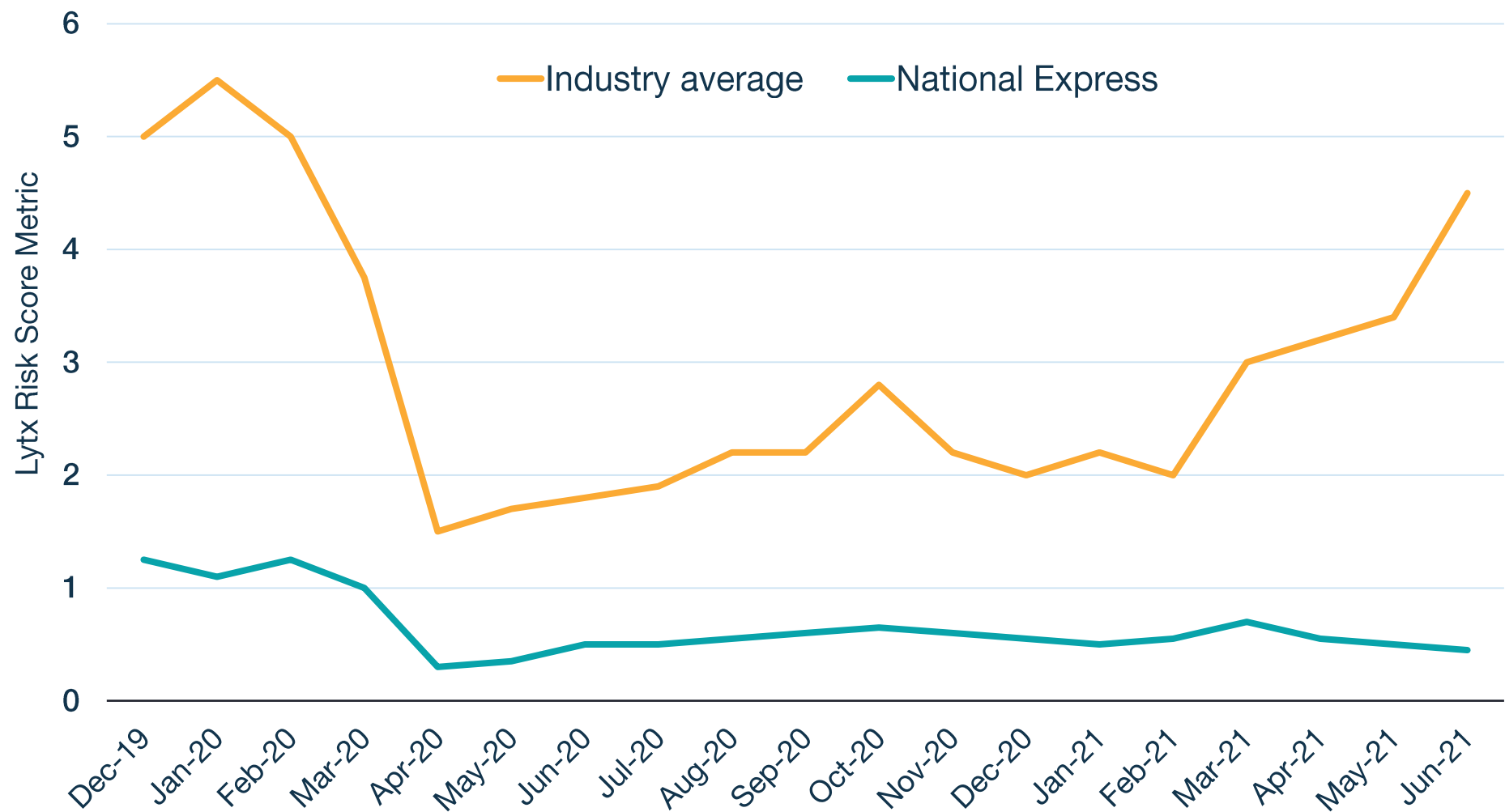
The **evolve** strategy Outcomes: The safest



10-year Group FWI progression



Lytx Risk Score*



* This is a risk score produced by Lytx, the providers of DriveCam. The National Express score represents the UK Bus business

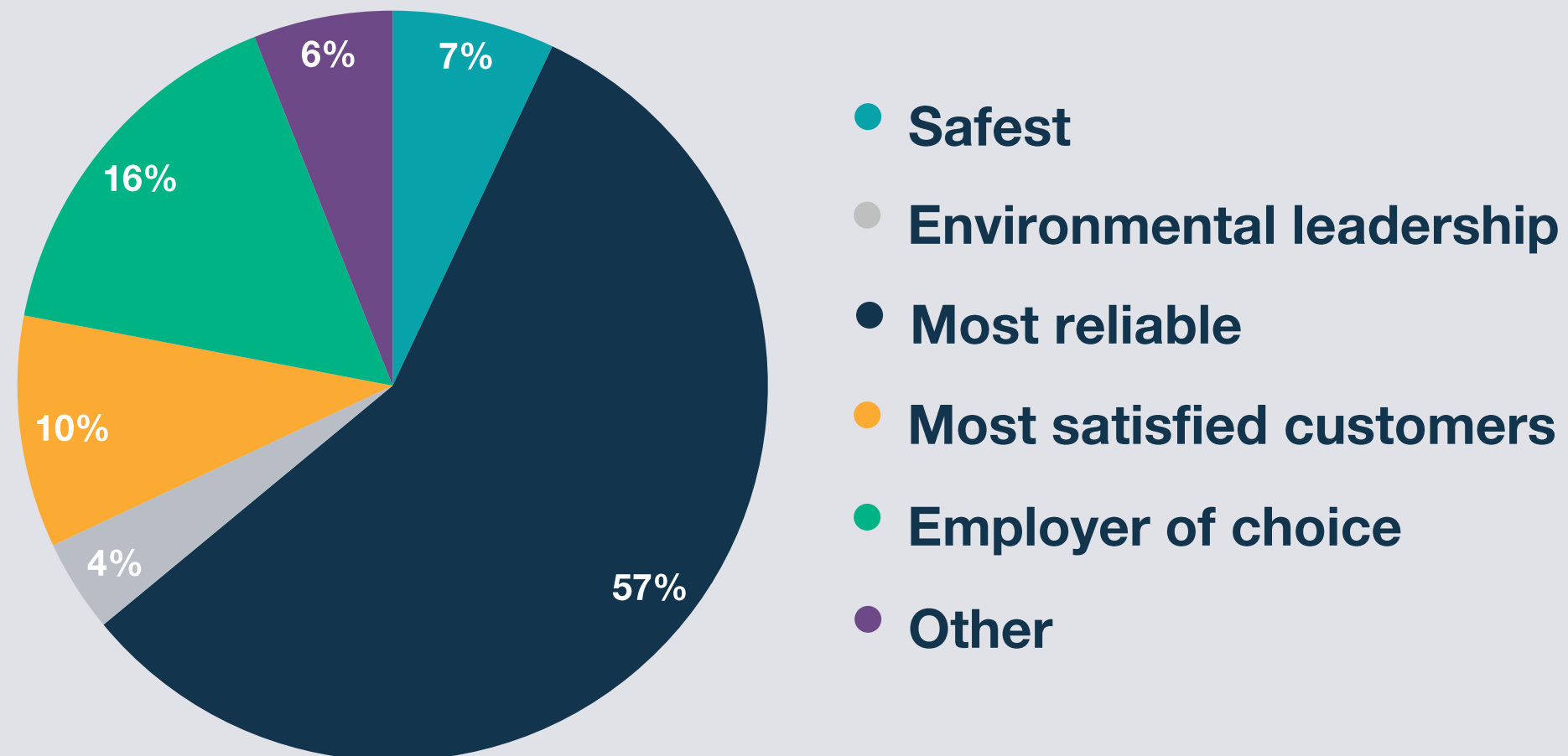
The **evolve** strategy



The **evolve** strategy The most reliable



A typical split of how customers award quality marks in assessing bids:



The **evolve** strategy



The **evolve** strategy The environmental leader



Zero emission fleet targets



Scope 1 and 2 emissions net zero target

2040

The **evolve** strategy

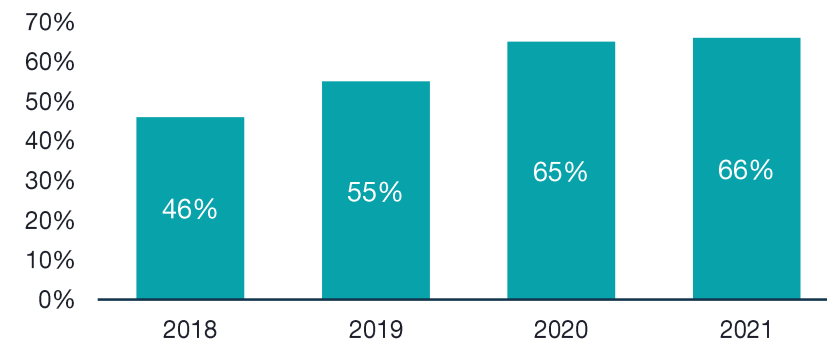


The **evolve** strategy The most satisfied customers



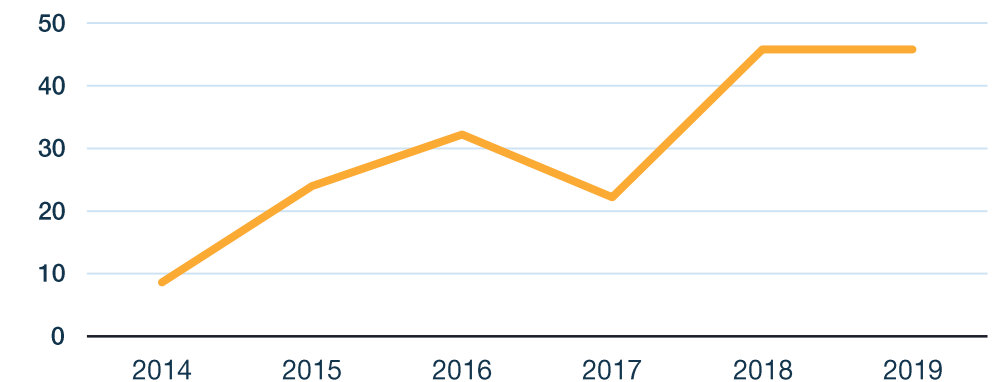
Satisfied customers drive loyalty, retention and better financial returns

School Bus customers rating 5 out of 5

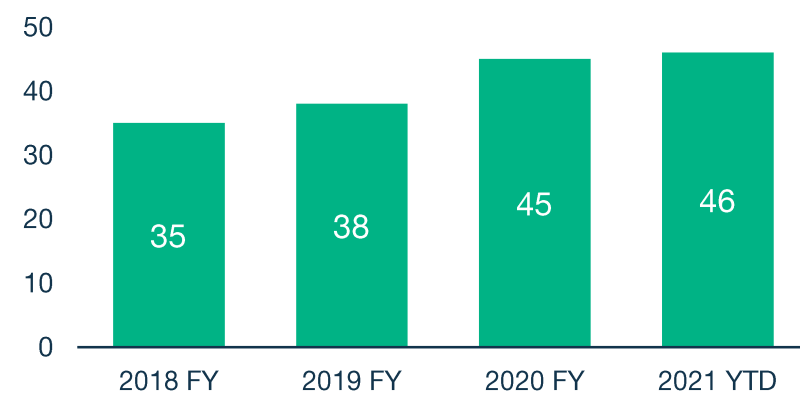


**Best passenger
transport company
in Spain***

ALSA net promoter score



UK Coach net promoter score



National Express Coaches

Reviews 48,679 • Excellent
★★★★★ 4.4

**“Excellent” rating on
TrustPilot for UK Coach**

**Number 1 transport brand
in the UK****

The **evolve** strategy



The **evolve** strategy



Proposed combination with Stagecoach

– Accelerating our strategy



- **Generates significant additional capacity to accelerate growth investment in ALSA and North America**
- **Creating a stronger platform in an increasingly ‘bus-friendly’ UK market ahead of £3bn National Bus Strategy**
- **Exciting opportunity to combine with a high quality operator with well aligned values**
- **At least £35m of reported cost synergies¹**
- **Accelerate reduction in leverage towards 1.5-2.0x target and enhance capacity for dividends**
- **Unparalleled opportunity for shared value creation for both sets of shareholders**

