

5 November 2019

Trainline plc
Results for six months ended 31 August 2019

Strong first half growth and good progress against strategic priorities

Summary financial highlights:

£m unless otherwise stated:	H1 FY'20	H1 FY'19	Variance
Net ticket sales	1,844	1,544	+19%
Revenue	129	100	+29%
Adjusted EBITDA ⁽¹⁾	42	21	+99%
Operating (loss)/profit	(8)	-	(8)
Adjusted Basic Earnings per share ⁽²⁾	3.6p	0.6p	+3.0p
Basic Earnings per share	(20.3)p	(2.5)p	(17.8)p
Operating free cashflow ⁽³⁾	60	2	+58
Net debt / EBITDA ⁽⁴⁾	0.5x	3.4x	

Results summary:

- Net ticket sales up 19% to £1.8 billion, driven by increased app vs web mix, greater eticket adoption in the UK and strong new customer acquisition across International
- Revenue increased 29% to £129 million, benefiting from net ticket sales growth, revenue optimisation and the launch of new ancillary revenue streams
- Adjusted EBITDA increased by 99% to £42 million driven by volume growth and operating leverage
- Operating loss of £8 million and loss after of tax of £89 million, primarily driven by exceptional costs relating to the IPO
- Operating free cashflow of £60 million driven by strong adjusted EBITDA performance and a working capital benefit and reduced capital expenditure
- Leverage reduced to 0.5x adjusted EBITDA, benefiting from primary proceeds of IPO, growth in adjusted EBITDA and positive cashflow
- Good progress against strategic priorities:
 - *Enhancing customer experience:* 20%+ improvement in conversion rate in both UK and International; 4.9 stars mobile app rating⁽⁵⁾
 - *Building demand:* Strong growth in app downloads +59% YoY; increase in app mix of transactions
 - *Optimising revenue:* take-rate up ~60bps in the UK Consumer segment and up ~130bps in International, driven by new ancillary revenue streams
 - *Growing Trainline for Business (T4B):* launched etickets for B2B customers

Notes:

- (1) Adjusted EBITDA excludes exceptional items and share based payment charges
- (2) Adjusted basic earnings per share adjusts for the exceptional one-off costs in the period, amortisation of acquired intangibles and share based payment charges together with the tax impact of these items
- (3) Operating free cash flow is cash generated from operating activities adding back cash exceptional items, excluding non-cash impairments, and deducting purchase of property, plant and equipment
- (4) Net debt/EBITDA is gross debt less cash and cash equivalents divided by annualised adjusted EBITDA
- (5) Relates to UK iOS as at 31st October 2019

Outlook:

- Improved FY'20 guidance at our H1 FY'20 Trading Statement in September:
 - Reconfirmed Group net ticket sales growth in the high-teens %
 - Raised Group revenue growth expectations to the low to mid-20% range

Clare Gilmartin, CEO of Trainline said:

“We are pleased to have achieved strong growth in the first half of our financial year and to have made good progress against our strategic priorities. This includes enhancing our user experience and championing mobile, which in turn accelerated the ongoing shift of customers from offline to online.”

“We continue to focus on making rail and coach travel easier for customers worldwide, thereby encouraging a much greener way to travel. As most rail and coach tickets continue to be sold offline at the station, and as customers and governments commit to more environmentally friendly modes of travel, we see significant growth opportunities for Trainline over the long term.”

Presentation of results

There will be a live webcast presentation and conference call of the results to analysts and investors at 9:00 AM GMT today (5th November 2019). Please register to participate at the Company's investor website:

<https://investors.thetrainline.com/investors/results-reports-and-presentations/h1-2020-results-presentation-webcast>

Our trading update for the first nine months of FY'20 will be published on 12th December 2019.

Enquiries

For investor enquiries, Andrew Gillian investors@trainline.com
For media enquiries, Victoria Biggs press@trainline.com / +44 7850 205490

Brunswick Group

Azadeh Varzi, Simone Selzer trainline@brunswickgroup.com / +44 207 404 5959

Forward looking statements and other important information

This document is for informational purposes only and does not constitute an offer or invitation for the sale or purchase of securities or any businesses or assets described in it, nor should any recipients construe the information contained in this document as legal, tax, regulatory, or financial or accounting advice and are urged to consult with their own advisers in relation to such matters. Nothing herein shall be taken as constituting investment advice and it is not intended to provide, and must not be taken as, the basis of any decision and should not be considered as a recommendation to acquire any securities of Trainline.

This document contains forward looking statements, which are statements that are not historical facts and that reflect Trainline's beliefs and expectations with respect to future events and financial and operational performance. These forward looking statements involve known and unknown risks, uncertainties, assumptions, estimates and other factors, which may be beyond the control of Trainline and which may cause actual results or performance to differ materially from those expressed or implied from such forward-looking statements. Nothing contained within this document is or should be relied upon as a warranty, promise or representation, express or implied, as to the future performance of Trainline or its business. Any historical information contained in this statistical information is not indicative of future performance. The information contained in this document speaks only as at the date of this document and Trainline expressly disclaims any obligations or undertaking to release any update of, or revisions to, any forward-looking statements in this document.

H1 FY'20 PERFORMANCE REVIEW

Group Overview:

Net ticket sales increased 19% to £1.8 billion, with strong growth in UK Consumer up 25%, reflecting increasing mobile demand driven by increasing e-ticket availability and adoption by customers, an improved app mix and better conversion rates. The International business grew 52%, with new customer acquisition and improving app mix continuing to underpin growth, while UK T4B increased 2% in line with expectations.

Revenue increased 29% to £129 million, ahead of expectations, with strong growth in UK Consumer, up 34%, and International, up 99%, while T4B grew 1%. The strong growth in UK Consumer and International was driven by strong net ticket sales growth and our optimisation of revenues (enhancing our monetisation of net ticket sales), including the benefit from the launch of new ancillary revenue streams.

Adjusted EBITDA grew 99% to £42 million, supported by the strong volume growth and our improving operating leverage. Operating loss of £8 million and loss after tax of £89 million, were primarily driven by exceptional costs related to the IPO. £2 million profit after tax excluding these costs.

Guidance:

In our trading statement in September 2019, we updated our FY'20 guidance expectations for the Group.

Given the strong start to FY'20, we reconfirmed net ticket sales growth expectations would be high-teens % and raised guidance for full year group revenue growth to be in the low to mid-20% range, driven by the strong performance of the UK Consumer business. UK Consumer revenue growth is expected to be lower in the second half as we begin to annualise the new revenue streams that launched during the second half of FY'19.

We also explained there would be some additional marketing investment to support the growth of Trainline's International business through the final phase of re-platforming.

Progress against our strategic priorities:

Trainline's ambition is to bring together rail, coach and other travel services into one simple mobile experience so travellers can easily find the best prices for their journey and access smart, real-time travel information on the go. By making rail and coach travel easier, our aim is to encourage people all over the world to make more environmentally sustainable travel choices.

To achieve this aim, we have outlined four strategic priorities: enhance the customer experience, build demand, optimise revenues, and grow Trainline for Business (T4B).

Enhance the customer experience

Trainline is the leading rail and coach travel platform, enabling customers globally to access the cheapest, fastest and most convenient tickets available for their journeys. Our priority continues to be to enhance our mobile and web experiences, where we have improved conversion rate in both the UK and Europe, so our customers have a seamless and intuitive travel booking experience, wherever they are. Our progress is being recognised by our customers, with our latest iOS rating for our mobile app in the UK up to 4.9 out of 5.0 stars.

We are in the final stages of re-platforming, and have now migrated all major carriers across the 45 countries in which we operate.

