
Stagecoach sales move down a gear

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Transport group Stagecoach has said profits over the coming year will at least hold steady despite a slight slowdown in UK sales growth.

The Perth-based operator's rail division, which includes South West Trains and East Midlands Trains, saw like-for-like sales growth of 8.8% in the 48 weeks to April 1, down from 9.5% in the previous 40 weeks.

And its bus division, which runs 8,100 vehicles in more than 100 towns and cities, including recently-launched budget Megabus services from London to continental Europe, saw like-for-like sales growth of 2.7%, down from 3% previously.

But the group said overall trading and profitability remained good and that its wholly-owned divisions were well placed to at least maintain their operating profit in the year to the end of April 2013. The stronger figures earlier in the year were flattered as they came up against snow-hit comparatives from the previous year.

The reassurance on profits came after rival First Group, the UK's biggest bus operator, last month warned margins at its bus division were due to be hit by weaker demand.

However, Virgin Rail Group, which operates the West Coast Main Line franchise and is 49% owned by Stagecoach, saw sales growth of 7.9%, down from 9.3% in the first 26 weeks of its financial year. Shares fell 1% on Monday.

John Lawson, an analyst at Investec, said most divisions were trading relatively well and that management was "on top of its game". But he said further slowdown at Virgin was "the only slightly disappointing theme".

With the franchise up for renewal in the summer and Virgin facing competition from other operators, he said the decision is now "too close to call".

He currently expects the group to make pre-tax profits of £193.2 million in the year to the end of April 2012, down 6% on the previous year, but is considering raising his forecast closer to £200 million.

The group said sales in its North America business were up 14%, boosted by its Megabus network, and up from 13.3% in the previous 40 weeks. It recently started running Megabus services between London and Paris, Amsterdam and Brussels for as little as £1 and has said the new service has proved popular.

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