1. This statement constitutes a Quantified Financial Benefits Statement (QFBS) for the purposes of the Takeover Code. As required by Rule 28.1(a) of the Takeover Code, PricewaterhouseCoopers LLP, as reporting accountants to National Express, and Merrill Lynch International and HSBC Bank plc, as financial advisers to National Express, have provided reports on this QFBS. These reports as well as details of the National Express directors' bases of belief and principal assumptions adopted in making this QFBS are set out in the announcement made by National Express on 21st September 2021, a copy of which can be found here: www.nationalexpressgroup.com/investors/possible-combination

Part 3

Divisional Overviews

Francisco Iglesias ALSA CEO

Gary Waits North America CEO

Tom Stables UK & Germany CEO

Part 3a

ALSA

Overview

Francisco Iglesias ALSA CEO

Please see our website at
<https://www.nationalexpressgroup.com/CMD21>
for our Introduction to ALSA video

ALSA – Examples of our customer propositions

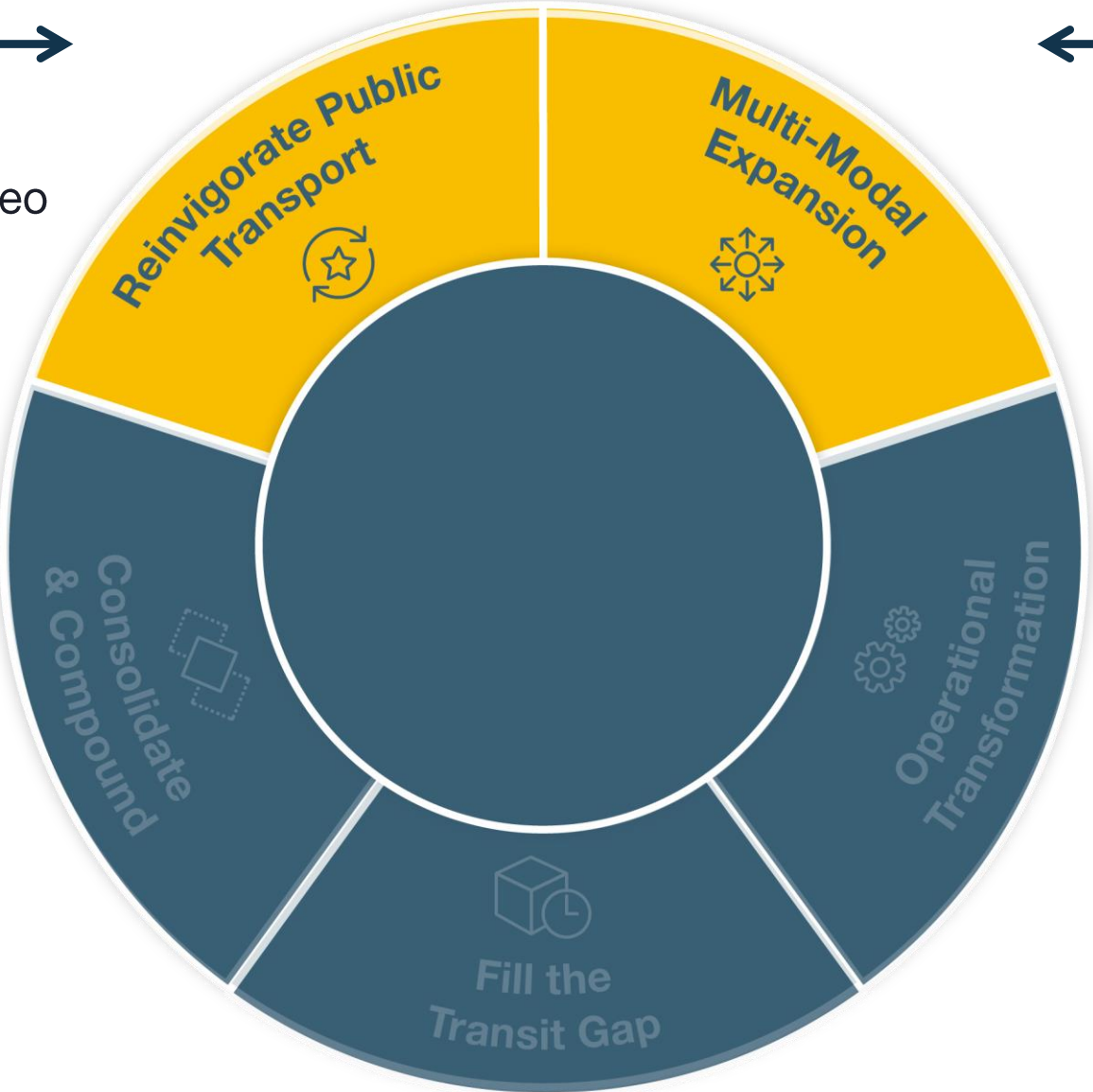
Example: Casablanca

See “Reinvigorating Public Transport” video

Example: Bilbao



national express



Example: Madrid



ALSA – Reinvigorating Public Transport: Bilbao

Before

- Service interruptions, frequent strikes
- Poor relations with unions and employees
- Unhappy customers
- Poor reliability and maintenance
- Weak relationships with the local authorities
- Loss making contract

**39 days lost
through
strikes
between
2008-2012**

**715
accidents in
2012**

404 at fault



ALSA

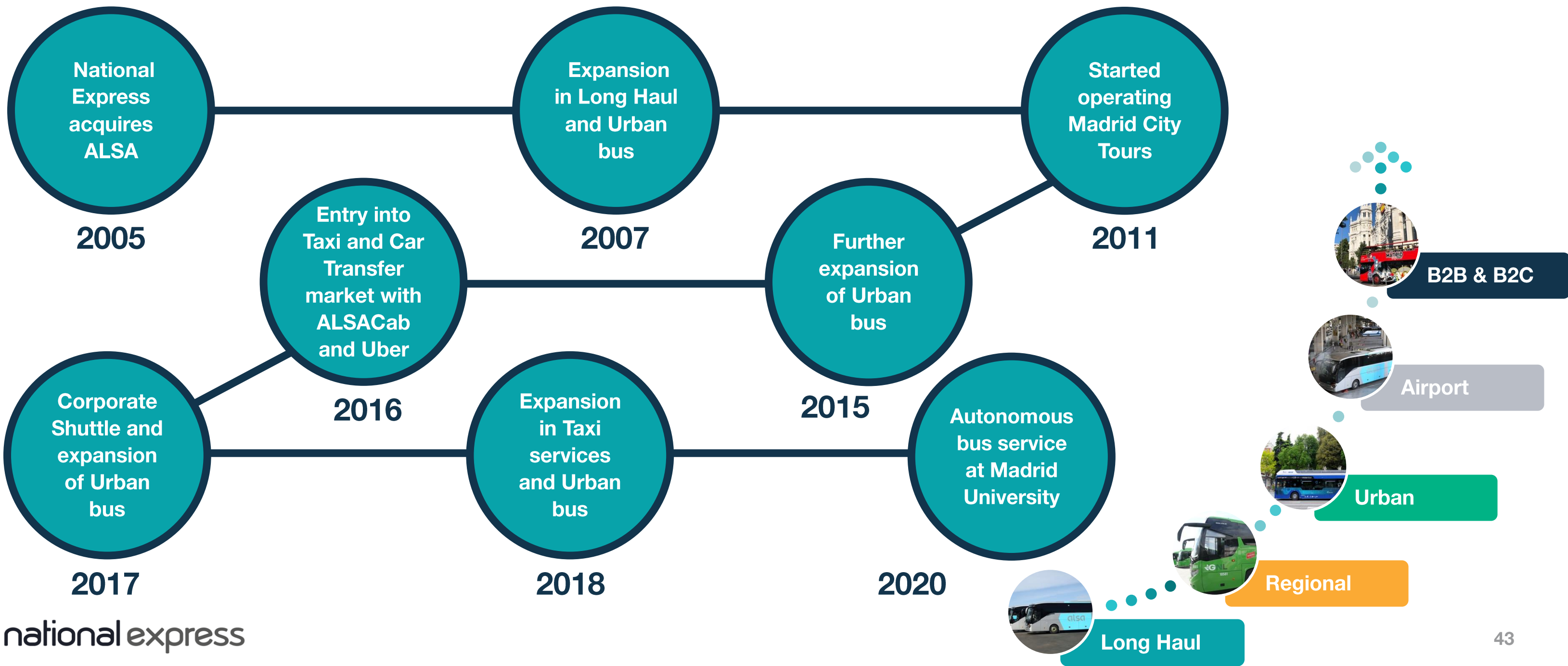
Reinvigorating Public Transport: Bilbao

After

- **Safety significantly improved**
 - 69% reduction in at-fault accidents
- **Significantly improved union and employee relationships**
 - No strikes for 6 years
- **Quality of service significantly improved**
 - Urban Transport company of the year
- **Strong relationship with the local authorities**
 - Contract expanded and renewed for 10 years
- **Profitable contract**



ALSA – Multi-Modal Expansion: Madrid



ALSA – Future growth prospects: Spain



**Regional
€1.7bn
market size**

**Urban &
Metropolitan
€1.6bn
market size**

- **Government policy to meet decarbonisation and clean air targets driving demand and modal shift**
- **Continued diversification of Spanish business**
- **Increase penetration of Urban and Regional markets: greater mix of revenue protected contracts**
- **Build exposure to tourism, charter services and corporate shuttle markets**
- **Strong pipeline – over £250m of annual revenue in upcoming tenders and acquisition targets**

ALSA – Future growth prospects: Morocco and International



Morocco

- Further urban gross contract opportunities
- Opportunities within our existing contracts
- Entry into the €300m intercity coach market

International

- Expanding in our existing markets – Switzerland and Portugal
- Over £100m pipeline of opportunities in high potential European cities

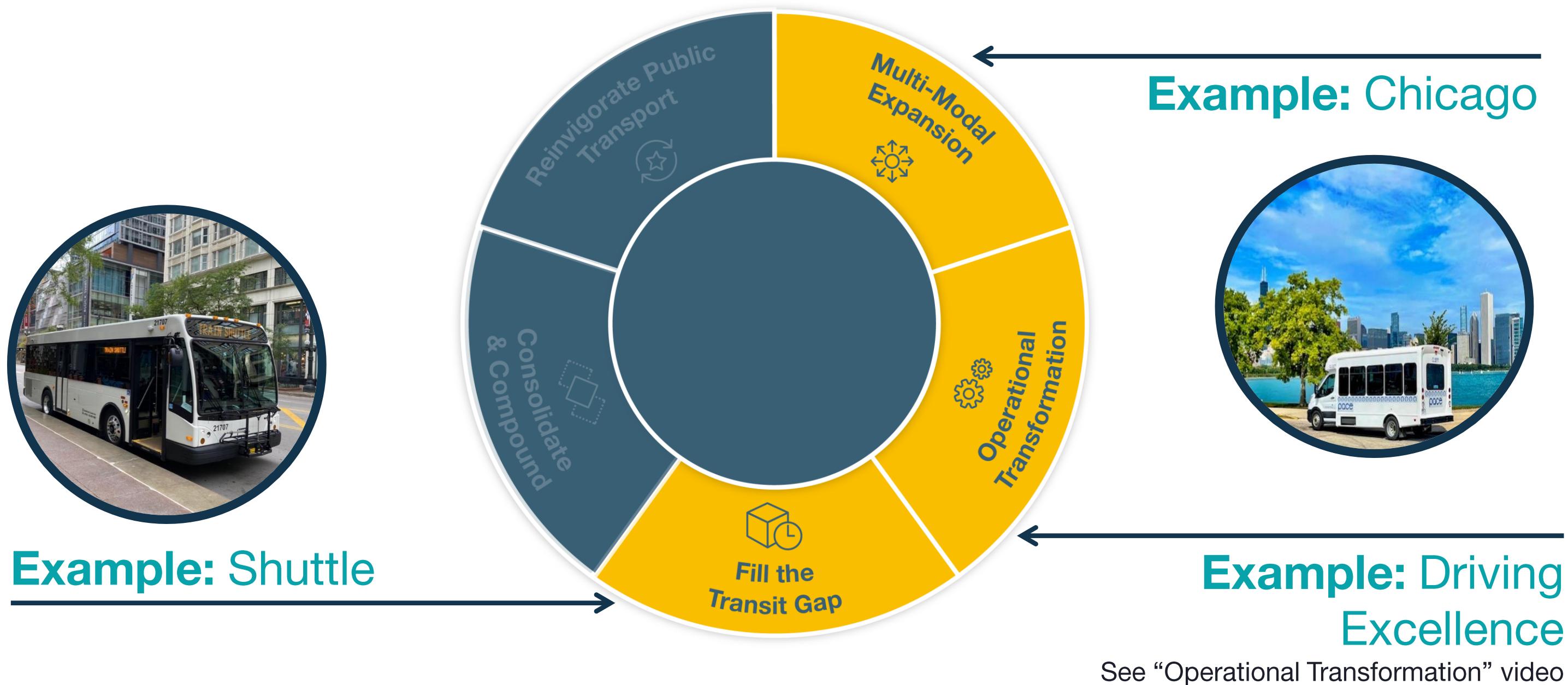
Part 3b

North America Overview

Gary Waits North America CEO

Please see our website at
<https://www.nationalexpressgroup.com/CMD21>
for our Introduction to North America video