Further to this, in the first half we began tuning and optimising this new platform for our International business whilst adding new functionality, including new payment methods and post sales functionality. These actions are already having an early positive effect, with conversion rate growth and an increased Net Promoter Score (“NPS”).

We also continue to work on improving the customer experience in the UK. In the first half we continued to optimise for eticket adoption, helping drive conversion rate growth for the UK Consumer business and positioning it to benefit further from growing eticket penetration. Penetration today in the UK is at 19% of all ticket sales, yet availability of eticket on all journeys is 64% so there continues to be significant upside for consumer adoption.

We made good progress growing the number of carriers we partner with, expanding our coverage from 220 rail and coach carriers at the time of the IPO to 260. This included SBB in Switzerland, meaning we can now provide our customers with access to the entire Swiss rail network, as well as a number of additional coach operators across Europe.

Build demand

We are deploying our marketing playbook globally to drive customer acquisition at scale and increase the frequency with which those customers engage and transact with us.

In the first half we targeted new customer groups using new channels, whilst improving the effectiveness of existing acquisition channels, including Google paid search and the Apple and Android app stores. This supported active customer growth across our UK Consumer and International businesses.

We continued to persuade existing web customers and potential new customers to download the mobile app, with app downloads in the half increasing 59% to 5 million, over 50% of which came from our European markets. Total cumulative downloads increased to 28 million.

As a result our app mix grew in UK Consumer and International businesses, with app share of transactions up 11 percentage points to 73%. Together with increased use of etickets, this helped Trainline grow net ticket sales per customer across our UK Consumer and International businesses.

As we grow demand and continuously improve the customer experience, we are persuading more customers to choose greener modes of transport. Recent research shows Trainline customers were twice as likely to have increased train travel over the last twelve months than non-customers.

Optimise revenues

We are seeking to expand the amount of revenue we generate from net ticket sales (our revenue take-rate) through the development and roll-out of ancillary revenue streams across our markets.

We launched and optimised several new ancillary revenue streams over the last year, including insurance, a multi-currency service to allow customers to pay in a currency of their choice and advertising. In addition, we optimised refund fees in the UK and introduced booking fees to some international routes. This helped drive an increase in take-rate of ~60 basis points for the UK Consumer business and ~130 basis points for the International business.

Grow Trainline for Business (T4B)

We are targeting the significant headroom in the business to business (B2B) and white label markets sub-segments.

We made good progress in the first half, particularly in the UK where we launched etickets for B2B clients, positioning Trainline to further benefit from the expected growth in eticket penetration.

We won or renewed several B2B accounts and as a result maintained our strong record for win and retention rates at 78% and 98% respectively over the last 12 months.

We have built out our Global API, a rail and coach information library into which B2B clients can integrate directly. This offers them in turn a one stop shop solution to access all of our 260 carrier partners and provides us with a platform to more easily enter new markets and scale the International T4B business.

Our white label service continued its long tenure and high retention rate of existing train operating customers, retaining the only franchise up for tender in the period, East Midlands Railway.

Segmental performance:

	H1 FY'20	H1 FY'19	Variance
Net ticket sales (£m)			
UK Consumer	986	788	25%
UK T4B	599	586	2%
Total UK	1,585	1,374	15%
International	259	171	52%
Total Group	1,844	1,544	19%
Revenue (£m)			
UK Consumer	86	64	34%
UK T4B	30	29	1%
Total UK	115	93	24%
International	14	7	99%
Total Group	129	100	29%
Gross profit (£m)			
UK Consumer	69	48	42%
UK T4B	21	20	5%
Total UK	90	68	31%
International	9	4	145%
Total Group	99	72	37%
UK contribution	70	50	42%
International contribution	(8)	(9)	17%
Central admin expenses	(21)	(19)	(8)%
Adjusted EBITDA (£m) ⁽¹⁾	42	21	99%

Notes:

(1) Adjusted EBITDA excludes exceptional items and share based payment charges

UK Consumer

Net ticket sales for UK Consumer increased 25% to £986 million, with net transaction volume increasing by 40% to 31 million, supported by an increased mix of app customers, greater eticket availability and increased conversion rates.

Revenue increased 34%, driven by the growth in net ticket sales and a ~60 basis point increase in revenue take-rate. Our take-rate improvement resulted from the launch of new ancillary revenue streams in the last 12 months, including our multi-currency service, insurance and advertising in addition to the continuing optimisation of fees.

Cost of sales grew 10% to £17 million, primarily due to increased volumes but partially offset by lower fulfilment costs per transaction of etickets versus paper tickets. As a result, gross profit increased 42% to £69 million, growing faster than revenue, with gross margin expanding from 76% to 80%.

UK Trainline for Business (T4B)

In line with expectations, T4B delivered net ticket sales growth of 2% and revenue growth of 1%. This was primarily due to increased transaction volume, partly offset by the loss of the Egencia B2B contract in March 2019, as previously disclosed.

Cost of sales was £9 million, reducing 7% given the benefit from lower fulfilment costs per transaction. Gross profit grew 5% to £21 million, with gross margin improving from 68% to 71%.

International

The International business delivered a 52% growth in net ticket sales. This was underpinned by volume growth as we drive up demand globally, with net transactions increasing 64% to 4 million, and continued growth in app mix and conversion.

Revenue increased 99%, with take-rate expanding by ~130 basis points following the launch of our new ancillary income streams such as multi-currency payment options and the introduction of booking fees on certain routes.

Cost of sales grew 44% largely in line with net ticket sales. Gross profit grew 145%, with gross margin increasing from 55% to 67%.

Adjusted EBITDA

Group adjusted EBITDA increased by 99% to £42 million. This increase was primarily due to volume growth and operating leverage, as revenue and gross profit scaled faster than operating expenses as the business began to realise the benefits of scale.

We continued to tightly manage direct and central operating costs, albeit with some additional marketing investment to support the growth of Trainline's International business through the final phase of re-platforming.

Items outside of adjusted EBITDA:

Operating loss

The Group reported an operating loss for the period of £8 million, down £8 million year on year. The loss included £21 million of exceptional items, relating to the IPO in June 2019.

In addition, the charge for depreciation and amortisation was £24 million, up £5 million year on year, driven by the increased capital investment relating to the new Single Global Platform.

Share based payment charges recognised in employee costs were £5 million, up £3 million on the prior year. £2 million relates to post IPO employee incentive schemes and £3 million relates to the final true up charge in relation to pre IPO employee incentive schemes.

Loss after tax

Loss after tax for the period was £89 million versus an £11 million loss in the prior year.

However, excluding the impact of one-off exceptional items (which primarily related to the IPO) profit after tax was £2 million, up £12 million on the prior year. In addition to items described above within Operating loss, the Group recorded a one-off £70 million charge to finance costs related to share based payments and other share related costs and the write off of previously capitalised financing costs (pre IPO financing), neither of which impacted the Group's cashflow. The share based payment charge resulted from the crystallisation of the Group's pre IPO share based payment arrangements for employees and management and reflects the final fair value accounting movement in relation to pre IPO employee incentive schemes.

Excluding these charges, underlying net finance costs were £9 million, down from £11 million. The upside was driven by the new capital structure and reduced leverage and interest charge, post-IPO.

Our tax charge for the period was £2 million versus a £1 million tax credit in the prior period. This was primarily driven by an increase in UK taxable profit, partly offset by the accounting unwind of a deferred tax liability in the UK.

Earnings per share (EPS)

Adjusted basic earnings per share adjusts for the exceptional one-off costs in the period (primarily IPO related fees and expenses) amortisation of acquired intangibles and share based payment charges together with the tax impact of these items. Adjusted EPS was 3.6 pence, a 3.0 pence increase on the prior period.

Basic earnings per share was (20.3p), a reduction of 17.8p on the prior year, predominantly driven by the exceptional costs and finance charges linked to the IPO in the period.

