<u>**Trainline Full Year Results FY2023**</u>

Jody Ford:

Good morning, everyone. Thank you for joining us here today for our full year results presentation. It's good to see you all again. I'm Jody Ford, CEO of Trainline. And it's great to be joined by Pete Wood, who in December became our new CFO having performed the role on an interim basis since September.

Let's first go through the disclaimer.

And onto the agenda for today. I'll intro with the key highlights for the year, as well as recent political and regulatory developments in the U.K. Pete will talk you through our financial performance, and then I'll update you on progress against our strategic priorities before deep diving into the international business. After that, we'll open to the floor for questions.

As you know, our purpose at Trainline is to empower greener travel choices. As Europe's leading independent rail platform, we're well placed to fulfill that purpose with over 270 carrier connections, a 4.9-star app downloaded 55 million times and a platform processing over six terabytes of data per day. Likewise, we have strong tailwinds for growth. We operate across a 60-billion-euro rail market giving significant headroom. In the U.K., e-tickets will soon be available on over 90 percent of journeys. In Europe, markets are liberalising at speed, with 6 of the top 10 routes having two or more carriers, and consumers, governments, and businesses are increasingly focused on the environmental benefits of rail travel. With trains emitting at least 70 percent less CO_2 than cars and planes, sustainability is the rail industry superpower for generating long term growth.

This year, the group delivered a record operating performance, net ticket sales were up 16 percent and revenue up 25 percent versus fiscal year 2020, the pre pandemic year. Growth was led by International Consumer which became a 1-billion-euro business. In the U.K., we drove continued growth in digital tickets, particularly for commuters where we doubled our segment chair. In international we further positioned ourselves as the aggregator on high-speed routes. In Italy net ticket sales were three times higher than pre COVID levels, while in Spain, they were four times higher. And as tourists returned to Europe, we almost doubled foreign travel sales with particularly strong demand from the U.S. In the U.K., we're seeing encouraging political and regulatory developments.

In February, the new Secretary of State for Transport Mark Harper spoke at the annual Bradshaw address. He gave more direction on the creation of great British Rail placing far greater emphasis on the role of the private sector whilst committing to a competitive retail market to drive innovation and value for customers. And earlier this week, we announced that we had concluded our collaborative phase of engagement with RDG confirming our commercial terms. Finally, I Came By Train is gaining recognition, shortlisted for two sustainability awards and is becoming a galvanizing force within U.K. rail with new partnerships forming across government, industry and Trainline to champion rail as a greener way to travel.

And with that, I'll hand over to Pete to talk through our financial performance.

Pete Wood:

Thanks, Jody, and good morning, everyone. I'm Pete Wood, and I'm delighted to join you today as the new CFO of Trainline. Having stepped up into the role, I'm both excited by the growth opportunity ahead and pleased with the momentum we are building.

Before I get into the financial performance for the year, I'd like to discuss the strengthening trading conditions in the U.K. As you know, COVID had a significant impact on passenger volumes, and the industry has recovered over the course of the last 12 months from less than 70 percent of pre COVID levels last year to over 90 percent this year. Strike action has weighed on the recovery however, with strikes every month from June through to March. As we said in our trading statement, the gross ticket sales impact for Trainline was around £5 million to 6 million per strike day. While of course a challenge for the whole industry, I was pleased with the way we were able to help customers navigate the disruption with features like alerts and self-serve refunds. There's been progress in the resolution of the industrial dispute with two pay offers now settled. Two remain outstanding and strikes have been called this month and next. However, I'm encouraged by how quickly passenger demand can return.

For example, there were no strikes called since early March and passenger volumes quickly recovered to above 90 percent. With cost-of-living pressures, customers are taking advantage of booking in advance, with our value focused brand campaigns highlighting savings of up to 35 percent. And the softness in longer distance travel that we flagged in March has now receded.

The group achieved a record operating performance this year, driven by strong growth in our U.K. and international markets. With COVID impacting prior numbers I'll instead talk to you on three-year growth rates. Net ticket sales were up 16 percent to £4.3 billion. Within that, U.K. consumer was up 37 percent to 2.8 billion, reflecting the market recovery and a significant increase in e-ticket penetration. International Consumer was up 95 percent to £915 million, supported by our aggregation of new entrant carriers on key European routes. Trainline solutions remained half its pre COVID size at £597 million due to a slow recovery in business travel. However, it almost doubled versus the prior year, and we continue to see longer-term tail winds as corporates move towards greener travel choices.

Revenue was up 25 percent to £327 million, which I'll step into on the next slide. And gross profit was up 29 percent to £252 million. Group revenue has grown ahead of net ticket sales when compared with pre COVID results driving an increase in the group's take rate from 7 percent to 7.6 percent. This was driven by a mix effect in the group portfolio with the U.K. and International Consumer businesses, both with relatively higher take rates, growing faster than Trainline Solutions, as well as by an accelerated growth in foreign travel, which also generates a higher take rate, in part because carriers pay more in commissions for non-domestic sales. The business delivered a material increase in EBITDA even while we increased investment to drive international growth and despite a headwind from industrial action. We reported an adjusted EBITDA of £86 million, up £47 million year-on-year and up £1 million versus fiscal year 2020. In International, we ramped up marketing investment to £43 million. We are already seeing the benefits of this investment as it drives growth in new customer acquisition and net ticket sales.

Alongside this, we scaled the platform to manage the significant step up in transactions as reflected in the other admin costs bar. We hired additional people and I'm pleased with the acceleration and feature development and localization of our platform for European markets and the critical contribution this makes in driving growth. Jody will expand more on this later.

