

angel^{Trains}

Rail People
Real Expertise

Investor Report

01 July 2021 - 30 June 2022



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1. GENERAL OVERVIEW

Angel Trains Group (the “Group”) performed strongly during the period with EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of £490.6m (2021: £462.8m).

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.

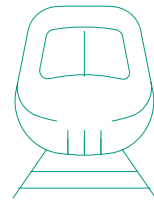
At 30 June 2022, the Group owned 4,118 vehicles (of which 121 are marked for disposal). This was higher than the 3,987 vehicles owned at 30 June 2021 owing to the acceptance of Class 720 vehicles, offset by the disposal of a number of life-expired vehicles.

During the period, 245 new vehicles were delivered, with a further 315 vehicles in the process of being manufactured for future delivery.

A number of leases were entered into as a result of National Rail Contracts (“NRC”) and all vehicles with an economic value are on lease. In addition to the 121 vehicles marked for disposal, the Group has 10 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 the Group in September 2021 through the purchase of the stake held by AMP Capital. Both have been invested in the Group since 2008, with PSP Investments now the majority shareholder.

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 remaining balance available for drawdown as at 30 June 2022 was £150m.



4,118

vehicles owned by the Group at 30 June 2022

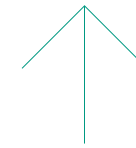
EBITDA

2022

£490.6m

2021

£462.8m



£27.8m
INCREASE



2. SIGNIFICANT BUSINESS DEVELOPMENTS

2.1 New significant business developments to 30 June 2022

READYPOWER GROUP ACQUISITION

Angel Trains acquired 100% of Readypower Group on 28 January 2022. Readypower provides specialised on-track plant equipment as well as civil engineering, drainage, haulage and operating services to the UK rail sector. It plays a critical role in helping to modernise the UK's rail network as electrification and upgrades continue throughout the country.

The acquisition demonstrates Angel Trains' commitment to investing in rail assets in the UK. Readypower will continue to run as an independent business, with its brand and management team remaining in place.

NEW TRAINS

Acceptance of Class 720 Bombardier Avenra vehicles continued during the year. At 30 June 2022, 350 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.



of the 665 vehicles procured for use in the East Anglia franchise delivered.



REFURBISHMENT PROJECTS AND FUTURE DEVELOPMENTS

In general, our suppliers continue to perform well under challenging circumstances. The Group continues to monitor and support the supply base in ensuring that their continued focus remains on quality and delivery of our projects.

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



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2.2 Re-leasing activity and current fleet utilisation

As at 30 June 2022, Angel Trains owned 4,118 rolling stock vehicles. 131 of these are presently off-lease and are expected to be scrapped or held for spares.

The following leases were entered into during the period, as a result of NRC awards (unless specified otherwise):

- **Essex Thameside** – In July 2021, the existing lease for the Class 357 fleet transitioned into an NRC with a lease with a duration of 2 years plus a possible 2-year extension. However, the scheduled lease expiry remains unchanged at November 2029.
- **West Midlands** – Leases for Class 350s and Class 172s were entered into for a duration of 3 years plus a possible 2-year extension during September 2021.
- **East Anglia** – In September 2021, the existing leases for a duration of 3 years plus a possible 2-year extension for the Class 720s and Class 317s were transitioned into an NRC with a duration of 3 years plus a possible 2-year extension, with an expiry of 20 September 2026.
- **SE Trains Ltd** – A subsidiary of the Department for Transport (“DfT”), 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.
- **Chiltern Railways** - A lease with a duration of 6 years for the class 165 vehicles commenced January 2022.

- **West Midlands** – A lease with a duration of 5 years for 8 x Class 172 vehicles commenced January 2022 with an expiry date of 20 September 2026. These vehicles were successfully secured following lease expiry and displacement from Chiltern Railways.
- **ScotRail** – As part of the New Transport Scotland Rail Contract that commenced in April 2022, a lease for Class 156s was entered into for a duration of 5 years with a possible extension of 9 months. The HST vehicles continue to be leased with the new operator as part of the Section 54 agreement in place.