Operating free cashflow and net debt

Operating free cash flow was £60 million, up from £2 million in the prior period, with operating cash flow conversion of around 1.4 times.

The increase in cashflow was predominantly driven by growth in adjusted EBITDA of £21 million, a working capital improvement of £40 million, and £1 million lower capital expenditure given a reduction in platform-related investment. Although the Group normally operates on a negative working capital cycle, approximately £23 million of the working capital benefit is related to short term timing differences and is expected to reverse in H2 FY'20.

Net debt reduced to £42 million from £143 million in the previous half, meaning net debt to adjusted EBITDA was 0.5x at 31 August 2019, down from 3.4x a year ago. This reflects the benefit to net debt from proceeds of the IPO and strong organic cash generation.

Principal risks and uncertainties

We have summarised the principal risks and uncertainties expected to impact the Group in the second half of the year in note 14 to the Financial Statements.

Responsibility Statement of the Directors in Respect of the Half-Yearly Financial Report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

For and on behalf of the Board:

Shaun McCabe
Chief Financial Officer
5 November 2019

Consolidated Income Statement

	Note	Six months ended 31 August 2019 £'000	Six months ended 31 August 2018 £'000	Year ended 28 February 2019 £'000
Continuing operations				
Net ticket sales ¹	1c	1,844,374	1,544,402	3,194,168
Revenue	2	129,010	99,876	209,504
Cost of sales	2	(30,054)	(27,800)	(54,059)
Gross profit		98,956	72,076	155,445
Administrative expenses		(106,889)	(72,054)	(144,932)
Adjusted EBITDA¹	1c	41,939	21,121	52,628
Depreciation and amortisation		(23,644)	(18,487)	(38,942)
Share based payment charges	9	(5,131)	(1,654)	(3,309)
Exceptional items	3	(21,097)	(958)	136
Operating (loss) / profit		(7,933)	22	10,513
Finance income	4	347	1,669	1,100
Finance costs	4	(79,914)	(12,807)	(25,275)
Net finance costs		(79,567)	(11,138)	(24,175)
Loss before tax		(87,500)	(11,116)	(13,662)
Income tax (expense)/credit	5	(1,594)	601	(8)
Loss after tax		(89,094)	(10,515)	(13,670)
Earnings per share (pence)				
Basic	6	(20.32)p	(2.53)p	(3.28)p
Diluted ²	6	(20.32)p	(2.53)p	(3.28)p

¹ Non-GAAP measure – see note 1c

² In periods where the basic earnings per share is negative no adjustment for dilution is made.

The Group has initially applied IFRS 16 at 1 March 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in Retained Earnings at the date of initial application (see note 1e).

The notes on pages 17 to 37 form part of the Financial Statements.

Consolidated Statement of Other Comprehensive Income

	Six months ended 31 August 2019 £'000	Six months ended 31 August 2018 £'000	Year ended 28 February 2019 £'000
Loss after tax	<u>(89,094)</u>	<u>(10,515)</u>	<u>(13,670)</u>
Items that may be reclassified to the income statement:			
Re-measurements of defined benefit liability	-	16	30
Foreign exchange movement	<u>(1,581)</u>	<u>(140)</u>	<u>506</u>
Other comprehensive income, net of tax	<u>(1,581)</u>	<u>(124)</u>	<u>536</u>
Total comprehensive loss	<u><u>(90,675)</u></u>	<u><u>(10,639)</u></u>	<u><u>(13,134)</u></u>

The notes on pages 17 to 37 form part of the Financial Statements.

Consolidated Statement of Financial Position

	Note	At 31 August 2019 £'000	At 31 August 2018 £'000	At 28 February 2019 £'000
Non-current assets				
Intangible assets		106,425	118,351	114,770
Goodwill		443,271	443,271	443,271
Property, plant and equipment	1e	20,992	5,958	5,462
Derivative assets		64	984	460
		<u>570,752</u>	<u>568,564</u>	<u>563,963</u>
Current assets				
Cash and cash equivalents		165,254	62,258	94,477
Trade and other receivables		54,813	36,881	47,196
Inventories		34	24	25
		<u>220,101</u>	<u>99,163</u>	<u>141,698</u>
Current liabilities				
Trade and other payables		(203,935)	(126,912)	(161,684)
Current tax payable		(4,430)	(1,220)	(1,093)
Loans and borrowings	7	(2,999)	(182)	(2,815)
		<u>(211,364)</u>	<u>(128,314)</u>	<u>(165,592)</u>
Net current assets/ (liabilities)		<u>8,737</u>	<u>(29,151)</u>	<u>(23,894)</u>
Total assets less current liabilities		<u>579,489</u>	<u>539,413</u>	<u>540,069</u>
Non-current liabilities				
Loans and borrowings	7	(215,283)	(263,216)	(266,438)
Other non-current liabilities	8	-	(19,106)	(19,561)
Share based payment liabilities	9	-	(7,121)	(8,033)
Provisions		(1,551)	(1,492)	(1,566)
Deferred tax liability		(5,564)	(10,010)	(7,882)
		<u>(222,398)</u>	<u>(300,945)</u>	<u>(303,480)</u>
Net assets		<u>357,091</u>	<u>238,468</u>	<u>236,589</u>
Equity				
Share capital	11	480,681	422,555	422,555
Share premium	11	1,198,391	1,055,683	1,055,683
Foreign exchange reserve	11	605	1,540	2,186
Other reserves	11	(1,131,458)	(1,143,667)	(1,143,960)
Retained earnings	11	(191,128)	(97,643)	(99,875)
		<u>357,091</u>	<u>238,468</u>	<u>236,589</u>

The Group has initially applied IFRS 16 at 1 March 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in Retained Earnings at the date of initial application (see note 1e).

The notes on pages 17 to 37 form part of the Financial Statements.

Consolidated Statement of Changes in Equity

For the six months ended 31 August 2019:

	Share Capital	Share Premium	CPECs	Foreign exchange reserve	Other reserves	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 28 February 2019	422,555	1,055,683	-	2,186	(1,143,960)	(99,875)	236,589
IFRS 16 adjustment	-	-	-	-	-	1,007	1,007
Adjusted 1 March 2019	422,555	1,055,683	-	2,186	(1,143,960)	(98,868)	237,596
Loss after tax	-	-	-	-	-	(89,094)	(89,094)
OCI*	-	-	-	(1,581)	-	-	(1,581)
Interest on CPECs	-	-	-	-	-	(3,166)	(3,166)
IPO share issue	31,526	75,505	-	-	-	-	107,031
Share issue to extinguish liabilities	26,600	67,203	-	-	-	-	93,803
Disposal of treasury shares	-	-	-	-	10,895	-	10,895
Share based payments	-	-	-	-	1,607	-	1,607
At 31 August 2019	480,681	1,198,391	-	605	(1,131,458)	(191,128)	357,091

*Other Comprehensive Income

For the six months ended 31 August 2018 and year ended 28 February 2019:

	Share Capital	Share Premium	CPECs	Foreign exchange reserve	Other reserves	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 March 2018	155	26,283	310,735	1,680	(2,486)	(87,144)	249,223
Group Restructure	422,400	1,029,400	(310,735)	-	(1,141,065)	-	-
Loss after tax	-	-	-	-	-	(10,515)	(10,515)
OCI*	-	-	-	(140)	-	16	(124)
Other movements	-	-	-	-	(115)	-	(115)
At 31 August 2018	422,555	1,055,683	-	1,540	(1,143,667)	(97,643)	238,468
Loss after tax	-	-	-	-	-	(3,155)	(3,155)
OCI*	-	-	-	646	-	15	661
Other movements	-	-	-	-	(293)	908	615
At 28 February 2019	422,555	1,055,683	-	2,186	(1,143,960)	(99,875)	236,589

*Other Comprehensive Income

The notes on pages 17 to 37 form part of the Financial Statements.