Staying with International Consumer, we expect EBITDA to approach breakeven on a pre internal transaction fee basis in fiscal year 2024. As we have said before, our number one priority in international is to drive growth in net ticket sales and revenue. But as the business grows, it benefits from operating leverage on marketing and people costs. The chart on the right-hand side shows International's financial profile prior to the payment of the internal transaction fee to Trainline Solutions. As you can see, the business is achieving operating leverage as it scales with revenue up 131 percent versus the cost base increase of 87 percent. This reflects our disciplined approach as we prove our way into new markets, closely managing lifetime value and the cost of acquisition for new customer cohorts. It also reflects the benefit of our existing customer base growing in size, particularly customers who are stickier and transact more frequently.

Finally, as I look ahead, we are well positioned for further growth and have made a strong start to the year. Demand is healthy across our key markets. And as you will shortly hear from Jody, our team is delivering against a clear strategy. Group expectations for fiscal year 2024 are net ticket sales growth of between 13 and 22 percent, revenue growth of between 13 and 22 percent, and adjusted EBITDA as a percentage of net ticket sales of between 2.15 and 2.25 percent.

Thank you, and I'll now hand it back to Jody.

Jody Ford:

Thank you, Pete.

Let's now talk about the progress we're making against our strategy starting with our U.K. consumer business. Our first key priority in the U.K. is to provide customers with an excellent user experience, removing friction when searching for trains and booking tickets while offering them unrivaled value. This is helping shift more people to digital ticketing with e-tickets, a core part of our mobile app proposition. We're achieving an accelerated delivery of new products and features and I'd like to touch on some highlights. Historically, commuters have been underserved with digital ticket options. We've therefore primed our mobile app to better serve such journeys. And we've already had good traction with Trainline doubling its commuter segment chair in three years. An example includes our favorites feature, which allows commuters to personalize their journeys in the app, giving them live departure boards and notifications of delays and disruptions. It's proven popular, with 4 million customer setups to date. And last month, we launched our new quick buy feature, which leverages our data to let customers purchase the same ticket again in just three clicks.

We continue to reduce friction from the travel experience, recently launching next best actions to help customers manage delays and disruptions. We've always done a good job notifying customers. Next Best Actions goes a step further helping customers understand what they can do. We're starting by allowing customers to check what other trains their ticket is valid on, with plans to go way beyond this. At the same time, we're unlocking further savings for customers with innovative tools like split safe. We ran a data-led optimization process to make the product even better by expanding the number of journeys in which split tickets are offered. This helped grow the availability of SplitSave tickets to 80 percent of all U.K. journeys, up from 64 percent at launch.

Moving on to our second priority in the U.K. - Building Demand. We are running a brand campaign telling customers how they can save 35 percent on average when booking a journey through Trainline, highly relevant as the cost-of-living pressures bite. These campaigns point to the environmental benefits of rail travel too, reflecting our core purpose to encourage greener travel choices. This is helping more people to make better travel choices every day, showing them that great journeys really do start with Trainline.

It forms part of a broader marketing strategy in the U.K. that has delivered significant customer acquisition. In fact, over the past three years, we've increased the number of active customers by 58 percent. At the same time, we have deepened our customer relationships, significantly increasing customer transaction frequency. Customers that transact two or more times a month have grown to 49 percent of monthly customers, up from 42 percent three years ago. With the simultaneous increase in active customers, this means a substantial jump in sales transactions.

Turning to our fourth priority - Growing Trainline solutions. Leveraging Platform One, our single global tech platform, to power online retailing for our travel partners, which further strengthens Platform One. This year, we added to the significant breadth and depth of our carrier connections, integrating new entrants at speed as they came to market. We developed and released an extensive list of customer focused products and features, and we increasingly use machine learning to surface relevant products and features to each specific customer. While in the background, we continue to optimize the platform's reliability and enhance its scalability. In fact, Platform One is now regularly processing over 1,000 transactions a minute at peak times. While enhancing the platform, we leveraged its strength to better serve our travel partners and position the business for future growth. For our carrier partners, we made big strides in improving their core functionality and customer features. This includes enabling digital seasons and digital payment methods like Apple Pay and Google Pay. And we extended our contracts with Cross Country and ScotRail, and signed a new contract with Train Hugger, a sustainability focused third party retailer. At the same time, more travel businesses went live on our global API platform. As a reminder, our global API gives B2B partners the ability to offer European rail options to their customers through one simple seamless connection rather than tackle the complexity of connecting to 13 different carrier API's. And in recent months, CWT and Havas Voyages both went live on the platform.

Now, let's turn to the International Consumer business. 18 months ago, I stood here outlining our plans to accelerate the growth of our international business. Since then, we've increased the pace at which we launched innovation into our core European markets, while filling any product gaps that existed, rapidly integrated for new entrants onto our platform and expanded our marketing activity to grow brand awareness and increase customer acquisition. As a result, International Consumer net ticket sales have doubled versus fiscal year 2020, reaching a milestone of 1 billion Euros of net ticket sales.

We are increasingly prioritizing the rail markets where we have the strongest proposition. These are domestic markets which enjoy widespread carrier competition, primarily Spain and Italy and foreign travel representing global inbound and intra E.U. cross border travel. These markets contribute about two thirds of International Consumer revenues, and we expect strong growth ahead. Beyond these markets significant further headroom remains most notably is in France, which I'll come on to shortly.

