



FY2024 Results Presentation Transcript

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PRESENTATION

Jody Ford – *Trainline – Chief Executive Officer*

Good morning, everyone. Thank you for joining us here today for our full year results presentation. I'm Jody Ford, CEO of Trainline, and I'm joined by Pete Wood, our CFO. Let's first go through the disclaimer. Onto the agenda for today. First, I'll give a quick introduction, briefly discussing the progress we've made during the year. Pete will talk you through our financial performance. I'll update you on how we're progressing against our strategic priorities. Then we'll take a closer look at Spain, which is now the most dynamic rail market in Europe, and precursor for how carrier competition can shape other markets. After that, we'll open the floor to questions.

As a reminder, at Trainline we have a clear purpose: to empower greener travel choices. To achieve that purpose, our vision is to build the world's leading rail platform, making it easy for customers to find the right ticket at the right price, and delivering that experience through our branded channels or through our travel partners. In doing so, we're making rail travel more attractive, encouraging millions of people to take the train rather than driving or flying.

At Trainline, we have a huge headroom opportunity. Our addressable market is €55 billion and growing, in part supported by industry investment plans and increasing awareness of the environmental benefits of rail

travel. Within that, €30 billion are in markets where new entrant carriers are due to launch over the next two years. We believe we are the best positioned player to win in these markets, and become the aggregator of choice.

We have a clear remit to aggregate carriers in multiple geographies, unlike incumbent rail carriers. We have the expertise and scale to invest across markets, unlike other independent rail retailers. We have a scalable tech platform that's optimised for the complexities of rail travel, unlike big tech platforms operating in other verticals. As a result, I see significant runway for sustainable growth over the long term.

Our performance this year reflects the progress we are making against our headroom opportunity. We grew net ticket sales by 22%, and revenue by 21%. Together with the benefits of operating leverage and cost discipline, this drove a 42% increase in adjusted EBITDA and strong cash flow generation. In the UK, we continue to digitise rail travel, with industry e-ticket penetration rising to 47%, while our share of the commuter travel segment grew to 23%. In international, we surpassed £1 billion of sales, driven by liberalising European markets, with Spain and Italy growing 43%. In Trainline Solutions, we have continued to see a strong recovery, further leveraging our investment in Platform One.

Turning to the upcoming general election in the UK, recognising this as a significant topic, we continue to engage closely with both leading political parties. In the last few months, we have gained greater clarity of their plans for the rail industry, should they win the election. The Conservative Government published its draft Rail Reform Bill in February. The bill includes the creation of GBR as an arms-length governing body that will unify track and train, and it gives strong support for open-access carriers as a way to bring choice and value for passengers. The Government has also shown clear support for third-party retailers, and in December withdrew its plans for a central retailing app and website.

Labour launched its rail policy at Trainline HQ last week. They commended Trainline's efforts to innovate for passengers, which is aligned with their own passenger-focused vision for rail. Like the Conservatives, Labour announced that they would create GBR as the directing mind for the industry. However, in contrast, they plan to bring private operators under public ownership as their contracts expire.

This would likely take a full parliamentary term to complete and would exclude the Scottish and Welsh carriers as well as open-access operators. Labour would also seek a reset of industrial relations to address the long-running dispute with the rail industry. Looking specifically at retailing, Labour have recommitted to an innovative and competitive third-party market. Though yet to iron out their plans, Labour may look to simplify some of the 27 different carrier apps and websites in due course. However, they've made it clear that they have no plans for a centralised app and website.

Labour also plan to review the complex fare structure to maximise passenger growth. At the same time, they intend to accelerate the rollout of innovation across the industry, and plan to task GBR to work with Trainline to make that happen. This includes digital season tickets, automated Delay Repay, and digital Pay As You Go, which we've been encouraging the industry to roll out for some time. So, there are real positives in the plans both parties have put forward. What's important, beyond the election, is clarity, direction, and full momentum for the industry. Under either scenario, we remain fully confident we can execute against our long-term priorities in the UK. With that, I'll hand over to Pete, to talk through our financial performance.

Pete Wood – *Trainline – Chief Financial Officer*

Thanks, Jody, and good morning. Before I step into the financial performance for the Group, I will briefly unpack the performance of our business units. Starting first with UK Consumer, net ticket sales grew 23%

to £3.5 billion, as people in the UK continue to shift to digital tickets. E-tickets rose to 47% of all industry sales this year, from 43% in the prior year.

Growth was led by commuters and people booking on the day of travel, who increasingly benefit from Trainline's innovative set of products and features, while long distance and leisure travel remained strong. Net ticket sales also benefited from the broader rail market recovery alongside a 6% fare increase. While industrial action continued, the industry experienced fewer strike days this year and, on average, their impact was less severe.

International net ticket sales grew 14% to £1 billion, as we positioned ourselves as the aggregator in Europe's liberalising rail markets. The strongest performance came from the markets with the greatest levels of carrier competition – Spain and Italy – where further innovation in our customer proposition and marketing investment delivered net ticket sales growth of 43% year on year. Net ticket sales in France and Germany grew 3%, with France representing the vast majority of the volume here. This reflected our decision to pause brand marketing in France until we see more widespread carrier competition.

Growth in app sales remained strong, with the share of our transactions through app increasing to more than 62% from 53% a year ago. Growth in web sales was slower, primarily due to Google launching trains within its travel module, and suppressing organic search results, as we discussed in November. We have somewhat mitigated this impact by scaling our presence in the travel module to more than 3,000 routes across our core markets in Europe.

