



DRIVING FORCE

What's it like to sit behind the steering wheel of National Express's treasury? Michelle Dovey reveals all

Words: **Rebecca Brace** / Photography: **Rob Whitrow**

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Situated in its headquarters above Birmingham Coach Station, the National Express Group couldn't be more appropriately situated. And staffed by many people who have risen up through its ranks, and who live and breathe public transport, National Express is not a company that places treasury in an ivory tower.

Heading up the treasury team is Michelle Dovey, who is the transport company's group treasurer and director of capital markets. With responsibilities for both treasury and investor relations, Dovey has a small but dedicated team. "I really enjoy working with my team," says Dovey. "I think we are quite light given our workload and responsibilities, but most treasurers would say that, wouldn't they?"

As a highly operational company, the National Express treasury has a significant degree of interaction with the other parts of the group, both in the UK and overseas. "We talk to the businesses on a daily basis, often problem-solving for them," says Dovey. "For example, when they need to buy new buses, they might need to know the best way to go about it and the best way to finance it."

The treasury is also involved in some of the larger projects of the company, which has overseas operations in North America, Spain, Morocco and Germany. Since the company does a significant amount of tendering, there is a great deal of contract work to do – including on the company's recent successful bid to operate bus services in Bahrain with a joint venture partner.

"Determining the strategic treasury approach for a bid and understanding the nuance of those markets has been very interesting," comments Dovey. "It's a completely different kind of approach to a FTSE 250 manufacturing company." She adds that supporting the business with its strategic goals and working on bids is her number one priority – followed by communicating those strategic goals to the debt and equity markets.

Focus on cost

Understanding the company's customer base has resulted in a clear focus on cost. "To get on one of our buses, a customer might only be parting with a couple of pounds," says Dovey. "We need to be aware of how many people need to get on that bus to cover all of its costs." At the same time, working capital management is a key area for the treasury team, which has a particular drive to optimise receivables. Rather than introducing techniques such as supply chain finance, the treasury aims to improve the culture and attitudes towards working capital management across the organisation.

In the case of contracts with public bodies and school boards overseas, this means proactively ensuring that the company gets paid on time. "We spend a lot of time making sure our paperwork is in order to obtain those funds," says Dovey. "And the challenge is to make sure that we don't receive a cheque that sits in someone's drawer for two weeks."

Where liquidity management is concerned, the company operates a number of cash pools in-country. While a large proportion of the group's operating profit comes from overseas, however, there are no cross-border pools, since Dovey believes the benefits would not be great enough to justify such a project. Trapped cash is not generally an issue, other than in Morocco, where money taken out is subject to 15% withholding tax. Even there, the growth of the group in the country has meant that the cost of purchasing new buses and building depots has tended to use up cash generated there.

Dovey regards the improvement of free cash flow by almost twofold over the past four years as a strong differentiator for the company. "I speak to the business finance directors once a month on their cash forecast just to make sure there's no slippage," she explains. "Then, when we are getting towards reporting dates, we ramp up that communication, which the finance directors themselves then disseminate, mainly to their own businesses." >



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Risk management is another major consideration for Dovey. With natural hedges in place, the company's FX transactional exposures are limited. In the US, for example, the company both pays costs and receives payments in US dollars. FX risk therefore tends to focus more on the translation of profits and cash flow.

Fuel hedging is a more significant concern. After staffing costs, fuel costs represent the company's biggest expenditure. To protect against rising fuel prices, the treasury has a rolling hedging programme that goes out up to three years.

"Generally, over the past six years we've been seeing an increasing fuel price on an annual basis and therefore our hedging strategy has been very positive to our bottom line," says Dovey. But prices can go down as well as up – and the sharp fall in prices at the end of last year placed a spotlight on the fuel hedging strategy. While a significant hedging programme means the company won't benefit from a drop in pricing straight away, Dovey believes the market understands this and is happy to see a delayed benefit.

That said, fuel hedging is a topic that will remain in sharp focus this year. Dovey will be monitoring the situation to decide whether the company can take a benefit earlier or whether a change in hedging strategy would be appropriate. Despite the recent developments, she comments that scrutinising the hedging strategy is nothing new. "I have been here four-and-a-half years and, in that time, I don't think a moment has gone by where I haven't looked at the fuel hedging strategy and checked that it was fit for purpose."