Consolidated Statement of Cash Flow

	Note	Six months ended 31 August 2019 £'000	Six months ended 31 August 2018 £'000	Year ended 28 February 2019 £'000
Cash flows from operating activities				
Loss before tax		(87,500)	(11,116)	(13,662)
Adjustment for:				
Depreciation and amortisation		23,644	18,487	38,942
Net finance costs	4	79,567	11,138	24,175
Share based payment in admin expenses	9	5,131	1,654	3,309
		20,842	20,163	52,764
Changes in:				
Trade and other receivables		(8,751)	(629)	(13,604)
Trade and other payables		45,447	(3,013)	35,982
Inventories		(9)	20	19
Cash generated from operating activities		57,529	16,541	75,161
Taxes paid		(931)	(180)	(2,986)
Net cash from operating activities		56,598	16,361	72,175
Cash flows from investing activities				
Purchase of tangible and intangible assets		(14,560)	(15,463)	(32,562)
Net cash flow used in investing activities		(14,560)	(15,463)	(32,562)
Cash flows from financing activities				
Proceeds from IPO share issue		117,545	-	-
Repayment of borrowings		(69,823)	-	-
Issue costs relating borrowings		(6,400)	-	(925)
Payments of lease liabilities		(1,536)	-	-
Interest paid		(7,518)	(6,425)	(11,385)
Redemption of other non-current liabilities		-	(2,003)	(2,003)
Interest on CPECs		(3,166)	-	-
Net cash flows generated by / (used in) financing activities		29,102	(8,428)	(14,313)
Net increase/(decrease) in cash and cash equivalents		71,140	(7,530)	25,300
Cash and cash equivalents at beginning of the period		94,477	69,678	69,678
Effect of exchange rate changes on cash		(363)	110	(501)
Closing cash and cash equivalents		165,254	62,258	94,477

The notes on pages 17 to 37 form part of the Financial Statements.

Notes

(Forming part of the Financial Statements)

1. General information

Trainline Plc (the “Company”) and subsidiaries controlled by the Company (together, the “Group”) are the leading independent rail and coach travel platform selling rail and coach tickets worldwide. The Company is a public listed company listed on the UK premium listing on the London Stock Exchange (‘LSE’) and is incorporated and domiciled in England and Wales. The Company’s registered address is 120 Holborn, London EC1N 2TD.

The Interim Financial Statements for the six months ended 31 August 2019 was approved by the Directors on 5 November 2019. The Interim Financial statements have been reviewed, not audited. The auditor’s review report is on page 38.

The comparative figures for the financial year ended 28 February 2019 are not the company’s statutory accounts for that financial year. As disclosed in note 1(f), the Company is a newly formed entity. Accordingly, no statutory accounts for the company have previously been delivered to the registrar and no previous audit report has been made in respect of the Company.

a) Basis of preparation

The Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group’s historic financial information included in the Prospectus document published on 21 June 2019 and will be applied in the Annual Financial Statements of the Group.

The Interim Financial Statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its liabilities as they fall due for at least 12 months from the date of approval of the Financial Statements. The Group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current bank and other borrowing facilities.

Accounting policies have been applied to all periods presented with the exception of the adoption of IFRS 16 Leases on 1 March 2019. The impact of IFRS 16 has been disclosed in note 1e.

b) Basis of measurement

The Interim Financial Statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value
- Financial instruments at fair value through the income statement are measured at fair value

Notes (continued)

General information (continued)

c) **Non-GAAP Measures**

When discussing and assessing performance of the Group, Management use certain measures which are not defined under IFRS, referred to as 'Non-GAAP measures'. These measures are used on a supplemental basis as they are considered to be indicators of the underlying performance and success of the Group.

The Non-GAAP measures used within this Financial Information are:

(i) *Net Ticket Sales*

Net ticket sales represent the gross value of ticket sales to customers, less the value of refunds issued, during the accounting period. The Group acts as an agent in these transactions. Net ticket sales do not represent the Group's revenue.

Management believe Net Ticket Sales are a meaningful measure of the Group's operating performance and size of operations.

(ii) *Adjusted EBITDA*

Management believe that Adjusted EBITDA is a meaningful measure of the Group's operating performance and debt servicing ability without regard to amortisation and depreciation methods which can differ significantly.

Adjusted EBITDA is calculated as profit/(loss) after tax before net financing income/(expense), tax, depreciation and amortisation, exceptional items and share based payment charges.

Exceptional items are excluded as Management believe their nature could distort trends in the Group's underlying earnings. This is because they are often one off in nature or not related to underlying trade. Share based payment charges are also excluded as they can fluctuate significantly year on year.

(iii) *Adjusted earnings*

Adjusted earnings is a measure used by the Group to monitor the underlying performance of the business, excluding certain non-cash and exceptional costs.

Adjusted earnings is calculated as profit after tax with share based payment charged in administrative expenses and finance costs, exceptional costs and amortisation of acquired intangibles added back, together with the tax impact of these adjustments also added back.

Exceptional items are excluded as Management believe their nature could distort trends in the Group's underlying earnings. This is because they are often one off in nature or not related to underlying trade. Share based payment charges are also excluded as they can fluctuate significantly year on year and are a non cash charge to the business. Amortisation of acquired intangibles is a non-cash accounting adjustment relating to previous acquisitions and is not linked to the ongoing trade of the Group.

Notes (continued)

General information (continued)

(iv) Net Debt

Net debt is a measure used by the Group to measure the overall debt position after taking into account cash held by the Group.

Net Debt is calculated as total gross bank debt less cash and cash equivalents.

d) Use of judgements and estimates

In preparing the Interim Financial Statements, Management has made judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates is recognised prospectively. No material change in judgements or estimates has occurred in the period ended 31 August 2019.

The area of judgement which have the most significant effect on the amounts recognised in the financial information are:

- Share based payments – Note 9

Judgement is required to assess whether Share Based Payment arrangements are cash or equity settled. IFRS 2 requires that the Group's share based payment arrangements are initially measured and recorded as a liability or equity at the fair value of the equity instrument. For cash settled arrangements the fair value is remeasured at each balance sheet date with any changes recognised in finance costs. Equity settled arrangements are not revalued to fair value at each Balance Sheet date. When calculating the fair value of these arrangements a number of assumptions are applied in arriving at the fair value, including the expected financial results of the Group and the expected timing of a liquidity event.

Management do not consider any of the estimates made in this financial information are likely to lead to a material adjustment in the next financial year. As such none are deemed significant estimates, however there are a number of other estimates which involve estimation uncertainty as described below:

- Goodwill impairment test: key assumptions underlying recoverable amounts; and

An impairment review is performed annually of goodwill balances held by the Group on a 'value in use' basis, which requires judgement in estimating the future cash flows, the time period over which they will occur, and in arriving at an appropriate discount rate to apply to the cashflows as well as an appropriate long term growth rate. Each of these judgements has an impact on the overall value of cashflows expected and therefore the headroom between the cashflows and carrying values of the cash generating units.

Notes (continued)

General information (continued)

- Useful life of intangible assets, including related deferred tax liabilities.

Intangible assets that are developed or acquired by the Group have finite useful lives and are measured at cost less accumulated amortisation and any accumulated impairment losses. The estimated useful lives which are used to calculate amortisation are based on length of time these assets are expected to generate income and be of benefit to the Group. Judgement is required when estimating the length of the useful life of assets, particularly in relation to software assets which can often have varying expected useful lives dependent on the type of asset and speed of technological development.

e) New standards and interpretations

IFRS 16 was adopted on 1 March 2019 and has an impact on the Consolidated Income Statement and Consolidated Statement of Financial position for the period ended 31 August 2019.