Net ticket sales within our Trainline Solutions division grew 31% to £785 million. As a reminder, this business unit provides B2B retailing capabilities to rail carriers and other travel platforms. For rail carriers, our IT Carrier Solutions business delivered a strong performance, supported by feature releases and market recovery. For business travel, the industry continued to recover from a lower base.

Bringing that together, the Group achieved a very strong set of results, with net ticket sales up 22% to £5.3 billion, underlining the progress that Trainline is making against its strategic objectives. This was at the top of our previously stated guidance range of 17% to 22%. Our revenue increased 21% to £397 million, ahead of previous guidance of 15% to 20%. This outperformance reflected the mix effects of faster-than-expected growth in UK Consumer, as well as growth in non-commission revenues across the UK and international consumer businesses. Gross profit was up 21% to £305 million.

Growth in profitability outpaced that of net ticket sales and revenue. This reflected the benefit of operating leverage and disciplined cost management. Marketing costs grew 4% to £67 million, reflecting our continued investment to drive efficiencies in new customer acquisition, as well as our decision to pause brand spend in France.

Other admin costs increased 14% to £116 million. Within that, people costs were £69 million, which reflected the four-year impact of increasing headcount in the prior year. Other costs were £47 million, which was also higher, principally driven by growth in transactions, which grew faster than net ticket sales. However, we continue to engineer efficiencies to mitigate cost inflation and drive leverage, resulting in a 16% increase, far lower than the transaction growth.

Net of these costs, adjusted EBITDA was £122 million, up 42% year on year. At 2.3% of net ticket sales, this exceeded our previously stated guidance range of 2.15% to 2.25%. It also reflected the underlying international consumer business approaching breakeven this year, in line with our previously stated guidance.

The business continued to deliver strong cash generation, with operating free cash flow of £91 million. This was driven by increased EBITDA plus working capital inflows. It was partly offset by £41 million of CapEx,

reflecting our ongoing investment in product and tech innovation. As we generated more cash, our leverage further reduced to 0.5 times EBITDA, down from 1.2 in the prior year. This was despite Trainline buying back £28 million of shares as part of our £50 million share buyback program.

By the end of April 2024, we had repurchased £38 million, and today we've announced a new share buyback program of up to £75 million to commence upon completion of the existing program. This is in line with our stated capital allocation framework of returning excess capital to shareholders, after investing behind the business and managing debt.

Finally, as I look ahead, we are well positioned to further grow. We continue to enjoy significant growth opportunities, including more people shifting to e-tickets in the UK, and new entrant competition, increasing the need for market aggregation in Europe. Group expectations for this coming year are as follows: net ticket sales growth of between 8% and 12%; revenue growth of between 7% and 11%; and adjusted EBITDA as a percent of net ticket sales of between 2.4% and 2.5%. Thank you, and I'll now hand back to Jody.

Jody Ford – *Trainline – Chief Executive Officer*

Thanks, Pete. Let's now talk about the progress we're making against our strategic priorities, starting with our UK Consumer business, where our priorities are to provide customers with an excellent user experience, build demand, and increased customer lifetime value.

Taking a step back, the UK is a large rail market worth over £10 billion. We aim to expand that market, shifting more people onto trains. We also aim to shift more people to online and digital tickets. As you can see, online sales were almost £6 billion, the majority of which were e-tickets. However, over £3 billion of sales were offline. These were mostly tickets bought at the train station on the day of travel, and primarily for commute and short distance journeys. So, we are priming our mobile app to better serve those types of journeys.

We continue to make good progress, unlocking value and removing friction for customers. We launched an improved Price Prediction tool, leveraging the scale of our data to more accurately predict when fares are likely to increase, and how many tickets are left at the current price. We improved Ticket Alerts, which flags to customers when tickets are available on their chosen route at their cheapest price. SplitSave is now available on more than 80% of routes.

As in Europe, the UK is seeing new entrant competition in the form of open-access operators. Brands like Lumo and soon Grand Union are increasingly competing with incumbent carriers on selected long-distance routes. These carriers tend to be less well known, so for them we are a significant source of new customers. By taking learnings from Italy and Spain, we're enhancing our fare presentation so customers can easily compare prices and times between carriers.

We are priming our mobile app to better serve commute and short distance journeys. We've now launched Best Price Guarantee, where we promise to refund the difference if a customer finds the same on-the-day ticket cheaper elsewhere. We continue to scale digital seasons, with our digital season customers exhibiting more than double the retention levels of our customer base in the UK. All of this is helping us take more share of the commuter segment, now at 23%, and grow into the £3 billion of offline sales headroom.

Our second priority in the UK is to build customer demand with marketing campaigns that focus upon value, commuting, and sustainability. This has helped grow active customers by 13% this year. Under our flagship

brand campaign, Great Journeys Start with Trainline, we told customers how they can save 35% on average when booking through Trainline. Our viral Trainline Wrapped campaign gave every customer a personalised view of their sustainability journey, helping encourage greener travel choices.

Onto priority number 3 in the UK, increasing customer lifetime value. As we grow our customer base, we are increasing the frequency in which they transact with us, with active customers now transacting almost three times a month on average. This reflects our focus on commute and short-distance travel, with on-the-day bookings now representing two thirds of all transactions in the UK. It's driving growth in net ticket sales, as Pete has outlined. At the same time, we are nurturing ancillary revenue streams with add-on products like hotels and parking, as well as enhancing ad placements within our channels.