North America – Examples of our customer propositions



North America – Multi-Modal Expansion: Chicago

- Acquisition of CDT in 2017
- Rapidly expanded from core paratransit to:
 - Student transportation
 - Charter and field trips
- Expanded presence winning further paratransit contracts
- Harnessing efficiencies through shared depots, maintenance facilities, driver and vehicle pools



North America – Fill the Transit Gap: Shuttle

- **Acquired WeDriveU in 2019**
- **Transporting employees and students to large and growing campuses where public transport provision is poor and environmental restrictions limit private car use**
- **Helping successful corporations attract the best people and improve employee productivity**



Residential bus service

Passengers are picked up close to residence and are driven to work



Intra-/inter-campus service

Passengers are transported around a large campus and to and from remote campus locations



Last mile

Passengers are picked up from mass transit or are shuttled to work from remote parking



On demand

Private app-based service for employees within geo-fenced locations

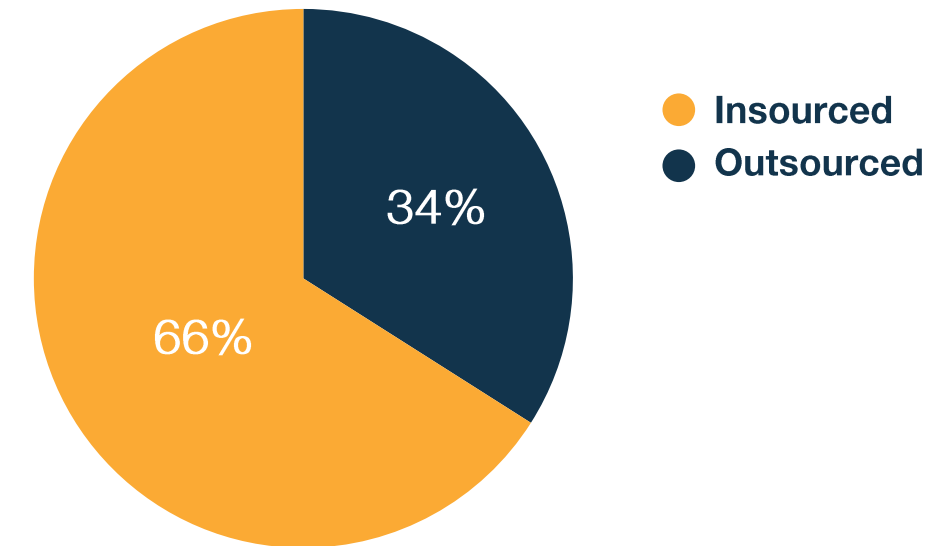
North America – Future growth prospects: School Bus

Over £300m annual revenue from upcoming organic and inorganic opportunities in a large and fragmented market

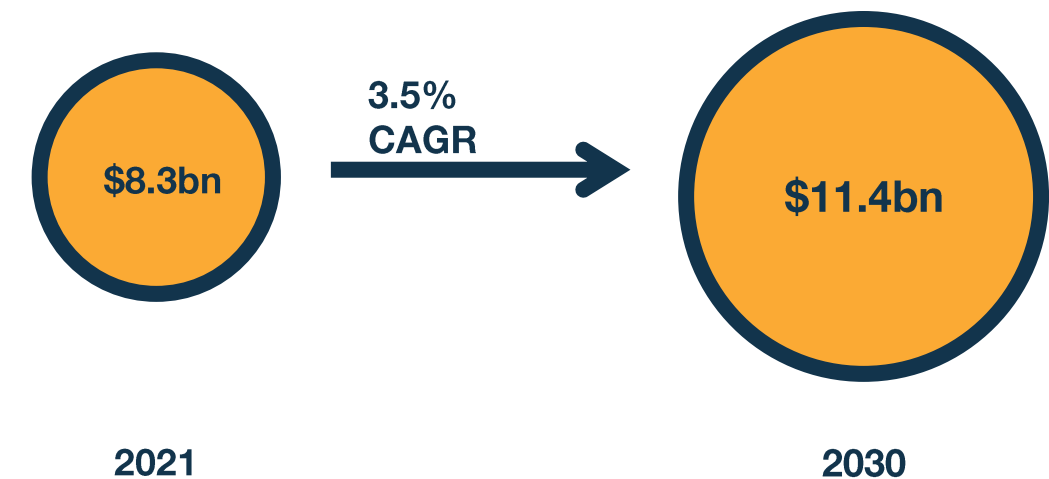
- Consolidation of smaller operators as the industry continues to professionalise
- Potential for further outsourcing
- Opportunities to grow high margin private charter

Efficiency improvements through Driving Excellence

Breakdown of US school bus market



US outsourced school bus market

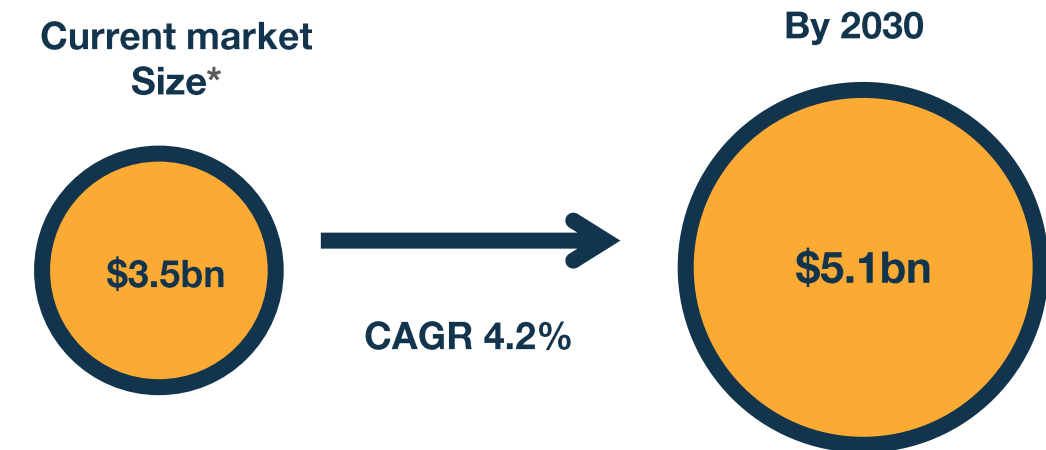


North America – Future growth prospects: Transit

Significant organic growth opportunities in a large and growing market

- Our sweet spot is Paratransit
- Ageing US demographic supports growth – forecast market growth over 4% p.a. through to 2030
- Success in Chicago, Boston and Washington proving our capabilities for other big city paratransit contracts
- Around £250m pipeline of annual revenue from upcoming bidding opportunities

Outsourced paratransit market



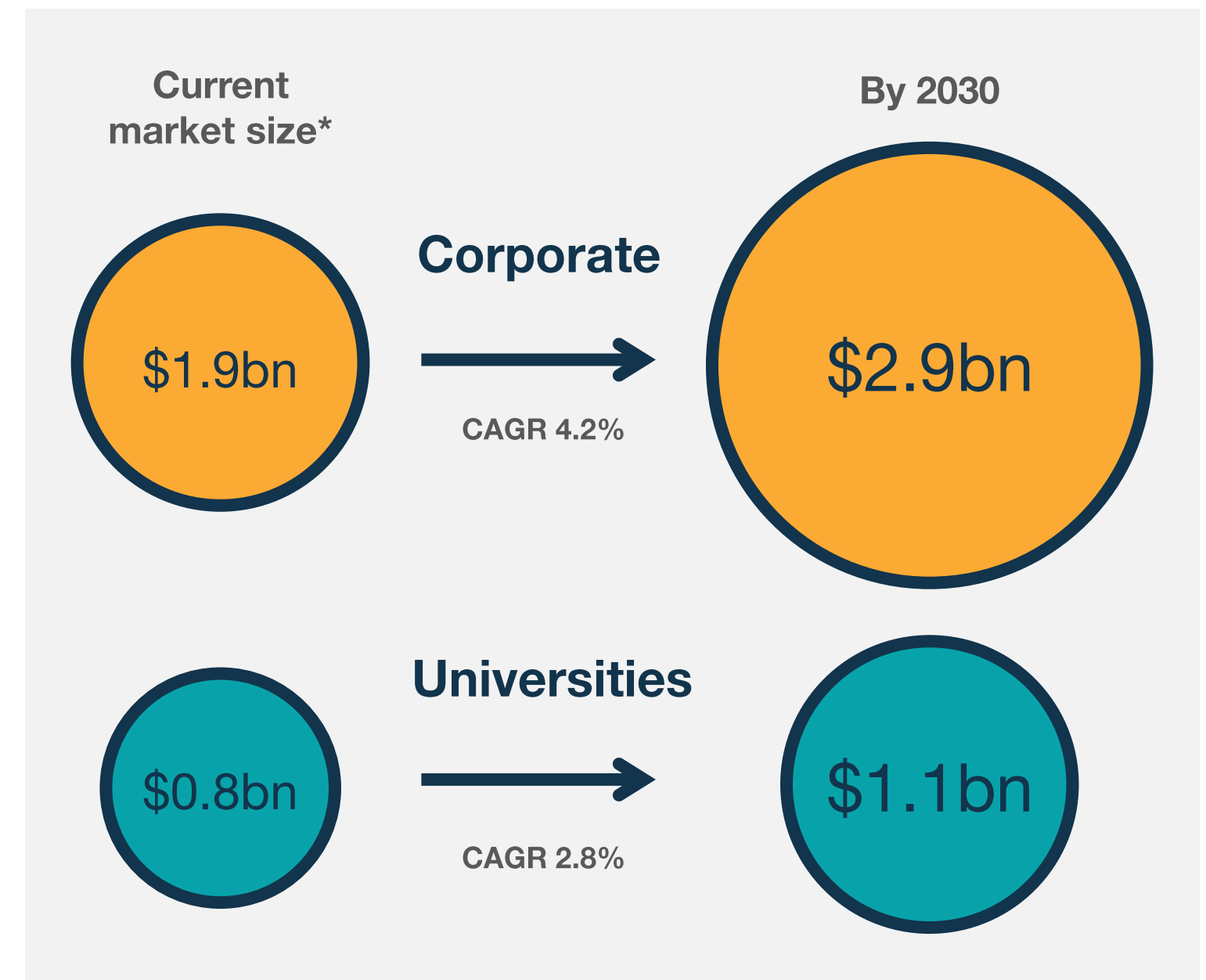
* Addressable market size



North America – Future growth prospects: Shuttle

Attractive underlying growth markets – significant opportunities to fill the transit gap

- Growing with existing customers who are expanding rapidly
- Geographic expansion with our customers across the US
- Significant growth potential in the University shuttle market
- Leading the decarbonisation of fleet
- Annualised contract value of bids over the next 18 months of over £150m



Part 3c

UK & Germany Overview

Tom Stables UK & Germany CEO

Please see our website at
<https://www.nationalexpressgroup.com/CMD21>
for our Introduction to UK and Germany video

