H1 results presentation Transcript

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Jody Ford *– Trainline– Chief Executive Officer*

Good morning, everyone. Thank you for joining us today for our half 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.

On to the agenda for today. I'll give an introduction, briefly discussing the progress we've made in the first half of the year. Pete will talk you through our financial performance. I'll then update you on how we are progressing against our strategic priorities. After that, we'll hand back to the operator for questions.

The Group delivered a strong financial performance in the first half, with net ticket sales up 23 percent and revenue up 19 percent. Together with the benefits of operating leverage, this drove a 26 percent increase in adjusted EBITDA, while our operating free cashflow increased by 166 percent.

Our performance reflected the strong progress we are making against our strategic priorities. In the U.K., we continue to digitise the commuter experience, growing our share of the commuter segment to 22 percent. While in International, we further positioned ourselves as the aggregator in liberalised European rail markets, with combined net ticket sales across Spain and Italy up 50 percent, partly offset by slower Web sales in the half. And I'm delighted to add that we are now Europe's number one most downloaded rail travel app.

As a reminder, Trainline is a tech company with a clear purpose: to empower people to make greener travel choices. We seek to do that by building the world's leading rail platform, which makes it much easier for people to travel by train.

In addition, we champion the environmental benefits of rail, highlighting how it generates significantly lower emissions than driving or flying. Our approach is to inspire pride in those that take positive action. We launched the 'I Came by Train' initiative last year, gaining strong early momentum with industry and government stakeholders. We have now followed up with a new consumer campaign that celebrates all the heroes who travel by train. And we've also launched "Your Sustainability Story", giving personalised information to customers on their emission savings.

As I look ahead, I continue to see considerable tailwinds for our growth. We operate in a €60 billion rail market, with significant planned investment in capacity growth. This investment is particularly focused around high-speed rail, including EU targets to triple high speed passenger volume by 2050.

People are increasingly using online and digital channels to book rail tickets, with eticket penetration in the U.K. more than doubling since pre-Covid to 46 percent. Yet there remains significant runway in our markets for further migration. Given our leadership in this space, we are not only well placed to benefit from this trend, we are actively driving it.

And liberalisation of the European rail markets is creating more fragmentation in supply and greater competition amongst carriers. In aggregate, new entrant carriers now compete on 12 thousand kilometres of high-speed rail routes within Western Europe. The increasing competition this brings creates a greater need for a marketplace like Trainline. As a reminder, Trainline invests to provide all the carrier options and fares in one simple, easy to use Mobile App.

Underpinning these tailwinds is the increasing momentum around the need for a level playing field within rail retailing. This notably includes the recent regulatory developments in Germany and Spain. Altogether, these structural tailwinds represent significant and long-term growth opportunities for Trainline.

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 U.K. Consumer. Net ticket sales grew 19 percent to £1.7 billion, despite the impact of eleven strike days in the first half. 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. Long distance and leisure travel also remained strong, having recovered more quickly post COVID. Underlying demand strengthened as industry passenger numbers continued to recover, alongside a six percent fare increase and further growth in people using etickets.

Looking forward, the recovery path for the industry appears to be normalising and there are currently no signs of rail strikes letting up. December will see the expansion of TFL's contactless payment zone around London and the Southeast, as part of the next phase of Project Oval. As we've previously said, we expect project Oval to put around £150 million of our net ticket sales at risk. However, given the underlying strength of the U.K. consumer business, I feel confident we will continue to demonstrate strong growth in the second half.

Our international business grew 24 percent to £558 million as we further 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, with combined growth of 50 percent year on year. French growth slowed following our decision to pause brand marketing, which we announced in May, ahead of further liberalisation in this market. Growth in Web sales also slowed as the half unfolded, most notably in foreign travel. This reflected a normalising of demand, following a strong recovery last year and more competition arising from rail carriers in keyword auctions. We also saw some impact from changes to the presentation of search engine results; Jody will provide more on this later.

In contrast, our growth in Mobile App sales remained strong in H1, with the share of our transactions coming through the App increasing to more than 60 percent. This reflected our long-term investment in our brand and App experience to grow habitual app use for more regular journeys. I said in May that I expected EBITDA to approach breakeven on a pre-internal transaction fee basis this year. And in the first half we tracked in line with that guidance. This partly reflects our disciplined approach as we prove our way into new markets, closely managing lifetime value and cost of acquisition for new customer cohorts.

Trainline Solutions grew 38 percent to £378 million. As a reminder, this business unit provides B2B retailing capabilities to rail carriers and other travel platforms. IT Carrier Solutions delivered a strong performance in the half, while business travel in the U.K. continued to recover from a lower base.

Bringing that altogether, the Group achieved strong growth in net ticket sales, up 23 percent year on year to £2.6 billion. Revenue increased 19 percent to £197 million. This was slower than net ticket sales given the mix effect of faster growth in International and Trainline Solutions. In addition, the take rate of our U.K. Consumer business saw some dilution from faster growth in commuter and short distance travel, as these segments provide less scope for monetization. Jody will discuss later how we are nurturing ancillary revenue streams, which should help to mitigate the dilution. Gross profit was up 17 percent to £151 million. This was slower than net ticket sales, reflecting in part industrial action in the U.K., with Trainline incurring higher customer service costs as a result.