Turning to Trainline Solutions, this business unit leverages the strength of our single global tech platform, Platform One, to support our travel partners. For business customers, we have brought together our business and consumer app. Customers can now flick between their business and personal travel while keeping their bookings separate. For white label carrier partners, we have added more customer experience features, including push notifications and bike reservations. We are actively engaging in several new tender processes from carriers for their online retailing solutions. This follows the cancellation of Government plans to create its own centralised retail app and website.

Within Platform One, we harness advanced machine learning to deliver data-driven features, including SplitSave and Price Prediction, as well as greater personalisation. As I said six months ago, we see generative AI as additive to what we're already doing in this space. We've set up AI labs to develop our own proprietary AI models within our own domain. By combining these models with industry data and our own unique customer data sets, we are widening the opportunity to create smarter and more personalised experiences across the whole user journey.

Let's now talk about the progress we're making against our growth strategy in international. Taking a step back, the rail market in Europe represents significant headroom for Trainline's future growth. By positioning Trainline as the aggregator of choice, we are well placed to significantly scale our international business.

While we operate across most of Europe, we focus on markets worth €10 billion, where we have the strongest customer proposition today. They include the domestic markets with widespread carrier competition, primarily Spain and Italy, which together are worth €6 billion. They also include foreign travel, which is worth around €4 billion. This represents global customers from the US, UK, and the rest of the world, as well as some intra-EU cross-border travel.

Markets beyond that, like France, represent significant future opportunities for Trainline. We plan to increasingly position ourselves as the aggregator here too, once carrier competition becomes widespread. We're making strong progress in our priority markets, which now make up three of our top 10 routes globally. This includes a new entry, Barcelona to Madrid at number 3, growing from 11th biggest last year.

We are creating a unique customer experience, removing friction and unlocking value when booking rail travel. We recently overhauled our fare presentation within the app, providing clear and simple information about each carrier and carriage class. This helps customers compare choices, particularly on routes with more than one carrier. We also launched Best Price Guarantee in Italy, Spain, and France. Similar to the UK, we promise to refund the difference if a customer finds the same ticket cheaper elsewhere. In Italy, we now find and automatically apply carrier promo codes for customers.

We're investing to grow brand awareness of Trainline as the market aggregator. Prompted brand awareness has doubled since we launched brand campaigns in Spain and Italy. In Spain it's gone from 8% to 21%, while Italy has increased from 19% to 40%. At the same time, we are deepening our relationship with our

customers. This includes encouraging more customers to download and use our mobile app, given its superior user experience and transaction frequency benefits.

In Italy, we became the second most downloaded travel app, behind Booking, while app share of transactions increased to 73%. This has helped grow overall transaction frequency as app customers in Italy transact almost three times as often as web customers.

We're also placing greater focus on monetisation. We are growing foreign travel sales, which is typically higher margin business for Trainline, and we have introduced ancillary products into the booking flow, including hotels in partnership with Booking.com. This has helped grow the underlying revenue take rate from 6.4% to 6.6%.

Now, let's take a closer look at the Spanish rail market. Given its transformation in recent years, Spain serves as a useful template for what increased carrier competition might look like in other European markets. Spain has quickly become the most competitive high-speed carrier market in Europe. Since 2021, it has gone from having one long-distance carrier, the national incumbent Renfe, to four different carrier brands. With two premium and two low-cost brands, customers now have real choice.

Carrier competition is transforming the high-speed rail market. The new brands have taken well over half of the market already. Average fares have fallen 50%, and that's helping to drive modal shift to rail, with industry passenger volumes jumping 70%. However, with increased choice comes increased complexity for the customer. Let's look at an example to bring that to life.

This is Maria. She lives in Madrid, and wants to book a return journey to Valencia, a route where all four carriers operate. To compare the carriers, she could look at each of their respected apps, perhaps using a pen and some paper to cross-reference the different times and prices. Alternatively, Maria could save herself the trouble, and use Trainline. She can compare services across all four carrier brands, and book the right journey for her, all in one highly rated mobile app.

Now we've made that even easier. TopCombo allows customers to seamlessly stitch together different carriers for multi-leg and return journeys. In doing so, customers can optimise their booking for price and convenience. As you can see, by using TopCombo, and combining different carriers, Maria has saved herself over €38. So clearly it's great for customers. But TopCombo also allows new entrant carriers to sell more rail tickets, in turn, helping them to grow share.

By focusing on aggregating the competitive high-speed routes, we are growing quickly, and taking meaningful share. Our share on the top 5 routes now ranges from 8% to 13%. This compares to sub 1% across Spain only a few years ago. As a result, our Spanish domestic sales have doubled for two years running. At the same time, we are driving an increasingly engaged customer base. As you can see, the proportion of sales coming from repeat customers has gone from 31% to 44% in just two years.

Today, Spain is the only market in Europe where four carrier brands are competing on the same long-distance routes. But new entrant carrier competition is also set to ramp up in Italy, France, and in the UK in coming years. With 20 routes set to see new entrant carrier competition in the next two years, I believe this could support a golden age of rail travel.