UK & Germany – Examples of our customer propositions

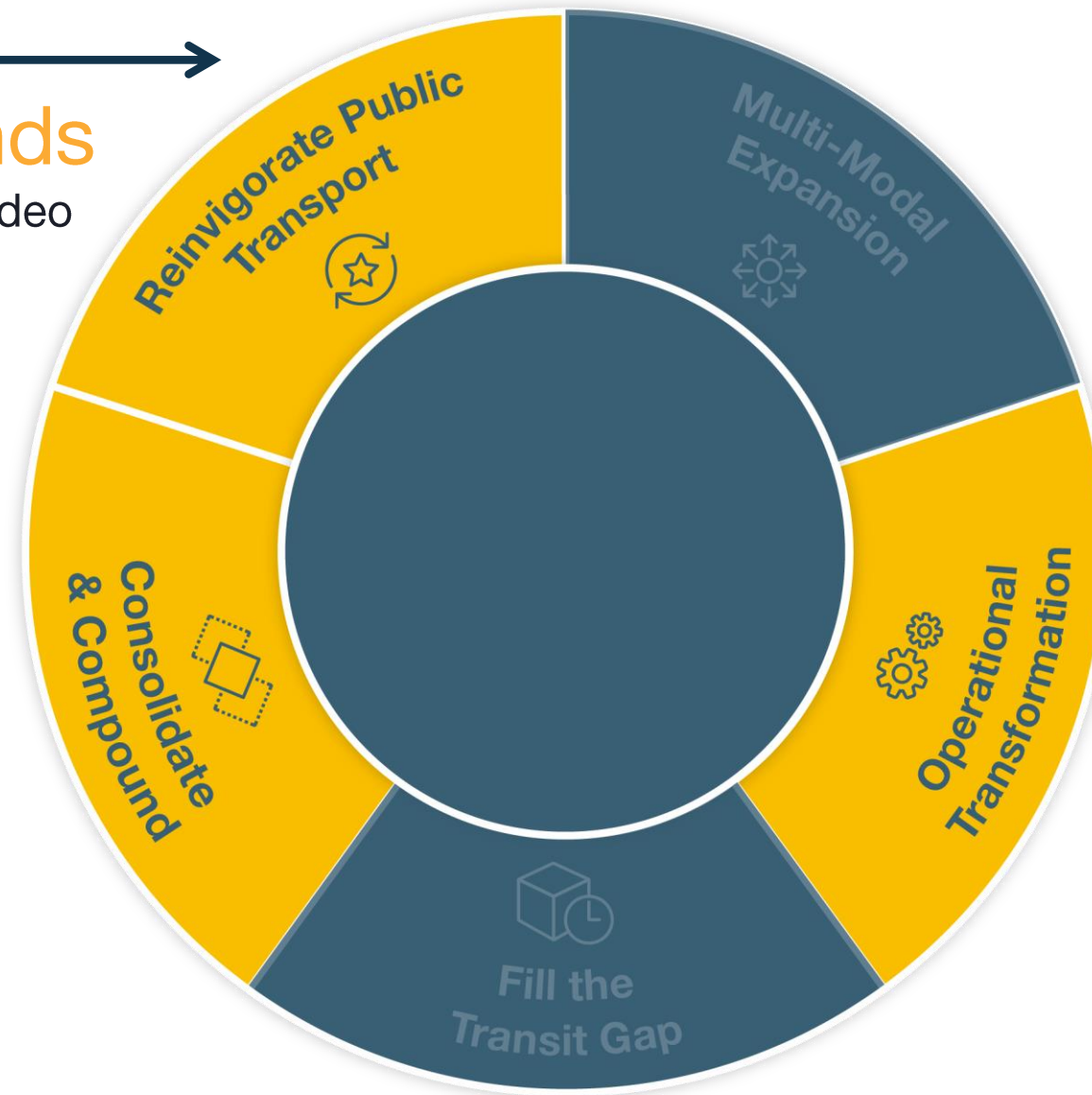
Example: West Midlands

See “Reinvigorating Public Transport” video

Example: NETS



national express



Example: NEAT

UK & Germany – Operational Transformation: NEAT

- **Rapid improvement in service through digitalised processes:**
 - Data driven routing driving efficiency
 - Real-time performance information, journey tracking and logging
 - Safety technology reduced costs of claims
- **Improved quality of service and contract profitability and won additional business in Birmingham and nearby councils**
- **£1.1bn Special Education Needs market growing at 8% CAGR**
 - NEAT already the 2nd largest player



One of our Special Educational Needs Vehicles in NEAT

UK & Germany – Consolidate & Compound: NETS

- Consolidating small regional businesses into NETS – our Transport Solutions business
- Leveraging the National Express brand and reputation for customer service and safety to drive consolidation in a large fragmented market
- Shared infrastructure driving efficiencies and providing competitive advantage

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Lucketts Travel
Coach hire and holidays



Stewarts Coaches
Coach hire and holidays



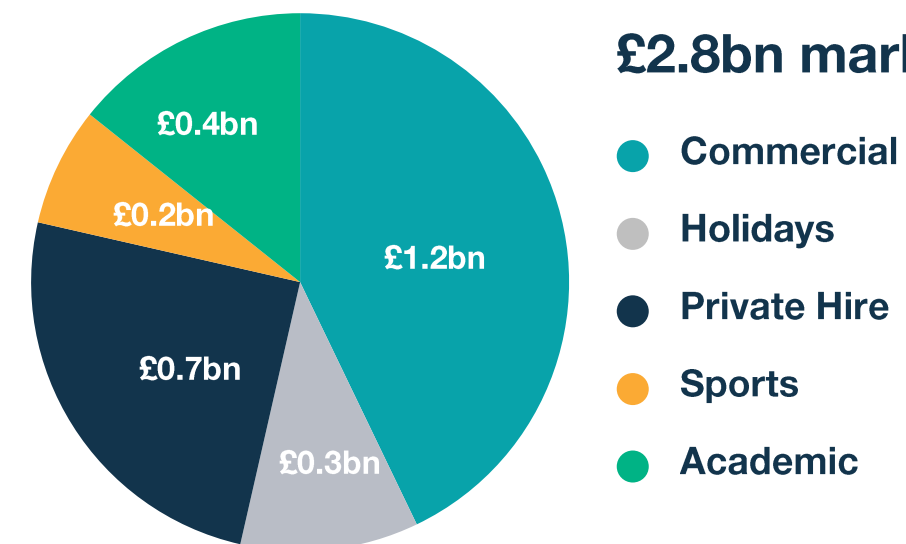
Clarkes of London
Coach hire and commuter



Woods Coaches
Holidays and coach hire



Kings Ferry
Commuter and coach hire



UK & Germany – Proposed combination with Stagecoach: Accelerating our strategy

- Platform to accelerate our growth
- Exciting opportunity to deliver significant operational efficiencies and bring ‘best of both’ from combined operational capabilities
- Creating a stronger platform in an increasingly ‘bus friendly’ UK market ahead of £3bn National Bus Strategy
- Continue to enhance strong relationships with key public sector stakeholders
- Seek to maintain industry-leading environmental and sustainability standards – free cash flow opportunity from rotation to ZEV availability models



Part 4

Financial Framework

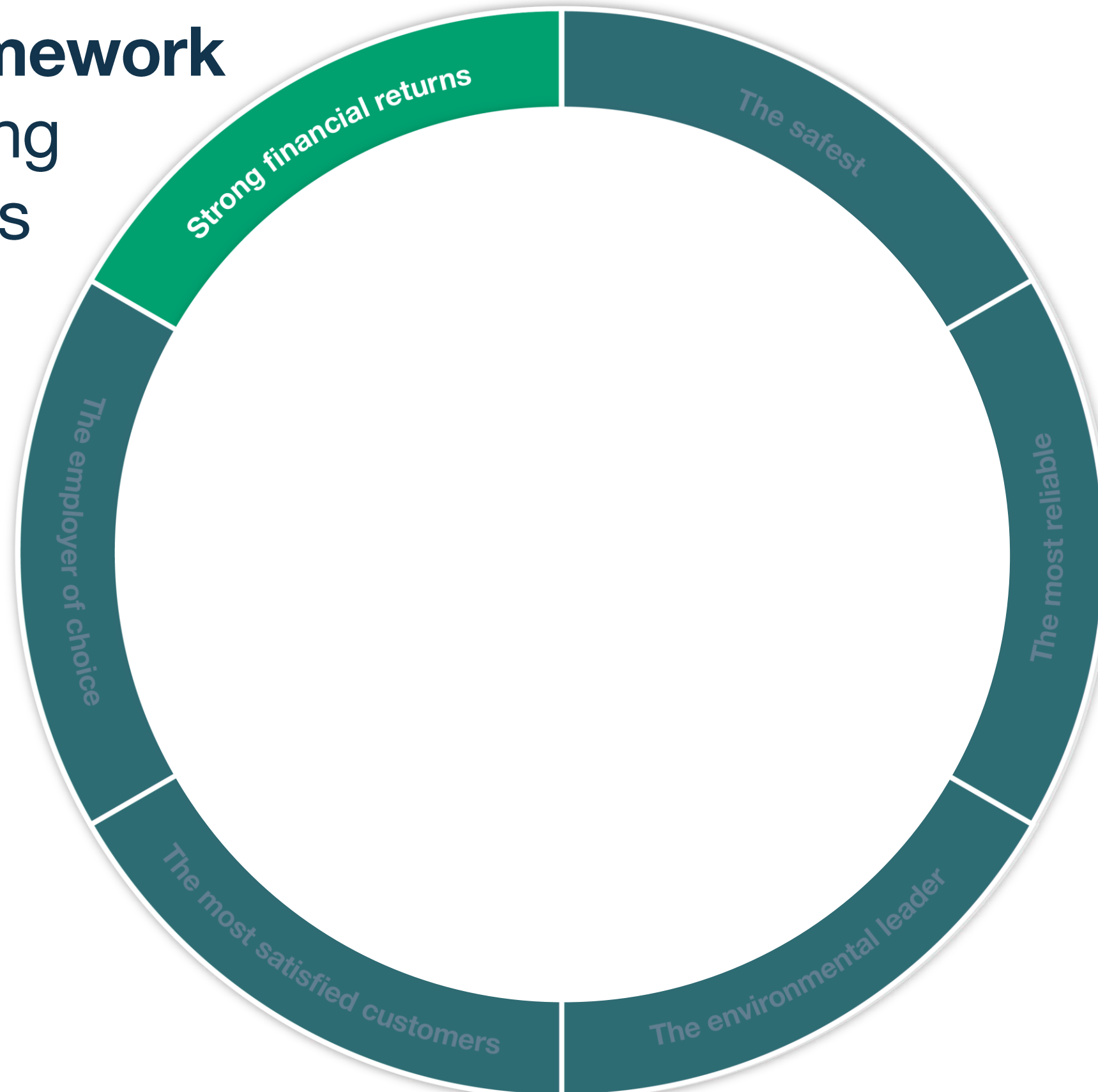
Chris Davies CFO

Financial Framework

Delivering strong financial returns

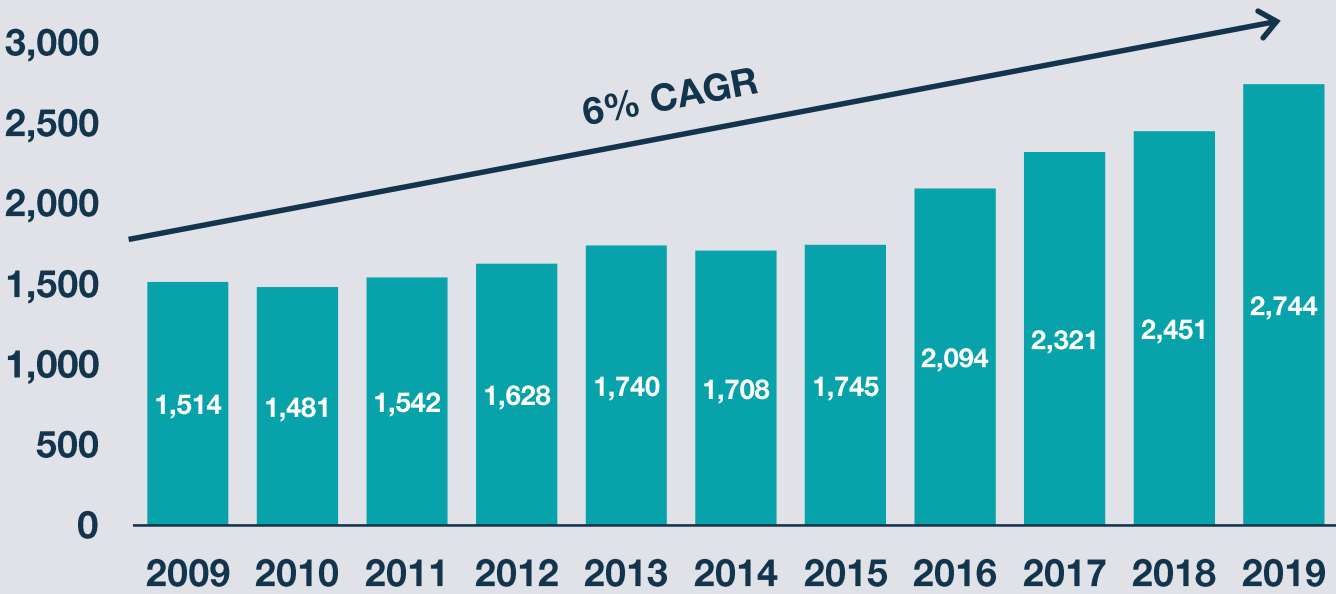


Note: unless otherwise stated, all information herein is excluding the impact of the potential all-share combination with Stagecoach Group plc announced on 21st September 2021