Let's first look at domestic market liberalization. As you know, Italy, Spain and France have opened to competition. Six out of the top 10 high speed routes in Europe now have carrier competition. And as you can see on the map, there's an increasing number of key routes that have more than two different carriers. By giving customers more choice, carrier competition is creating the opportunity for Trainline to position itself as the market aggregator. But not all markets are at the same level of maturity when it comes to liberalization. So, we are tailoring our approach based on their respective level of maturity.

For phase one countries like France, which has yet to see carrier competition beyond Paris-Lyon, we continue to focus on providing a great user experience with all key journeys and prices.

As widespread carrier competition arrives on a markets high speed rail network as is happening in Spain, we'll move to Phase Two - making aggregation a key differentiator for Trainline. This includes ramping up marketing spend to grow brand awareness and acquire new customers.

As we establish ourselves as the number one aggregator it gives us an opportunity to move to Phase Three - deepening customer relationships, as we're now doing in Italy. As customers engage more habitually with trainline, particularly through the app, it increases our relevance for more of their travel needs. This sees them transact more often, including for shorter distance regional trips.

Let's first look at France, a large market, but one where market liberalization remains nascent. Without a widespread aggregation opportunity, France offers a slower growth of profile than the other more liberalized markets, and the effect of strikes this year is likely to slow growth further. We will continue to invest in the user experience and performance marketing in order to serve and grow our French customer base and manage our brand investment to coincide with the future arrival of widespread carrier competition.

Moving on to Spain, a rail market worth 2 billion euros. The Spanish government have embraced liberalization, seeing the benefits it brings in reducing fares, improving service quality, and driving greater ridership. Four carrier brands now compete in Spain. And as they expand services, we estimate these liberalized routes will represent a 1.3-billion-euro aggregation opportunity.

It's amazing to think this time two years ago, there was just one rail brand in Spain, the incumbent Renfe. Since then, SNCF has launched their low-cost operator OUIGO, followed by Renfe’s low-cost brand Avlo. This competition has brought value-focused pricing to the market. The way it stimulates demand and disrupts rail is akin to how Ryanair and EasyJet disrupted the airline industry 20 or so years ago. Last year, Trenitalia backed Iryo entered the market. In contrast, they are offering a differentiated premium proposition directly competing with Renfe’s traditional brand. Three or more of the brands will compete on five key high speed route rail routes by the end of next month. Their new service is expanding its capacity by 84 percent.

Let's look specifically at Madrid Barcelona, where there's a clear signs carrier competition is driving modal shift. Prior to COVID, this was Europe's busiest domestic air route. However, last year air traffic fell 28 percent. During the same period, rail fares fell 55 percent and passenger volumes grew 35 percent. By positioning Trainline as the aggregator on this route, we've significantly increased our market share. Tickets sold on this route doubled year on year and were nine times higher than three years ago, prior to COVID and the arrival of competition.

At the same time, we're proving vital for new entrants as they seek to attract new customers as quickly as possible. In Iryo's first quarter of trading, we sold 20 percent of their tickets. As carrier competition grows in Spain, we are embedding our position as the leading aggregator. We're improving the way we service the most relevant travel options, including intuitive search filters, plus search results that allow customers to identify where it's better to combine different carriers for their journey. Finally, we're going the extra mile to delight customers, including an a la carte food selection within the booking flow for Iryo trains.

Let's now discuss Italy, a rail market worth 4 billion euros, where two carriers Trenitalia and Italo have competed for the last decade. Here, we have a strong aggregator proposition with all the carriers, routes, and journey options, as well as a seamless app experience. We continue to build brand awareness and drive new customer acquisition. We launched our first major nationwide brand campaign last year. This focused on train stations in key cities with aggregated routes, as well as a national TV campaign. I'm delighted to say that we are the number one rail app in Italy, with 13 percent more downloads than incumbent Trenitalia. And this is translating into net ticket sales, which were three times higher than pre COVID. At the same time, we are deepening our relationship with Italian customers. We draw relevance with more of their travel needs, with a fourfold increase in ticket sales on regional railways, driving total tickets sold to 10 million. This was despite there being no current carrier competition on those regional routes.

Moving on to foreign travel. As a reminder, this represents global inbound customers from the U.S., U.K., and rest of world as well as some intra E.U. cross border travel. It's an addressable market worth 4 billion euros. With journeys weighing more to the summer months, it generates double digit take rates, partly due to high commissions payable by carriers for non-domestic customers. This year, foreign travel almost doubled versus pre COVID, with sales to U.S. inbound customers particularly strong. As we position ourselves as the one stop shop for rail travel in Europe, we see opportunity for growth to continue, particularly as we begin to leverage our marketing leadership. To bring that to life, let's look at U.S. inbound customers as an example. The typical U.S. inbound customer visit Europe in a group, often as part of an expensive family holiday or to celebrate their graduation. They book most journeys in advance and increasingly want to explore multiple countries in Europe, with 42 percent of sales coming from customers that book journeys on two or more carriers. However, they're not used to traveling by train, particularly in a foreign country. So, feeling reassured is a top priority. In that light, Trainline already meets many of their needs, offering easy booking in advance or on the day, all the key routes, carriers and fares, and a standardised travel experience in their native language, helping them to get from A to B successfully. We plan to build on our early success to attract more U.S. inbound customers. We are currently running a campaign to find Trainline's Chief Conductor hosted by the one and only David Hasselhoff with the contest winner experiencing rail adventures across Europe. And we have launched journey guides to help customers feel reassured when traveling by train across Europe.

