angel Trains

Rail People
Real Expertise

Investor Report

1 January 2021 - 31 December 2021

Contents

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Real Expertise

General Overview

1. GENERAL OVERVIEW

Angel Trains Group (the "Group") performed strongly during the period with EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of £512.7m (2020: £438.3m).

The Group has maintained metrics consistent with the Baa2 credit rating throughout the period, confirmed by the Moody's credit update, which also highlighted limited re-lease risk in the medium term.

At 31 December 2021, the Group owned 4,048 vehicles (of which 100 are marked for disposal). This was lower than the 4,279 vehicles owned at 31 December 2021 owing to a number of life-expired vehicles disposed of, but offset by the acceptance of Class 720 vehicles. During the period,160 new vehicles were delivered, with a further 445 vehicles in the process of being manufactured and delivered.

445

vehicles in the process of being manufactured and delivered

EBITDA

2021	£512.7m
2020	£438.3m

£74.4m INCREASE

Existing lease end dates were maintained as the Rail Industry transitioned to National Rail Contracts ("NRC") and all vehicles with an economic value are leased. In addition to the 100 vehicles marked for disposal, the Group has 7 vehicles which are off-lease but have no economic value and are to be retained for spares if no re-lease opportunity presents itself.

PSP Investments and Amber Infrastructure increased their shareholding in Willow Topco Limited, the Group's ultimate holding company during September 2021 through the purchase of the AMP Capital shareholding. PSP Investments has become the majority shareholder having invested in the Group, along with Amber Infrastructure, since 2008.

The Group also directly arranged a new 10-year £600m senior bank facility in December 2021 for general corporate purposes, including the refinancing of existing debt. The facility was undrawn as at 31 December 2021.

> "PSP Investments and Amber Infrastructure increased their shareholding in the Group during September 2021 through the purchase of the AMP Capital shareholding."

Significant Business Developments

2. SIGNIFICANT BUSINESS DEVELOPMENTS

2.1 New significant business developments to 31 December 2021

NEW TRAINS

Acceptance of Class 720 Bombardier Aventra vehicles continued in the year. At 31 December 2021, 220 of the 665 vehicles that were procured for use in the East Anglia franchise had been delivered.

The new electric fleet will reduce the proportion of diesel trains that the group owns, reduce the average age of the portfolio and provide a long-term revenue stream.

REFURBISHMENT PROJECTS AND FUTURE DEVELOPMENTS

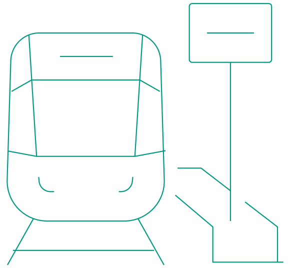
In general, our suppliers continue to perform well under challenging circumstances while being impacted by the ongoing Covid-19 pandemic. The Group continues to monitor and support the supply base in ensuring that their continued focus remains on quality and delivery of our projects.

Progress continues with the Group’s innovative self-charging hybrid research and development project to convert an existing Diesel Multiple Unit (DMU) to a Hybrid, using battery technology.

The Group is working with Transport Scotland, Scottish Enterprise, The University of St. Andrews and Arcola developing hydrogen technologies toward a ‘zero emissions’ train.

665

vehicles procured for use in the East Anglia franchise



220

vehicles have been delivered

> “Progress continues with the Group's innovative self-charging hybrid research and development project...”

2.2 Refranchising and Re-leasing

As at 31 December 2021, Angel Trains owned 4,048 rolling stock vehicles and 107 of these are presently off-lease and are expected to be scrapped or held for spares.

The following NRCs (unless specified otherwise) were entered into during the year, with the Group's existing lease end dates being maintained;

- **Essex Thameside –** an NRC with a duration of 2-years plus a possible 2-year extension for existing rolling stock commenced in July 2021.
- **South Western –** an NRC with a duration of 2-years plus a possible 2-year extension for existing rolling stock commenced in May 2021.
- **TransPennine –** an NRC with an initial duration of 2-years plus a possible 2-year extension for existing rolling stock commenced in May 2021.
- **West Midlands –** an NRC with a duration of 3-years plus a possible 2-year extension during September 2021.
- **East Anglia –** an NRC with a duration of up to 3-years plus a possible 2-year extension commenced during September 2021.
- **SE Trains Ltd –** a subsidiary of the Department for Transport Operator of Last Resort assumed responsibility of the South Eastern operation under a Service Contract (not an NRC), leasing all existing rolling stock for a duration of 3 years plus a possible 3-year extension from 17 October 2021.