Let's look at how this might play out in Italy and France over the next few years. In Italy, two carriers already compete on its high-speed rail network, Trenitalia and Italo. This is due to increase to four over the next couple of years. In late '25, new entrant carrier Longitude-Arenaways is set to arrive, having submitted plans to run one international and six domestic routes. SNCF's low-cost brand Ouigo is set to follow from 2026, and it's likely they will pursue their signature aggressive pricing approach.

In France, carrier competition is relatively limited. Paris to Lyon is the most notable exception, where SNCF and Trenitalia have competed since late 2021. Trainline net ticket sales on that route grew 42% this year, similar to growth across Spain and Italy, demonstrating how carrier competition can be a key unlock for our growth in France too. This trend should accelerate with Renfe due to launch a Paris-Lyon service in H2. Thereafter, new entrant carriers, Le Train and Kevin Speed are planning to launch services on routes across France.

Carrier competition is also set to arrive between London and Paris. It's a €1 billion route that could liberalise as early as 2025, with various new entrants planning to launch competitor services to Eurostar. More carrier brands should increase the competitive dynamic of the Italian and French rail markets, in turn, catalysing the need for a market aggregator like Trainline. Spain has proven to be the template for carrier competition, with a considerable reduction in fares, a significant increase in passenger volumes, and customers enjoying real choice for the first time.

We've positioned ourselves as the market aggregator, and this is driving exceptionally strong sales growth. It's also allowing us to hone our aggregation playbook, building a head start for when other rail markets liberalise. As I said earlier, we increasingly believe we occupy a unique position that we can leverage to win in Europe, with a clear remit to aggregate carriers across multiple geographies, the expertise and scale to invest in new markets, and a scalable tech platform that's purely optimised for the complexities of rail travel.

Given the headroom opportunity, our unique position, and our experience to date in Spain, we see significant runway for future growth. So, before we open the floor for questions, let me recap on some key takeaways from today's presentation. In the UK, we are unlocking value and removing friction to expand the market while focusing on digitising the £3 billion station walk-up market. As the general election draws closer, we are engaging closely with both leading political parties, and getting increasing clarity on their plans for rail.

In Europe, we are driving particularly fast growth in Spain, the most liberalised market in terms of carrier competition. This liberalisation has a positive read across for how carrier competition should benefit other European markets. We've built a strong head start. Overall, we've delivered an excellent performance this year, with strong top line growth, increasing profitability, and growing cash flow generation. Today we've guided for strong growth in the coming year and announced the new share buyback program.

Ultimately, this reflects the significant progress we are making in delivering for our customers in the UK and across Europe. So, thank you very much for listening. I'll now open the floor for questions. Raise your hand if you would like to ask a question. When asking, please state your name and your organisation.

Pete Wood – *Trainline – Chief Financial Officer*

Hi, Marcus. Oh, sorry, Andrew, you've got the mic. Go for it.

Andrew Ross – Barclays

Sorry, Marcus, I've got the mic. It's Andrew from Barclays. Sorry to start on the inevitable question about Labour a couple of weeks ago. Someone had to do it. I guess kind of curious, a big picture question first about what your overall take on that was. There's obviously quite a lot of detail, but there's quite a lot of nuance to this, so I'd be quite interested on your take on some of that nuance. I guess the areas particularly of focus is how much do you think they will reduce the TOC websites? What impact does that have? Ticket price simplification, what does that mean?

Have you picked up anything about how the trains are going to get branded going forward? We're still thinking there's going to be lots of different TOC brands, or is there going to be some consolidation in terms of the brandings for consumer season, and anything else you thought was interesting on that kind of broad theme?

Jody Ford – *Trainline – Chief Executive Officer*

I think there goes the next half hour. So let me lay out some broad thoughts around Labour, and then perhaps we can dig into a couple of the sub-questions within that. I think, for me, I heard three – have three key takeaways from what Labour announced last week. The first is it's going to take them a full first term of Government to bring TOCs into public ownership, and I'll unpack that in a second.

I think there's some really important principles of being established and laid down by Labour, should they get into Government, and how they would approach third party retailing. We can unpack that. Then I think there's some great opportunities in the short term around a potential partnership with Trainline and other third-party retailers. So let me go back to the top.

I think about this as a broader arc. If you think what happened as we went through COVID, and the challenges the industry faced, we moved from the franchise model with P&L to the concession model, where there was no revenue accountability. Then for various reasons, relatively significant TOCs all moved into public ownership, and we have about 20% right now in public ownership. This is clearly taking that to the next step, with a plan to take each of those franchises into public ownership as their franchise expires – those dates are freely available – over the next essentially three years.

I think that is another consideration within that, which is the Department of Transport's ability to absorb those TOCs into public control, and to set up the body whilst setting up a shadow GBR organisation. Our best understanding is, to date, they've achieved about two per year. As they do that now, maybe they can get to three. But the broader point here is it's going to take the full term to bring each of those TOCs into public ownership, and set up the financial, legal incentive structures that will allow that to happen.

That's very much how we think about it. I think that means there's going to be a huge focus from the Department in just making that entity come to life. So in that first term, I don't see there being a huge focus on doing a lot of other things, which I think is where one of your supplementary questions went to, as in that second category talked about in terms of important principles being established. There's a couple of obvious ones here. They're very clear. They're not planning to launch a single app, a kind of GBR app.

