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Spanish performance aids National Express

By Rose Jacobs

National Express has reported a drop in first-half profits after it lost its contract to run East Anglia trains earlier this year. But the transport group said a "reassuringly stable" performance in Spain had helped it maintain steady trading in the period.

The FTSE 250 company's operating profits dropped 31 per cent and pre-tax profits 43 per cent, to £39.8m, on sales that were almost a fifth lower at £934m. But revenues from its coach, bus and minibus division rose 3 per cent, helping produce roughly flat underlying operating profits outside the rail division.

"We expected to be facing a challenging year in 2012 and we expected profits to be down," said Dean Finch, chief executive. As well as the loss of the rail franchise, National Express has had to cope with a cut to state subsidies for its UK coach operations and the impact of the Eurozone crisis on its Spanish business.

But Mr Finch pointed to 1 per cent like-for-like passenger growth across the group as evidence of people's continued need for public transport. Meanwhile, the group margin rose to 11.3 per cent from 10.5 per cent, helped by UK bus – where National Express's biggest competitor, FirstGroup, is struggling.

The company is targeting growth in the US, continental Europe and north Africa, where it runs a few bus services, but will still try to secure two rail franchises in the UK: Essex Thameside and Great Western, both contests for which it has pre-qualified.

It is also bidding for regional franchises in Germany, which is beginning to open up its rail market, and hopes to become active in Spain, which will next year debate rail privatisation.

Still, said Mr Finch, "our core business is non-rail, and that puts us in a different place from other UK operators". He said the interim dividend of 3.15p per share (3p), paid out of earnings of 6.2p per share (10.6p), was supported by non-rail profits.

Meanwhile, John Devaney, chairman, said on Thursday that he would step down early next year after nearly four years at the board's helm. He oversaw National Express as it handed back the lossmaking East Coast mainline franchise in 2009 – badly bruising the company's relationship with government – and last year saw off an attempted boardroom and strategy revamp by activist shareholders Elliot Advisers of the US.

Shares, which are trading about 20 per cent higher than three years ago, rose slightly in early trading, to 212p. Morgan Stanley analysts said the interim results showed the company "coping well enough" with the economic environment in the UK and Spain,

National Express was told it would not be allowed to extend the East Anglia franchise soon after the East Coast fiasco. It continues to operate the C2C line connecting London and south Essex.