

ALSA



Francisco Iglesias

CEO: ALSA

With 100 years' experience, ALSA operates long distance, regional and urban bus and coach services across Spain, and in Morocco, Portugal, Switzerland France and the Middle East. Apart from its scheduled bus and coach services, ALSA offers mobility solutions to meet business, leisure and healthcare transport needs.



Urban bus



Long distance coach



Private hire



Healthcare

Revenue (£m)

+21.1%

£1,165.4m

(2022: £962.5m)

Adjusted Operating Profit (£m)

+31.7%

£136.8m

(2022: £103.9m)

Statutory Operating Profit/(Loss) (£m)

+171.1%

£121.0m

(2022: £(170.2)m)

Adjusted Operating Margin (%)

+0.9%

11.7%

(2022: 10.8%)

ALSA is the leading company in the Spanish road passenger transport sector. It has, over a number of years, significantly diversified its portfolio away from Long Haul to having a multi-modal offering, which today also spans Regional and Urban Bus and Coach services across Spain, Morocco, Switzerland, Portugal, France and – since October 2023 – Saudi Arabia (via a 15% minority holding).

Results

In its centenary year, ALSA delivered a record year for revenues which exceeded £1bn for the first time with revenues up 21.1% (18.7% on a constant currency basis) and Adjusted Operating Profit growth of 31.7% (29.2% on a constant currency basis). This was the result of strong passenger growth and significant pricing actions across all of its lines of business, and a diverse, growing portfolio.

Long Haul revenues were up 37.1% driven by passenger volume growth up 27.5% and yields up 7.5%, compared with 2022. Long Haul occupancy ratios were 5.5% better than FY 22. There was continuing growth in Regional and Urban business with revenues up by 14.9% and 7.3% respectively. Morocco delivered a robust performance, particularly after taking into account the earthquake in September, with revenue for 2023 growing 2.1% versus last year. The International business (including Portugal) delivered strong revenue growth of 61.2%. There were also some modest but strategic acquisitions in Spain in FY 23, providing entry to new targeted markets and further diversification of business lines, and in early FY 24 ALSA completed the acquisition of CanaryBus, the leading operator in the Canary Islands, strengthening our position in this important tourism market.

Statutory Operating Profit of £121.0m represented an increase of £291.2m versus 2022, principally due to the £260.6m non-cash impairment charge taken in 2022.

Highlights

The main highlights of the year included:

- Record Revenue and Adjusted Operating Profit performance in 2023, driven by highest ever passenger numbers reaching 589m in 2023 (+13% vs 2022)
- Retention of all key material domestic contracts that were bid including Aragon and Valencia, with total contract value of >£120m, and the renewal of BBVA, Caixabank, Arcelor and Metro private contracts with £20m contract value
- Expansion of our key Madrid multi-modal hub with important contract wins, including a healthcare transport contract strengthening our position in this key market (the original platform having been established by the acquisition of Vitalia – since renamed Sanir)
- Successful mobilisation of three significant international contracts: Porto (200 buses) and Geneva (35 buses) started in December and Saudi Arabia (129 coaches) launched in October
- New digital centre of innovation established as digital sales are now >65% of revenues.

In almost every respect, ALSA has delivered an improved performance over the same period last year. It has also improved its operation and its offering, whether through evolving use of technology or its relentless focus on the customer. It has long been the strategy of ALSA to diversify away from its original Long Haul business, while continuing to grow it. As a result of continuing diversification, including growth in Spain, Urban and Regional, international expansion into Morocco, Portugal and Switzerland, and growth in paratransit, cruise line transfers and other services, Long Haul now represents only 17% of ALSA's revenues from 25% in 2016.

In the Long Haul business, passenger numbers were up 27.5%, average ticket prices were up 7.5% and occupancy was up 5.5% driven by the nine main corridors. Indeed, occupancy levels in these key corridors reached a record in July at 77.1%. Increasingly sophisticated marketing strategies and network management tools contributed to this strong performance and helped capitalise on the positive impact of the Spanish Government's 'young summer' incentive in Long Haul (offering a 90% discount to people aged 18-30), which concluded in September. The scheme yielded good sales results with approximately 1.3m tickets sold for travel between 15 June to 15 September. Since the end of that scheme, ticket sales have stabilised. Nonetheless, it is estimated that approximately one-third of new customers brought into coach travel by the scheme have returned to travel by coach again.

While performing strongly, the Long Haul business faced continuing challenge from High Speed Rail (HSR) train corridors (including Madrid-Murcia, Madrid-Barcelona and Madrid-Alicante). Madrid-Asturias launched a HSR service in November 2023 but ALSA is responding with innovative marketing and revenue management plans as well as being more sophisticated in timing of routes and adapting to offer better origin-destination points for customers. The long-speculated potential change in the Long Haul Coach market, which could involve a change from the current structure, remains a possibility at some point in the future. ALSA's credentials as the best provider in its region, its extensive customer relationships, strategic assets and powerful brand means that it will remain well placed to prosper in any eventuality.