If you remember, when we went through the Williams Review, that was a central tenet, and the headline on the day. We got a lot of energy on that. I think that was seen as a marquee part of it. That is absolutely not part of their plan, which is clearly important. The other part was a commitment to a competitive retail market. I think Louise Haigh on the day spent quite a lot of time talking about the innovation that Trainline had brought to the market, and they are talking a lot about ensuring this is driven for the customer.

I think there's an appreciation of the value that third-party retailers like Trainline can bring, and the innovation to do that. So, my take on that is building an app is not a priority for them. I'll speculate in a second on what that could become, because that's where you're going, I think. Then the final one, the other key takeaway from the day is this focus on delivering, and I suspect they'll want to do it fast and with momentum for customers in the short run. Specifically, they named a few things.

So, Delay Repay, digital seasons, potentially exploring the mobile Pay As You Go area, these are all things that we have been pushing, as you know, over the last two or three years. Actually, she even talked about

instructing GBR to work with Trainline and others to bring this to life. When we think about digital seasons, currently at 50% availability, my expectation is if Labour were to come into power, we'd be moving in an accelerated way for wider adoption of that, and bringing Delay Repay to life, which is the number one customer ask which, as you know, at the moment, we're not able to offer. So that's broad principles.

Then you asked a couple of sub-questions of that. No doubt there'll be other questions. We can only hypothesise of what it might look like to reduce the number of TOC websites. It's hard to even come up with a scenario here, I think, in the context of taking a full first term to bring those TOC websites into public control. It's not inconceivable to me that you begin to see regional agglomerations of TOC groups, and at some point in the future – and I'm thinking into second term now, if Labour were to win a first and then a second term – that you would imagine ultimately procurement exercises that began to look at, let's say, wider regional apps.

I think GTR is not a bad example here. As you know, that's a very big TOC that really stitches together three, arguably four, different sub-TOCs. Not crazy, I think, to imagine a world like that. If you look at the lessons learnt from the CORS process, it's far from straightforward, both from a legal, a procurement, and ultimately, financial process on the basis that there would be a separation of the retailing unit, and they have to trade on a level playing field. But I'm really entering a speculative phase of the answer at this point.

Then the branding point, I think Louise Haigh did say something on this, and I think she said eventually we would think about branding. That was her words. What that tells me is – and you'd have to ask her for more answers, and we're a long way from this actually coming to pass – I don't think an incoming Government is going to spend a lot of time repainting the trains, and spending a lot of money on that out of cycle before they've got the TOCs together into a single public ownership body in a world where there's political risk of repainting trains but not delivering on the broader promises and the things customers care about.

Then a final thought for me is, why do people come to Trainline? I think it has almost nothing to do with what's painted on the side of the trains. It's because we are finding value for customers, because we are supporting them on their journey, and because they trust us to support their journey. That's why they come to us rather than what is ultimately on the side of the trains. Apologies, that was a long answer, but there was quite a lot in it, and I suspect we get some supplementary questions in it.

Pete Wood – *Trainline – Chief Financial Officer*
Great. Ivar?

Ivar Billfalk-Kelly – *UBS*

Hi there, Ivar Kelly from UBS here. First one, I mean, you've talked about the opportunity in Europe, given that it is fairly big. Taking a step back, what does that actually mean for your expectations of revenue growth going forward over the medium term? Secondly, building on the Solutions division, you talked about some new entrants coming into the market. I'm sure you'd prefer tickets to go through your own platform. But what's the opportunity you have ahead of you to operate the platforms for Kevin Speed and Le Train that you mentioned?

Jody Ford – *Trainline – Chief Executive Officer*

So why don't we buddy up on the first one, and I'll come back on the second one? I think in terms of revenue expectations, I think what we've done here, you have to break this down into the constituent parts of the geos. I think what we've laid out is in Spain, we continue to see very strong growth, and expect that to continue over the coming years. The 43% average over Italy, Spain is a really good starting point. Italy, we can see how that will accelerate.

There's a lot to play for there, and I think particularly Ouigo's entry into that market in, we anticipate, 2026 is a re-accelerant in that market because it will be low cost, and I think that we've just seen what that does in Spain. We've got some nice case studies now, where we've got, on some of the routes, two premium players but without Ouigo. We see the value of low cost, and how that just changes customers' minds. So, I think that really drives a kick-up in Italy.

Obviously, the market that you will see the biggest inflection in our overall international numbers is France because of the scale of it. We're going to have to watch. Paris-Lyon, in its own right, is almost a billion Euro market, for that one line. Renfe coming in will accelerate that in its own right. That's good. But to drive that level of growth, we need a route down to Marseille, to Bordeaux, and probably to Lille. Then we'll get, I think, that inflection point in France, where French customers will just need to look at all carriers when they're booking, rather than just this Paris-Lyon corridor.

For foreign travel, I don't think we expect the growth trajectory inflection we've seen as well. But we see double-digit, very profitable growth to continue as more, particularly Americans, but frankly all over the world, discover Europe as a great rail destination. Pete, do you want to add anything on revenue?

Pete Wood – *Trainline – Chief Financial Officer*

Yes, I agree with, of course, everything Jody's laid out. We're obviously in a growth stage, and so we're balancing the pace at which we drive revenue versus trying to grow net ticket sales. Of course, the majority of the focus is to gain a really strong foothold. Then, over time, we can feather in more monetisation levers as that scale comes through. I don't want the friction to get in the way of the brand spend and the performance marketing spend that drives new customer acquisition in the meantime.

