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National Express reassures investors over hitting cash goal

By Jane Wild

National Express on Tuesday reassured investors that it was on course to hit its target of generating up to £150m of cash this year.

The transport group, which reported a sharp fall in pre-tax profit last year, said in an update before its first-half results for 2013 that the company was trading in line with expectations.

“We are on course to deliver between £125m and £150m of free cash flow in each of 2013 and 2014,” the company said. Free cash flow is broadly defined as earnings before interest, tax, depreciation and amortisation, minus capital spending.

National Express said its revenue had increased 7 per cent in constant currency in the six months to June 30, compared with the same period last year, helped by improving performances at its UK, US and Spanish businesses.

In Spain, which has been hit hard by recession, National Express’ revenue grew 3 per cent overall. Sales at its intercity coach operation fell 3 per cent, but the group said there were signs that the rate of decline was easing.

Meanwhile, National Express’s UK coach business, the market leader, reported underlying revenue growth of 3 per cent. Its British bus operation also reported revenue growth of 3 per cent.

The group’s UK rail operation was successful in securing an extension to its c2c franchise, which runs from London to the Essex coast. It also made the shortlist for the Crossrail tender in London, the winner of which is due to be announced at the end of next year.

In North America, National Express’ revenue rose 19 per cent, partly due to the acquisition of Petermann, a student transport business.

The group said its US and Canadian school bus business was operating more effectively in the second quarter, after suffering disruption at the start of the year because of poor weather.

Joseph Thomas, analyst at HSBC, said National Express’s trading update had “reassured”,

adding: "The acid test in Spain will be summer trading."

National Express reported a pre-tax profit of £69.8m in 2012, down 46 per cent compared with 2011, after its UK coach operation was hit by cuts to travel subsidies for pensioners. Profit also fell because of the loss of its East Anglia rail franchise in the UK.

Shares in the group rose 1.2 per cent to close at 231.7p in London. Its half-year results are due on July 24.

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