The following leases were extended or entered into during the year, outside of the refranchising process;

- **Arriva Rail North Ltd**
  The Class 153 lease was extended to December 2021.
- **Merseyside Passenger Transport Ltd**
  The Class 507/508 lease was extended until various dates in 2022 and 2023.

4,048

Rolling stock vehicless owned by Angel Trains at 31 December 2021

The table below summarises the Angel Trains fleet by lease counterparty as at 31 December 2021.

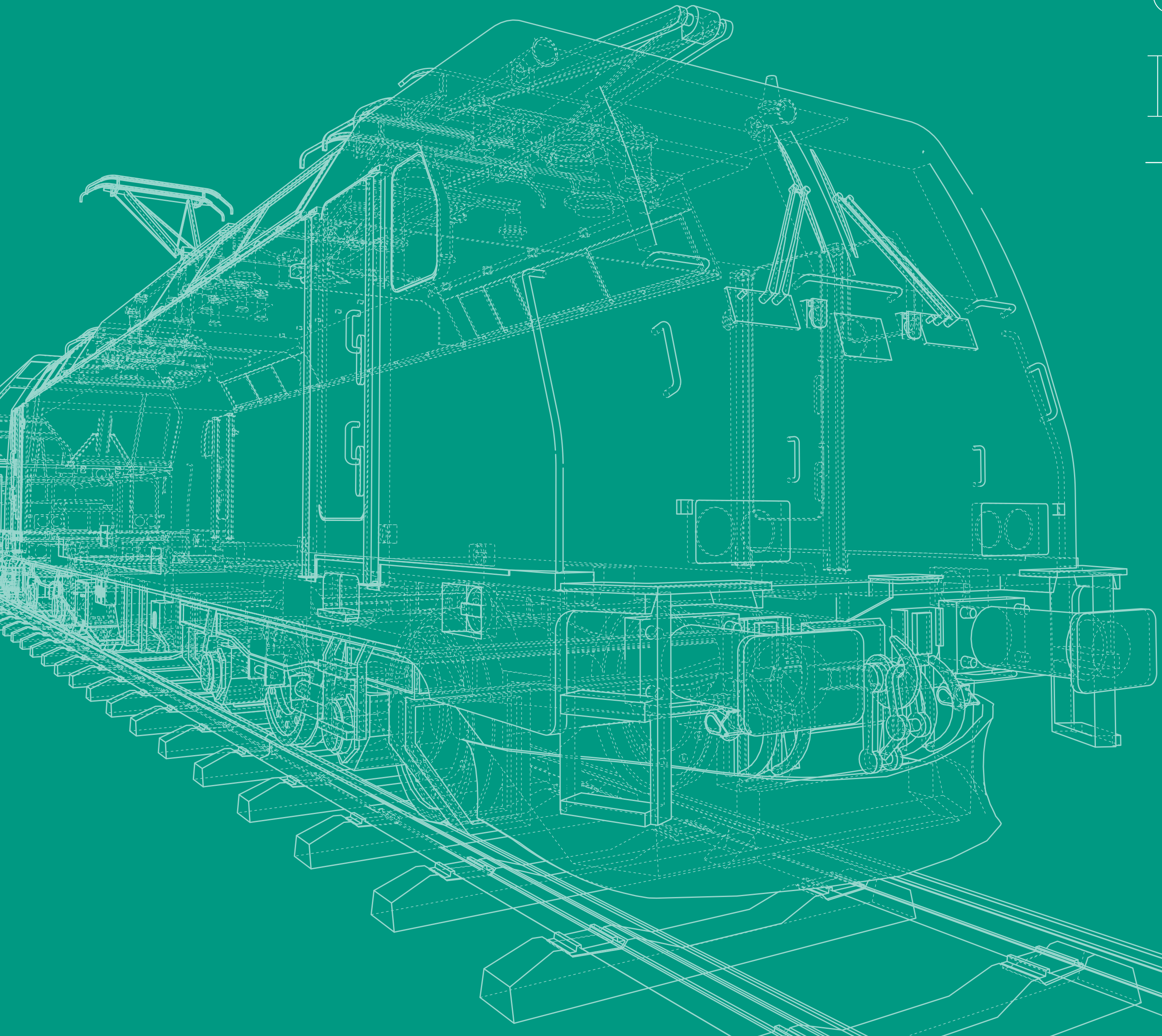
Franchise Owner	TOC	Total Vehicles	Lease End Dates	Vehicles Leased	Contract Type
Abellio	Abellio East Anglia Ltd Abellio East Midlands Ltd Abellio ScotRail Ltd	328 148 259 **Total: 735**	Dec - 22 / Oct - 25 Dec-21 / Mar-22 / Dec-22 / Aug-27 Mar - 22	8.10% 3.66% 6.40% **18.16%**	NRC ERMA EMA
Abellio, JR East and Mitsui	West Midlands Trains Ltd	**216**	Mar - 26 / Sep - 26	**5.34%**	NRC
Arriva	Chiltern Railways Ltd Ltd Grand Central Railway Company Ltd XC Trains Ltd	97 50 21 **Total: 168**	Dec - 27 Dec - 26 Oct - 23	2.40% 1.24% 0.52% **4.15%**	NRC Open Access EMA
First Group	Great Western Railway Ltd First Transpennine Express Ltd Hull Trains	217 95 25 **Total: 337**	Mar - 23 May - 23 Dec - 29	5.36% 2.35% 0.62% **8.33%**	EMA NRC Open Access
First Group / MTR	First MTR South Western Trains Ltd	**733**	Aug - 24	**18.11%**	NRC
GB Railfreight	GB Railfreight Ltd	**4**	May - 25 / Jul - 25	**0.10%**	Freight
Transport for Wales	Transport for Wales Ltd	**118**	May 22 / Oct - 22	**2.92%**	OLR
Rail Operations Group	Rail Operations Group Ltd	**5**	Jul - 24	**0.12%**	Hauler
Serco / Abellio	Merseyside Passenger Transport Ltd	**168**	May - 23	**4.15%**	Franchise
Trenitalia	Trenitalia C2C Ltd	**112**	Nov - 29	**2.77%**	NRC