In the portion of the Regional business that is exposed to demand risk (i.e. those with net-cost contracts), passenger numbers were up 28.6%, with average ticket prices up 4.0%, both when compared with FY 22.

In Morocco, after the earthquake of 8 September there was some slowdown in activity, particularly in Marrakech and Agadir, where revenues fell 20% for one week when compared with the prior year. However, in subsequent weeks, business gradually recovered. In response to the tragedy, ALSA donated €1m to the 'Special Fund for Earthquake Management' created by the Kingdom of Morocco to support the reconstruction of the impacted area. The business also offered free travel for a period, to assist the affected communities.

Contract wins, renewals, and mobilisations

ALSA won 12 new contracts in 2023 with an annual contract value of circa £25m and an average ROCE of 46%. The Regional business successfully retained some important contracts in Aragon and Valencia, with total contract value of >£120m. Notable new contract wins included a five-year healthcare transport agreement using 175 vehicles in Madrid, expanding the existing important multi-modal hub in that city. Further, a number of significant contracts were successfully mobilised in the year, including Porto (Urban Bus – 200 buses), Geneva (two new Urban Bus contracts bringing our total operations to over 200 buses in Switzerland), and with our partners in Saudi Arabia (10 year Intercity Coach contract – 129 coaches), strengthening our reputation as the most reliable operator to manage contract transition.

Focus on efficiency and cost of delivery

ALSA has an excellent track record of delivery, established over many years. Nonetheless, it is not exempt from the need to constantly improve, and it has made significant further gains in efficiency through 2023. Examples include: deployment of Accelerate savings initiatives in depots (spare parts, brands and fleet availability optimisation), fleet productivity (maintenance, engine replacement and fuel consumption programmes), staff costs, procurement and digital. This resulted in further improvement in FY 23 with digital sales reaching 65.4% of total sales vs 55.8% in 2022 and fleet activity ratios improving to 76.2%, up 1.8% versus 2022.

Disciplined capital allocation

ALSA continues to deliver a high ROCE of circa 20% and maintains a highly disciplined approach to capital allocation, while also investing both organically and through M&A. ALSA completed four small but strategically important acquisitions in 2023 including Ibercruises (serving the leisure cruise industry), which completed in November. In March 2024 the acquisition of CanaryBus was formally completed significantly increasing our presence in the Canary Islands, which has a significant tourism market. Each acquisition offers access to attractive market adjacencies for ALSA at investment multiples that allow for excellent returns potential.

Evolve outcomes

ALSA continues to focus on the Evolve strategy with progress in the year:

- **Safest:** FWI (Fatalities Weighted Index) per Million Miles of 0.005 (FY 22: 0.005). New DriveCam IA technology is to be installed across 2,200 buses in 2024
- **Most satisfied customers:** Passenger growth of +12.9% vs 2022. Key initiatives in the year included improved passenger information and onboarding, and a B2B CRM Project Sales network 'Transform'. Ratings in December for NPS (Net Promoter Score) were +30% (+46% vs FY 22) representing significant progress against 2022 and 2019
- **Employer of choice:** eNPS of +24 (+7 on FY 22). As well as a tight control of absenteeism in the year, ALSA also secured Top Employer 2023 certification for ALSA Spain being the first transport company in Spain to achieve it, recognising organisations that stand out for their good practices in people management. Good progress in 2023 on our Diversity & Inclusion policy promoting equality with the creation of global and local committees and with a plan in course and dedicated resources
- **Most reliable:** OTP (On Time Performance) 94.9% (FY 22: 98.1%) as a result of increased congestion as traffic volumes return. Successful mobilisations in Porto and Geneva
- **Environmental leader:** Total ZEVs grew from 128 in service at December 2023 to 224 expected to be in service at December 2024 and are now >3% of the fleet. ALSA has begun operating six new lines on the 'Transports Publics Genevois' (TPG) network in Geneva, Switzerland, with a fleet of 100% electric buses.

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Case study

ALSA's successful expansion in healthcare further strengthens multi-modal credentials

Over many years, ALSA has been successful in expanding its operations and diversifying into adjacent markets – capitalising on its strengths, enhanced through Evolve principles and objectives. In partnership with Transinsa, ALSA acquired Vitalia (later renamed Sanir) in 2022 as its entry into the attractive healthcare transport market. During 2023, the business has won an important new contract in Madrid that simultaneously expands the healthcare business and also strengthens ALSA's multi-modal credentials in that valuable strategic hub.

The key drivers that make the healthcare transport business attractive include: the expectation of continuing market growth; the ongoing consolidation across ground medical transport companies; and the increasing demands of professionalism expected by customers from their suppliers. In the last instance, the experience of ALSA as a supplier of complex solutions across different markets, and for a varied range of exacting customers, provide differentiating credentials.

The new contract, operated as a joint venture, is for a five year term, and is worth a total of over €160m. Not only does it make ALSA the leading such provider in the region, but it will also provide an opportunity to leverage that position by bidding for opportunities in other regions (including Catalonia).