Before we open the floor to questions, let me recap on some key takeaways. We've delivered record operating performance this year, and we expect the momentum to continue guiding us to strong growth in the year ahead. In the U.K., our consumer business is growing strongly as we shift more customers towards digital ticketing, particularly commuters. In International, we are prioritizing the markets where we have the strongest proposition to date. This means harnessing the aggregation opportunity to accelerate sales growth in Spain and Italy and driving growth in foreign travel which provide higher margins for Trainline. Looking forward, I remain hugely excited by the opportunity ahead, our long-term growth tailwinds, and the progress we continue to make in delivering to our customers in the U.K. and across Europe. So, thank you very much for listening. We'll now open to the floor for questions. If asking, please, can you give your name and institution.

Great. Gareth.

Gareth Davies:

Hi morning, Gareth Davies from Numis, maybe start with sort of two and a half from me. One, the first one really on take rates. Pre-pandemic, you talked a lot about value-added services and driving take rate. Firstly, on the U.K., is that sort of on hold while you take advantage of volume coming back, and we should think of that as a driver over the next couple of years? Or how should we think about that take rate? And then in Europe, as Spain matures, is there the ability to start pushing out those value-added services into Spain and Italy? And again, same question, really, but how should we think about take rate on a forward-looking basis? And then from a marketing spend perspective, when we look into next year in International, are you expecting to grow marketing spend? I know Jody called out an emphasis on Spain, so does that mean, you sort of pull France down a little bit, and it switches into Spain and Italy? Or just if you can give us a little bit more shape around marketing spending in International?

Jody Ford:

Sure, do you want to take this?

Pete Wood:

Yeah, let me take this. So, starting with the U.K. take rate. So, the opportunity in the U.K. still is to grow net ticket sales, we've got e-ticket penetration that has taken a really good step forward. But there's still big headroom. You heard today about the progress we're making in commute. And so, most of our effort is continued on ticket sales. We are running various tests all the time on revenue optimization, trying out new levers and the like. So, that does continue in the background. And as you know, we get larger and growth begins to slow on NTS, then we'll put more effort or more resource into the revenue side. So, it's something that will come a bit further down the road.

And then yes, in terms of Spain, and indeed other international domestic markets, the U.K. is the mature business that we're targeting. And right now, we're not really focused so much on optimizing revenue, it's more about driving for scale and growth. And, you know, there are certain things that we could do today but putting more friction in the way of acquiring new customers which might drive monetization is just not our focus at the moment. Instead, we're targeting gaining share, growing the base of the business and then,. again, we'll turn our attention to generating more revenue off the back of that over time.

And then from a marketing spend perspective, yes, we've got a portfolio. And you've heard today that we will absolutely be doubling down in Spain and in Italy. From a domestic perspective, those are really interesting and exciting markets, particularly with the liberalization. In France, we're taking a more measured approach. And as liberalization grows over time in that country, we'll then push harder on the marketing there. But there will be more focus on Spain and Italy in the meantime.

Jody Ford:

That's great. I think the only thing to add here is the component we called around on foreign travel having, just to underline that point, significantly higher Commission rates, which blends through on an international business and provides an upward momentum. Thanks for the questions.

Pete Wood:

Great. Marcus?

Marcus Diebel:

Hi. Marcus Diebel with JP Morgan, I have three questions. Peter, if you could maybe talk a bit about group guidance. It's obviously a wide range, I assume there's obviously a question on strikes and how it impacts the business going forward. But if you can tell us a bit more what level of impact you see, at least as of now, in terms of strikes baked into the guidance. Jody, if you could talk about the GBR Tender - if there's any sort of date that we should have is waiting for. You made it very clear in the release what your view is but if you can just update us maybe even terms of any date that will be helpful. And then on international thanks for the information that's very helpful. Clear and big focus on inbound customers, as you highlighted with U.S. tourists traveling in Europe. Could you maybe share with us what the share of just inbound customers is compared to domestic customers if that's possible, at least if you give us a certain idea. That was in the past the heartland of Omio, your biggest competitor, but it seems you get a lot of market share also with inbound customers. That would be great, thank you.

Jody Ford:

Great, thanks for the questions. And there's a few to work through here so we'll tag team as we go through. I'll pick up strikes and then maybe come to you around guidance, Pete, and then work through the rest.

So, look just on strikes, because it's a relevant question that comes up. Look, we of course remain focused on supporting the customers and I think you'll know one thing I will call out is just the amount of innovation we've put into the market to support customers, helping them with refunds, helping them find the next best train. Actually, this week, we've got a new feature called Strike Safe going live, which actually provides reassurance and confidence to book when there is no strike because sometimes it's sort of the shoulders of the strike, people don't book. So, we're really leaning into this because we -- you know, it's an area we know customers need support for.

Pete will speak to the guidance point but what I would say is, over the last sort of six weeks, we've actually had a clear run without any strikes. And we've seen the market really comeback strongly, getting back into the mid-90s, in terms of ridership. And that gives me real confidence that ultimately, as we get through the strike, we will see it return. And so, there's some doomsayers maybe a few -- a couple of months ago, writing columns and stuff. But actually, we've seen a really strong performance, which is encouraging. And look, the way I think about this is that without getting into the details, there's essentially four different agreements that have to be struck between, various unions and various parts of the railway. Two of those have been agreed, two of them are live. And I can't predict when that will happen but that gives you a sense of where we stand on that.

Pete, do you want to speak just a bit to how that’s factored into guidance?