Department for Transport	Northern Trains Ltd SE Trains Ltd	335 436 **Total: 771**	Dec - 21 / Mar - 25 Oct - 24	8.28% 10.77% **19.05%**	OLR NRC
First Group / Trenitalia	First Trenitalia West Coast Rail Ltd	**574**	Mar - 26	**14.18%**	ERMA
	Off lease with no future rent expectations* Marked for disposal**	7 100 **Total: 107**		0.17% 2.47% **2.64%**	* All off lease vehicles are economic life expired but opportunities are being explored ** Off lease, economic life expired with no future identifiable opportunities to release
GRAND TOTAL		**4,048**			

2.3 Significant Board/Management changes for the period ending 31 December 2021

The following significant changes of directors and officers in the Angel Trains Group of companies took place during the period:

- T Smith (resigned on 31 January 2021)
- M Russell (appointed 1 February 2021)
- N McBreen (resigned on 5 March 2021)
- C Riise-Knudsen (appointed on 23 March 2021)
- P Larsen (resigned on 23 March 2021)
- A Petrie (resigned on 17 September 2021)
- N Karunatilake (resigned on 17 September 2021)
- C Riise-Knudsen (resigned on 17 September 2021)
- L Pisco (resigned on 17 September 2021)
- C Morgan (appointed on 28 September 2021)
- Q Li (resigned on 13 October 2021)
- A Wilkie (appointed on 13 October 2021)

Regulatory / Governmental Developments



3. REGULATORY / GOVERNMENTAL DEVELOPMENTS

3.1 Significant announcements / publications by any regulator or relevant government department

Following the initial six-month period of financial assistance provided by the DfT to train franchise operators, in September 2020 the Government announced that Emergency Recovery Measures Agreements ("ERMAs") would come into effect.