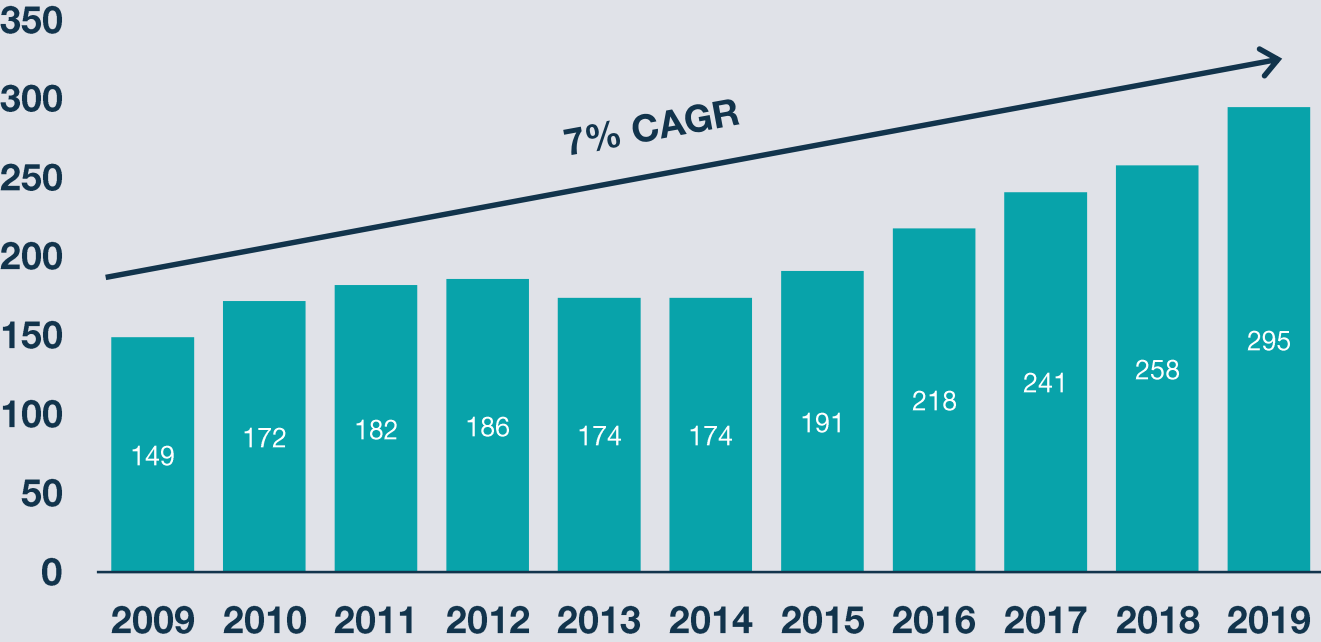


Financial Framework – Strong track record of delivering strong financial results

Revenue

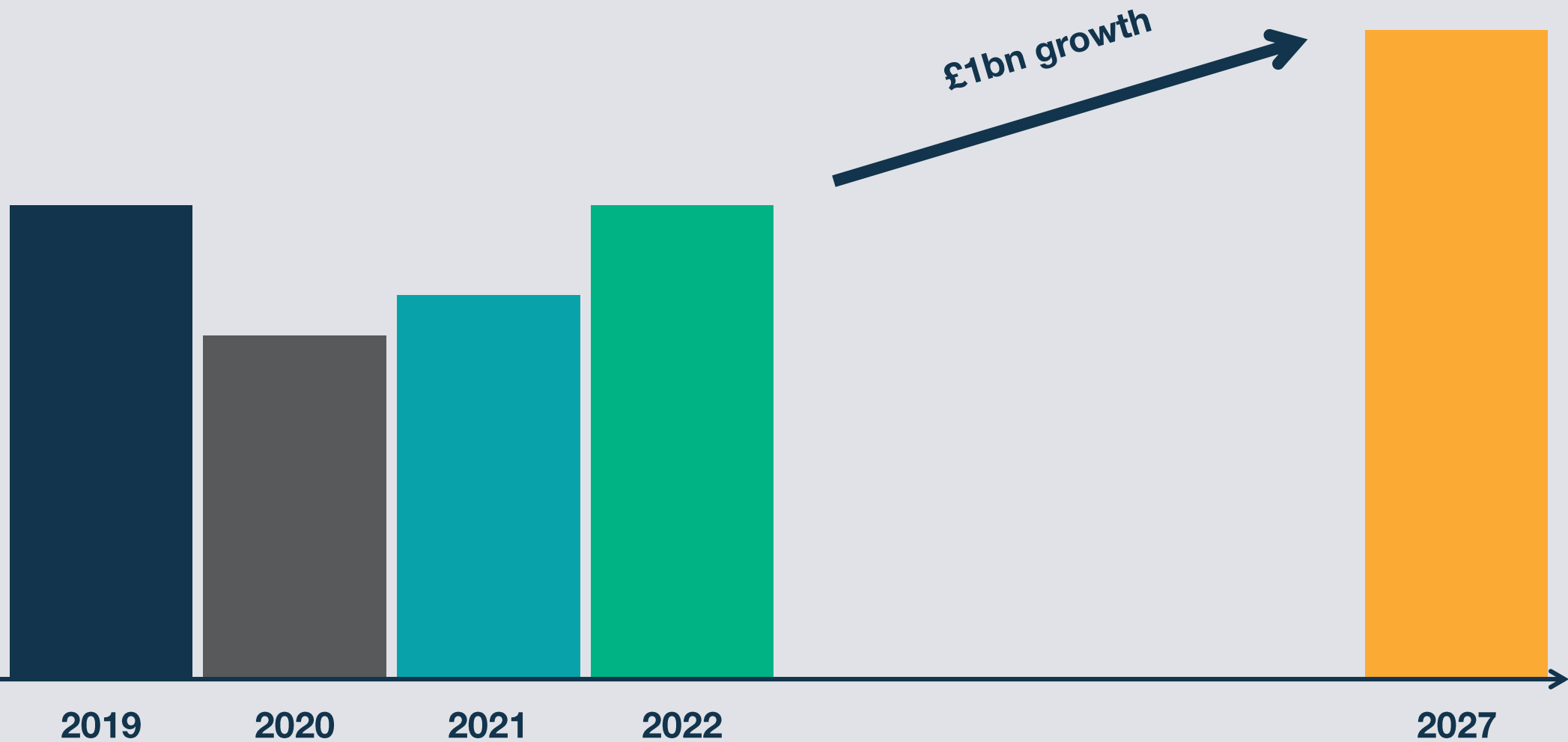


EBIT



Notes:
1. Previous years restated to remove Rail and Midland Metro, where applicable
2. The charts above show the performance to 2019. 2020 and 2021 excluded due to temporary impact of pandemic

Financial Framework – Revenue recovered by 2022, adding £1bn over the following 5 years