IFRS 16 Leases replaces the former standard IAS 17 Leases. IFRS 16 requires lessees to recognise leases on the Group's balance sheet, unless the lease term is 12 months or less or the underlying asset has a low value. Under the new standard, leases held by the Group will be accounted for as 'right of use' assets and the distinction between operating and finance leases under IAS 17 no longer exists. In practice this results in a right of use asset and liability being recognised on the Balance Sheet and a finance cost and depreciation charge are recognised through the Income Statement as the lease liability unwinds.

The Group has applied the modified retrospective approach to restatement. Under this approach former periods are not restated, and the revised treatment is applied in the current period. At 1 March 2019 a right of use asset and equal liability was recognised for all of the Group's leases. Going forward the asset will be depreciated evenly over the remaining asset life and the liability will be unwound in line with the Group's underlying borrowing rate at 1 March 2019. The Group has used a practical expedient for the use of a single discount rate for the portfolio of leases as they are deemed to be reasonably similar in nature.

Within administrative expenses there will be no rental expense from 1 March 2019 and instead a depreciation charge will be recognised. A finance charge is recognised in finance costs to reflect the perceived cost of financing the asset. In H1 FY'20 the rental expense is £nil (H1 FY'19: £1.3 million, FY'19: £2.5 million), depreciation of leased assets is £1.3 million (H1 FY'19: £nil, FY'19: £nil) and the finance cost for leased assets is £0.4 million (H1 FY'19: £nil, FY'19 £nil).

At 1 March 2019 a right of use asset of £17.3 million was recognised, which represented the future lease payments discounted to present value at 1 March 2019. The relating lease liability was £17.3 million. At H1 FY'20 the right of use assets totalled £16.0 million and the lease liability equalled £16.2 million. Within the cash flow statements the actual lease payments made have been reclassified from 1 March 2019 from operating activities to financing activities.

Notes (continued)

General information (continued)

f) Summary of impact of Group restructure and Initial Public Offering

On 26 June 2019 the Group listed its shares on the London Stock Exchange in an Initial Public Offering ('IPO'). The restructure has impacted a number of the current period balances.

The Group restructure has been accounted for as a reverse acquisition under IFRS 3, Business Combinations. The steps to restructure the Group had the effect of the newly formed entity Trainline Plc ('Plc') legally acquiring the former parent company of the pre IPO Group Victoria Investments S.C.A. ('SCA'). As part of this transaction the shareholders in SCA exchanged their SCA shares and CPECs for shares in Plc.

By applying reverse acquisition accounting under IFRS 3, the Group is presented as if Trainline Plc has always owned the pre IPO Group at the point of the share for share exchange. The periods ended 31 August 2018 and 28 February 2019, prior to the restructure, are presented with the previously reported Victoria Investments SCA results, with the exception of equity which has been restated in all periods to reflect the equity structure immediately following the share for share exchange but prior to the IPO.

2. Operating segments

In accordance with IFRS 8 the Group determines and presents its operating segments based on internal information that is provided to the Board, who is considered to be the Group's Chief Operating Decision Maker ("CODM").

The Group has three operating and reportable segments which are considered:

- UK Consumer* – Travel apps and websites for individual travellers for journeys within the UK
- UK T4B* (Trainline for Business) – Branded travel portal platforms for Corporates and travel management companies and white label ecommerce platforms for Train Operating Companies within the UK
- International – Travel apps and websites for individual travellers for journeys outside the UK.

*UK Consumer and UK T4B are collectively referred to as the "UK"

The Group's global operating model means that investments in platform technology and central overheads are leveraged across the business, and it is not possible to meaningfully measure full income statement and balance sheet results by operating segment.

The CODM monitors:

- The three operating segments results at the level of net ticket sales, revenue and gross margin.
- Results split by UK and International at the level of net ticket sales, revenue, gross margin, and contribution (as shown in the below disclosure).
- No results at a profit before/after tax level or in relation to the Statement of Financial Position are reported to the CODM at a lower level than the consolidated Group.

Notes (continued)

Operating Segment (continued)

Segmental Analysis for the six months ended 31 August 2019:

	UK Consumer £'000	UK T4B £'000	Total UK £'000	International £'000	Total Group £'000
Net Ticket Sales	985,740	599,420	1,585,160	259,214	1,844,374
Revenue	85,686	29,649	115,335	13,675	129,010
Cost of sales	(17,009)	(8,566)	(25,575)	(4,479)	(30,054)
Gross Margin	68,677	21,083	89,760	9,196	98,956
Directly allocable administrative expenses			(19,269)	(16,763)	(36,031)
Contribution			70,491	(7,567)	62,924
Central administrative expenses					(20,985)
Adjusted EBITDA					41,939
Depreciation and Amortisation					(23,644)
Share based payment charges					(5,131)
Exceptional items					(21,097)
Operating profit/(loss)					(7,933)
Net finance costs					(79,567)
Loss before tax					(87,500)
Income tax expense					(1,594)
Loss after tax					(89,094)

Segmental Analysis for the six months ended 31 August 2018:

	UK Consumer £'000	UK T4B £'000	Total UK £'000	International £'000	Total Group £'000
Net Ticket Sales	787,747	585,781	1,373,528	170,874	1,544,402
Revenue	63,779	29,231	93,010	6,866	99,876
Cost of sales	(15,482)	(9,212)	(24,694)	(3,106)	(27,800)
Gross Margin	48,297	20,019	68,316	3,760	72,076
Directly allocable administrative expenses			(18,690)	(12,827)	(31,516)
Contribution			49,626	(9,067)	40,559
Central administrative expenses					(19,438)
Adjusted EBITDA					21,121
Depreciation and Amortisation					(18,487)
Share based payment charges					(1,654)
Exceptional items					(958)
Operating profit/(loss)					22
Net finance costs					(11,138)
Loss before tax					(11,116)
Income tax credit					601
Loss after tax					(10,515)

Notes (continued)

Operating Segment (continued)

Segmental Analysis for the year ended 28 February 2019:

	UK Consumer £'000	UK T4B £'000	Total UK £'000	International £'000	Total Group £'000
Net Ticket Sales	1,647,648	1,198,006	2,845,654	348,514	3,194,168
Revenue	136,660	58,366	195,026	14,478	209,504
Cost of sales	(29,703)	(17,749)	(47,452)	(6,607)	(54,059)
Gross Margin	106,957	40,617	147,574	7,871	155,445
Directly allocable administrative expenses			(35,678)	(25,884)	(61,562)
Contribution			111,896	(18,013)	93,883
Central administrative expenses					(41,255)
Adjusted EBITDA					52,628
Depreciation and Amortisation					(38,942)
Share based payment charges					(3,309)
Exceptional items					136
Operating profit/(loss)					10,513
Net finance costs					(24,175)
Loss before tax					(13,662)
Income tax expense					(8)
Loss after tax					(13,670)

Notes (continued)

3. Exceptional items

Exceptional items are costs or credits that, by virtue of their nature and incidence, have been disclosed separately in order to improve a reader's understanding of the Financial Statements. Exceptional items are one off in nature or are not considered to be part of the Group's underlying trade.

	Six months ended 31 August 2019 £'000	Six months ended 31 August 2018 £'000	Year ended 28 February 2019 £'000
IPO transaction costs	21,097	-	-
Recoveries	-	-	(1,668)
Restructuring costs	-	958	1,532
Net exceptional costs / (credits)	21,097	958	(136)

IPO transaction costs

Fees and costs, including one off bonuses, in relation to the IPO process.

Restructuring costs

Restructuring costs incurred were part of a strategic/management reorganisation.