Career journey

Like many people leaving education and starting work, Dovey had scarcely heard about treasury before entering the profession. "It's not something that people say, 'One day, when I grow up, I want to be a treasurer,'" she reflects.

It was while working in a mainstream administration position at engineering holding company TI Group that she was approached by the group treasurer and her career in treasury began. Asked if she wanted to replace the treasury assistant, she jumped at the chance. Within a year, she was sitting her cash management certificate, which was followed by her AMCT. "I fell into treasury," says Dovey, "which I think is probably the favoured route – or at least it used to be."

TI became an invaluable training ground, providing Dovey with four different roles over a five-year period. Not wanting to relocate to another part of the country when the company was taken over by rival the Smiths Group, she left to join energy consultancy AEA Technology, an ex-privatised company. The new job presented Dovey with some major challenges. "It was the last privatised industry of the Thatcher era," she recalls. "It was a really small treasury team at the time, which was undergoing quite a lot of restructuring."

In 2004, Dovey joined Imperial Tobacco, going in as head of group treasury operations and rising to the position of deputy group treasurer. "During my time at Imperial, the group more than doubled in size," she says. "It had a major acquisition programme, which meant I was responsible for a large part of the integration and financing of those acquisitions."

She moved to National Express as deputy group treasurer in 2010, becoming group treasurer in January 2012 and taking on the additional role of director of capital markets in

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September 2014. During her time at the helm, Dovey has overseen a fair amount of change to the treasury and her responsibilities. She is proud of the treasury's achievement in revising every financial instrument that the company uses, from lending to fuel hedging. She has also renegotiated the company's letter of credit facility and some of the treasury's system costs – initiatives that have saved the company a significant amount of money. "I believe that we've changed the treasury department in line with the changes to the company's strategic goals so that my team's goals reflect those of the company," she adds.

At a personal level, Dovey has enjoyed the work she has done on the company's bids, not least because it is so different to her previous roles. "Understanding why we're trying to win a bid, what that contract means for us, and how I can help, and feeling that I can play a part in a successful bid is really rewarding," she

VITAL STATISTICS

25,000+
vehicles in National Express's fleet



1992 - the year that National Express listed on the London Stock Exchange

800m+ journeys are made on National Express buses, trains, light rail services and coaches each year



42,000 people work for National Express

69% of the group's operating profit came from outside the UK in 2013



£1.89bn revenue in 2013

80% less CO₂ emissions per passenger kilometre travelling by coach as opposed to journeying in a new car



MICHELLE'S TOP TIPS FOR SUCCESS

“You should constantly look at different ways to save money, whether by changing your bank facility, implementing a new system or just changing the way you hedge.”

“When you work on a new project, don't lose sight of the things that have made you successful in the past. It can be quite easy to go on to the bigger, sexier thing and then forget about the run-of-the-mill things that keep you going.”

“The most difficult question my boss is likely to ask is: ‘Is the fuel price going to stay the same?’ My reply would be: ‘If I knew that, I wouldn't be working here!’”

“My favourite gadget has to be anything made by Apple.”

“A great treasurer is somebody who wants to be involved in the business on an operational level, who has good working relationships both internally and externally, and who can get the best out of people.”

“I place a high value on the fact that all of my team are AMCT. If I had a team member who wasn't, I would want them to go through the qualifications.”



MICHELLE'S CURRICULUM VITAE

2014-present

Director of capital markets, National Express

2012-present

Group treasurer, National Express

2010-2012

Deputy group treasurer, National Express

2004-2010

Deputy group treasurer, Imperial Tobacco

2001-2004

Group treasury manager, AEA Technology

1995-2001

Chief dealer, Smiths Group

Qualifications

AMCT (2001)

says. “With two recent bid wins we were able to significantly reduce the financing costs, allowing us to put in a really competitive bid.”

If there is one thing that Dovey does find less enjoyable, it's talking about hedge accounting standards. “But I reckon most treasurers don't enjoy hedge accounting!”

Nevertheless, National Express's treasurer is clearly someone who not only enjoys her job and the challenges it presents, but is passionate about the qualities of her team. With some robust achievements in her career to date, Dovey continues to drive success. ♥

Rebecca Brace is a financial journalist with extensive experience of writing about corporate treasury