

Eversholt Rail

Investor Presentation

2nd December 2019



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Executive summary

- 2015-2018 characterised by investment to grow balance sheet
- General election result and Williams Review should set the industry's direction of travel over the medium term
- Business focused on long-term value while addressing strategic challenges and opportunities
- Contracted new build programmes coming to a very successful conclusion: C802 fleet fully delivered, C397 in advanced state of delivery and C195/C331 fleets progressing well
- Management effort shifting to maximising opportunities for fleets with leases expiring in the near future and exploring attractiveness of alternative growth opportunities



Strategic context



Strategy

Great Trains, Great People, Great Future

Vision

To be recognised as the expert provider of transport asset financing and asset management for the long term

Two strands to our strategy:

1

Optimise our current portfolio through maximising asset utilisation and investing to enhance residual value (RV)

2

Developing opportunities for further growth in transport sector

Maintain investment discipline: we will continue to be selective in choosing growth opportunities ensuring that they are the right assets for our portfolio

Great Trains



C802 all units in service

Great People



Company offsite

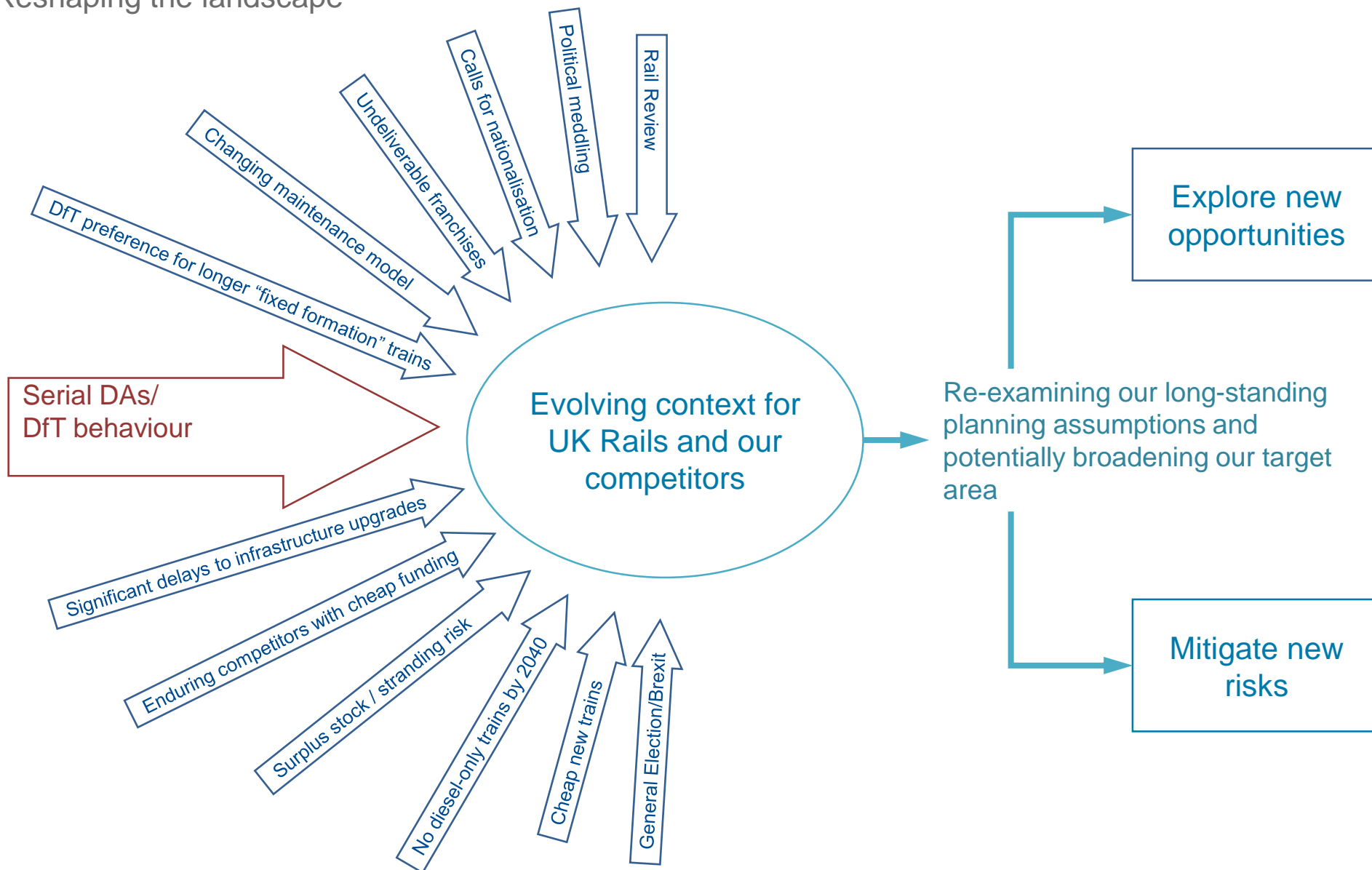
Great Future



C397 in service 2019

2019 – pressures across the rail industry

Reshaping the landscape

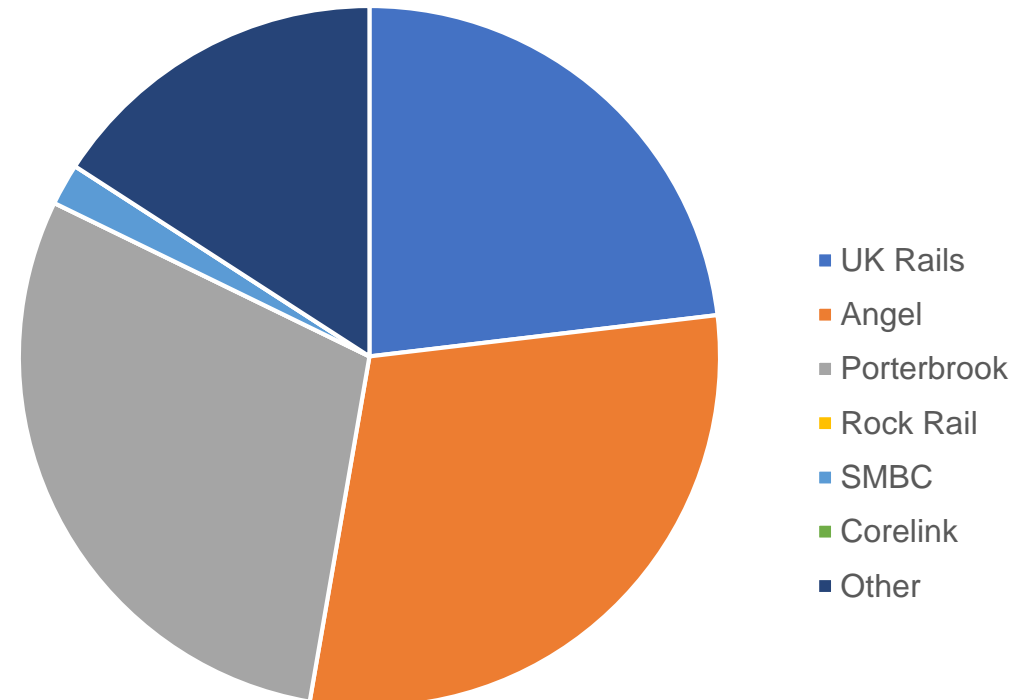


New build opportunities

Robust future demand for the sector

- UK passenger fleet market continues to grow
- Almost 8,000 new vehicles on order that will satisfy immediate capacity need and allow replacement of older fleets
- 3,500-4,000 further new vehicles could be ordered by 2025
- Significant number of vehicles will reach the end of their economic lives over the next five years; all owned by traditional ROSCOs
- Sustainability of new financiers' models once operational and equity return challenges come to the fore?