Pete Wood:

Yes. So, guidance is there to cover a range of moderate scenarios, I would say, when it comes to strikes. So, we've provided some information about the average strike impact last year, and hopefully that's useful to you. If we have many more strikes, we’ll be at the lower end, if there are relatively fewer strikes, then we will be towards the upper end of the range.

And I would add on top of that, we also have strikes in France, so they also wash through, the pension reforms that are unfolding in France, you know, it's a fairly charged situation. In March when the government triggered Article 49.3 it was, we had a particularly bad set of strikes, I would say. In April, they actually softened a bit and our business picked up again. So the guidance is in place to cover that. And then, of course, there's a macroeconomic impact that might wash through our business as well, through the year, as it hardens that might impact demand a bit. And we've taken that into account in our guidance as well.

Jody Ford:

If I pick up on the GBR Tender point, I mean, just to go back up one level to GBR in its entirety before we talk about a Tender or an app there. Look, I think it's been encouraging, new Secretary of State Mark Harper, as I talked about briefly in the speech, but the tone of the Bradshaw address, I think his line was "private sector strongest role yet within the rail system", which I just think tonally is helpful for a number of organizations, not just Trainline. And then look on the actual GBR app, there's no new news. I mean, we kind of sat here a year ago saying that it could be imminent, and I can't really narrow that range of options, we will wait and see where they ultimately get to on that. I think it's worth noting that the GTR, which is the Govia Thameslink Rail, which is the largest U.K. TOC to have come to Tender, are in the process right now of looking for a white label provider for their app they currently use, on track with a September '24 delivery date. And I just give you that as a sort of data point and context.

Then if we go on to International and Pete, you should sort of chip in as we go through. In terms of inbound customers, I think the one way I can talk about this is that the total market we think of as a sort of 4 billion, maybe 5 billion in terms of the total foreign travel market, we don't disclose how that breaks out. But it's significant enough that we're talking about it in the context of the overall blended tapering, I guess that's probably a bit of a clue in there. And then with regard to competition, look, I think Rail Europe and Omio are the other two players that go here, with Rail Europe being the more scaled of those three, and the one we look at. And then just, you know, I came through here, but this is an area we've not done a huge amount, we've kind of taken over our vanilla proposition and it already works pretty well for a family arriving from New York. And actually, we think now we look harder, we've got an accelerated set of things to go at here. And if you think over the next 12-18 months, there's quite a lot around passes around Asian travel, things that we've not really even begun to innovate around, which encourages me on the future growth points.

Pete, I don't know if you would add anything to that.

Pete Wood:

No, I think you've covered it.

Marcus Diebel:

Thanks.

Jody Ford:

Great.

Pete Wood:

Great. Next question. Ciaran.

Ciaran Donnelly:

Thanks. Yeah, it's Ciaran Donnelly from Liberum. A few questions from me, just to push you on one point on the retail review and the net impact of 25 basis points on the Commission rate, do you think you'll be able to offset that through other means by April 2025?

Secondly, just on marketing spend, could you give us a sense of the split between brand and performance marketing, particularly in the international business?

And then three, just on digital penetration in the U.K.? Where is that now versus where it was last year?

And finally, just on Uber in the U.K., any impact you've seen from the launch of their trial? Thanks.

Jody Ford:

Sure. Thank you for the questions. Well, that's -- we'll step through those in between both of us, on a number of them. So, the retail review, 25 basis points, I think just to voice over this, it confirms what we were talking about sitting here a year ago, and that we've known about this. I feel confident that we will be able to lean in and find ways to support that and it won't be a challenge for us.

Marketing spend. Pete, you want to take that one in terms of where we're going on that?

Pete Wood:

Yes. So, roughly speaking, it's more like 50/50 than any other skew between performance marketing and brand. And the two, you know, they interplay together. So, you have on one extreme, you've got Google PPC marketing but as you begin to bleed across into more display advertising and the like, it kind of blends into brand, and then you have kind of out of home and in the station. So, there's kind of a continuum here. And part of our, part of the marketing team's efforts are to optimize the right mix, right? There are certain points in time where you, you know, you want to push harder on one particular channel versus another. So, the 50/50 probably gives you some sense of where that is. But that is something that we continue to work through and optimize over time.

Jody Ford:

Do you want to take the digital penetration

Pete Wood:

Yes, so if you think about e-ticket penetration is a good proxy for this, we've taken a huge step forward over the last three years. So, back pre COVID, it was at around 21 percent, the most recent quarter was 44 percent. And actually, that 44 percent really doesn't quite give a true sense of the momentum that we continue to see. Because the introduction of the Elizabeth line means that it's suppressing that number a little bit, if you kind of back that out, and you look at it on a like for like basis, you're looking more like 47-48 percent. So, you know, year on year, that's continued to push forwards. And if you look ahead, we've got the supply side pretty much fully enabled, apart from London, that's above 90 percent now, and if you look to other comparators like the airlines where it's, what, 80-90 percent or so digital tickets now, that really gives you a sense of the sort of headroom that still is to go here. So, that's really exciting for us.

Jody Ford:

And let me take that final question around Uber. Uber have been in the market for over a year, I'm sure you're aware that they've been offering fairly significant kickbacks into their ride share platform. And look, overall, as ever, we welcome competition. You know, I think a year ago, I was talking about how that would potentially be a way that will attract new customers into rail, and that we would then back ourselves, given our 500 engineers and a really deep rail expertise to bring those new customers onto our platform.

Right now, just speaking to data points, we don't see any evidence of them taking any share whatsoever, as it stands. So, we'll wait and see how their proposition evolves over the coming months. Thank you for your questions.