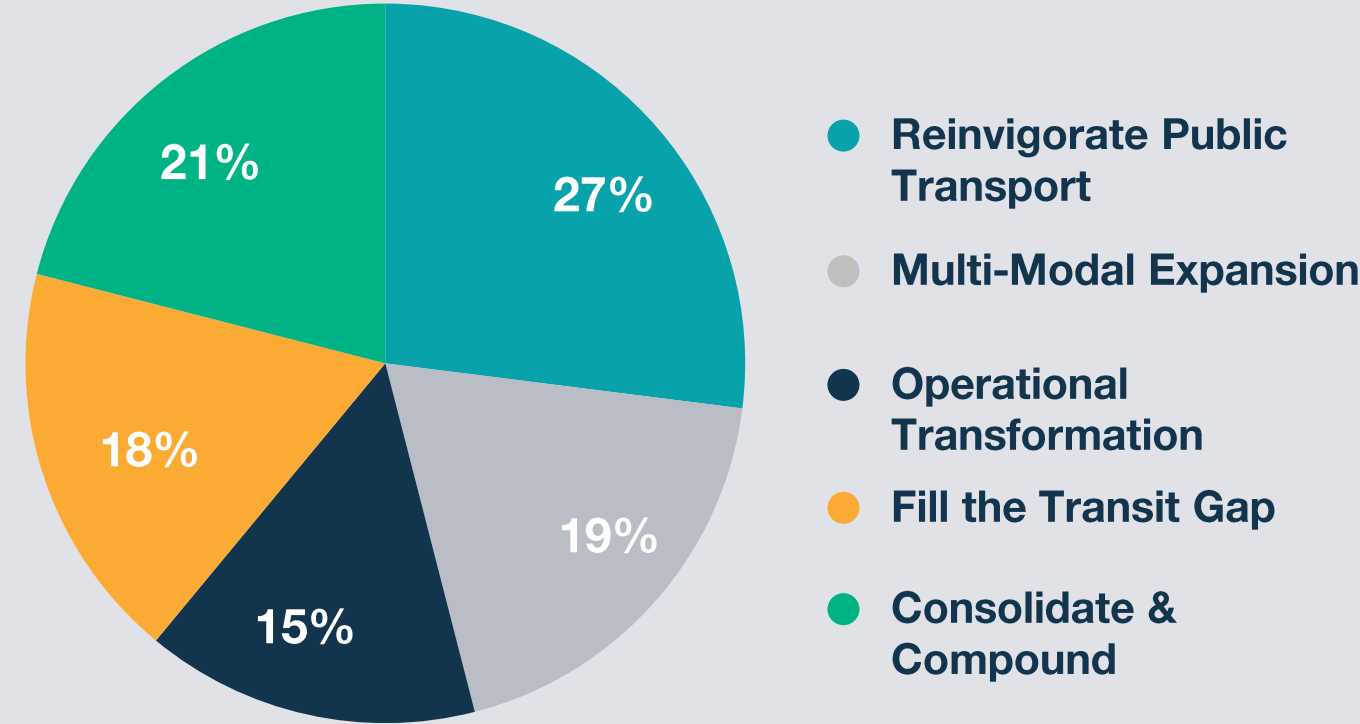


Targeting additional £1bn of revenue by 2027

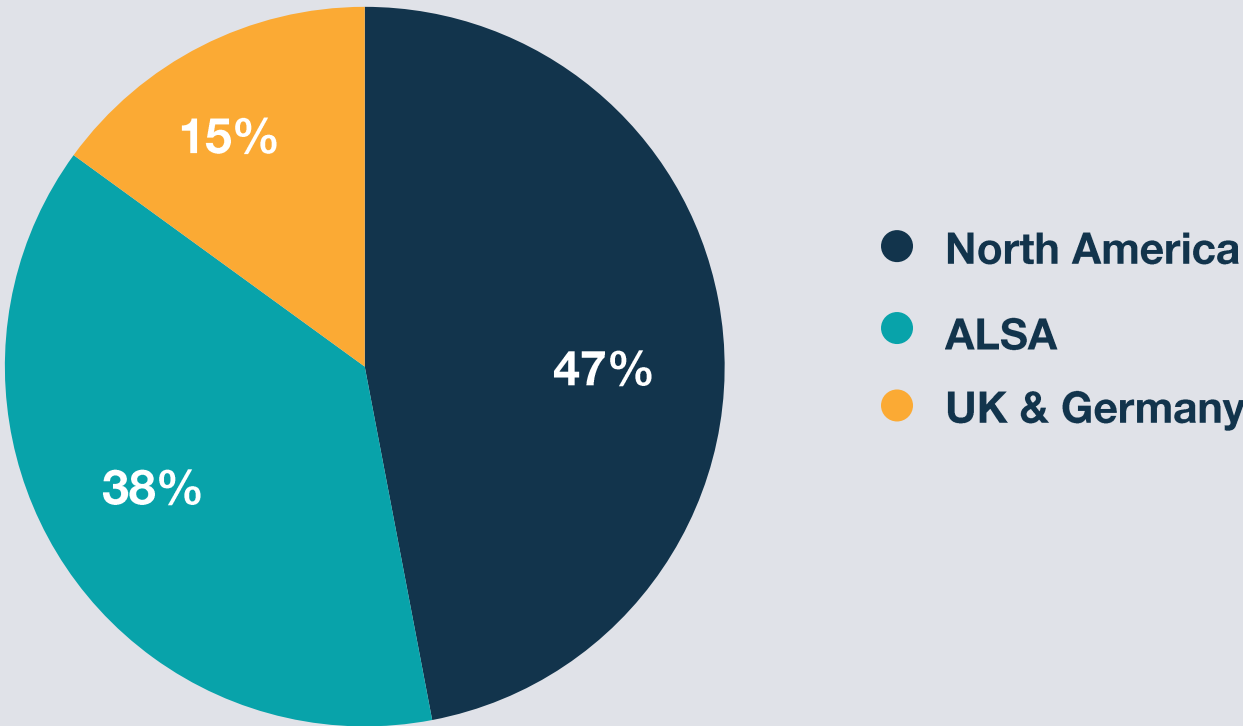
Notes:
1. Indicative split of £1bn revenue growth: 45% North America, 30% ALSA and 25% UK & Germany
2. The statements on this page regarding future financial performance are aspirational targets and are not intended to be profit forecasts or estimates for any period and no statement should be interpreted to mean that earnings or earnings per share for National Express, as appropriate, for the current or future financial periods would necessarily match or exceed the historical published earnings or earnings per share for National Express.

Financial Framework – Strong pipeline of growth opportunities

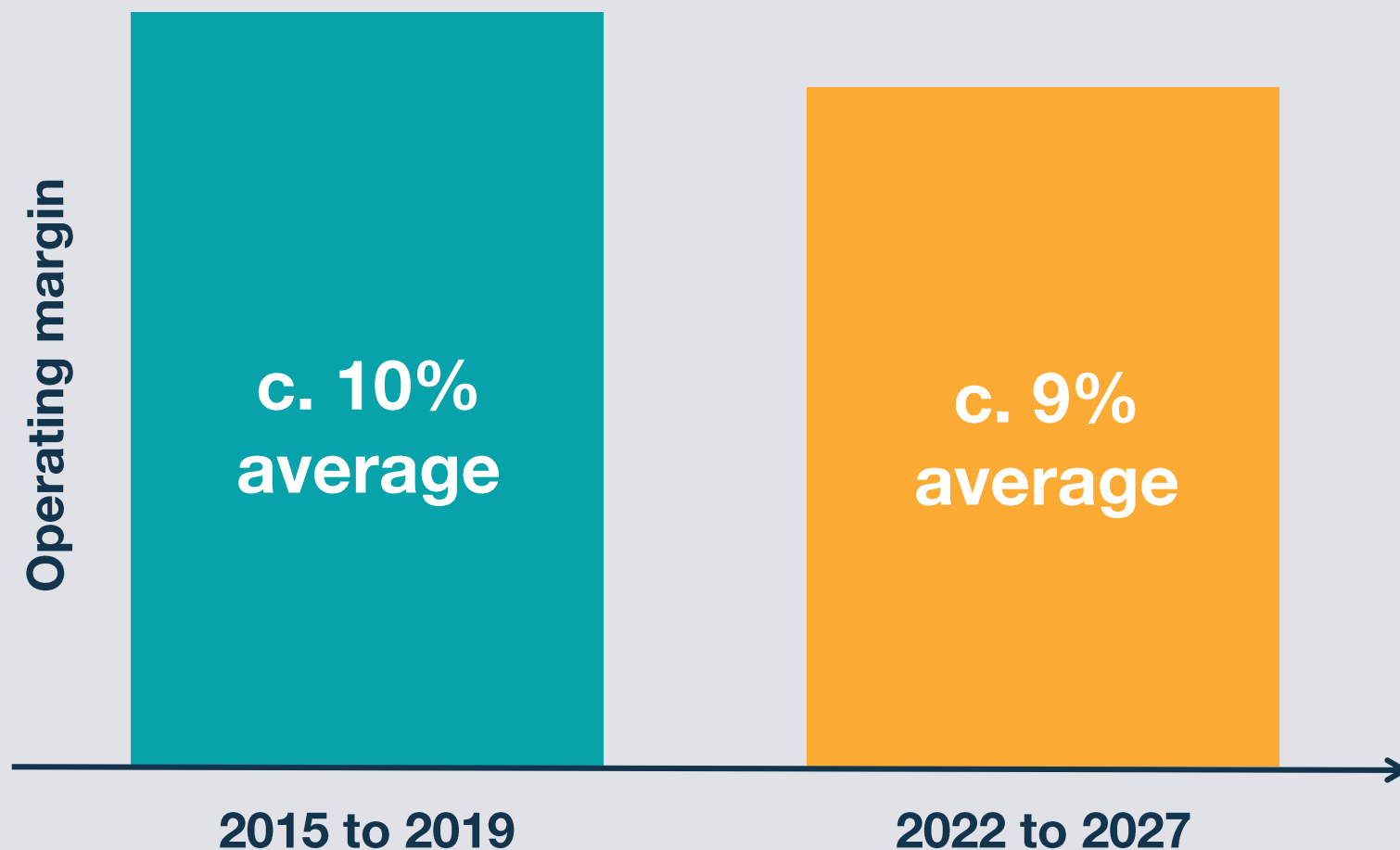
£1.5 billion pipeline by customer proposition



£1.5 billion pipeline by division



Financial Framework – Margin averaging circa 9%, adding over £100m EBIT by 2027



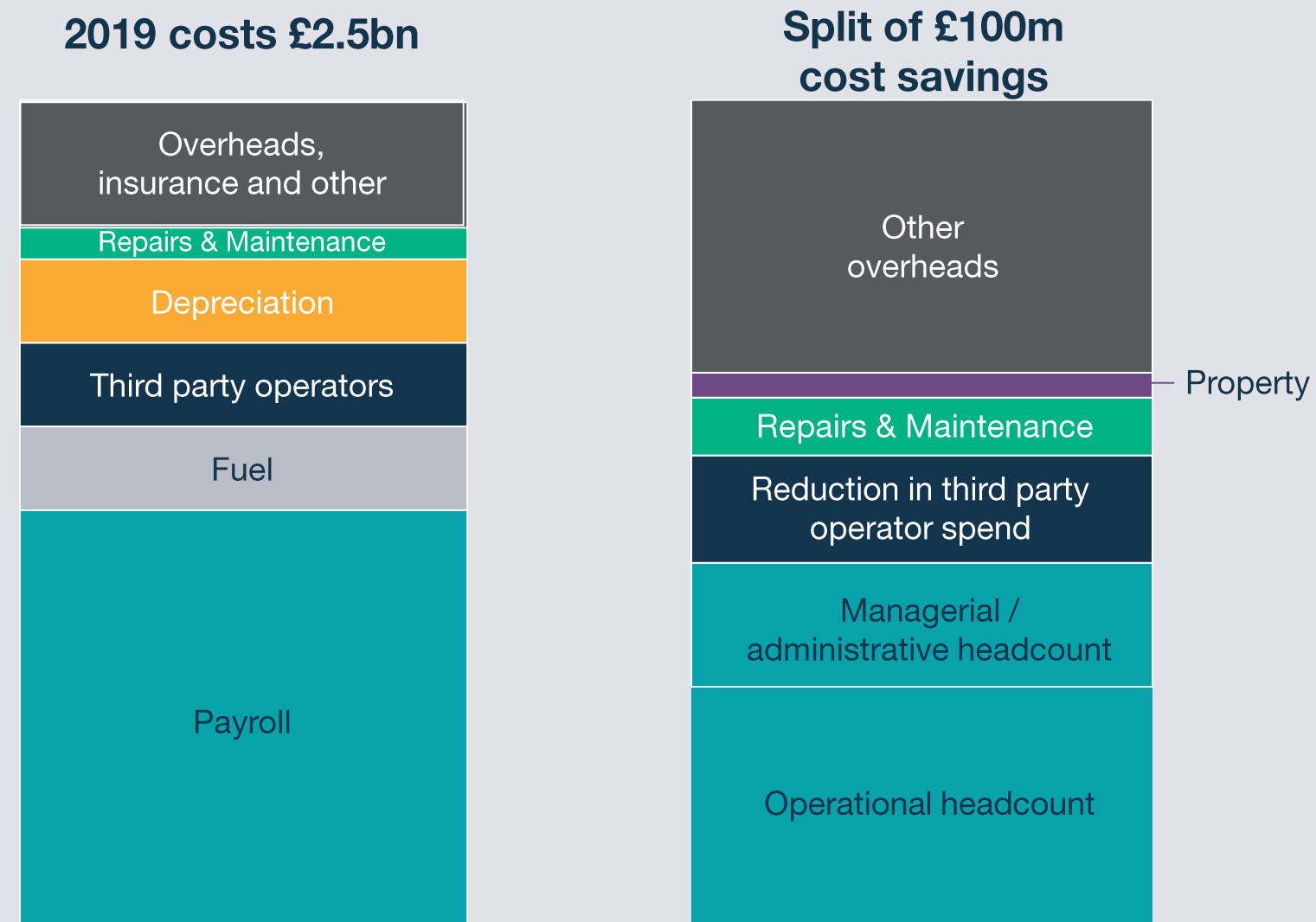
Margin averaging 9%

Short term margin recovery impacted by:

- Mix of business
- Investment to encourage customers back
- Competitive intensity in UK and Spanish Coach businesses

Targeting more than £100m additional EBIT by 2027

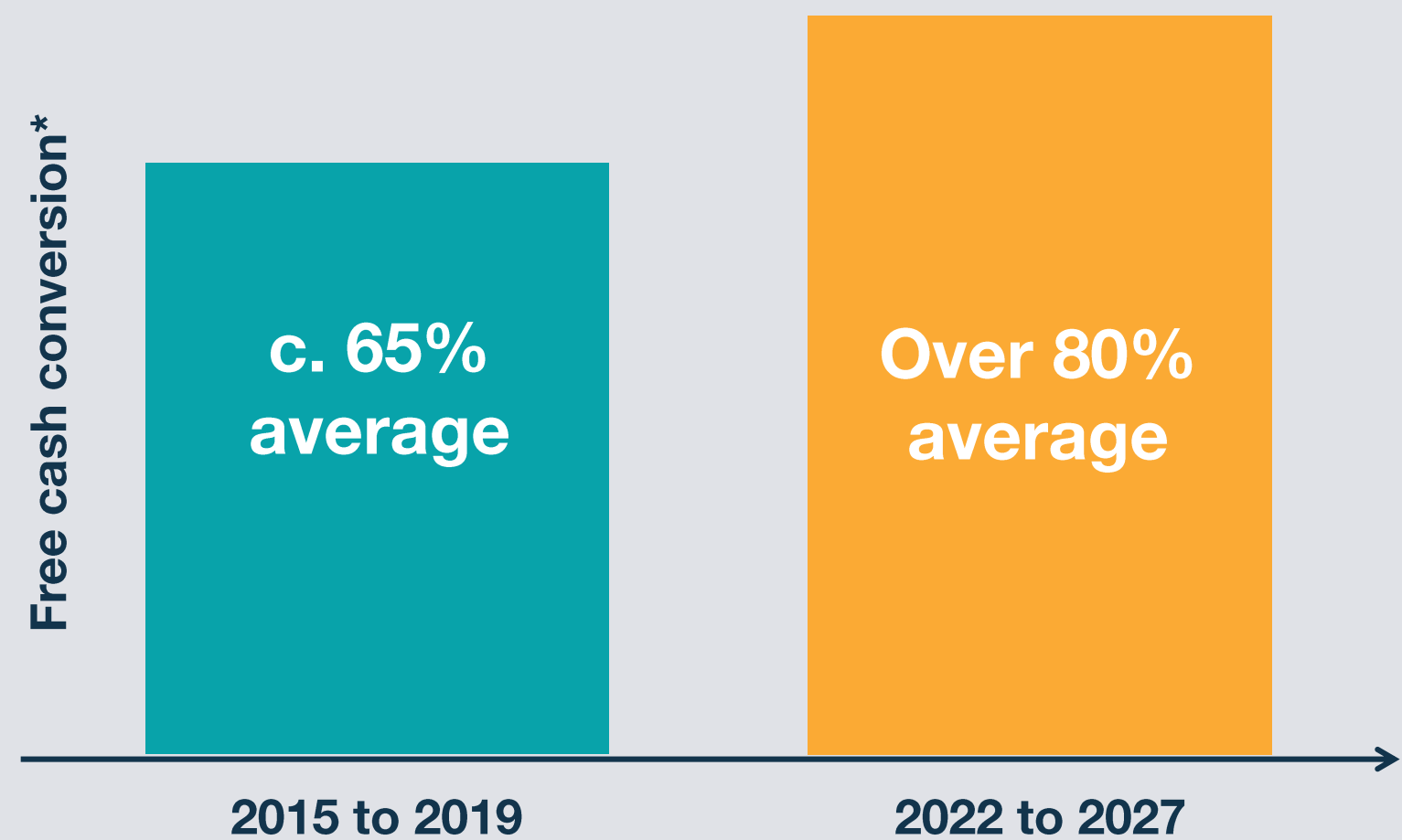
Financial Framework – £100 million of permanent cost reductions