The following leases were extended during the year, outside of the rail contracting process;

- **Merseyside Passenger Transport Ltd** – The Class 507/508 lease was extended until various dates in 2022 and 2023.
- **East Midlands Railway** – The Class 156 and 158 leases were extended until October 2022.
- **Transport for Wales** – The Class 175 lease was extended until May 2023.



As part of the New Transport Scotland Rail Contract that commenced in April 2022, a lease for Class 156s was entered into for a duration of 5 years with a possible extension of 9 months.



The table below summarises the Angel Trains fleet by lease counterparty as at 30 June 2022.

Owner Operating Group	TOC	Total Vehicles	Lease End Dates	Vehicles Leased	Contract Type
Abellio	Abellio East Anglia Ltd	382	Dec - 22 / Oct - 25	9.28%	NRC
	Abellio East Midlands Ltd	144	Oct-22 / Dec-22 / Aug-27	3.49%	ERMA
		Total: 526		12.77%	
Abellio, JR East and Mitsui	West Midlands Trains Ltd	224	Mar - 26 / Sep - 26	5.44%	NRC
Arriva	Chiltern Railways Ltd Ltd	89	Dec - 27	2.16%	NRC
	Grand Central Railway Company Ltd	50	Dec - 26	1.21%	Open Access
	XC Trains Ltd	21	Oct - 23	0.51%	EMA
		Total: 160		3.88%	
First Group	Great Western Railway Ltd	217	Mar - 23	5.27%	EMA
	First Transpennine Express Ltd	95	May - 23	2.31%	NRC
	Hull Trains	25	Dec - 29	0.61%	Open Access
		Total: 337		8.19%	
First Group / MTR	First MTR South Western Trains Ltd	733	Aug - 24	17.80%	NRC
GB Railfreight	GB Railfreight Ltd	4	May - 25 / Jul - 25	0.10%	Freight
Transport for Wales	Transport for Wales Ltd	118	Oct - 22 / May - 23	2.87%	OLR
Transport Scotland	ScotRail Trains Ltd	258	Mar - 26 / Mar - 27	6.26%	NRC
Rail Operations Group	Rail Operations Group Ltd	5	Jul - 24	0.12%	Hauler
Serco / Abellio	Merseyside Passenger Transport Ltd	168	May - 23	4.08%	Franchise
Trenitalia	Trenitalia C2C Ltd	112	Nov - 29	2.72%	NRC
Department for Transport	Northern Trains Ltd	332	Mar - 25	8.06%	OLR
	SE Trains Ltd	436	Oct - 24	10.59%	NRC
		Total: 768		18.65%	
First Group / Trenitalia	First Trenitalia West Coast Rail Ltd	574	Mar - 26	13.94%	ERMA
	Off lease with no future rent expectations* Marked for disposal**	10 121 Total: 131		0.24% 2.94% 3.18%	* All off lease vehicles are economic life expired but opportunities are being explored ** Off lease, life expired with no future identifiable opportunities to release
GRAND TOTAL		4,118			

2.3 Significant Board/Management changes for the period ending 30 June 2022

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

- 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)
- L Baldry
(appointed on 26 January 2022)
- P Walsh
(appointed on 26 January 2022)
- L Porter
(resigned on 15 March 2022)



3. REGULATORY / GOVERNMENTAL DEVELOPMENTS

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

The table below summarises the forthcoming contract awards:

Route	Contract Commencement Date	Expiry Date	Extension Option
East Midlands	October 2022	October 2026	March 2028
West Coast Partnership	October 2022	March 2032	TBA
TransPennine	April 2023	March 2031	TBA

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.