Pete Wood:

James, at the front. Oh, sorry. We'll get to you in a minute Simon.

James Lockyer:

Hi. Yes, thank you. It's James Lockyer from Peel Hunt. Three from me, please. So, throughout the presentation, you've dropped in, you know, these features come or we've just launched that feature. And there's lots in there to drive up usage and loyalty. But how should we think about your dev recruitment needs in order to fulfill those over the next sort of, you know, few years? And if you could talk about how your Barcelona hub is doing there.

Secondly, you've obviously talked about active customers going up, frequency, loyalty continuing, customers becoming stickier, but you're technically still more of a repeat business than a recurring business. Do you see a time when you know, you could flip some of these things into a recurring subscription type perspective? Or are there industry barriers that prevent that such as, can you create your own rail card? Or do you require them to be an industry rail card for you to do that there?

And then just to follow up on the guidance point, you've given the range but just wanted to check around if we're at the top end of revenue, does that necessarily mean we're at the bottom end of the EBITDA guidance because you've push through marketing to drive up that revenue growth, or actually should we sort of think if you're at the top end, your operational leverage will see you at the top end of EBITDA guidance as well. Thank you.

Jody Ford:

Great. Thanks, James, for the questions. And let me take the first one. In terms of recruitment, I'd say we've had a very strong recruitment year and that's got actually easier over the last now 6, 7, 8 months, just because of the macro as you'd expect. And so, we're pretty much now at full recruitment, which is great. So, all of those engineers we talked about hiring a year ago, 18 months ago, are now in place. And just to kind of bring a little bit more context to that, particularly around data, we've been talking about building out our data capability. And it's been -- we've got some -- we hired Mike, chief data officer, we announced that a while ago now, but sort of the next levels below, we brought in some outstanding talent and been able to fill out those positions.

And then, as you mentioned, Barcelona has been a fantastic hub for us, it's opened up a whole new market, which is really interesting, not least, because we're obviously now operating in Spain, and just gives us more context and more connection to the market, but also access to really good engineering competence and people who are fully engaged in the brand. So, I feel probably as bullish as I've felt over the time I've been CEO about the ability to hire the talent that we need, I think the market has moved in our favour. And the broader work we've done on our purpose and connection there really, really strongly resonate. And it can sound a bit artificial in this sort of forum, but really resonates with people and their desire to want to come and work with us to support that purpose.

In terms of active customers and the recurring business and Pete, you should come in on this one. We've definitely explored that space. As it stands, and I think it kind of speaks to Pete's answer in the very first question, we are very focused on the growth and taking our model and driving that engagement, the kind of maturity model we work through. I mean, maybe one day, there'll be a fourth step and we'll get to something that looks like a subscription of some form. And I don't think that's crazy to consider that but it's just not, when I look at the product roadmap over the next two years it's not something that we're actively pursuing right now but there may come a time when it feels appropriate to do that.

And then maybe Pete, you want to take the guidance and the connection, EBITDA marketing?

Pete Wood:

Yes. So, I guess the short answer is, yes, there's clearly a linkage, if we got strong sales and we're at the top end of guidance, that would generate more revenue and should drop through to EBITDA. So, the starting point is yes. Of course, there will be some puts and takes as we go along. And I think most importantly, for us as a management team is where we see really good opportunities to increase investment or where something's really working, we want the flexibility to double down, our goal is to grow fast, as fast as we can. So, we will take some of those options as they emerge, but the core of your hypothesis is right.

James Lockyer:

Thanks.

Pete Wood:

Great. Simon, thanks.

Simon Davies:

Good morning. Simon Davies from Deutsche Bank. Three from me, please. Firstly, the labor government is now predicted, according to the bookies, to be the favorite for the next election. What do you think that means for Trainline? And what do you see as the key risks?

Secondly, we're now talking about breakeven for international business. Perhaps you can talk a bit about what a mature EBITDA margin might look like for that division.

And lastly, artificial intelligence is the hot topic du jour. Is that a threat or an opportunity for Trainline?

Jody Ford:

Great. Let's work through those. So, labour, potential government. So, look, we're kind of at that point in the cycle, where it's all about headlines. And there's not a huge amount of policy specifically, when it comes to rail. Just a couple of thoughts here. Even during the Corbyn days, when they were sort of proposing their rail thoughts, they never talked about anything happening within retail and that was definitely not on the agenda, it was more about the trains and the tracks in terms of where that goes. And I'd say, you know, as a government thinks about this, and there's really a huge amount that the Trainline and the retail sector, more broadly, brings, I mean, we have 86 percent of customers trust us around rail, which is significantly above the industry average. We are deploying this, as we've talked about a lot, this kind of UX that just makes it really easy to book tickets and drives incremental people onto rail, and then the partnership around innovation either because of the capital intensity of that or the tech talent that is needed to build and deploy that or the scale that's needed. That's where we as Trainline, or more broadly, the private sector within rail, can offer a lot to any form of government. So, look, as you'd expect, we are engaged with Labour, as we are with the Conservative Party, and we'll look to see what they would propose if they got a new term as well. I think the tonality coming out of Starmer more broadly around technologies, they want to move from lagging to leading in technology. We are one of the top 10 public tech stocks based in the U.K. so, I'd imagine they would want to work well with us on that.

And then look, just a broader reflection, we've been in this space, as you know, engaged on a number of different areas in conversations through the retail review. And I think very helpfully, there's a set of principles we've established with the industry around level playing fields around the competitive points of view, which will serve us well, whatever government is in. And those are things enshrined in law and practice that will last decades, not years, which I think are incredibly helpful.