Upon the expiry of the ERMAs, franchise agreements either have already been, or will be, terminated and replaced by NRCs, which provide for a core term, with optional extension dates. The resulting NRC programme provides future clarity and stability for the Group and wider industry.

The Group has continued to actively engage with the DfT and supported all train operators during this challenging and uncertain period for the UK rail industry.

On 20 May 2021, the Government released the Williams-Shapps Plan for Rail (the "White Paper"), setting out its proposals for reform and restructuring of the Great British Rail Industry. The White Paper is structured around 7 promises, 10 key outcomes and 62 commitments to deliver the 10 key outcomes.

Overall, the White Paper contemplates a raft of reforms across all aspects of the rail industry that include significantly:

- **Creation of a new public body:** Great British Railways ("GBR") as a single "guiding mind" to own infrastructure, receive fare revenue, run and plan the network and set most fares and timetables (from a practical perspective, the White Paper anticipates that Network Rail, along with relevant functions of the Rail Delivery Group and the DfT, will be absorbed into GBR);
- **Establishment of a new, unified brand & identity:** New, unified brand and identity across the whole system, with national and regional sub-identities;
- **Reform of and upgrades to the fares system:** With an emphasis on standardisation and simplicity, together with the introduction of new and innovative products such as flexible season tickets;
- **The end of the franchise system:** To be replaced by concessions for the operation of passenger rail services, similar to Transport for London's Overground and bus network contracting systems;
- **Introduction of Passenger Service Contracts:** Under which revenue risk (generally) is expected to remain with Government, and cost risk to be passed to the operating companies; and
- **The overhaul of track access regulation** Through new legislation, with the aim of giving GBR powers and duties to plan the use of the network, balance priorities and maximise overall public benefit.

It is acknowledged that implementation of certain reforms may take a number of years (in particular, where new or amending primary legislation is required, and/or to provide time for the expiration of existing 'legacy' commitments). However, the White Paper anticipates that this simpler, more integrated structure could, after five years, deliver savings of around £1.5 billion a year (equivalent to 15% of the network's pre-pandemic fares income).

The Group welcomes the White Paper and participated in the initial industry-wide request for information. The Group supports the proposals for reform and restructuring and believes its approach to embracing competition, fostering innovation and improving the customer experience through the continued involvement and participation of the ROSCOs is consistent with the White Paper proposals and objectives.

With the advent of ERMAs and the subsequent transition programme to NRCs, there is a significant level of activity over the next three years with a majority of the NRCs incorporating extension options, which in our view, are likely to be exercised in the majority of instances. Alternatively, certain NRCs are also being structured as maximum term contracts with minimum core term with early termination options.

The full and long-term impact of the Covid-19 pandemic is still evolving. The Group will continue to work closely with Transport Scotland, the DfT, customers and suppliers as the macro economic environment develops.

The table opposite summarises the forthcoming contract awards:

The Group's pre-existing contracts with train operators continue in force, notwithstanding the amended contract expiry dates described above. The impact of the DfT announcements on the Group remains broadly beneficial.

"The Group welcomes the White Paper and participated in the initial industry-wide request for information. The Group supports the proposals for reform and restructuring and believes its approach to embracing competition, fostering innovation..."

Franchise	Contract Commencement Date	Expiry Date	Extension Option
Chiltern	January 2022	March 2025	March 2027
ScotRail	April 2022	December 2028	TBA
Great Western	June 2022	June 2025	June 2028
East Midlands	October 2022	October 2026	March 2028
West Coast Partnership	October 2022	March 2032	TBA

Capital Expenditure

4. CAPITAL EXPENDITURE

4.1 Material matters of capital expenditure including future commitments made during the relevant period

During the period the Group incurred capital expenditure of £202.6m, mainly comprising of:

- Payments for the delivered units and capitalised interest for Class 720 vehicles.
- Modifications for Class 165/166, Class 15x, HSTs, Class 17x, Class 333, Class 350, Class 360 and Class 390 vehicles.
- Continued Service Operation work on Class HSTs.