Profitability growth outpaced net ticket sales and revenue, reflecting the benefits of operating leverage. Marketing costs increased 15 percent to £37 million as we acquired more customers and continued to invest in our brand. Other admin costs increased 11 percent to £57 million, as we incurred higher AWS costs within Platform One from processing more transactions. It also reflected the additional costs of having increased the size of the team to scale the business, the hiring for which we completed last year. Net of these costs, adjusted EBITDA was £57 million, up 26 percent year-on-year.

The business continued to deliver strong cash generation with Operating free cash flow of £77 million. This reflected increased EBITDA and working capital inflows, with our working capital profile normalising following a period of COVID-related volatility. It was partly offset by higher capex investment in product and tech development. As a result of our cash generation, our leverage further reduced to 0.7 times EBITDA. Given this progress, in September we formally laid out our capital allocation framework, in line with which we announced a £50 million share buyback programme.

All in, we have made a strong start to the year. As I look ahead, we remain well positioned for further growth and, as you will shortly hear from Jody, our team is delivering against a clear strategy. As a result, we are tightening our guidance for this fiscal year towards the upper end of the range. We expect for the Group: Net ticket sales growth of 17 to 22 percent; revenue growth of 15 to 20 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 back to Jody.

Jody Ford – *Trainline– Chief Executive Officer*
Thanks, 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, offering them unrivalled value and removing friction when searching for trains and booking tickets. We have a strong and consistent delivery of new products and features. I'd like to touch on a couple of recent highlights that are helping unlock value for customers and remove friction. We launched a new weekly price calendar, displaying to customers the days that are cheapest to travel. We also launched Strike Safe, which tells customers whether the journey they are searching for could be affected by rail strikes, and so enabling them to book with confidence.

We are priming our mobile app to better serve commuters, including developing a full suite of ticket types within the App. This includes digital season tickets, which we have rolled out to almost a third of the U.K. network. We have driven strong take up so far, with our share reaching around 20 percent of all season tickets sold on routes where digital seasons are enabled. And we are seeing positive retention benefits, with digital season customers exhibiting twice the retention levels of our overall customer base in the UK. This is contributing towards our continued growth in the commuter segment, with our share now 22 percent, from 20 percent a year ago.

Our second priority is to build customer demand. Our flagship brand campaign 'Great journeys start with Trainline' has focused on telling customers how they can save 35 percent on average when booking a journey through Trainline, which is clearly relevant given the higher cost of living. The campaigns also point to the environmental benefits of rail travel, reflecting our core purpose to encourage greener travel choices. In the second half, the campaign will highlight more the convenience of digital ticketing, including digital seasons.

On to priority number three: increasing customer lifetime value. We are making good progress encouraging more customers to use our 4.9* Mobile App, which now makes up almost 90 percent of our transactions in the U.K. This is driving up transaction frequency, given App customers in the UK transact 50 percent more often than Web customers.

Having significantly scaled net ticket sales over the past few years, we will now look to enhance monetisation to drive faster revenue growth. This includes ancillary products, leveraging the partnerships we have in place across hotels, car parking and taxis. In addition, we plan to launch a new flexcover product, allowing customers to cancel plans for any reason and get a refund. And we are enhancing native ad placements within our sales channels to optimise advertising revenues.

Now let's turn to International Consumer and first remind ourselves of our approach to growing the business. In May, we outlined how we are prioritising the rail markets where we have the strongest proposition. On the left-hand side are the domestic markets which enjoy widespread carrier competition, Spain and Italy. We are rapidly expanding in these markets as we seek to become the aggregator of choice, and I would expect our strong growth to continue into the second half.

In the middle of the slide is foreign travel. This represents global inbound and intra-EU cross border travel and generates double-digit take rates. Taken together, Spain, Italy and foreign travel represent a €10 billion addressable market, similar in size to that of the U.K.

On the right-hand side are the markets which represent future opportunities for Trainline - France and Germany. These are large rail markets, each similar in size to the U.K. Together they make up around 40 percent of our net ticket sales in International.

As we also outlined in May, we are reducing the priority of these markets as they are less mature from the perspective of carrier competition. So for this year, I would expect a single-digit percentage growth rate for France and Germany combined. But when carrier competition does arrive, we plan to position ourselves as the aggregator in these markets, giving Trainline a long runway of sustainable growth.

In France, Paris-Lyon is the only domestic high-speed route that currently enjoys carrier competition, following Trenitalia's entry in December 2021. On this route, our aggregation proposition is working well, growing at a similar pace to our growth across Spain and Italy. But one route doesn't offer enough opportunity to differentiate Trainline as the market aggregator and therefore, we have paused brand spend. However, there are encouraging developments of market liberalisation. Spanish carrier Renfe has this year launched cross-border services between France and Spain. And from 2024 they plan to launch a service between Paris and Lyon, which will mean four carrier brands competing on that route.

And then in 2025, new entrant carrier Evolyn plans to launch a London-Paris service to compete with Eurostar, while Le Train is planning new high-speed service in western France.

In May we discussed how we are tailoring our approach to each domestic European market based on their respective level of maturity. As a recap, for Phase 1 countries like France, we will continue to focus on providing a great user experience, with all key journeys and prices.
For phase two countries like Spain, we are making aggregation a key differentiator for Trainline. This includes ramping up marketing spend to grow brand awareness and acquire new customers.
Finally, for phase three countries like Italy, as we establish ourselves as the number one aggregator, we can deepen customer relationships, including by encouraging greater App adoption. And as more carrier competition arrives in Italy, such as SNCF Ouigo in 2026, we'll have an opportunity to shift our approach back to phase two, ramping up aggregation to stimulate faster growth.