Then, more broadly for the Group, of course, the UK revenue drivers are also evolving. I think it's well understood that the on-the-day tickets, where we don't charge a booking fee, means that the take rate begins to dilute over time, because that's where we're growing a bit faster. There are a few other changes, such as the refund fee that is an industry-wide fee has changed. So that used to be a £10 fee that all operators and retailers would charge. That's now going to be a £5 fee that came in April, which of course is a great thing for customers. I think if you had a £20 ticket, a £10 fee is quite significant and a bit overcharged.

That creates a bit of a headwind for us as well. We'll continue to work on the ancillary revenues that we've been talking about, so hotels, parking, and other things like advertising, which supports some offset to these headwinds. Net, I think there will be a step down in this coming year intake rate. I think consensus, pre-transaction fee is in the range of about 8.2%, 8.3%, which I feel is about the right place.

Of course, we've got the retail review impact coming through into revenue next year as well, so that we'll see a bit of a step down as well. There are a variety of margin offsets that will come into play, and still supports the leverage story that we have seen so strongly emerge as well. So, yes, those are some other thoughts on the revenue drivers. Then new entrants?

Jody Ford – *Trainline – Chief Executive Officer*

Yes, new entrants. They do represent opportunity and, as you can imagine, high-level conversations occur pretty regularly. I don't think at the moment we think of them as a massive driver of that business a couple of years out. It depends how just more broadly they evolve. They often have a little bit of an older-school thinking about their entry – no one specifically – more on external branding rather than a digital approach. But I think over time, we see that is the direction of a travel and, in the end, they're going to want to minimise the cost, and we have a great solution. But it's not something in the next two years, I think, you're going to notice a top-line level within that division.

Pete Wood – *Trainline – Chief Financial Officer*

Great. Marcus, thanks.

Marcus Diebel – *J.P. Morgan*

Hi, I'm Marcus Diebel with J.P. Morgan. I would like to talk a bit more about competition. Clearly in the UK, Uber, we've talked about it a lot. We've seen them now for a couple of months. But what is the latest view? Do you think they're here to stay? Do you think there's a risk that they increase their offering, i.e., their discount offering of tickets? Without referring to them, I think more about how you actually think about this, or is it just business as usual at this point? Then more importantly also in the European markets, Spain clearly is a success story. Could you maybe tell us a bit more what your share within the other online aggregators is?

You obviously showed impressive bar charts about some of the connections, but I think it would be interesting to see how you see your competitive or your competitors in your segment, so not only comparing to the state incumbents. Then lastly also competition, the bus market is also going to change rapidly. There are players now who grow buses' city-to-city connections very quickly, very aggressively. They are coming to the UK, or they're in the UK now, but they're ruling this out quite strongly. What do you think how this impacts your business and, more importantly, how this impacts actually rail prices and therefore rail being attractive to the consumer? Thank you.

Jody Ford – *Trainline – Chief Executive Officer*

I'll start with the UK, and obviously the reference to Uber. I'm happy to speak specifically to Uber here. Uber's not a new story anymore. They've been here for probably up to about 18 or so months now. During that period, they've been the number 2 travel app. They have a lot of in-app messaging around their rail offering, and they've had this 10% discount pretty much from the start. Then we saw, what, six, seven months ago, that first wave of UK stations with some takeovers, and pretty widely spread. They've come again on a second wave over the last four or five weeks, and they've actually gone regionally, and they've got some TV ads.

You see the same data we do. We triangulate against this, and we still believe they are under 1% of the UK rail market. This is not a new story, they've been at it a while, and I don't see them really making traction or have any sense of growth. Of course, we watch this very closely. Anecdotally, what can I tell you? From

what we hear from our customers in and around is that, of course, sometimes 10% off, if you're going to Edinburgh, people are going to take that. Why wouldn't you if you can do that? It makes sense.

But, more broadly, what we're hearing is actually that 10% off often doesn't compensate for, whether it be SplitSave or some other saving, that we've helped them find. Therefore, there is a question around even what is a promotional mechanic. But, more importantly, people are saying the product experience is inferior to Trainline. So, I can't really speculate on what they're going to do in the future. All I can say is I feel like they've been trying pretty hard for 18 months, and I don't think they've made really any progress in the UK rail market.

I think the broader point on international, and particularly Spain, I think what we were trying to talk to earlier is we really don't see anyone else in that unique position we see within Spain for those combination of reasons, the fact we can aggregate all of the inventory, therefore, each player in their own right is not offering other tickets. That makes us the place. When we look at the other potential aggregators, there really isn't anyone remotely close on scale. I think this is where we're beginning to – well, we are, and have been for a few years now – but in Europe benefiting from the scales of our platform, the fact we've developed this platform in the UK, and are able to bring it.

We've got, as you know, hundreds of engineers working on this problem, where other businesses who are not incumbent operators have got dozens. That means we are developing a playbook, and we've developed aggregation in Spain, well, Italy first, then Spain, and now we're bringing it back to the UK, for example on the London to Edinburgh route. That's bringing those scale economies, and then we can invest harder on the brand.

We've done station takeovers. There's no other player in Europe who's got the scale to be able to do that. That is what gives us the overall point. We've developed this model, and we've seen it play out in Spain, and we feel incredibly well positioned as we think about the kick-up in Italy and then ultimately France, which is really the prize here, right, that this is the same scale as the UK market. So, we get pretty excited about that.