Capital commitments

£516.7m

The Group had total capital commitments of £516.7m as at 31 December 2021, mainly comprising of:

- Payments on deliveries for the remaining units and capitalised interest for Class 720 vehicles.
- Retention payments for 120 Class 802 vehicles.
- Modifications to several fleets including the Pendolino fleet for First Trenitalia West Coast.

Financing

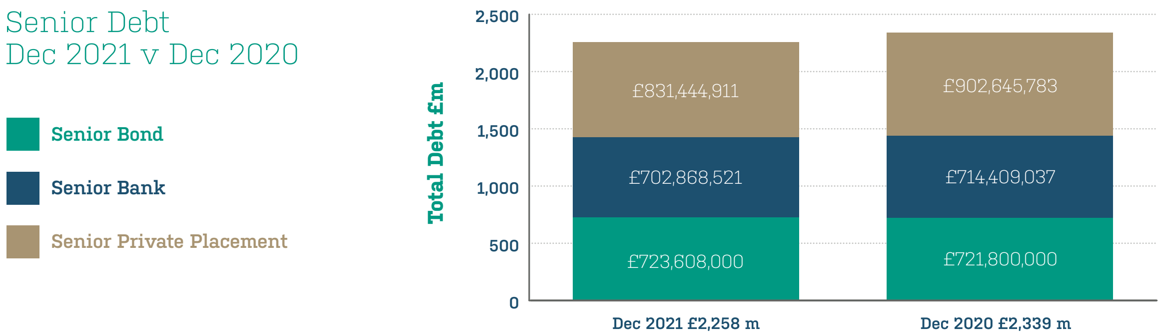
5. FINANCING

5.1 Total Senior debt outstanding at 31 December 2021

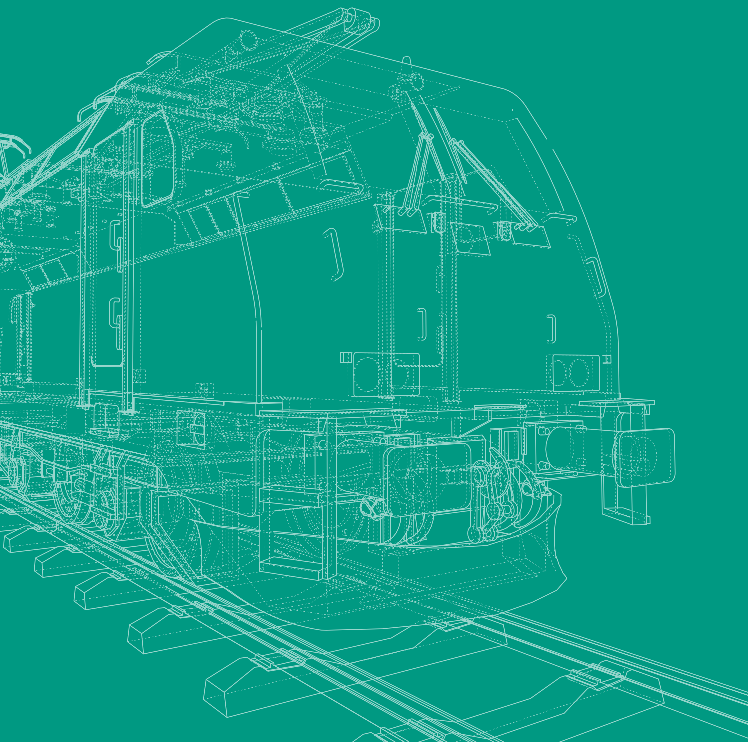
Total Debt Outstanding: The Great Rolling Stock Company PLC