Let's now talk about the progress we're making against our growth strategy in International. We'll start with how we are enhancing the customer experience. In our core markets, we continue to add all new carriers and routes as soon as they come live. We have integrated Renfe's cross border routes into France and are already taking a mid-teens percentage share. While in Spain we are now integrating Cercanias regional trains. This will allow us to increase transaction frequency and retention in this fast-growing market.

At the same time, we are localising our mobile app for each respective European market. In Spain, we have embedded Iryo exchange, allowing customers to swap their ticket for a different train. And in Italy we have added Satispay, an increasingly popular new payment method in that market. It's hard to imagine any other aggregator Apps doing this depth of integration and product localisation.

The Spanish rail market is liberalising incredibly quickly. The top five high speed routes in Spain have now opened to carrier competition, with new entrants already taking significant share. This is bringing a broad range of benefits on these routes, with service quality improving, fares roughly halving and rail ridership significantly increasing. Looking at the first two routes to liberalise, passenger volume grew 36 percent year on year on Madrid to Barcelona, and 86 percent on Madrid to Valencia. This is providing ideal conditions to position our Mobile App as the market aggregator of choice, with our share on both routes having grown to 11 percent, relative to a sub-1 percent share across Spain only a couple of years ago.

Moving to our second priority: building demand. In Spain and Italy, while providing all the carriers and journeys in one Mobile App, we are running nationwide brand campaigns. They primarily focus on train stations, where we can target 100 percent of the train travelling public.
Since launching these campaigns, our brand awareness has almost doubled, reaching 34 percent in Italy and 15 percent in Spain.

Turning to how we are building demand in foreign travel. Last year we saw a strong recovery in demand for foreign travel, particularly from the U.S. This year we have sought to build on that, using targeted advertising, like housing native digital content on travel sites and using out of home advertising at prominent international airports; running PR campaigns and promotional offers for supply partners like Eurostar; working with influencers; and deploying marketing to leverage popular sporting events like the Rugby World Cup in France. All of this helped to generate further good growth in foreign travel sales.

As Pete referenced earlier, Web sales growth slowed during the first half, following a strong rebound in demand last year, particularly for foreign travel, we saw the recovery in underlying demand normalise during the half. We also saw more competition from carriers on keyword auctions, following a relatively benign period last year. And finally, Google are now including trains within their travel module, which in turn is pushing organic search down the page, while increasing the prominence, and so the cost of Paid search. In response, we are investing to integrate Trainline into the travel module. We are live on key routes in Spain and Italy and have a path integrate on more than a thousand over the coming months. In addition, we will continue to strengthen our product market fit, including the future launch of Eurail and interrail travel passes. The slower growth in Web sales has had a more pronounced impact on foreign travel, where a higher proportion of our sales come through Web rather than App. As a result, I would expect a low double-digit percentage growth rate for foreign travel sales this year.

The slower growth in Web sales has had less of an impact on domestic sales. This reflects our success in switching domestic customers onto our Mobile App, so they can access a superior user experience. As I mentioned earlier, over 60 percent of transactions now come through the App in International. Italy is the best example, where the App now makes up over 70 percent of all transactions. As customers engage more habitually with Trainline, particularly through our Mobile App, it increases our relevance for more of their travel needs. Like in the U.K., App customers in Europe transact far more frequently than web customers. In fact, in Italy they transact as three times as often.

This includes a greater propensity to use Trainline to book shorter-distance, regional journeys, even though no carrier competition exists on those routes. Over the last year, regional ticket sales in Italy grew 42 percent, and were five times what they were pre COVID. While growing App usage and transaction frequency, we are beginning to add more ancillary products as a means to improve the customer experience and enhance monetisation. In the first half, we introduced hotels into the booking flow, in partnership with Booking.com. While our primary focus remains to grow net ticket sales, there are early signs this could also be a helpful revenue stream.

Turning to our fourth priority: growing Trainline Solutions. In the first half we further strengthened Platform One, and we leveraged that strength to better serve our travel partners. This included launching new innovations, including a new train loading feature for Greater Anglia's mobile App. This allows them to display the busiest train carriages to their customers. In addition, we enhanced the loyalty scheme options available within Italo's online retailing channels. And we have extended five white label contracts in the first half, giving the carriers continued access to our industry-leading core platform functionality and customer experience features.

Within Platform One, we harnessed advanced machine learning to deliver data-driven features and greater personalisation. Notable examples include SplitSave and price prediction. They also include Recommended for You, which makes personalised suggestions for new trips customers might like based on their purchase and search history. We see Generative AI as additive to what we are already doing in this space. Within Trainline we recently set up AI Labs. Here, we are developing our own proprietary AI models that will help us to solve more complex problems. By combining these models with our unique data sets, we are widening the opportunity to create smarter and more personalised experiences across the whole user journey. It's still very early days, but our first experiment is already live. It's a new guidebook feature that generates recommendations of what customers might like to do at their intended destination within the booking flow, sparking inspiration for their journey. And this is just the start.