2019 Market Share

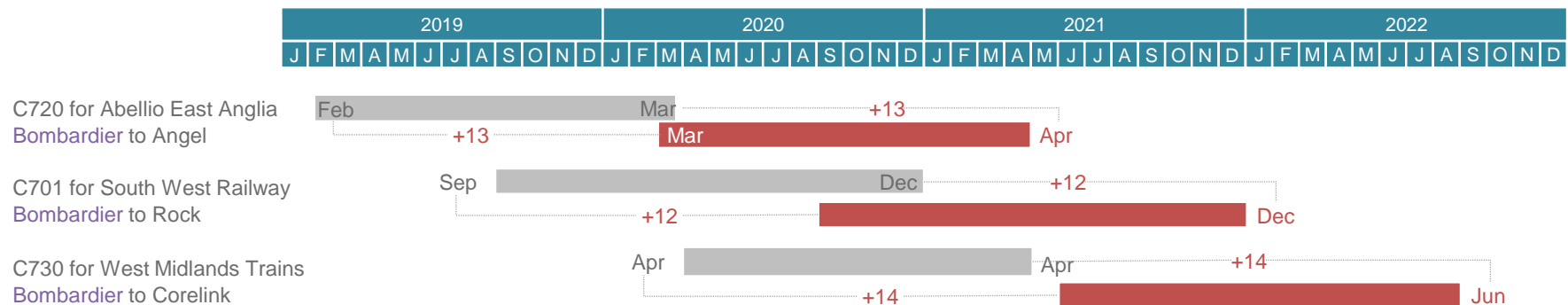
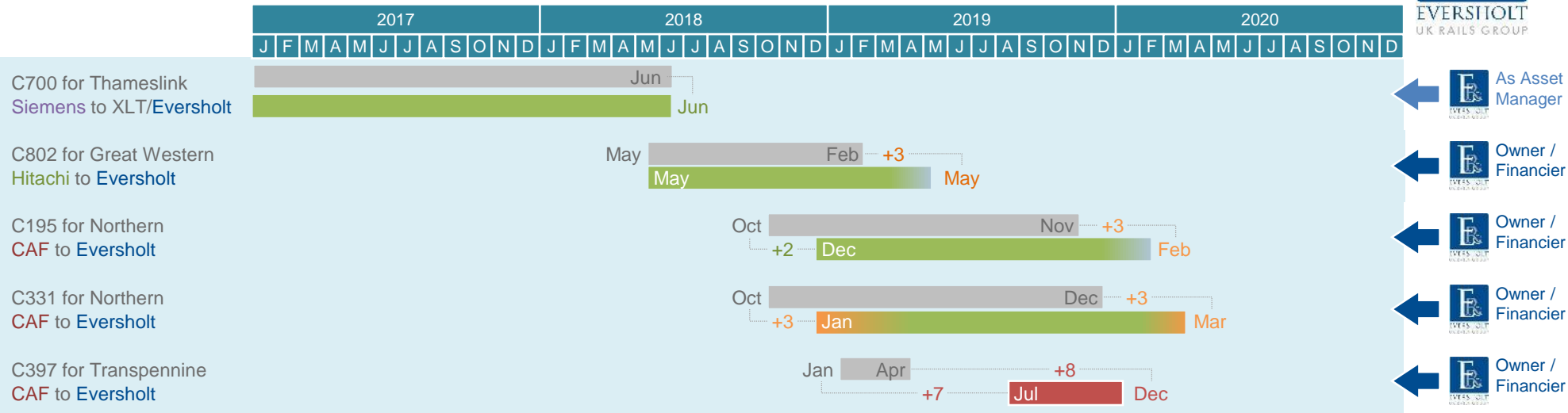


Industry-wide new fleet delivery

Our delivery performance is looking even better now compared to the industry norm



EVERSHOLT
UK RAILS GROUP



Key:

0 to 2 months' delay

3 to 4 months' delay

More than 5 months' delay



Refranchising, opportunities and challenges



Industry changes

DfT Rail franchising programme

Williams Review

Review still expected to be published this year, will bring clarity to the medium term

Since last year, the DfT have:

- Awarded

Franchise name	Franchise terms	What it means for Eversholt Rail
East Midlands to Abellio	Started operations in August for an 8 year franchise terminating in August 2027, with a possible 2 year extension option	We secured the C222 fleet on the franchise until December 2022
West Coast Partnership to consortium of First Group and Trenitalia	The franchise is longer than usual (11 years) from December 2019 to March 2031, with a break point of March 2026 to de-risk the introduction of HS2	We have no incumbent rolling stock on this franchise and the new build procurement has yet to be announced

- Cancelled

Franchise name	Franchise terms	What it means for Eversholt Rail
South Eastern	Replaced with a Direct Award (DA) which expires in 2020	Secures our C375, C376, C395 and C465 fleets until then. Discussions are ongoing with the operator regarding fleet options after the current lease expires
Cross Country	Extended to October 2020	Discussions are ongoing with the operator regarding fleet options after the current lease expires

Industry changes

Live Franchising

Franchise name	Franchise terms	What it means for Eversholt Rail
East Coast mainline	In July 2019, extended by up to 5 years to 2025	We have IC225 fleet on this franchise until June 2020
South Eastern	DA expires in April 2020	Another DA is expected in order to provide enough time for the DfT to implement the Williams Review and run a new franchise competition
Great Western	DA expires in March 2020	A further DA to at least 2022 is anticipated with a possible 2 year extension
Northern	In October 2019, the Transport Secretary informed MPs that the DfT has requested a RfP from the current operator (Arriva) and the Operator of Last Resort (DfT)	We have C158, C195, C321 and C331 fleets on this franchise

Remarketing initiatives

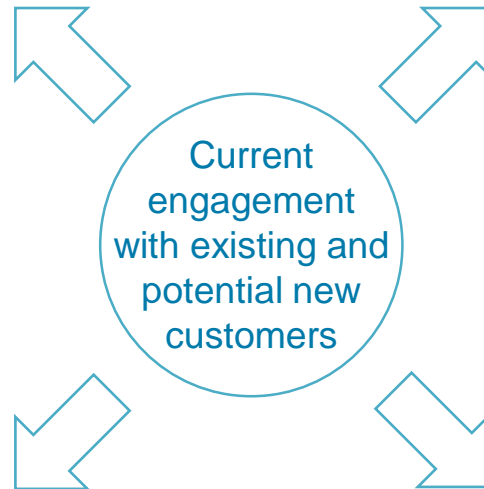
Significant efforts are being made to remarket fleets



Mark IV Intercity Coaching Stock



Class 222 Diesel Electric Multiple Unit



Class 321 Renatus
Electric Multiple Units



Class 376 Electric Multiple Units



New and existing fleet management



New Fleets on Order

Successful delivery of our largest investment programme largely on track

C802

Fleet in service
Final acceptance 2020



- 36 x Hitachi AT300
- 236 vehicles
- Great Western Railway
- Bi-mode (Diesel-Electric) – 'go anywhere' 5 and 9 car
- Built in Japan and Italy

C195

Delivery in progress
Full passenger service Feb 20



- 58 x CAF Civity trains
- 149 vehicles
- Arriva Rail North
- Diesel Multiple Unit made up of 2 and 3 car formation
- Built in Spain (Irun) & Wales

C331

Delivery in progress
Full passenger service Apr 20



- 43 x CAF Civity trains
- 141 vehicles
- Arriva Rail North
- Electric Multiple Units made up of 3 and 4 car formation
- Built in Spain (Zaragoza)

