

# Investor Report

1<sup>st</sup> July 2022 – 30<sup>th</sup> June 2023



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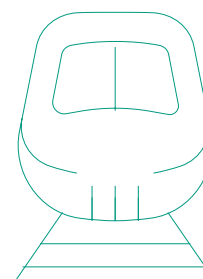
# 1. General Overview

Angel Trains Group (the "Group") performed strongly during the period with EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of £455.5m (2022: £490.6m).

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 2023, the Group owned 4,171 vehicles (of which 76 are marked for disposal). This was higher than the 4,118 vehicles owned at 30 June 2022 following the acceptance of Class 720 vehicles, partly offset by the disposal of a number of life-expired vehicles. During the period, 175 new vehicles were delivered, with a further 140 vehicles in the process of being manufactured for future delivery.

Several leases were entered into as a result of National Rail Contracts ("NRCs"). In addition to the 76 vehicles marked for disposal, the Group is exploring leasing opportunities for 38 vehicles.



# 4,171

vehicles owned by the  
Group at 30th June 2023



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*EBITDA during the period of*

*£455.5m*

*Revenue of*

*£587.5m*



# 2. Significant Business Developments



## 2.1 New significant business developments to 30 June 2023

### NEW TRAINS

**Acceptance of Class 720 Aventra vehicles continued during the year. At 30 June 2023, 525 of the 665 vehicles that were procured for operation as part of the East Anglia franchise had been delivered.**

The new electric multiple units 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. Although many of the restrictions imposed during the pandemic have been relaxed and working practices returned to normal, some suppliers have struggled with cost inflation and skills recruitment. We are seeking to form partnerships with a smaller number of suppliers which provide the Group with the required capabilities in the longer term.

Angel Trains was delighted to work alongside Cordel and Greater Western Railway to install the latest generation of Cordel's LiDAR and image capture technology on a passenger train for the first time, as part of a 12-month pilot. By installing sensors on existing rolling stock paired with Cordel's advanced AI-powered software, the pilot's success will enable the future roll-out of the automated inspection of all Network Rail infrastructure to support its Mobile Infrastructure Monitoring Strategy.



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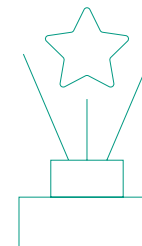
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In conjunction with Avanti West Coast, Angel Trains is funding a £125m refurbishment of the iconic Pendolino fleet with the works being undertaken at the Alstom facility in Widnes. This is the largest refurbishment programme ever undertaken in the UK and will result in a train fit for the future. This project won “Major Project of the Year” at the Rail Innovation Awards in June 2023.

Angel Trains was also delighted to jointly win the award for “Innovation of the Year” at the prestigious Rail Business Awards in February 2023. We have been leading the way to transform railway infrastructure monitoring using technology fitted to our trains and this award was for the work to revolutionise overhead line condition monitoring. This was a true collaboration between Angel Trains, Network Rail, and SME's Transmission Dynamics and One Big Circle.



*Angel Trains was delighted to jointly win the award for “Innovation of the Year” at the prestigious Rail Business Awards in February 2023.*



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## 2.2 Re-leasing activity and current fleet utilisation

As at 30 June 2023, Angel Trains owned 4,171 rolling stock vehicles. 114 of these are presently off-lease, of which 38 are expected to be re-leased.