Cost reduction exercise in 2020 and 2021 has permanently removed £100m of cost:

- Headcount
- Increased automation of sales activities
- Reducing third party operator spend through optimisation of own-fleet usage
- Property rationalisation
- Process efficiencies

Financial Framework – Strong and improving cash generation with at least £1.25bn free cash flow between 2022 and 2027



**Targeting at least
£1.25bn of free cash flow
between 2022 and 2027**

* Free cash conversion = free cash flow as a percentage of EBIT

Financial Framework – Disciplined capital allocation

Our capital allocation model remains unchanged

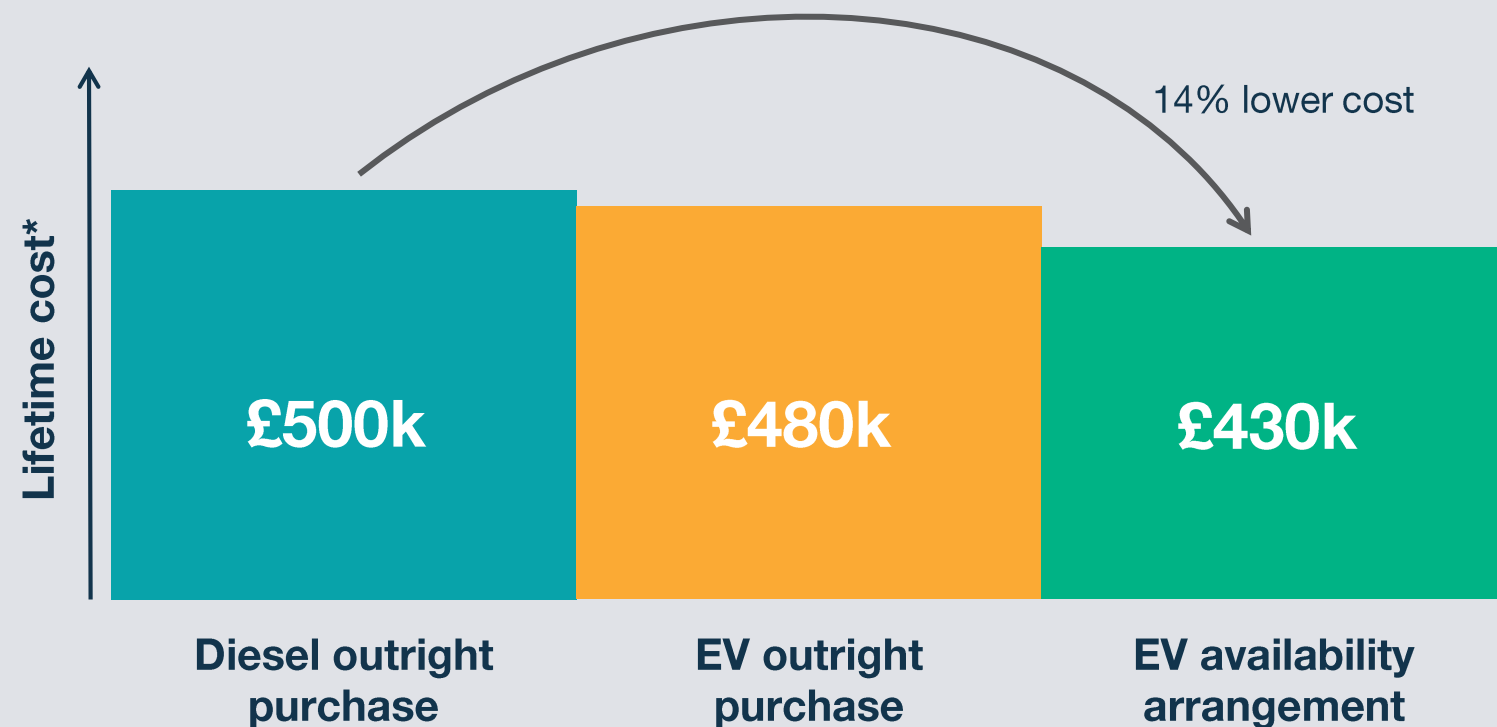
We will utilise the Group's strong free cash flow generation to:

Invest for growth
(targeting investments that
deliver 15% returns)

**Return to
Shareholders**
(dividend at least
2.0x covered)

**Maintain a prudent
balance sheet**
(net debt to EBITDA in a
range of 1.5 to 2.0 times)

Financial Framework – De-carbonising and freeing up capital



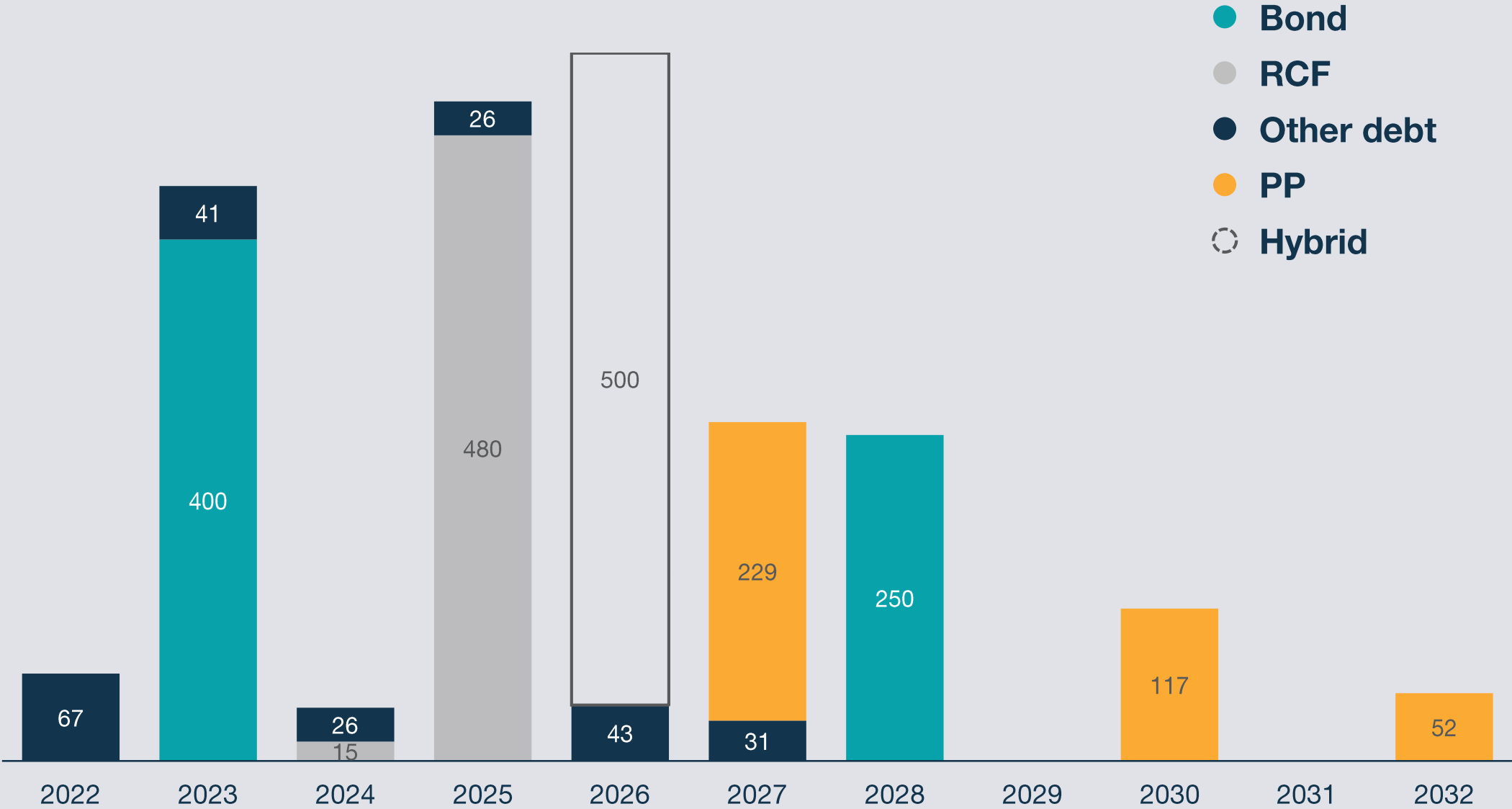
Total cost of ownership of EV is now lower than diesel

- This chart shows the lifetime present value cash flow of a single UK “platinum” bus in three different procurement scenarios
- Availability arrangement is better value than outright purchase
- If government incentives for EV transition increase, the economics will move even further in favour of EV

Financial Framework – No liquidity concerns, gearing rapidly reducing


- No material refinancing requirement before 2023
- £1bn cash and committed headroom*
- Moody's and Fitch confirmed ratings
- Supportive banking group
- Target net debt to EBITDA ratio to be within 1.5 - 2.0x by 2023

*At last reported balance sheet date: 30 June 2021

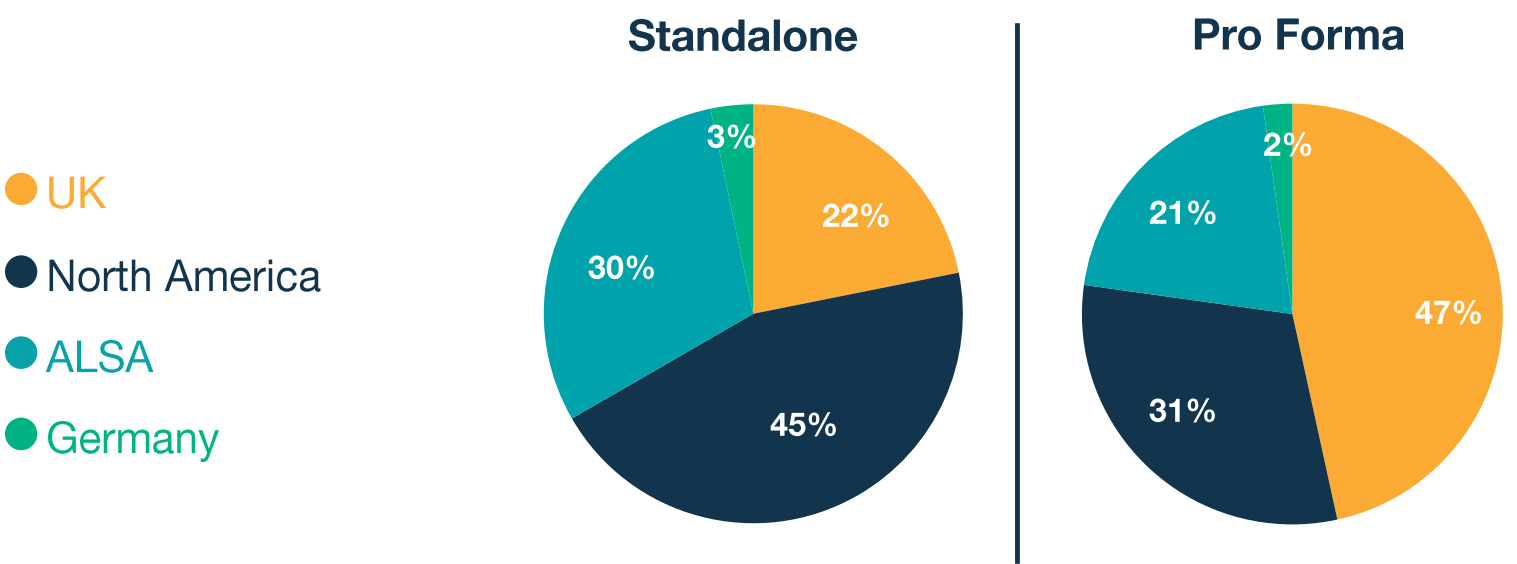


Financial Framework – Proposed combination with Stagecoach

Pre-Covid Side-by-Side¹

	national express standalone	 Stagecoach ²	Pro Forma (Ex. Synergies)
Revenue	£2,744m	£1,257m	£4,001m
EBITDA	£510m	£212m	£722m
EBIT	£295m	£99m	£394m
<i>EBIT Margin</i>	10.8%	7.8%	9.8%
Net Debt/EBITDA	2.4x	1.7x	2.2x

Pre-Covid Revenue by Geography³ (%)



1. Side-by-side comparison including Pro Forma is based on Dec-2019A financials for National Express and Apr-2020A financials for Stagecoach and is not intended to be a profit forecast or estimate for any current or future financial period nor to indicate that results for current or future financial periods would necessarily match or exceed historical results for National Express or Stagecoach.