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 £260.6m, mainly comprising of:

- Stage payments and capitalised interest for 665 Class 720 vehicles.
- Modifications for Class 165/166, Class 15x, HSTs, Class 17x, Class 333, Class 350, Class 360 and Class 390 vehicles.

The Group had total capital commitments of £381.1m as at 30 June 2022, mainly comprising of:

- Stage & delivery payments and capitalised interest for 665 Class 720 vehicles.
- Retention payments for 120 Class 802 vehicles.
- Modifications to several fleets including the Pendolino fleet for First Trenitalia West Coast.

Capital commitments

£381.1m



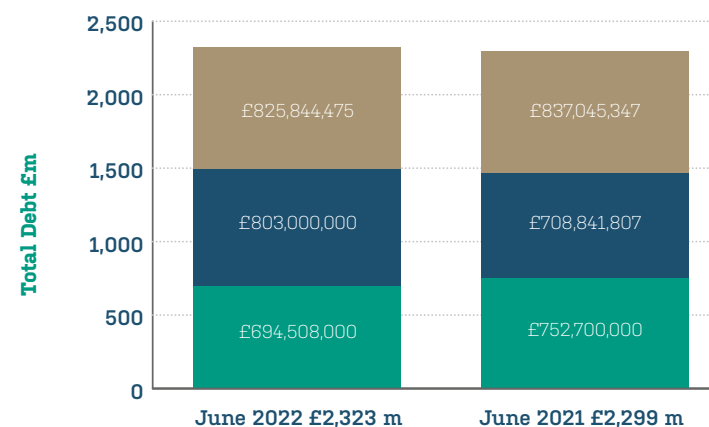
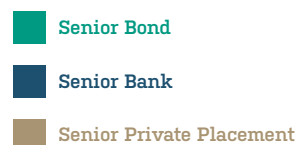
Financing

5. FINANCING

5.1 Total Senior debt outstanding at 30 June 2022

Debt Type	Debt Facility	Balance Outstanding	Issue / Facility Limit	Maturity Date
Senior Bond	20-yr Amortising Bond	356,500,000	460,000,000	Apr-31
	25-yr Amortising Bond	308,000,000	500,000,000	Jul-35
	Floating Rate Note (EMTN)	30,008,000	60,000,000	Dec-23
	Total for Debt Type	694,508,000	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	410,844,475	437,534,052	Nov-27
	Total for Debt Type	825,844,475	852,534,052	
Senior Bank	Revolving Credit Facility	53,000,000	350,000,000	Oct-25
	10-yr Amortising Debt	300,000,000	300,000,000	Oct-33
	15-yr Amortising Debt	450,000,000	600,000,000	Dec-31
	Total for Debt Type	803,000,000	1,250,000,000	
Grand Total		2,323,352,475	3,122,534,052	

5.2 Senior Debt June 2022 v June 2021



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 30 June 2022 was £490.6m (2021: £462.8m). Revenue for the period was £592.4m (2021: £544.9m). The increase from 2021 is mainly due to revenue associated with Readypower, an increase in non-capital deferred income and capital revenue from the new Class 720s as they are introduced into passenger service.

The Group's total external senior debt at 30 June 2022 was £2,323.4m, compared to £2,298.6m at 30 June 2021. The net increase of £24.8m was due to £450.0m new Amortising Debt drawn and a £53.0m increase in the Revolving Credit Facility, partly offset by £408.8m unscheduled debt repayments and £69.4m of 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 30 June 2022 was 3.7, compared to the financial covenant requirement of at least 1.5:1.

The Senior Leverage ratio for the year ending 30 June 2022 was 4.7, 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.

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

Angel Trains achieved a 3-year re-accreditation from IMechE and IET of its monitored professional graduate development scheme that leads to Chartered Engineer status. The changes to the scheme that had been adopted since the last accreditation were commended, with particular focus being on the monthly mentor meetings, placement feedback forms/presentations and support at senior and Executive level.

The Company was also delighted to be awarded the status of “World-class Workplace” for 2022.

“ 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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