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

### Transpennine Express

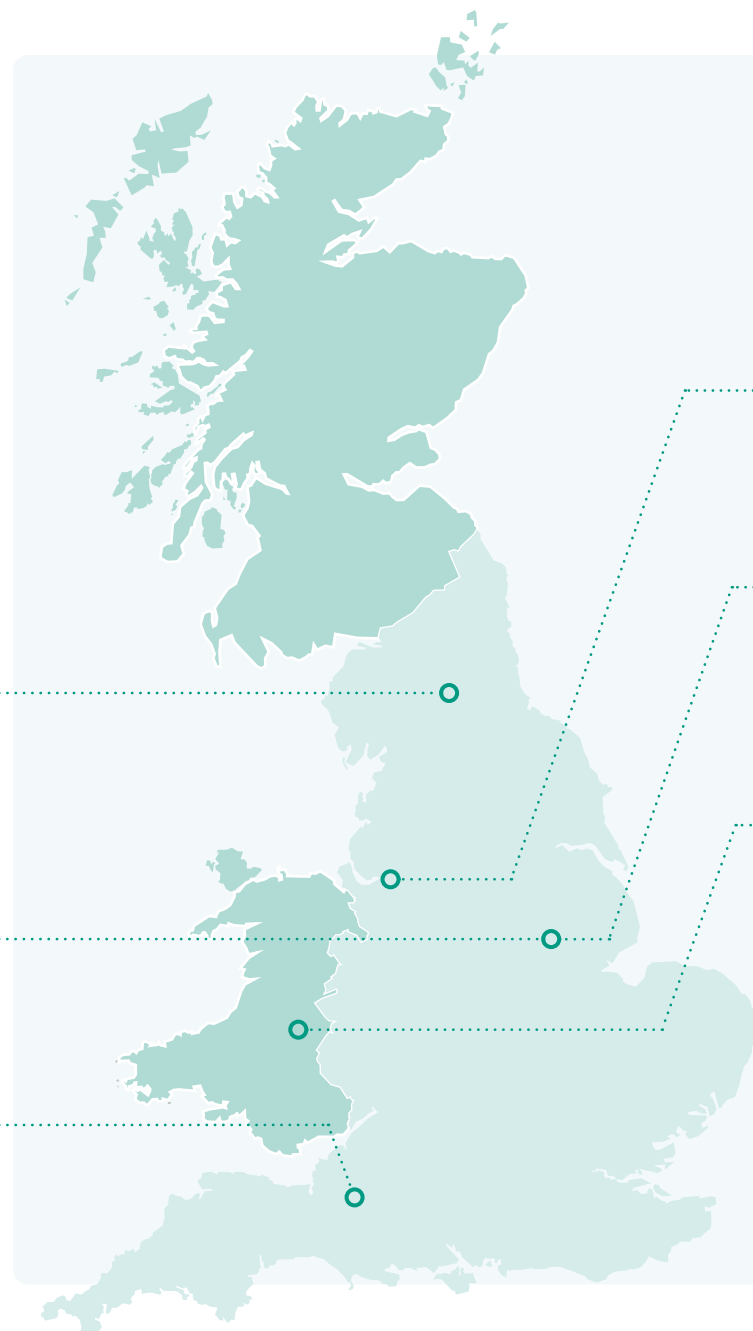
As part of the new NRC (with operational management being undertaken by Department for Transport ("DfT") subsidiary Transpennine Trains Limited as Operator of Last Resort ("OLR")), a new 8 year lease was entered into for the Class 802 vehicles, securing them on lease until May 2031.

### East Midlands Railway

As part of the new NRC, a new 8 year lease was entered into for the Class 158 vehicles, securing them on lease until October 2030.

### Great Western Railway

As part of the new NRC, new leases were entered into for Class 150 vehicles (until June 2027), Class 16x vehicles (until June 2028) and HST vehicles (until June 2025).



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

### MerseyTravel

- The Class 507/508 vehicles were extended to various dates up to July 2024.

### East Midlands Railway

- The Class 156 vehicles were extended to December 2022.
- The Class 180 vehicles were extended until June 2023.

### Wales & Borders

- The Class 175 vehicles were extended until August 2023.
- The Class 158 vehicles were extended until October 2024.

An agreement was reached with Great Western Railway to terminate the HST vehicles ahead of lease expiry in June 2025. As per the lease conditions, Angel Trains was fully compensated.



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The table below summarises the Angel Trains fleet by lease counterparty as at 30 June 2023.

Franchise Owner	TOC	Total Vehicles	Lease End Dates	Vehicles Leased %	Contract Type
Abellio	Abellio East Anglia Ltd	525	Oct 25	12.59	NRC
	Abellio East Midlands Ltd	116	Aug 27 / Oct 30	2.78	NRC
	<b>Total</b>	<b>641</b>		<b>15.37</b>	
Abellio, JR East and Mitsui	West Midlands Trains Ltd	224	Mar 26 / Sep 26	5.37	NRC
Arriva	Chiltern Railways	89	Dec 27	2.13	NRC
	Grand Central Railway Company Ltd	50	Dec 26	1.20	Open Access
	XC Trains Ltd	21	Oct 23	0.50	ERMA
	<b>Total</b>	<b>160</b>		<b>3.83</b>	
First Group	Great Western Railway Ltd	205	Jun 25 / Jun 27 / Jun 28	4.91	NRC
	Hull Trains	25	Dec 29	0.60	Open Access
	<b>Total</b>	<b>230</b>		<b>5.51</b>	
First Group / MTR	First MTR South Western Trains Ltd	733	Apr 25	17.57	NRC
GB Railfreight	GB Railfreight Ltd	4	May 25 / Jul 25	0.10	Freight
Transport for Wales	Transport for Wales Rail Ltd	118	Aug 23 / Oct 24	2.83	OLR
Transport Scotland	ScotRail Trains Ltd	258	Mar 25 / Mar 27 / Dec 30	6.19	NRC
Rail Operations Group	Rail Operations Group Ltd	5	Jul 24	0.12	Hauler
Serco / Abellio	Merseyside Passenger Transport Ltd	135	Jul 24	3.24	Franchise
Trenitalia	Trenitalia C2C Ltd	112	Nov 29	2.69	NRC
Department for Transport	Northern Trains Limited	332	Mar 25	7.96	OLR
	SE Trains Ltd	436	Oct 24	10.45	OLR
	TransPennine Trains Ltd	95	May 31	2.28	OLR
	<b>Total</b>	<b>863</b>		<b>20.69</b>	
First Group / Trenitalia	First Trenitalia West Coast Rail Ltd	574	Mar 26	13.76	ERMA
	Off lease with future rent expectations	20		0.48	
	Off lease with no future rent expectations	18		0.43	
	Marked for disposal*	76		1.82	
	<b>Total</b>	<b>114</b>		<b>2.73</b>	
<b>GRAND TOTAL</b>		<b>4,171</b>			