Before we open to the floor for questions, let me recap on some key takeaways. We delivered strong performance in the first half despite the impact of strikes, with strong top line growth, higher profitability, and increased cash flow generation. As a result, we have tightened towards the upper end of our guidance range for the rest of the year.

In the U.K., we are digitising the ticketing experience, particularly for commuters, where our share is now 22 percent. While in Europe, we are driving particularly strong growth in Italy and Spain, the most liberalised markets in terms of carrier competition. This includes achieving 11 percent share on the top Spanish high-speed routes, and we are continuing to grow. And while we address the evolving situation with regards Web sales, we are encouraging more customers to download and use our Mobile App. This is giving them a better user experience, increasing the amount they transact through Trainline and cementing our position as the number one rail App in Europe.

Finally, as I look forward, I continue to be very excited by the opportunity ahead, our long-term growth tailwinds, and the progress we are making in delivering to our customers in the U.K. and across Europe. Thank you very much for listening, we'll now hand back to the operator for questions.

Q & A

Operator:
Thank you. Once again, if you would like to ask a question, please press star one on your telephone keypad now, or press star two if you would like to withdraw your question. Our first question comes from Marcus Diebel from J.P. Morgan. Please go ahead.

Marcus Diebel– *J.P. Morgan*
Hi, everyone. A few questions from my side. The first question is for Pete. Clearly, you are progressing very well on cash generation, very strong equity, free cash flow and very soon you'll be reaching potential cash levels. How do you think about the dividend distribution, about running the business and what kind of leverage or cash level, because that question will come soon in the future. That's the first question.

Second question is just, again, on marketing spend in the International business. Given particularly Spain, and also Italy, with the success that you have there, is it now not the time to push even harder on marketing because the success or the return on that marketing is clearly there? How do you manage that? Thank you.

Jody Ford – *Trainline– Chief Executive Officer*
Thanks for the question. Pete, you want to take the first one?

Pete Wood – *Trainline – Chief Financial Officer*
Yes, certainly. Thanks, Marcus. Look, we've made really good progress from a leverage perspective, coming down from 2.3 times adjusted EBITDA to more like 0.7 now. And this reflects the net debt reducing and also the increase in EBITDA. And the way we think about this is we that aim to keep an efficient capital structure in place. And of course, this then relates to the capital allocation policy that we've put in place, and primarily that is there to target where we can invest behind strategy and organic growth opportunities. And we will continue to manage debt within that as well. And then as we look ahead, the board will continue to consider the options available, which could be a range of options. But, essentially, to keep an efficient capital structure in place, I'm not imagining that we will get to a point where we want to run a net cash position or to carry excess capital for some period of time.

Jody Ford – *Trainline– Chief Executive Officer*
And if I pick up from here. I think broadly speaking, in terms of the investment in marketing, just to give you a kind of strategic flavour of what that looks like. We, as you know, continue to invest from a kind of an optimized way on the performance marketing, leaning into the CLV there, looking at a few years out because we can see the opportunities opening up, particularly in Spain right now. We can see in Italy, with the Ouigo launch in 2026 how that provides real option value there. So we remain very focused on that. And then we have layered in, as you know, over the last 12 in Spain, now 18-plus months in Italy, brand spend, which is a combination of out-of-home and digital. And our expectation that we'll continue at roughly the same level that we've had over the last year or so in those markets because we see good returns and we're getting better at that and optimizing because we've been leaning into those markets. So I think high level, expect to see more of the same in those markets and, look, if opportunities come up we'll lean in harder. We'll, of course, take them, but they'll be based on the performance. We manage it very closely.

Marcus Diebel– *J.P. Morgan*
Perfect. Maybe just to follow up on Pete's answer. How would you see in this context around potential M&A? I mean, it doesn't seem that there's anything large and obvious, but shall we assume when we look at the cash flow generation that there might be some cash spent on M&A? I think in the past you commented the opportunity is rather small. Is that still the case?

Pete Wood – *Trainline– Chief Financial Officer*
So of course, we continue to look at the market and assess opportunities to further expedite progress against our strategic priority through inorganic means and through M&A. There are not many obvious targets, but there are some, and we will continue to consider how they might fit with our strategy.

Marcus Diebel– *J.P. Morgan*
Okay. Thank you.

Operator:
Our next question is from Miriam Josiah from Morgan Stanley. Please go ahead.

Miriam Josiah– *Morgan Stanley*
Hi, everyone. Good morning. Two questions for me. Firstly, just on revenue growth. I think you mentioned a number of initiatives to enhance revenue growth in the U.K. So just wondering how we should think about the cadence of revenue growth ramping up. Obviously, revenue growth is growing below net ticket sales. And I guess within the guidance as well, you've slightly lowered revenue relative to net ticket sales. So I guess how should we just think about the cadence of that changing? Would we expect revenue growth to be growing faster than net ticket

sales within the next year or potentially longer? And then perhaps if you could just talk about what specific initiatives you would expect to be the most meaningful. Thanks.

Jody Ford – *Trainline– Chief Executive Officer*
I'll let Pete pick up and start on the first part.