I'll speak to the bus market and, Pete, you should definitely chime in if you see anything there. Yes, we definitely see the liberalisation in bus, and I think that's a good thing, and competitive for customers. I think multiple forms of public transport is clearly good. We don't really see that having a massive impact on prices yet. As you know, we offer bus, and we'll continue to have partnerships because we think it's a healthy alternative.

But it always feels like it's the 10% solution rather than something, anything like the scale of what rail is on a TAM level or whatever. It hasn't yet arrived. I don't think liberalisation is coming in Spain. But we will continue to offer that as a choice. But I feel like it's very marginal in the broad rail perspective in core European markets. It's very different in other places around the world. Pete, do you want to add anything on?

Pete Wood – *Trainline – Chief Financial Officer*

No. I agree with that, and I think offering it is certainly additive to the consumer mix. If nothing else, it drives conversion rate. You're able to compare the: it's going to take longer on a bus, but it's cheaper, whereas quicker and more expensive perhaps on rail. So, in session conversion is actually higher when we offer the two side by side. I think it's an interesting development that we'll watch. But it's more about the choice customers make, rather than pricing competition between the two modes. Nick? Yes.

Nick Stockman – *Deutsche Numis*

Hi. Thanks. Yes, Nick Stockman from Deutsche Numis. I just wanted to check in on where we are on the rollout of tap and go, what we're seeing in terms of market development there. Then obviously I know you've been trialling some of your own solutions. It'd be interesting to hear an update on that.

Jody Ford – *Trainline – Chief Executive Officer*

In the UK around London, we're obviously all familiar, I think, in this room. But more broadly, what's stated, I think, as we've talked about before, in terms of the Oval expansion, that's slightly delayed, but we're fully expecting it to continue to go through. We've said before – and we checked that number again – we're confident around that there's a potential impact in terms of Trainline sales of £150 million, the same number we talked about previously. As a reminder, this is going out to Cambridge and Bedford and Farnborough and down to Brighton, that sort of zone.

I think what's important, as we've dug further into that, and you begin to think – Cambridge is a good example here. Actually, if you're in Cambridge, and you're tapping in and tapping out, actually that fare is often not the best value versus having bought in advance or using SplitSave or something like that. I don't think that clarity, of which we probably experience if you live closer to London, of just knowing it is the best value is the same. I think there's a question, as it gets out, exactly what is the customer propensity.

As I've mentioned a few times, it's hard to say exactly how many use cases. It works for people in this room pretty well. But if you've got a family with you on the weekend, you don't want to hand out your credit card, it doesn't really work. If you've got a rail card, it doesn't really work, which is a large part of the population, or if you want to feel that sense of control of how much you're spending. Some of these fares are getting significant. If you go to Cambridge, I mean, £25 potentially each way. There's £50 that you're sort of not having control of.

That's why we think mobile Pay As You Go is a super-interesting way to be able to do that from within the app. We're really encouraged by the way our technology is developing on this, and we think potentially one day we could offer a really interesting solution. What I would say though, at the moment, is there needs to be a sort of unlock in terms of how more broadly the industry think about this. That's the path that needs to be cleared. Just sort of make an observation, there are, as you will be aware, a number of trials springing up in Europe, which we think is an interesting space. It's still an adjunct to core rail, for a number of reasons. It will never be in long distance or even long regional distance. But it's an area that we're investing in, and we think it offers opportunity going forward.

Pete Wood – *Trainline – Chief Financial Officer*

Great. Thanks, Katie.

Katie Cousins – *Shore Capital*

Katie Cousins from Shore Capital. Going back on some of the points from the Labour Conference last week, and in terms of simplification, could we get a bit more clarity on what you see as the key risks for that? I noticed a couple of carriers doing pilots from the start of this year in terms of cutting fares. Then on the

working capital obviously swing to inflow this year, could we get a bit more detail around the moving parts on that, and what that means for this year, if you can? Then also the convertible bond, no payments this year, but any expected going forward?

Jody Ford – *Trainline – Chief Executive Officer*

Cool. Let me deal with the Labour one first, and then pass to Pete. I think, as it relates to simplification of fares, generally speaking, that's a good thing. If we can simplify, and make it easier for people to understand, then that should drive ridership. That's clearly a statement of Labour intent here, if you look at what's happening, and it's also the same statement that frankly the current Government made around wanting to simplify fares.

Then using LNER, because it's under public ownership, they've – as you're referencing, I think – they've gone ahead with some pilots there. What that in reality has actually meant is really two single leg pricing, which is essentially breaking a return into two constituent single parts, and pricing the single at half the price rather than at 80% of the price of a return, and then surge pricing.

On the first one, single leg pricing, that's very common throughout Europe. That's what we see in Spain and France and whatever. I think that's a good thing. It's helpful. Actually, when you think about the open-access players, and you think now you can buy a single with LNER in one way, and a single in Lumo and the other, we think it's just a good thing for customers. Then this surge pricing, there's a new ticket that you can use over 70 minutes, which in one level is further simplicity, but in another is actually just another type of fare that you have to understand as a customer. That's where Trainline plays a role. They're good.

Having looked at it for, I think, probably the industry, about three years, there's been no massive simplification of fares. I think, in the end, that comes back to if you simplify in economics terms, you're losing the ability to price discriminate. That's the reality. Therefore, someone has to fill in the gap there. Either all fares have to eventually go up in price because you can't offer them, or the Treasury or whomever has to pay the bill. I think it doesn't matter, Labour, Conservative, no one has got the money to invest in that.