\* Off lease, life expired with no future identifiable opportunities to release





## 2.3 Significant Board/Management changes for the period ending 30 June 2023

**In June 2023, Arjun Infrastructure Partners completed the acquisition of a 10% stake in Angel Trains from PSP Investments.** It is a testament to the strength of the business that the sale generated interest from a large number of investors. PSP Investments remains Angel Trains' majority shareholder with 64.25% and Richard Chang, PSP Managing Director and Head of Europe, took the opportunity to restate PSP's commitment to long-term investment in Angel Trains.

Arjun is an independent asset management firm dedicated to identifying, executing and managing mid-market infrastructure investments. It manages over €5.3 billion of capital on behalf of prominent institutional investors and has a strong focus on ESG as part of a long-term, responsible asset management approach.

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

- A Wilkie (resigned 31 August 2022)
- S Wu (appointed on 31 August 2022)
- A Chaplin (appointed on 22 November 2022)
- T Mercado (resigned on 24 January 2023)
- R Py (appointed on 29 June 2023)



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During the period

175

new vehicles delivered

140

vehicles in the process  
of being manufactured



# 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
West Coast Partnership	October 2023	TBA	TBA
Cross Country	October 2023	October 2027	October 2031

The Group's pre-existing contracts with train operators continue in force, notwithstanding the amended contract expiry dates described above.



# 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 £196m, mainly comprising of:

- Stage payments and capitalised interest for Class 720 vehicles.
- Refresh and modifications for Class 165/166, Class 15x, Class 17x, Class 333, Class 350, Class 360 and Class 390 vehicles.
- Retention payments for the Class 802 vehicles.
- Continued Service Operation work on HSTs.

The Group had total capital commitments of £195.8m as at 30 June 2023, mainly comprising of:

- Stage & delivery payments and capitalised interest for Class 720 vehicles.
- Modifications to several fleets including the Pendolino fleet for Avanti West Coast.



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*Capital expenditure  
during the period of  
£196m*