Recoveries

One-off credits received or receivable for an indemnity claim and VAT on historic acquisition costs.

Notes (continued)

4. Net finance costs

Net financing costs comprise bank interest income and interest expense on borrowings, as well as foreign exchange gains and losses, fair value movements on the Group's interest rate cap, interest in lease liabilities and fair value remeasurements in relation to share based payments and put/call option liabilities.

	Six months ended 31 August 2019 £'000	Six months ended 31 August 2018 £'000	Year ended 28 February 2019 £'000
Bank interest income	347	109	290
Fair value change on share based payments	-	951	810
Foreign exchange gain	-	609	-
Finance Income	347	1,669	1,100
Interest on bank loans	(8,565)	(10,793)	(22,050)
Interest on other long-term liabilities	-	(546)	(1,083)
Foreign exchange loss	(73)	-	(270)
Loss on interest rate swap	(396)	(531)	(1,081)
Fair value change on put/call option liability	-	(937)	(791)
Interest on lease liability	(436)	-	-
Exceptional finance costs*			
Write off of capitalised finance costs	(8,466)	-	-
Fair value change on share based payments	(49,705)	-	-
Fair value change on put/call option	(12,273)	-	-
Finance costs	(79,914)	(12,807)	(25,275)
Net finance costs recognised in the income statement	(79,567)	(11,138)	(24,175)

*Exceptional finance costs – these costs are one-offs which occurred at the date of IPO relating to the final fair value movement on the pre IPO share based payment arrangements (note 9) and the write off of previously capitalised financing costs due to the IPO refinancing. The put/call option relates to non-employee share related costs (note 8). All of these expenses are non-cash charges.

Excluding exceptional finance costs the net finance cost in H1 FY'20 would be £9.1 million.

Notes (continued)

5. Taxation

	Six months ended 31 August 2019 £'000	Six months ended 31 August 2018 £'000	Year Ended 28 February 2019 £'000
Current tax charge	<u>4,112</u>	<u>1,826</u>	<u>4,996</u>
Deferred tax credit	<u>(2,518)</u>	<u>(2,427)</u>	<u>(4,988)</u>
Tax charge/(credit)	<u>1,594</u>	<u>(601)</u>	<u>8</u>
Effective tax rate - %	<u>(1.82)%</u>	<u>5.41%</u>	<u>(0.06)%</u>

UK corporation tax was calculated at 19% (H1 FY'19: 19%; FY'19: 19%) of the taxable profit for the period. Taxation for territories outside of the UK was calculated at the rates prevailing in the respective jurisdictions. The income tax expense was recognised based on the best estimate of the annual income tax rate expected for each jurisdiction for the full financial year applied to profit before tax for the interim period.

The total tax charge of £1.6 million (H1 FY'19: £0.6 million credit; FY'19: £0.0 million charge) is made up of a current corporation tax charge of £4.1 million (H1 FY'19: £1.8 million; FY'19: £5.0 million) arising in the UK, and a deferred tax credit of £2.5 million (H1 FY'19: £2.4 million, FY'19: £5.0 million) resulting from the unwind of deferred tax liabilities arising on acquired intangibles. The release of deferred tax liabilities is an accounting unwind and does not impact the corporation tax payable in cash by the Group.

The effective tax rate is lower than the UK corporation tax rate of 19% primarily due to the impact of the deferred tax credit on the effective tax rate and due to the Group making an accounting loss but a tax adjusted profit. The tax adjusted profit is primarily due to adjustments for non-tax deductible expenses and interest. We expect the effective tax rate to remain lower than the UK tax rate until the deferred tax liability relating to the acquisition of intangible assets has unwound in full, which is expected to be in the year ended 28 February 2022.

Notes (continued)

6. Earnings per share

This note sets out the accounting policy that applies to the calculation of earnings per share, and how the Group has calculated the shares to be included in basic and diluted earnings per share (“EPS”) calculations.

Accounting policy

The Group calculates earnings per share in accordance with the requirements of IAS 33.

Four types of earnings per share are reported:

(i) *Basic earnings per share*

Earnings attributable to ordinary equity holders of the Group for the period, divided by the weighted average number of ordinary shares outstanding during the period.

(ii) *Diluted earnings per share*

Earnings attributable to ordinary equity holders of the Group, divided by the weighted average number of shares outstanding used in the basic earnings per share calculation adjusted for the effects of all dilutive ‘potential ordinary shares’.

When basic EPS is a loss per share no dilutive adjustment is made as the impact of the additional shares would be anti-dilutive.

(iii) *Adjusted basic earnings per share*

Earnings attributable to ordinary equity holders of the Group for the period, adjusted to remove the impact of exceptional items, share based payment charges, amortisation of acquired intangibles and the tax impact of these items; divided by the weighted average number of ordinary shares outstanding during the period.

(iv) *Adjusted diluted earnings per share*

Earnings attributable to ordinary equity holders of the Group for the period, adjusted to remove the impact of exceptional items, share based payment charges, amortisation of intangibles and the tax impact of these items; divided by the weighted average number of shares outstanding used in the basic earnings per share calculation adjusted for the effects of all dilutive ‘potential ordinary shares’.

When adjusted basic EPS is a loss per share no dilutive adjustment is made as the impact of the additional shares would be anti-dilutive.

Notes (continued)

Earnings per share (continued)

	At 31 August 2019	At 31 August 2018	At 28 February 2019
Weighted average number of ordinary shares:			
Ordinary shares	443,518,543	422,555,384	422,555,384
Treasury shares	(5,103,596)	(6,226,286)	(6,226,286)
Weighted number of ordinary shares	438,414,947	416,329,098	416,329,098
Dilutive impact of share options	5,286,038	-	-
Diluted weighted average number of ordinary shares	443,700,985	416,329,098	416,329,098

	At 31 August 2019 £'000	At 31 August 2018 £'000	At 28 February 2019 £'000
Loss after tax	(89,094)	(10,515)	(13,670)
Earnings attributable to equity holders	(89,094)	(10,515)	(13,670)
Exceptional items	21,097	958	(136)
Exceptional finance costs	70,444	-	-
Amortisation of acquired intangibles	11,693	12,280	24,316
Share based payment charges	5,131	1,654	3,309
Ongoing share related charges in finance costs	-	719	1,064
Tax impact of the above adjustments	(3,468)	(2,426)	(4,805)
Adjusted earnings	15,803	2,670	10,078

(Loss)/earnings per share (pence)

Basic	(20.32)p	(2.53)p	(3.28)p
Diluted	(20.32)p	(2.53)p	(3.28)p

Adjusted earnings per share (pence)

Basic	3.60p	0.64p	2.42p
Diluted	3.56p	0.64p	2.42p

Notes (continued)

7. Loans and borrowings

This note details a breakdown of the various loans and borrowings of the Group. It also provides the terms and repayment dates of each of these. At the date of the Initial Public Offering ("IPO") the Group re-paid its existing debt and became party to a new revolving credit facility, part drawn in cash and part drawn in bank guarantees.

Accounting policy

Borrowings are recognised initially at fair value less attributable transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. At the date borrowings are repaid any attributable transaction costs are released as an exceptional finance cost.