Debt Type	Debt Facility	Balance Outstanding	Issue / Facility Limit	Maturity Date
Senior Bond	20-yr Amortising Bond	363,400,000	460,000,000	Apr-31
	25-yr Amortising Bond	320,200,000	500,000,000	Jul-35
	Floating Rate Note (EMTN)	40,008,000	60,000,000	Dec-23
	Total for Debt Type	**723,608,000**	**1,020,000,000**	
Senior Private Placement	US Senior Private Placement	30,000,000	30,000,000	Jun-31
	US Senior Private Placement	85,000,000	85,000,000	Nov-32
	US Senior Private Placement	200,000,000	200,000,000	Sep-34
	US Senior Private Placement	100,000,000	100,000,000	Nov-37
	Senior Private Placement	416,444,911	437,534,052	Nov-27
	Total for Debt Type	**831,444,911**	**852,534,052**	
Senior Bank	Revolving Credit Facility	0	350,000,000	Oct-25
	10-yr Bullet Debt	137,500,000	137,500,000	Nov-24
	15-yr Amortising Debt	110,000,000	137,500,000	Nov-29
	15-yr Amortising Debt	300,000,000	300,000,000	Oct-33
	10-yr Amortising Debt	155,368,521	396,500,000	Nov-27
	10-yr Amortising Debt	0	600,000,000	Dec-31
	Total for Debt Type	**702,868,521**	**1,921,500,000**	
Grand Total		**2,257,921,432**	**3,794,034,052**	

5.2 Senior Debt Dec 2021 v Dec 2020



Historical Financial Performance and Ratios



6. HISTORICAL FINANCIAL PERFORMANCE AND RATIOS

6.1 Update on financial performance for the year including ratios

EBITDA, the Group's key measure, for the period ending 31 December 2021 was £512.7m (2020: £438.3m). Revenue for the period was £592.3m (2020: £518.2m). The increase from 2020 is mainly due to an increase in non-capital income and revenues from Angel Trains Rolling Stock Ltd that only transferred into the Group in December 2020.

The Group's total external senior debt at 31 December 2021 was £2,257.9m, compared to £2,338.9m at 31 December 2020. The net decrease of £81.0m was due to scheduled debt repayments.

All senior floating rate debt remained economically hedged and no speculative derivatives were executed.

The Senior Interest Cover ratio for the period 31 December 2021 was 3.8, compared to the financial covenant requirement of at least 1.5:1.

The Senior Leverage ratio for the year ending 31 December 2021 was 4.0, compared to the financial covenant requirement of no greater than 8.5:1.

The Group remains insulated from the direct impact of foreign exchange volatility and the senior debt is hedged for interest rates. All of our revenues are generated within the United Kingdom and they are denominated in Sterling.

6.2 Credit ratings

Moody's completed its annual review for 2021 and affirmed the Baa2 credit rating in February 2022 and confirmed that Angel Trains has limited re-leasing risk in the medium-term, stating that "Over January 2022 to December 2023, around 22% of vehicles are expected to come off-lease.

Out of these, around 41% are at the end of their useful economic lives. Therefore, only around 13% of the existing fleet will face re-leasing risk during this period, reflecting Angel Trains' strong recent re-leasing performance with higher risk fleets having already been cascaded."

Other Business Matters

7. OTHER BUSINESS MATTERS

Angel Trains has maintained Rail Industry Supplier Approval Scheme ("RISAS") certification in support of its provision of vehicle overhaul and engineering services. RISAS builds upon Angel Trains existing ISO 9001 approval for quality management.

Our Global Real Estate Sustainability Benchmark (GRESB) score was 94/100 (a 5 star rated business) and the Group came first out of 540 businesses in Management score.

During the period, employees' opinions were surveyed using "pulse" surveys and participation remained high. We have continued to introduce a range of initiatives to maintain employee wellbeing and support employees in the hybrid working trial. We received an employer Net Promoter Score of 62.3, which significantly exceeded the global benchmark.

In November 2021, we achieved the Investors in People Platinum accreditation, which places the Company in the top 2% of workplaces, and also received the Investors in Wellbeing Gold accreditation on our first attempt. An action plan will be created to support the retention of these awards in 2024.

> "In November 2021, we achieved the Investors in People Platinum accreditation, which places the Company in the top 2% of workplaces..."

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