Pete Wood – *Trainline– Chief Financial Officer*
Yeah, so you're seeing net ticket sales in the U.K. -- sorry, you see revenue growth in the U.K. a bit behind net ticket sales. And really, this is about the mix of the business. We have a great opportunity to monetize customers that are buying in advance and taking longer distance journeys. And at the moment, that is continuing to grow nicely. But we're seeing positive growth in the commute segment and on the day travel where the monetisation opportunity is less. And so there's a natural dilution of revenue take rate on both. And as Jody outlined, there are some ancillary revenues that we are beginning to nurture. Our focus remains on driving net ticket sales and that is the fundamental driver of revenue at the moment. But there are some opportunities that we're seeing to support further take rate upside, which can offset some of the natural dilutions that fits there. And the way that we approach this is to test and learn. So we have some ancillary services that are in the product already and this gives us some good signals and that allows us to then refine and hone where we show them, to which customers and in which moment, and then we can build on these revenue opportunities as we go forward.

And then if I step back and think about how all that fits together, I think the natural headwinds that we have with the dilution effects will persist. I think these opportunities can offset that, but I don't expect in the next couple of years to reach a position where revenue is growing more quickly than net ticket sales.

And then one other point of note, I'm sure you're aware we have the change to the commission structure that comes through in 18 months or so. And that will, of course, will provide a bump in the revenue that the 50-basis point reduction in the commission in the U.K. and that will be offset somewhat by the cost reduction that we have. So the net impact will be more like 25 basis points. So that's how we expect to see net ticket sales and revenue unfolding.

Jody Ford – *Trainline– Chief Executive Officer*
And if I could add, in terms of your initiatives, most meaningful, I think Pete's outlined a number as it relates to revenue focus, like taking the U.K. from an NTS perspective. I briefly mentioned digital seasons. We said before, it is a slow burn issue, but it takes time for the industry to adopt. But we are encouraged by what we've seen there. And then more broadly, we talk about this idea of walk up, i.e., customers who are walking to the station and buying then and there; we think there's still a real opportunity for us to really share in that particular market so that's an area that we'll be pushing in the U.K.

Miriam Josiah– *Morgan Stanley*
Perfect. Thank you. And then my second question just on the margins. So obviously, the first half margins sort of tracking slightly below the guidance. If you could just talk a bit more about sort of what gives you confidence in that second half recovery, I guess sort of linked to the previous question on marketing spend.

Pete Wood – *Trainline – Chief Financial Officer*
Yeah, so we have some seasonality in our business, particularly where it relates to foreign travel and we've invested behind that, as Jody outlined, in a variety of ways to nurture that growth. And this is a good opportunity for net ticket sales growth and it's at a higher monetization which has its benefits as well. And of course that's more seasonally driven by the summer months in Europe and therefore in H1. So, as it plays out into H2, I'm not expecting to see such a significant marketing investment in that area. And that's what really gives me really good confidence as we've increased guidance towards the top end, that we are going to hit the full year metrics that we laid out today.

Miriam Josiah– *Morgan Stanley*
Perfect. Thank you.

Operator:
Our next question comes from James Lockyer from Peel Hunt. Please go ahead.

James Lockyer– *Peel Hunt*
Good morning. Thank you for taking my questions. Three from me, please. Firstly, just on slide 30, where you talk about the market shares across the different routes. I wonder if you could talk about some of the nuances there. Your share, for example, in Barcelona, Valencia is the same. Yet, Barcelona has been liberalised for more months than Valencia. Is there is a reason why Valencia got there quicker? If you could just understand some of the nuances and correlations between your share and the numbers, the liberalisation and the numbers of trains liberalised on that route.

And the second question, I wonder if you could talk a bit more around the acquisition you made in the period. Understand that it's geo location software business, it would be good to understand where that fits into your pipeline. And then final question around - it's good to see you're starting to support local payment methods and our fintech team always talk about how that helps reduce friction for customer acquisition. I was wondering if you could talk a bit more about your payment strategy there, how you're going to be supporting more local payments like you do in Italy and how that should improve conversions by reducing failures. Thanks.

Jody Ford – *Trainline– Chief Executive Officer*
James, thanks for the questions. I'll pick the first one up and then handover over to Pete on the second two. So, yeah, with regards to slide 30 and our relative share in the various routes in the high speed routes in Spain, this is really, as you say, a function of the maturity of the route in some of these – the smaller routes are, obviously, are being liberalized for a small number of months. I think to answer specifically your question as it relates to Barcelona versus Valencia from Madrid. I think that chart on the left-hand slide that shows the percentage share of new entrants is helpful here, and our share is significantly higher, for example, on Iryo and Ouigo than it would be on Renfe, because Renfe is the incumbent and people have been using that App and have been doing that for a period of time. As they look elsewhere and decide they might want to try one of these alternative services because of very compelling price points at which they're at, they are more likely to use Trainline and come to us there and therefore Valencia has seen an overindex, its more aggressive and actually a very large share, you can see there almost two thirds of the share of that route is now on new challenger brands on that route. I really think it's an index or a function of that mix effect playing through there.

But what I would say is we are seeing this -- I mean it's great because we actually have pretty good market data in Spain the same way we do in the U.K. We're able to track this in a way that we aren't in some of the other markets. We're seeing that number, that 11%, move up pretty nicely and solidly and we aspire to bring that number higher in the coming months. With that, I'll pass over to Pete to talk through Signal Box.