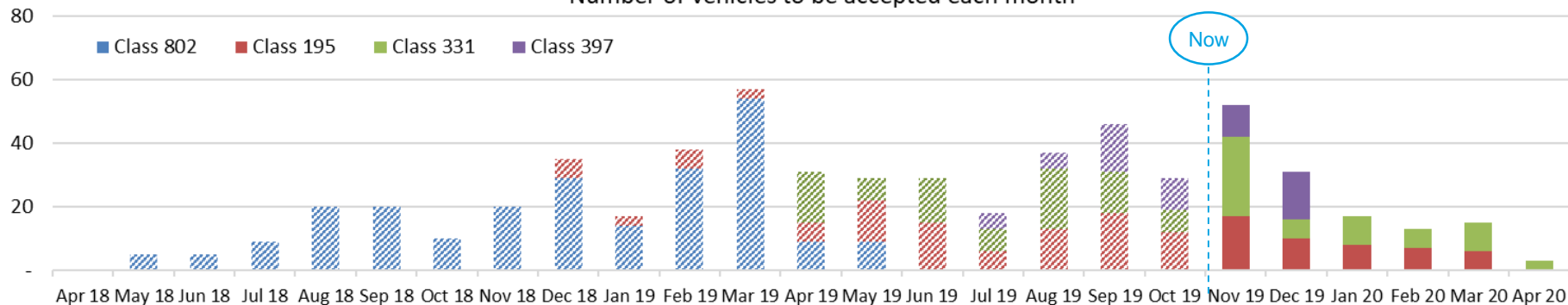
C397

Four accepted
Full passenger service Dec 19



- 12 x CAF Civity trains
- 60 vehicles
- First Trans Pennine Express
- High Speed Electric Multiple Unit 5 car formation
- Built in Spain (Beasain)

Number of vehicles to be accepted each month



Fleet management

Through life management

- Our asset management model uses our in house fleet management, engineering and project management capability
- We have close working relationships with operators and train builders/maintainers
- This enables us to effectively manage our rolling stock assets through life
- Eversholt has in-house expertise in:
 - New fleet build and introduction
 - Upgrade and maintenance
 - Safety management
 - Asset condition and configuration
 - Residual value management



Asset management

UK End of Life

- Prior to scrapping trains Eversholt UK Rails Group actively re-markets them for re-lease or sale
- It should be noted that the forecast reduction of shorter distance Passenger EMUs is the result of a planned disposal programme for life-expired vehicles that commenced in 2018
- These EMUs, all between 38 and 42 years old, are being displaced by new fleet deliveries entering the market





Financial overview



Financial performance

Security group results

Profit and Loss	FY 2017 £m	FY 2018 £m	HY 2018 £m	HY2019 £m
Capital rental income	305.1	309.8	153.1	173.1
Net maintenance income	11.5	24.5	5.7	8
Finance lease income	0.6	0.5	0.3	0.3
Other income	2.4	7.1	1.6	7.9
Total income	319.6	341.9	160.7	189.3
Overheads	(21.0)	(20.5)	(10.5)	(10.9)
	298.6	321.4	150.2	178.4
Profit on disposal				(2.0)
Depreciation	(111.6)	(152.6)	(59.1)	(70.5)
Fair value adjustment	15.6	15.1	9.9	(0.8)
Net interest and finance cost	(152.3)	(150.6)	(73.9)	(79.6)
Impairment of investment		(2.8)		
Profit before tax	50.3	30.5	27.1	25.5
Profit before tax (excl FV adjustment)	34.7	15.4	17.2	26.3
Summary Cash Flow	FY 2017 £m	FY 2018 £m	HY 2018 £m	HY2019 £m
Cash generated by operating activities	313.9	332.4	152.6	153.8
Taxation received/(paid)	(7.3)	0.7	0.7	3.9
Interest received	0.8	2.2	1.1	0.2
Net cash generated by operating activities	307.5	335.3	154.4	158.0
Cash flow from investing activities				
Acquisition of PP&E	(248.4)	(244.3)	(74.1)	(212.3)
Proceeds from sale of PP&E	-	0.0	-	0.2
Investment in short-term bank deposits	(250.0)	220.0	-	(65.1)
Net cash utilised in investing activities	(498.4)	(24.3)	(74.1)	(277.2)
Cash flow from financing activities				
Funds raised	500.0	-	-	75.0
Interest paid on financing activities	(110.2)	(162.0)	(49.5)	(80.6)
Bank loans repaid	(50.0)	-	-	-
Dividends paid	(43.0)	(40.1)	-	(21.0)
Other	(61.7)	(8.8)	2.2	1.9
Net cash (utilised in)/generated by financing activities	235.0	(210.9)	(47.3)	(24.7)
Net movement in cash and cash equivalents	44.0	100.1	33.0	(144.0)
Cash and cash equivalents at the beginning of the year	50.6	94.6	94.6	194.7
Cash and cash equivalents at the end of the year	94.6	194.7	127.6	50.8

