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Stagecoach is on target after US growth

By Jane Wild

Strong growth at Megabus in North America helped put Stagecoach on track to meet its targets for the year, the company said on Thursday, helping its shares close up 3.8 per cent to 330p.

Megabus slowed its expansion in the US and improved returns at its hubs there, pushing its revenues up 21.8 per cent in the three months to 31 July, taking overall growth in its North American business to 5.7 per cent.

The transport group's management said it expected a "significant step up" in operating profit at its North American business for 2013-14.

"Megabus.com in North America is the fastest-growing part of the group," said Ross Paterson, finance director. "Its success has helped revitalise the wider intercity bus market in the US. We have slowed down the rate of growth in network mileage to focus on driving the bottom line."

In the UK, good weather helped put more passengers on Stagecoach's regional buses and the country's largest bus operator said its regional bus revenues were 4.5 per cent higher.

"Our commercial bus operations in the UK are the backbone of the group and they are continuing to deliver organic growth," Mr Paterson said.

In London, revenues crept down 0.6 per cent, but the company said the dip would reverse in the second half of its financial year to 30 April 2014, after nine contracts it won last year began to show benefits.

Stagecoach performed well in its joint venture with Virgin Rail, with growth up 5.8 per cent over its first quarter. Negotiations were under way to move the venture on to a more commercial footing, which while increasing risk would mean better margins.

Talks with the transport department on extending its UK rail franchises were continuing, the company said, and a decision about its Thameslink and Dockland Light Railway bids was expected early next year. Mr Paterson said the company was well-placed to benefit from opportunities ahead in UK rail.

Analysts noted the group was on track to deliver full-year profits as predicted. Megabus was

“one of the growth pillars of the company”, analysts at RBC Capital Markets noted on Thursday.

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