	At 31 August 2019 £'000	At 31 August 2018 £'000	At 28 February 2019 £'000
Non-current liabilities			
Secured bank loan ¹	-	199,564	198,954
Revolving credit facility ²	200,697	-	-
Unsecured PIK loan and accrued interest ³	-	62,897	66,874
Other term debt	526	755	610
Lease liabilities	14,060	-	-
	<u>215,283</u>	<u>263,216</u>	<u>266,438</u>
Current liabilities			
Accrued interest on secured bank loans	799	182	2,815
Lease liabilities	2,200	-	-
	<u>2,999</u>	<u>182</u>	<u>2,815</u>

1. Included within the secured bank loan is the principal amount of £nil (H1 FY'19: £205.0 million, FY'19: £205.0 million) and directly attributable transaction costs of £nil (H1 FY'19: £5.4 million, FY'19: £6.1 million).
2. Included within the revolving credit facility is the principal amount of £206.9 million (H1 FY'19: £nil, FY'19: £nil) and directly attributable transaction fees of £6.2 million (H1 FY'19: £nil, FY'19: £nil)
3. The unsecured PIK loan was fully repaid during the six month period ended 31 August 2019.

The new revolving credit facility became effective on 26 June 2019, the total facility amount is £350.0 million. The facility allows draw downs in cash or non-cash to cover bank guarantees. The secured bank loan is secured by a fixed and floating charge against certain assets of the Group. At 31 August 2019 the cash drawn amount is £206.9 million, the non-cash bank guarantee drawn amount is £96.0 million and the undrawn amount on the facility is £47.1 million.

The Group's new revolving credit facility is secured by a fixed and floating charge over certain assets of the Group. Interest is payable on a margin of 1.0% to 2.0% above LIBOR. The Group is subject to certain bank covenants under the new facility, all of which have been met during the period.

Notes (continued)

8. Other non-current liabilities

As part of the Group's acquisition of Captain Train SAS in April 2016, the Group issued non-cash consideration in the form of Tracker Shares and Tracker CPECs to certain employee-shareholder and venture capital sellers. These Tracker Shares and Tracker CPECs entitled the holders to cash returns, payable on a liquidity event (e.g. IPO), that mirror the economics of the former Parent Company's actual shares and CPECs on issue. Where employee-shareholders of Captain Train SAS continued to provide services to the post-combination Group and had leaver conditions attached to their Tracker Shares, their Tracker Shares were accounted for as share based payments under IFRS 2 (see note 9). All tracker securities were settled as part of the IPO funds flow.

Accounting Policy

Tracker shares are remeasured to fair value at each reporting date. Gains and losses on fair value remeasurement are recognised in net finance costs.

At the date of the IPO, the difference between the fair value and carrying value has been recognised as an exceptional finance cost. At the date of the IPO the full liability was settled through the issue of ordinary shares in Trainline Plc.

The following amounts have been recognised in relation to these schemes:

	At 31 August 2019 £'000	At 31 August 2018 £'000	At 28 February 2019 £'000
Profit & Loss Account			
Finance costs	12,273	546	1,083
Total Profit & Loss impact	12,273	546	1,083

The carrying value of each instrument on the balance sheet was:

	At 31 August 2019 £'000	At 31 August 2018 £'000	At 28 February 2019 £'000
Put/Call option over CPECs	-	13,437	13,497
Put/Call option over Tracker Shares	-	5,669	6,064
	-	19,106	19,561

Notes (continued)

9. Share based payment charges

During the period the Group has operated a number of cash and equity settled share based payment schemes. Before the IPO, the Group had two cash settled schemes and one equity settled scheme which were settled in full as part of the IPO funds flow. Following the IPO, the Group established seven new equity settled schemes, five of these were one offs related to the IPO and the other two are reoccurring.

Accounting policy

Cash-settled share based payments are initially measured and recorded as a liability at the fair value of the equity instruments. The initial fair value is then expensed in employee benefit expenses evenly over the vesting period. The fair value is remeasured at each balance sheet date with any changes recognised in net finance costs for the relevant period.

Equity-settled share based payments are initially measured at fair value at the grant date and recognised over the vesting period based on the Group's estimate of the number of shares that will eventually vest and adjusted for the effect of non-market vesting conditions where they exist. A corresponding increase in reserves is also recognised in equity.

Share based payment charges for the period ended 31 August 2019:

	Within administrative costs £'000	Within finance costs £'000	Total £'000
Profit & Loss Account			
Pre IPO schemes	3,524	49,705	53,229
Post IPO schemes	1,607	-	1,607
Total Profit & Loss impact	5,131	49,705	54,836

Pre IPO Share Schemes

The Pre IPO Share schemes consisted of the Joint Share Ownership Plan ('JSOP') and Tracker shares. As part of the Group's reverse acquisition and IPO, the holders of Tracker shares exchanged their entitlements for newly issued shares in Trainline Plc. The Group's liability to JSOP holders was settled by the Group's Employee Benefit Trust ("EBT") through a combination of cash of £20.9 million, before deduction of transaction costs, and shares of £25.2 million in Trainline Plc. The cash portion of the consideration was funded by the Group's EBT selling down its shareholding in the Group at IPO, which realised proceeds of £30.7 million, after the deduction of fees. All costs and settlement of the pre IPO share based payment schemes in the period ended 31 August 2019 were funded by the IPO funds flow and do not represent a cash outflow from the trading business of the Group.

Notes (continued)

Share based payment charges(continued)

Post IPO Share Schemes

Post IPO, seven new equity-settled share schemes have been issued, five are one off schemes related to the IPO and two are expected to be ongoing schemes. Six of the schemes have no performance conditions attached to them and one scheme includes both market and non-market performance conditions. All schemes have service conditions attached. The vesting periods of the schemes range between one and three years.

The carrying value and fair value of the Group's post IPO equity-settled share schemes were determined using option pricing models. The key assumptions used in the model were service conditions of employees, and for the PSP scheme the underlying performance of EPS and Total Shareholder Return ("TSR") conditions.

Carrying value of share based payment schemes

	Participants	Settlement type	At 31 August 2019 £'000	At 31 August 2018 £'000	At 28 February 2019 £'000
Liabilities					
JSOP	Senior Mgmt	Cash	-	3,049	3,961
Tracker Shares	Senior Mgmt	Cash	-	4,072	4,072
Equity					
1,000 RSU	All employees	Equity	162	-	-
Share Incentive Plan (SIP)	All UK employees	Equity	41	-	-
International SIP	All Intl employees	Equity	5	-	-
12-month RSU	Senior Mgmt	Equity	1,059	-	-
Annual RSU*	Senior Mgmt	Equity	107	-	-
Annual PSP*	Executives	Equity	204	-	-
Specific RSU	Brian McBride	Equity	29	-	-
			1,607	7,121	8,033

*These schemes are ongoing, the other five equity settled schemes are one off issues in relation to the IPO.

The movements in post IPO share awards are summarised as follows:

Outstanding Number of Shares

	1,000 RSU	SIP	Intl SIP	12-month RSU	Annual RSU	Annual PSP	Specific RSU
At 1 March 2019	-	-	-	-	-	-	-
Granted	589,000	454,210	50,563	1,904,732	444,570	1,757,249	85,714
Forfeited	-	-	-	-	-	-	-
Exercised	-	-	-	-	-	-	-
At 31 August 2019	589,000	454,210	50,563	1,904,732	444,570	1,757,249	85,714

Notes (continued)

10. Financial instruments

Financial instruments comprise financial assets and financial liabilities. The fair values and carrying amounts are set out in the table below.

Accounting Policy

Categorisation within the hierarchy, measured or disclosed at fair value, has been determined based on the lowest level of input that is significant to the fair value measurement as follows:

- Level 1 – valued using quoted prices in active markets for identical assets or liabilities
- Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1
- Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

	Measurement level	At 31 August 2019 £'000	At 31 August 2018 £'000	At 28 February 2019 £'000
Cash and cash equivalents	1	165,254	62,258	94,477
Trade and other receivables	1	54,813	36,881	47,196
Derivative assets	2	64	984	460
Total financial assets		220,131	100,123	142,133
Trade and other payables	1	(203,935)	(126,912)	(161,684)
Loans and borrowings	2	(218,282)	(263,398)	(269,253)
Other non-current liabilities	3	-	(19,106)	(19,561)
Total financial liabilities		(422,217)	(409,416)	(450,498)

For all the above fair value is considered to be equal to book value. All financial assets and financial liabilities shown above, except for derivative assets, loans and borrowings and other non-current liabilities, are valued at carrying amount or at fair value using Level 1 measurements. The fair value of the derivative asset interest rate cap and loans and borrowings was determined using Level 2 inputs. There have been no transfers between levels in any of the years. Other non-current liabilities are valued using market established valuation techniques. For other non-current liabilities fair value assumptions please see note 8.