Pete Wood – *Trainline – Chief Financial Officer*
Great. Thanks, Jody. So, yes, our Signal Box acquisition was a relatively small acquisition that we made, but this really was on the back of identifying best in class rail geolocation software and capabilities that are being developed. And at the heart of that, being able to identify what train someone is on is far more challenging than you might imagine. I don't know, a particularly busy area, like Clapham Junction, where there are a number of trains moving in parallel or in opposite directions, it can really get quite complex. And as we looked at this opportunity and developed a relationship with Toby, who's the founder, we recognized that the opportunity to buy here rather than to build out the capability ourselves was the smart decision. We've been delighted to invite Toby, the founder, into our family as an employee.

There are a number of exciting opportunities that lie ahead of us with regards to the technology and principally developing some of our pay as you go R&D that we're doing at the moment. At its heart, requires us to be able to identify where someone is at any point in time. So that's the principle use case that we're working around now. But there are all sorts of other opportunities that might lie ahead where it comes to knowing what train someone is on. They might relate to fraud or to delay repay. So there's all sorts of opportunity that lies ahead. And we're really pleased with this acquisition.

Jody Ford – *Trainline– Chief Executive Officer*
And just to build a little bit further on this because it seems like a good place to talk about it. Supporting the customer on the journey is core to what we do. It allows us to do things like when you have to pass information to the transport police to know exactly the location of the customer, for example.
And then I pick up on the final question on local payment options. So, yes, Satispay particular strong Italian payment option. We will continue to look at other payment options. I think in most of the other markets we feel like we've got all of the principle covered. It's not like there's a line of five or six more that we are needing to integrate, but of course, as we enter new markets or look at new markets, we'll look at payment players that have a significant share we'll, of course, continue to integrate.

James Lockyer– *Peel Hunt*
Thank you so much.

Operator:
Our next question comes from Katie Cousins from Shore Capital. Please go ahead.

Katie Cousins- *Shore Capital*
Thanks. Morning, guys. Just looking for your thoughts around France's plans to launch a 49 rail pass similar to the Deutsche ticket and what the threats could be in that, appreciate it's a lower priority region, but what's was the threat of that expanded elsewhere into other European countries? Thank you.

Jody Ford – *Trainline– Chief Executive Officer*
Sure. Just to review the backstory here from the German, as you say, Deutschland ticket. So this is the €49 ticket that launched following the €9 ticket that was pretty successful in Germany through the summer. They then launched the €49 ticket. I think the reality of that ticket is that it's been used pretty widely. It's got a large adoption and it's very much in line with the environmental lobby within Germany and tends to be used by commuters who are effectively getting a fairly significant discount on their commute into the very large German cities. And then that's being picked up and at the senior levels in the French political and rail establishment, they've talked about something similar, whether it would be a €49 ticket or another price point with some kind of subscription like regional. I think that's quite critical, regional and potentially intra-city but not high-speed ticket which I think the aspiration is to launch that by the summer.

Now we took the decision in Germany not to launch the €49 ticket because Germany is, a market we have continued to de-prioritise, while awaiting a sensible commission level in that market. It would be very different in France, really because we, as you know, have a good base of French customers and we think this would be a real opportunity for us. It clearly does create some risk around the regional tickets that we sell there already. But we think equally there's real opportunity there because we think we'd be able to retail these well, we could integrate it within our app and there's opportunity to win new customers and create a customer acquisition strategy for ultimately high speed, which is, as you know, is really where we make the lion's share of profits and revenue in the markets that we operate in. We are connected and in touch with the French authorities. I think, as it stands at the moment, it's not a clearly defined proposition. There's quite a lot of work for the French authorities do, but we are in conversations around that and as that comes to pass, we will engage and let the others know what we're doing.

Katie Cousins- *Shore Capital*
Thank you.

Operator:
Our next question is from Gareth Davies from Numis. Please go ahead.

Gareth Davies– *Numis*
Yeah. Hi, morning, guys. A couple from me. The first one, can you talk a little bit around competition in Europe? I mean at the time of IPO, you know, Omio was the only real notable player beyond the incumbents. I'm just wondering, have you seen any change in the competitive landscape as you're having success in markets like Italy and Spain, either at a local level or across Europe? And then the second one, in terms of, it's feeling ever more likely we're going to get a Labor government. Can you just talk through from your perspective, is there anything you can proactively do to help smooth the transition to a new government, if that is how it plays out? Just your thoughts there and how you're working with the Labour Party. Thank you.

Jody Ford *– Trainline– Chief Executive Officer*
Sure. Starting with the first on competition in Europe, I would say in any of those European markets, our principal competition is still the incumbent carrier, which, as you know, would be SNCF in France or Trenitalia in Italy and so forth. In terms of the apps they have developed. And helping customers make the call to make the change and try something new and ultimately see the value in the UX that Trainline offers and aggregation together, whether it's two or three or four different services, is a very compelling use case for doing that. And that's the reason we're seeing the strong growth and success in Italy and indeed in Spain. When we look elsewhere, there really is no other player that we look at with any degree of concern in terms of a share is anywhere close to the share we have, we'd be able to be on the front foot, invest heavily in marketing, as you know, in products and the UX, and then be able to integrate all of the different players. So we really believe that's our competitive position in Europe.

As it relates to a Labor Government, obviously, I don't want to speculate too much about where that might go. How should think about this? We are, of course, engaged with members of all parties as it relates to rail.