Breakeven in International, and then EBITDA margin, what would that look like, I'll give a sort of high-level thought on this, then Pete, let’s pass over. Just to say, look, there's a huge amount going on there with a mix effect of actually quite a few different businesses that we’re growing. And so, think about us focusing on those individual markets and those customer opportunities, rather than focusing on the outcome of any given sort of breakeven moment or future margin. And where I reference, foreign travel is really lucrative and fantastic, whereas some of these other markets we are going to need to invest in and there's a moment in time like there is right now, clearly in Spain, and in Italy, and over time, there will be in France.

So, that's just a high level thought of how we position ourselves. Pete, do you want to speak to any specifics?

Pete Wood:

Yeah, so, echo all of that. The top line growth remains our goal. The fact that we're now talking about operating leverage I think shows the progress that we're making in this targeted TAM that Jody outlined earlier on. And then in terms of where this could get to, the U.K. is a really good benchmark for us, well for anyone, for a mature rail market. And so, in the much longer term, that's what we're aiming at. And I say that even thinking and believing that there's more to go in the U.K., we've taken really good step forwards. But you've heard today, we're still focused on top line growth. So, I think there's more opportunity for leverage. But in the first instance, targeting the U.K. is where we want to get to with the domestic markets in International.

Jody Ford:

And then your final question around AI, absolutely an opportunity for us, I think it could potentially be a very significant opportunity. And I just sort of the way I break this one down is into three boxes.

First of all, is around how we're currently using machine learning, then talk a bit about the ChatGPT's of this world and future AI models, both for customers and then internally within the organization. So, look, we, as I just referenced, have been building out our data organization and kind of really building out this capability to deploy machine learning models to improve the product for our customers. And so, just to kind of bring that to life, I talked about getting to 80 percent of journeys where we can offer splits, which we know is a huge feature. But if you think about the real time capability for a given search to be able to decide whether or not we can split that journey, that's a set of machine learning models working at scale, which is very powerful, and gives us the advantage of the investments that we've made there. There are other models we've got, which will look at a particular customer and go which is the route we should be talking to them about, that might be their next route, having looked at the behaviour of all of our other customers, and decided this is the route to go. And then more broadly, the sorts of things around personalization in our marketing require, ultimately, machine learning models are behind them at scale. And there's a series of things and pipelines of stuff that we're working on this month, next month. And you'll expect us to continue to iterate that. So, I think that's really good. And I'm really pleased with what we're leveraging, getting value from our investment in data.

The second point is this broader point on the likes of ChatGPT and other AI models. I think this is really exciting for us. And where do I think that the big opportunity here is? It's around potential inspiration for customers when they are planning. It's kind of at that level in the funnel as we go and why will we benefit and be well positioned on this? I think when you look at the datasets we have, both in terms of activity of a very large customer, you know, sold 200 million tickets last year, we know a lot about what's happening in terms of customers throughout Europe, no one else has that diversity. You know, everyone else is very narrow within a given market type. So, I think that's interesting. But beyond that, we've got these commercial agreements and these APIs with many, many different train operating businesses, train operating companies throughout Europe. And those are complex to maintain. But fundamentally, that's how you provide a ticket, how you do fulfillment, and then how you do customer support. So, leveraging those vertical capabilities, and being able to help customers at the top of the funnel is something that I'm pretty interested in. We had a hackathon within our tech team a week or two ago and someone's you know, stringing together these things and beginning to show the opportunity. And I think that that comes from within and so, we will look to lead there, and I think, a huge opportunity.

And then look the answer to your third question is probably what every CEO standing at the front, of course, we're going to look at new tools that make our teams more effective, that our engineers more productive, or our lawyers move quicker through things or customer support be able to support more agents, those things I think, will naturally happen in coming months and years. And we'll get into them. But look, net-net, I think it's a big opportunity for us. Thanks for the questions.

Pete Wood:

Great, Ivar. Just down here.

Ivar Billfalk-Kelly:

Maybe we start on contactless ticketing, I mean, you have a big market share in longer distance travel, but relatively small market share in shorter travel in the U.K. In the past, you've talked about not standing still when it comes with competing with contactless. I mean, what are you looking at there? And how can you try and grow your market share?

Secondly, you mentioned more business travel or modal shift from business customers. What do you see as a potential market opportunity and growth of the market from increased business travelers? And linked to that, maybe within Europe, how would you see the market evolving? What was the increase in the total addressable market from journeys that can be converted from air to rail?

And maybe finally, Germany is a market that no one really talks about anymore for obvious reasons, but is there any developments there as to why Germany might be a market that you might be able to gain market share in the future?

Jody Ford:

Sure, great, a good set of questions. I'll jump in on the first one and we can work through them. So, look, long distance travel versus shorter distance travel, I think the first thing to call out is this point around regional travel. And what the just the underlying that point in Italy, which is the same trend we've seen in the U.K., which is significant take up of customers who start by using us to book their long distance, 30 plus, 35 plus percent off and use us as a value play maybe once or twice a year. And that's the sort of typical way in – they find us on the web. And then they download the app because they want the barcode ticket. And then what's happening is customers are increasingly using this for more the regional travel, which could be a short trip to see friends or shopping experience or begin to use in their commute. And we've seen a significant acceleration in Italy that was up 4x versus pre COVID. So, in a number of our markets, we see that working out very well. And we're going to be wiring on Cercanías, which is the regional and urban travel within Spain in the coming months which will bolster further the Spanish market.