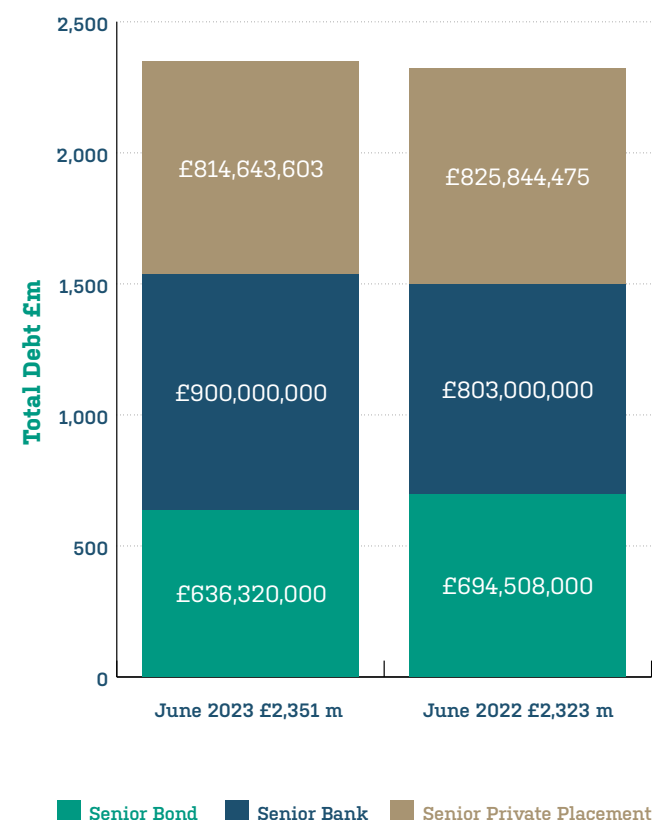
# 5. Financing

## 5.1 Total Senior debt outstanding at 30 June 2023

Group Entity: The Great Rolling Stock Company PLC

Debt Type	Debt Facility	Balance	Issue / Facility Limit	Maturity Date
Senior Bond	20-yr Amortising Bond	342,700,000	460,000,000	Apr 31
	25-yr Amortising Bond	283,600,000	500,000,000	Jul 35
	Floating Rate Note (EMTN)	10,020,000	60,000,000	Dec 23
	<b>Total for Debt Type</b>	<b>636,320,000</b>	<b>1,020,000,000</b>	
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	399,643,603	437,534,052	Nov 27
	<b>Total for Debt Type</b>	<b>814,643,603</b>	<b>852,534,052</b>	
Senior Bank	Revolving Credit Facility	0	350,000,000	Oct 25
	15-yr Amortising Debt	300,000,000	300,000,000	Oct 33
	10-yr Amortising Debt	450,000,000	450,000,000	Dec 31
	10-yr Amortising Debt	150,000,000	150,000,000	Dec 31
	<b>Total for Debt Type</b>	<b>900,000,000</b>	<b>1,250,000,000</b>	
<b>Grand Total</b>		<b>2,350,963,603</b>	<b>3,122,534,052</b>	

## 5.2 Senior Debt Facilities: June 2023 v June 2022





# 6. Historical Financial Performance and Ratios



## Group's total external senior debt at 30 June 2023

2023	£2,351.0m
2022	£2,323.4m

### 6.1 Update on financial performance for the year including ratios

EBITDA, the Group's key measure, for the period ending 30 June 2023 was £455.5 (2022: £490.6m). Revenue for the period was £587.5m (2022: £592.4m). The decrease from 2022 is mainly due to a reduction in non-capital deferred income and older life expired fleets coming off lease, partly offset by revenue associated with Readypower 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 2023 was £2,351.0m, compared to £2,323.4m at 30 June 2022. The net increase of £27.6m was due to £150.0m new Amortising Debt drawn, partly offset by £53.0m of 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 to 30 June 2023 was 4.0, compared to the financial covenant requirement of at least 1.5:1.

The Senior Leverage ratio for the year ending 30 June 2023 was 5.0, 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.



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## 6.2 Credit ratings

Moody's completed its annual review for 2022 and affirmed the Baa2 stable credit rating in February 2023 noting "strong operational performance since privatisation", that "revenue is not linked to passenger volumes or ticket sales" and "the protective features of Angel Trains' ring-fenced finance structure."

Moody's commented that the stable outlook reflected its "expectation of strong cash flow generation supported by rolling stock lease renewals at lease rates that are, at a minimum, in line with our base case forecast and that Angel Trains will continue to implement conservative financial policies. The stable outlook also reflects our expectation of continued stable and supportive regulation in the UK passenger rail sector."

The review noted that during 2023 and 2024 "around 38% of vehicles are expected to come off-lease, 28% of which are at the end of their useful economic lives. Therefore, re-leasing risk during this period is limited, reflecting Angel Trains' strong recent re-leasing performance, with higher risk fleets having already been cascaded."



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# 7. Other Matters

## 7.1 Other business matters

**Angel Trains had a successful audit by LRQA on our Product Management Team, such that they are now included as part of our (ISO 9001) Quality Management System.** Our ISO 9001 approval, together with our RISAS approval, is intended to provide assurance to our customers in the QMS processes used to provide our engineering (and now innovation) services.

Our Global Real Estate Sustainability Benchmark ("GRESB") score increased from 94/100 to 95/100 (retaining the rating as a 5-star rated business) and the Group came first out of 540 businesses in Management score.

During the period, Angel Trains was recognised by Effectory as a World Class Workplace for 2023. Angel Trains has worked with Effectory on employee surveys for over a decade. They survey over a million employees globally and award the "World-class Workplace" label to organisations that score above the national benchmark for "Employership", which takes into account employee engagement, the level of employee commitment, and how successful businesses are at enabling employees to reach their potential. Not only did Angel Trains meet the criteria for a World-Class Workplace but received two awards - "Best in UK" and "B2B Supplier" - in the industry category.



*Angel Trains was recognised by Effectory as a World Class Workplace for 2023*

**Effectory**



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# Investor Report

1<sup>st</sup> July 2022 - 30<sup>th</sup> June 2023



Rail People  
Real Expertise

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