2. Stagecoach revenue, EBIT and EBITDA includes UK Bus and Supertram (i.e. excluding discontinued UK Rail).

3. Revenue breakdown is based on Dec-2019A financials for National Express and Apr-2020A financials for Stagecoach.

Financial Framework – Proposed combination with Stagecoach

Significant growth and revenue synergies

Double-digit EPS accretive in first full year

Double-digit pre-tax ROIC in first full year

At least £35m of cost synergies¹

**Accelerate reduction in leverage towards
1.5-2.0x target**

**Increased investment in high-return
growth pipeline driving further earnings
and cash flow**

Financial Framework – Track record of creating value from transactions

A track record of significant transactions...

**Petermann
c.\$250m**

**WeDriveU
c.\$150m**

**ALSA
c.£450m**

...with a tried and tested post-acquisition playbook

- Preserve the DNA of the target
- Minimise customer-facing change where it is not needed
- Rapidly integrate behind the scenes
- Extend over the enlarged network

Financial Framework – Summary

Revenue back to 2019 levels in 2022, targeting an
**additional £1bn
by 2027**

Margin averaging 9% for 2022 to 2027,
**over £100m additional
profit by 2027**

Free cash conversion
over 80%
a year, targeting
at least

£1.25bn
of free cash
generation from
2022 to 2027

Paying a dividend at least
2x covered,
targeting 2022 reinstatement

A lower levered business:
targeting a net debt to
EBITDA range of
1.5 to 2.0x

Part 5

Summary and Close

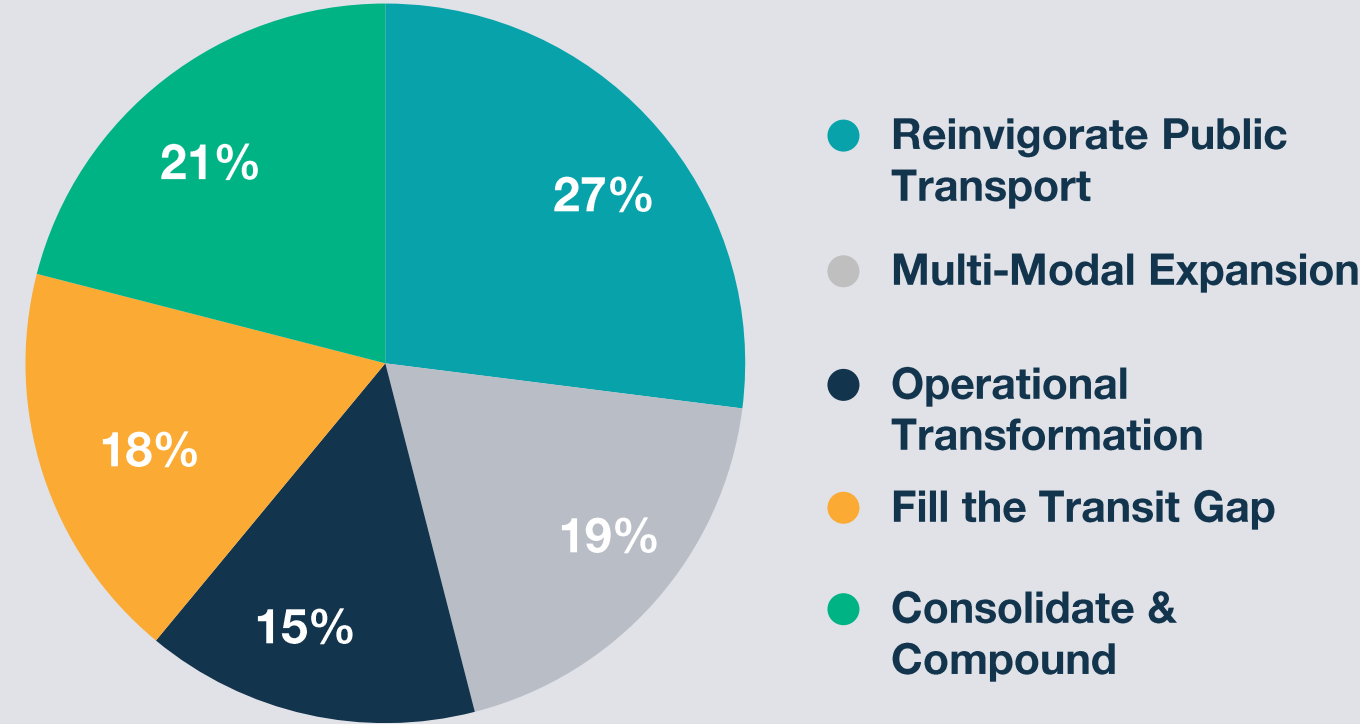
Ignacio Garat Group Chief Executive

The **evolve** strategy

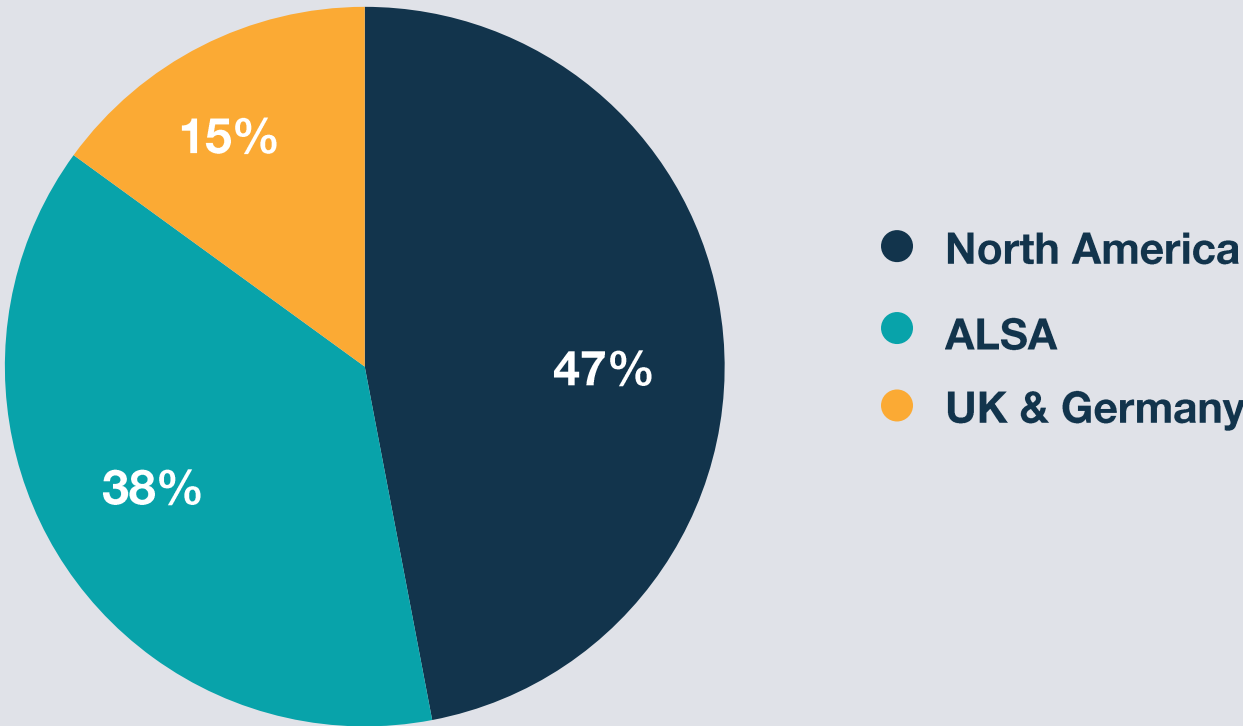


Strong pipeline of growth opportunities

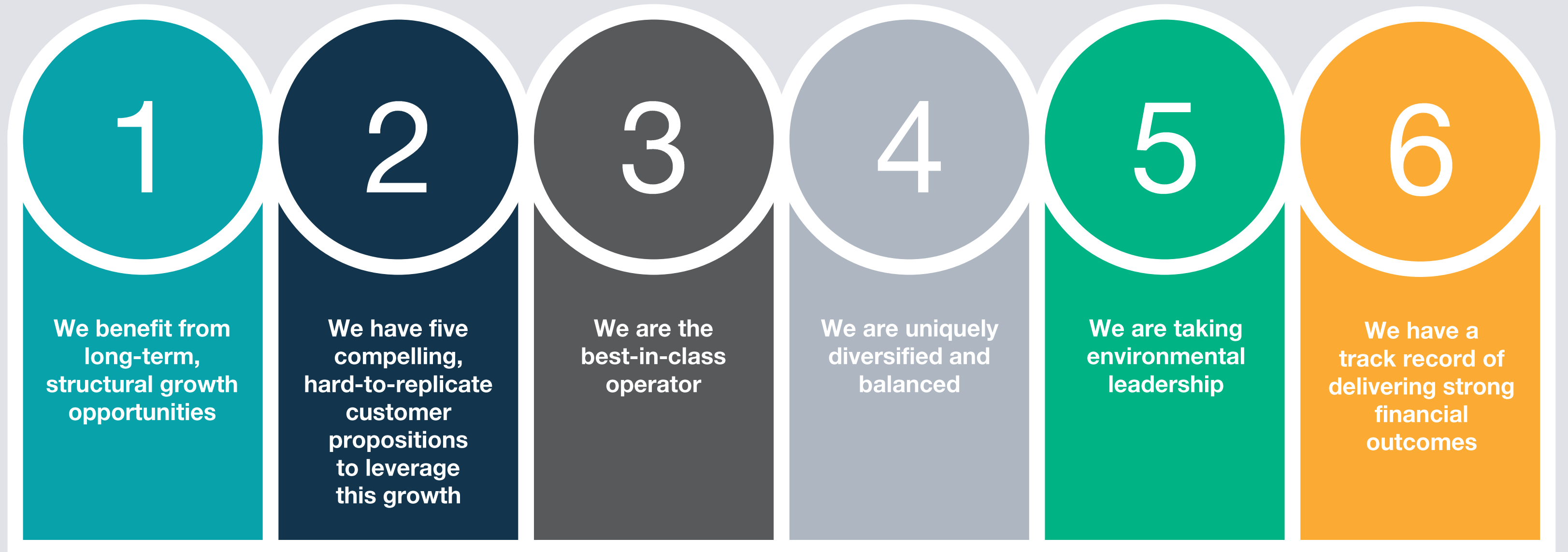
£1.5 billion pipeline by customer proposition



£1.5 billion pipeline by division



An attractive investment case



Part 6

Q&A

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