And then to come to this specific question, as part of that around contactless and pay as you go. And just as a sort of reminder, we talked six months ago about how we said there was essentially £150 million at risk here in terms of how we think about that market. And I'd say this, like this is a great product for people in this room to move, you know, in and out of the city of London. It works well. And you just tap and it's effortless. But it really doesn't work that well for anyone traveling, I'm sure you've tried, traveling with a family, it really doesn't work. If you've got a rail card senior, a young person's rail card, it doesn't work. And it gives you a very low sense of control of your spend. And so, with the [Project] Oval expansion in London, out to Bedford, Cambridge, Farnborough down to Brighton, there are some really expensive tickets going to be, sort of like £50 return. And that's a hell of a thing, frankly, to be tapping in and it is taking £50 out. So, we believe ultimately in London and as we think outside, there's opportunities for an app to be involved to give you that sense of control, to be able to upload your rail card, buy your kid tickets. So that's interesting. And I'd characterize our step here, having gone from kind of research to development, but I still think this is something that is a number of years away. A) Because the technology has to be developed but B) Because of in terms of the aims of government and where they're at, whilst it's very high on their list of something they want to do to take it out into the regions, there's quite a lot that has to be worked through because often it's devolved regional powers that are involved here. There's the partnership with the private sector, and there's work going on in terms of, like, gates and stuff to do there. So, look, overall, I characterize that as really, as I said before, a really interesting opportunity that we are innovating in, but various things have to align before it happens. And I don't expect it to kind of go beyond that Oval, probably three, four, maybe five years out is how I characterize that one.

Modal shift for the business market and the market opportunity, I think, if I just speak to the highest level modal shift. A lot of these markets seem to break down if they're sort of characterized by external data as, you know, Madrid, Barcelona is a good example here, like it was a third rail, a third air a third road, and you can kind of imagine the value conscious in the roads and the business travel in air. And you see that number very quickly accelerates towards rail, as you get the quick service and the high-quality kind of rail providers like Iryo, and the prices come down just a little bit and the high-speed route belt, the air comes to rail. And then as the low-cost entrants come in, like Ouigo and Avlo, you see the that change, and the coach trips and the buses -- sorry, and the cars are begun to move towards rail as you, you know, we're seeing 9-euro price points between Madrid or Barcelona on what used to be maybe 80-90 euros. So, there's real opportunity in both directions. So, ultimately, if you look at what happened in Italy, you're seeing the cancellations of air services, essentially, between Rome and Milan, they only really exist, I think that is for connecting flights at this point, never mind any legislation that may come through. So, I think there's a significant opportunity for substitution, particularly on business. And then we obviously -- I won't go through all of it now but we've got a series of different relationships and increasingly connecting up to all of the different business players who are getting interested in these idea of alternate brands, where historically they've just gone for the incumbent. And then Germany, and then Pete, you should tell me if I've missed anything as we've gone through this.

Any developments in Germany? So, looking back is, of course, a really interesting market for us. It's a similar scale to France and the U.K., it's, as we've said before and we're on record, Deutsche Bahn have been anti-competitive in their behaviour for a number of reasons, we don't have a Commission rate that we can yet speak to. This has been picked up by the regulatory environment in Germany, the BKartA. And I would say, look, we are still a few months away from really understanding the conclusions of that, I think the conversation and the intensity of those has gone up a level, these things take years, and then they sort of move into months and then it gets to weeks and I think we're in the months stage now. And look, we're just going to have to see where that lands. And look, if it lands in a favorable position, I think that opens up Germany for the beginning of our playbook. But we've talked through what the phases have to look like before we can really invest in the kind of top-level specific product innovation or brand. But that's how we think about Germany. Definitely, as you look over the next 5 to 10 years, I see it as a very exciting market for us.

Thanks for the questions.

Pete Wood:

Great, I think we've got time for one last question, if there's one out there. Or are we all done? Andrew.

Andrew Gillian:

Hi. Yeah, we've got a question from Andrew Ross at Barclays, who couldn't be here today, unfortunately, he asked of the 4 billion rail market in Italy, the 2 billion rail market in Spain, what do you think could be taken by aggregators such as Trainline over, say, the next five years? And then he says the same question for the 4 billion foreign travel market?

Jody Ford:

Sure. So, look, I don't think we'll guide with specifics other than to say we've got a U.K. kind of model here, right. And you can appreciate the way that we've worked through that. So, I don't think it's crazy to be thinking about where we were pre COVID in the U.K. in the coming years, in the next few years in those domestic markets. And look, it will depend on a few different things. Particularly in Italy, we have OUIGO, SNCF OUIGO, who have a stated intention to come into 2026, and depending on the scale and timing of that, that could imagine us accelerating our penetration within the Italian market. So, those factors will weigh.

And then, look, on foreign travel I think that the market could expand over a period of time. And we talked about some of the other players there. And the fact that we haven't really rolled out what will be a kind of new playbook in terms of innovation to support not just U.S., but also Asian travel. So, you know, I'm relatively bullish on the opportunity there. I don't know, Pete, if there's anything you would add there.

So, look, thank you very much for a great set of questions. Let me close things out. And thanks for joining us again today. As Pete and I have said, we've delivered strong financial performance this year. We're pleased to provide guidance for the year ahead. We have clear strategic priorities and are making significant progress both in the U.K. and International. And we remain positive about the opportunities that lie ahead. So, thank you very much. Cheers.

[end of transcript]