I think at the moment, in the more period of, let's call it headlines rather than policy, but I do think Labor now is taking the time to engage around rail and we're obviously engaged with them around that, and over the coming months, we will see more from them. And I think the as it relates to what we are hearing and just seeing, I think the things that are encouraging is there is a real focus on customer and a desire to make sure whatever comes out in rail works for the customer, which is something we'd obviously be very aligned with. And I think the other thing which we found very helpful is actually a kind of openness around the open access plans such as Lumo and Hull Trains and Grand Union. And I think that's encouraging.

As you know, there's been an approval for Grand Union to go out from London to Bristol and ultimately Cardiff. And we think this is a really encouraging trend more broadly. And now with the Evolyn, the proposed plan of London to Paris, where we see more competition coming through. And from what we hear, early days, but the Labour Government seems to be supportive of that and we think that's a really good thing. And obviously that means that the customer will be helped to find the best prices.

And then look more broadly, how do we think about this, whatever government it is? We think over the last three years we've established a series of principles and sort of tested them around this idea of principles of a level playing field and ensuring fair competition as it relates to retail. And we feel really good about those and that's how we operate. And I think both parties, whenever we hear them talk, they really focus on the actual rail carriers themselves rather than retail. And in government most times we speak to these politicians, they are trainline users or certainly that family are and they understand the benefits and they get it.

Gareth Davies– *Numis*
Thank you very much. And just one other one. You talked about the extension of white label contracts, are there any kind of new tenders of note that are out there or anything you can raise in terms of new business?

Jody Ford – *Trainline– Chief Executive Officer*
We're entering a new phase. I think we do expect to see more tendering, re-tendering of contracts to our white label, just broadly some of the ones that we have and some of the ones that we don't have. But I think this just reflects a freeing up, an unlock post covid, that the new establishment of the new franchises and the TOCs beginning to look over the next six months, maybe the next three years or seven years, depending on the contract. So while there’s no specifics I’ll share today, I do think that we're going to see more tenders out there in the coming 12 months.

Gareth Davies– *Numis*
Fantastic. Thank you.

Operator:
Our next question is from Andrew Ross at Barclays. Please go ahead.

Andrew Ross– *Barclays*
Great, I've got a few more left. There have already been a lot of good ones. So this one is about Trainline Solutions. I was wondering if you could give us a bit more colour in terms of the different things that comprise within that. A sense of where the business piece is getting to what's going on, in the white label piece and what could be quite impressive growth in international. But if you could give us any more colour in terms of the mix, that would be quite helpful. And then the second one is to follow up on James's question, on slide thirty, on your share in some of those newer roots in Spain, which is a very helpful slide, so thank you. It sounds as if the 11 percent you're in the most mature lines is continuing to increase. Can you give us a sense of whether the curve is now starting to flatten out or is it still linear? And what can you give us to help us think about what kind of share could ultimately get to, like how you're thinking about that? When we try to size how big the opportunity could be for you at the time. Thank you.

Jody Ford *– Trainline– Chief Executive Officer*
Andrew, why don't I start with that last one, and then we'll pick up on Trainline Solutions. So, look, I say that growth is linear. We don't see any flattening out any time soon. In terms of, I think the way I think about modelling, of those challenger brands, with many of them, if I can take a European view, rather than just Spain, we would be 20, 25, potentially 30 percent, sometimes 30 percent north of the tickets that they are selling would be sold by Trainline. And so, I think that gives you a sense of the opportunity and our aspiration. And what we've seen on those routes that have been around longer across Europe is that as customers try it out on the new Challenger brands, they then use it on the incumbent, but that process takes time to work through. So over time, it checks up on both sides and so when you talk about aspirations the way I talked with the teams, I want to be in a position where we're north of 20 percent share. And when we get there, we'll no doubt raise our eyes and look to be doing something higher than that. But that's the goal we have for ourselves at the moment. And obviously, the other three routes you see here continue to grow and more importantly, this still reflects Q2 data but as we see more come through, you will see Alicante, Seville and Malaga continue to grow as well. And then it relates to Trainline solutions. I'll let Pete pick up on the high-level themes that we're seeing there.

Pete Wood – *Trainline – Chief Financial Officer*
Yes, thank you. So look we've had a really good result in H1, with net ticket sales up 38 percent and this was somewhat inflated from a lower base. But it's a good performance and Jody's outlined what's happening in the white label part of the market, we've had extension on some of those contracts and that gives us some good visibility ahead. And we do expect that to mean some tenders emerging which will play out for the years beyond that. And then the part that we haven't spoken too much about is the business travel and we've seen business travel recover to around the 45 percent level of pre-COVID sales. I think this is relatively normalized at this point. I'm not expecting it to take a further step up by leaps and bounds. That said, we do see the tailwind for this part of the business, particularly as carbon reporting becomes more prevalent and companies are going to need to think about how people are moving around, how their employees are moving around. And so that shift from flight and onto rail, it's likely to persist over that in the next decade or so. And with that in mind, we're seeing opportunities to leverage our global API and start to see revenues flow from travel management companies who are looking to put rail into the portfolio and take advantage of some of these tailwinds that exist. And we're having some good conversations about how we expand into Europe. We already have a strong set of relationships in the UK and those conversations are progressing well. The tech takes a bit of time to implement so the way I think about that is that it is a slow burn opportunity for us, and we will continue to see the benefits of that over the next three years or so.