Notes (continued)

11. Capital and reserves

Share Capital

Share Capital represents the number of shares in issue at their nominal value. In the current year the share capital of the former Group has been replaced with the newly issued listed shares following the IPO.

Ordinary shares in the Group post IPO have a nominal value of £1.00 and are issued, allotted and fully paid up. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Shareholding at 31 August 2019

	Number	£'000
Ordinary shares - £1.00	480,680,508	480,680,508
	<u>480,680,508</u>	<u>480,680,508</u>

Share Premium

Share premium represents the amount over the nominal value which was received by the Group upon the sale of the ordinary shares. Upon the date of listing the nominal value of shares were £1.00 but the initial offering price was £3.50.

Share premium is stated net of any direct costs relating to the issue of shares.

Retained Earnings

Retained earnings represents the profit the Group makes that is not distributed as dividends. No dividends have been paid in any period.

Foreign Exchange

The foreign exchange reserve represents the net difference on the translation of the balance sheets and income statements of foreign operations from functional currency into reporting currency over the period such operations have been owned by the Group.

Other Reserves

	Merger reserve	Treasury reserve	SBP* reserve	Preference shares	Total other reserves
	£'000	£'000	£'000	£'000	£'000
At 1 March 2018	-	(2,486)	-	-	(2,486)
Group restructure	(1,121,810)	(19,306)	-	50	(1,141,066)
Other movements	(115)	-	-	-	(115)
At 31 August 2018	(1,121,925)	(21,792)	-	50	(1,143,667)
Other movements	(293)	-	-	-	(293)
At 28 February 2019	(1,122,218)	(21,792)	-	50	(1,143,960)
Disposal of treasury shares	-	10,895	-	-	10,895
SBP* charge	-	-	1,607	-	1,607
At 31 August 2019	(1,122,218)	(10,897)	1,607	50	(1,131,458)

*SBP – Share based payment

Notes (continued)

Capital and reserves (continued)

Merger reserve

Prior to the IPO the ordinary shares of the pre IPO top company, Victoria Investments S.C.A., were acquired by Trainline Plc. As the ultimate shareholders and their relating rights did not change as part of this transaction, this was treated as a common control transaction under IFRS (note 1f). The balance of the merger reserve represents the difference between the nominal value of the reserves in the Victoria Investments S.C.A. Group and the value of reserves in Trainline Plc prior to the restructure.

Treasury reserve

Treasury shares reflect the value of shares held by the Group's Employee Benefit Trust ('EBT'). At 31 August 2019 the Group's EBT held 3.1 million shares which have a historical cost of £10.9 million.

Share based payment reserve

The share based payment reserve is built up of charges in relation to equity settled share based payment arrangements which have been recognised within the profit and loss account.

Notes (continued)

12. Related parties

During the period, the Group entered into transactions in the ordinary course of business with related parties.

Transactions with the Controlling Shareholder

During the period fees of £5.4 million were paid to KKR and Co. Inc and its subsidiaries (H1 FY'19 £0.6 million, FY'19 £1.5 million). None of these fees are expected to reoccur going forward.

Transactions with Key Management Personnel of the Group

Key Management Personnel are defined as the Board of Directors, including Non-Executive Directors.

During the period Key Management Personnel have received the following compensation, including ongoing long term share scheme incentives, £4,052,000 (H1 FY'19 £1,267,000, FY'19 £2,537,000).

The IPO triggered the crystallisation of previous share schemes with Key Management Personnel. £12.9 million of the exceptional finance charge related to cash settled share based payment schemes with Key Management Personnel (note 4). £64.6 million crystallised on equity settled share based payment schemes in relation to Key Management Personnel, for which there is no cash, Income Statement or Statement of Financial Position impact.

All amounts relating to equity and cash schemes were settled as a combination of cash from the IPO funds flow and shares in Trainline Plc and do not represent a cash outflow from the trading business of the Group. At 31 August 2019 Key Management Personnel held 14,701,387 shares in Trainline Plc.

13. Post balance sheet events

Placing of Ordinary shares

Since the IPO the largest shareholder in the Group has been KKR Victoria Aggregator L.P, who held 24.8% of the Group's total share capital.

On 20 September 2019 KKR Victoria Aggregator L.P., and other selling shareholders, sold an aggregate of 65.5 million ordinary shares of Trainline Plc to institutional investors. After this sale KKR Victoria Aggregator L.P.s remaining holding was reduced to 59.6 million shares, which represents 12.4% of the Group's issued share capital.

Changes in Loan balances

On 11 September 2019 the Group drew down an additional £35.0 million in cash on its existing revolving credit facility (note 7). The additional draw down was used to fund post IPO Group restructuring steps.

On 22 September 2019 the £35.0 million draw down referenced above and an additional £50.0 million was repaid on the Revolving Credit Facility, giving a total repayment of £85.0 million.

Notes (continued)

14. Principal risks and uncertainties

The Group faces a number of risks and uncertainties that may have an adverse impact on the Group's operations and performance.

The Board of Directors regularly review risk and they do not consider that the principal risks and uncertainties have changed materially since those set out in the Prospectus document published on the 21st June 2019. The principal risk factors can be found in the Prospectus on pages 16 to 32. A summarised list of the principal risks and uncertainties highlighted in the prospectus, and expected to be relevant to the Group in the second half of the year are shown below.

- The Group's current and future business prospects substantially depend on the retention and acquisition of retail and carrier licences and their commercial terms.
- Risks relating to the Group's technology estate, cyber security and data privacy compliance.
- The Group operates in a competitive environment and is subject to risks relating to competition from other companies that sell rail and coach tickets, including other third-party retailers and competitors in the T4B market.
- Risks relating to legal, regulatory and tax changes or issues which could impact our ability to trade or cause reputational damage.
- The Group relies on the performance of a highly skilled team of executives and personnel. Our ability to attract and retain qualified talented staff is crucial to the Group's results of operations and future growth.
- Risk of prolonged disruption to the UK and European rail and coach network, particularly in relation to weather, industrial action or other unforeseen disruptors.
- Changes to government policies or regulations, including those that affect the rail network, train and bus travel and e-commerce retailing, could have an adverse impact on the Group.
- As an e-commerce and mobile retailer, the Group relies on search engine algorithms and search engine relationships to grow its customer base. Any changes in these areas could adversely impact performance.

Brexit

The effects of Brexit are currently uncertain and will depend on any agreements the United Kingdom makes to retain access to EU markets. Brexit may lead to legal uncertainty and potentially divergent national laws and regulations and could also adversely affect economic or market conditions in the United Kingdom, Europe or globally. These changes could negatively impact the broader economic environment on which online and mobile sales of tickets for rail and coach travel depend. Brexit may also lead to a reduction in freedom of movement between EU markets and the United Kingdom, potentially leading to fewer Europeans visiting the United Kingdom and vice versa and a corresponding decline in online and mobile ticket sales.

Independent Review Report to Trainline Plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 August 2019 which comprises Consolidated Income Statement, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flow and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 August 2019 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the Historical Financial Information of the Group is prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Sarah Styant

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

London E14 9GL

5 November 2019