So, whilst there is some opportunity to simplify, I think ultimate restriction to really pull out any of that stuff is very difficult. In every world, there will be rail cards, off peak, on peak, advance fares. Those are the things that, frankly, people have come to Trainline for. You know, 35% off has been our headline message that has always attracted people, and we've helped them find the best value. I think it's a great opportunity, but I see it as somewhat limited in anything that's going to happen remotely radical.

Pete Wood – *Trainline – Chief Financial Officer*

If I talk to the working capital inflow, yes, there's a complicated contract particularly between us and the UK rail industry, which creates some timing differences, so underlying there is a negative working capital cycle. But if we are just about to pay or have just paid, it can swing at the two snapshots that you see at the end of the year. It's further complicated by the fact that the UK industry works on 13 four-week periods. It can be quite a swing in quite a short amount of time. From a modelling perspective, I think a plus 20 million or so a year is on average what we would expect. But it will continue to move around. This year, it was a good guide to cash for that moment in time.

Then from a convertible bond perspective, if I think more broadly about the balance sheet and the health of the business, we've had a really strong set of results this year. The balance sheet is in great shape. We've

obviously seen the leverage drop as the EBITDA grows. We're feeling very confident, and that's in part why we've launched the share buyback to continue at £75 million going forwards. Of course, we'll continue to consider what options we have around debt. I said in November I'm comfortable with there being more leverage in the business than we're seeing, if that's necessary and appropriate. As we get towards that convert maturing, then we will provide further information about how we'll navigate that.

Katie Cousins – *Shore Capital*

Thank you.

Oliver Tipping – *Peel Hunt*

Hi, guys. Oliver Tipping, Peel Hunt. Now you've had a bit more time with Signalbox, I just wondered if you could touch on how it's performing? Has geolocation tech helped with features like Delay Repay, or is it likely to have an impact further down the line potentially with ticketless travel in a blue-sky scenario? Then, secondly, is there any other tech you might look to acquire perhaps around dynamic pricing, or will you be focused on building that sort of capability in-house?

Jody Ford – *Trainline – Chief Executive Officer*

Do you want to take that?

Pete Wood – *Trainline – Chief Financial Officer*

Yes, I can take that. Yes, it's been a great acquisition. Bringing that tech in-house rather than developing it has allowed us to take a really great step forwards. I think there are a number of opportunities. You've named two of them there. We obviously need for Delay Repay, a bit of an unlock from the industry, before we can offer that, but I think there could be a role to play within that. Of course, the Pay As You Go R&D that we're doing is greatly enhanced by this technology as well. So that's been great to see.

Then, on the go forwards, of course, there's an opportunity to buy versus build, and that's exactly how we assess these opportunities. We hold a high bar on those decisions, and we'll keep looking at the market and see what options are there. I think we've got time for one more question, if there is a final question.

Ivar Billfalk-Kelly – *UBS*

Thanks, Ivar Kelly from UBS again. I want to touch on your guidance in terms of the ticket sales growth. Can you try and quantify the split between volume growth and pricing, given that you talked about Spain having seen very big decreases in fares? Secondly, linked to that, are you seeing any, or expecting, rather, any one-offs from the Olympics or the Euros in Germany this year? I'll squeeze in a quick one after that. In terms of the guidance for EBITDA, it implies a step up relative to last year. But going forward, is that going to keep increasing through operating leverage, or is it just a function of marketing costs and income are expected to be lower now than they were previously?

Jody Ford – *Trainline – Chief Executive Officer*

Do you want to take one and three, and I'll speak to the final?

Pete Wood – *Trainline – Chief Financial Officer*

Yes, certainly. So, yes, Spain is clearly a very dynamic space at the moment. The prices have dropped, which is great for customers. It's going to take a little while yet to figure out how the business models will evolve so that the four competing brands or three competing different entities can all survive and have a business model that thrives. That might mean that the prices go up a bit, and that would be supportive to our net ticket sales over time. It's unlikely that they will drop further.

But this was really a moment in time where these challenger brands needed to really show up and create a big bang so that their awareness changed. I think that's all baked into the guidance. Fundamentally, our growth in Spain is driven by this aggregation proposition and our taking share of a market that has grown quite significantly with this modal shift as well.

Then the EBITDA guidance step up, yes, I think there's further opportunity. Obviously, if I look back, we beat guidance last year with the leverage coming through on headcount and on marketing. There's an upgrade today about how we look at this year going forward. I feel optimistic about the future as well. Of course, there are a few things that might be headwinds to that. We've got the commission reduction in the UK that will come from April next year. At some point, we really want to invest in France and brand marketing spend there as the liberalisation begins to emerge. So we won't be shy in making that. But that notwithstanding, I think that the guidance that we provided is something that will persist into the future as well.

Jody Ford – *Trainline – Chief Executive Officer*

I'll briefly touch on the second question of the Olympics and other events. I think it's helpful. I don't think it radically changes revenues. I've booked my tickets to the Euros in Germany on rail. We'll see some incremental demand, but I don't think it's something that's going to hit your radars in that way.

Thanks again to everyone for joining today. As Pete and I have said, we've delivered strong financial performance, and have guided to strong growth for the coming year. It's making significant progress against our strategic priorities, both in the UK and international, and we remain fully positive and energised about the growth opportunities ahead. Thanks everyone. Cheers.