Andrew Ross– *Barclays*
That's it, thank you.

Operator:
Our next question is from Ciaran Donnelly from Berenberg. Please go ahead.

Ciaran Donnelly – *Berenberg*
Thanks, guys, and thanks for taking the questions. A few left from me. One, can you just give us a sense of, I guess, the enhanced monetization in the U.K. Consumer business? If we think in old money of five and three getting to 8% take rate, could we see take rate in the 9% range in the future as they mature? Secondly, just on the U.K., can you talk about pay as you go and any developments on that side? And then on International Consumer, one can you just clarify that you don't see any reason why over the longer term take rates in the International Consumer business couldn't reflect the U.K. consumer business? And then finally, on International Consumer, on the liberalised routes, do you tend to see volume goes up as they liberalise? Thanks.

Jody Ford – *Trainline– Chief Executive Officer*
Sure. I'll pick up two and four and pass onto Pete on the monetization question. So, firstly, U.K. pay as you go development. This is a space we talked about before and we talked about the overall expansion in the U.K., which is taking the London pass

and go zone and expanding it out to Cambridge, Bedford, and round and down to Brighton and the first phase of that will go live in the next couple of months, which we said amounted to £150 million in [net ticket] sales [at risk]. I think as we've noted before, while this can work for commuters coming into London, it's not good if you're traveling with a family. It doesn't really support railcards and it gives you a pretty weak sense of control of that spend. And if you take somewhere like Cambridge, we're up to a £50 return where you're tapping in and tapping out. And actually on many of these further routes increasingly there is further chance that something like SplitSave or advance purchase would be better and cheaper if you were buying on Trainline. Then I think, in terms of development, I think this pay as you go idea of more of an app-based system is something we said we were researching and moving into development, actually just in the last week or so, we've now moved to a very small trial around pay as you go, allowing us to actually use some of the location technology Pete mentioned earlier, allowing us to sort of track you as you open it on your app and tell you, well, how much would that cost? And then as you get off the train it will automatically know what the cost might be and we think a potential technology for the future. I think the government has previously talked about rolling out pay as you go more broadly, we think this is one of the technologies that could offer an answer and we've been investing to work through on that. I do think it is more like a 3-to-5-year thing than anything that's going to jump out next year. And I'd say when we look across to Europe, we do see some trials going on there as well. SNCF has one in Nouvelle-Aquitaine and there are also some trials going on in Germany. So we think it's a potential, I would say, specifically regional type solution that we want to investigate and continue to invest in going forward.

And if I pick up question four there as it relates to liberalised routes, absolutely we see volumes increase. And I think there's a very sort of test cases, many of them kind of live right now, it's not crazy thinking about volumes in the sort of 30, 40%. And ultimately they cannibalise roads and there it depends on the route and Madrid – Barcelona is a route where there's a lot of people using it because they perceive it to be better value. And that's now moving to, and coach actually, moving to rail. Equally, there's been business customers who've wanted to use air, but now even the speed of high speed, and the competition and frequency of service, they've chosen to move to rail. And I would expect that, for example, if you see competition on London to Paris, I'd expect there to be more frequency of service and lower prices and therefore you'll see more cannibalization of that route. And we would be really encouraged to see more routes open up to competition in the U.K. with the right political support and Pete I'll pass to you on the question of monetization.

Pete Wood – *Trainline – Chief Financial Officer*
Yes. So your first question about monetization in the U.K. and you referenced that the 3% and 5%, if you like, and the five, as I said, will drop to four and a half in 18 months' time, and there'll be some cost forgiveness for the full impact won't drop to EBITDA. And then really what remains is around what we do is the three and we

have seen natural headwinds with the three where we are seeing stronger growth for on-the-day where the monetization is harder, and then we have the tailwinds where we have opportunity to nurture new revenue streams. And then net of all of that, you are asking the question here, can we get to 9% take rate? And the way I think about this is we're still focused on growth and net ticket sales principally and there's still good opportunity here based in the headroom that we see with etickets. And as Jody outlined earlier, more pervasively with the commute and with season tickets. That's the fundamental driver of revenue and so we will nurture these opportunities from a take rate perspective. But in short I don't expect to reach a level of 9 percent in the next 1 to 2 years.

And then you asked the question about how international take rate might unfold and how that relates to the U.K., and you've got a similar answer here. So again, we're mostly focused on driving growth and net ticket sales. And of course, to some extent, certain monetization streams could get in the way of the marketing investments that we make and we're very conscious of not wanting to dilute those efforts at the wrong moment. And so, we're mindfully introducing new revenue streams in that space and some of them are working well, and we talked about Booking.com and the relationship we have there and that has been additive to the revenue mix without having a material impact on the net ticket sales price. These are great examples and as we discover more of those, you can expect us to chase that. But principally we're focused on that ticket sales and over the longer run we do expect the take rate to increase over time, but we will do that mindfully and balancing this with growth.

Jody Ford *– Trainline– Chief Executive Officer*
Thanks Pete, and I think we've run up to time there. We thank you very much for the questions. As Pete and I have said, we have delivered a strong financial performance in the first half of the year and we've tightened our guidance range for the remainder of the year. We're making significant progress against our strategic priorities both in the U.K. and international, and we remain fully positive and energized about the growth opportunity ahead. Thank you.

[end of transcript]