Key debt facilities

Well diversified funding sources, no significant debt maturity concentrations

Existing financing

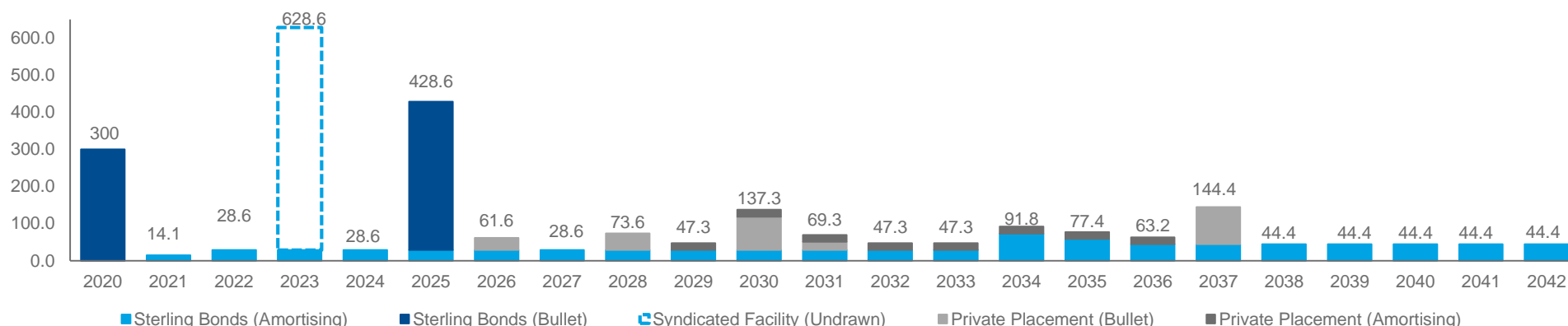
Year ended	Jun 2019 £m	Dec 2018 £m	Dec 2017 £m
£600m 4y RCF Nov 23	75	-	-
Bond A £300m 5.831% (2020)	300	300	300
Bond B £400m 6.359% (2025)	400	400	400
Bond C £400m 6.697% (amt. 2021 – 2035)	400	400	400
Bond D £400m 3.529% (amt. 2034 – 2042)	400	400	400
Private notes (amt. 2026 – 2037)	440	440	440
Total Drawn Senior debt	2,015	1,940	1,940

The group's bonds are rated Baa2 by Moody's and BBB+ by Fitch;

RCF provides sufficient liquidity to fund remaining capex until 2020.

= No immediate funding requirement

Senior debt maturity profile (£ millions)



Source: Eversholt Rail



Conclusion



Conclusion - The next five years

Making the right choices for the longer term

- Re-organising to face the new market place and capitalise on a wider range of growth opportunities
- Develop further ways to enhance our existing fleets to meet new quality standards and compete with new trains
- Optimise our balance sheet while low debt rates continue to be available
- Maximise short-term income from surplus stock through targeted investment where new opportunities emerge and be decisive with disposals
- Explore other transport and rail related opportunities





Q&A



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